

Mr. TOBIN. That is certainly correct. I think we should do it on both sides. We should be helping on the supply side by training.

Chairman PROXMIRE. That is right. When you look at the budget, the cost of this kind of a program, manpower training is an infinitesimal part of the budget. For a fraction of the saving we could make in the space program alone, we could vastly step up that manpower training program.

Mr. TOBIN. But on the whole I think it is better to have the training done by employers than by the Government.

Chairman PROXMIRE. Yes, indeed.

Mr. TOBIN. And to the extent that we can arrange a tight enough labor market to give them incentives to do so, I think that that is very desirable.

But we do have to worry about what the price and wage consequences of tighter labor markets are, and although I think we overdo our concern about creeping inflation, nevertheless I don't think we can ignore that, and so that is why I would be cautious in pushing our target rate of unemployment down. But I think we ought to keep doing it.

Chairman PROXMIRE. Here is why I come back constantly to challenge you expert economists to come up with any indication that an increase in demand now under present circumstances, with the kind of slack we have in so many segments of our economy would necessarily push up prices very much.

There is no question in my mind that increase in demand will not push up food prices. There are other elements that contribute to that. We certainly don't have pressure on demand for automobiles. We don't have pressure on demand for houses. We don't have pressure on demand for appliances. We don't have pressure on demand in so many of these areas.

Our industrial plant has been growing at a tremendous rate. Our work force is not only going to increase but it is a flexible work force that can expand to meet demands.

I just think that we have approached this macroeconomics in such a way that we are frozen with the notion because we had some inflation last year, which on the basis of every analysis I have seen is not very closely related to demand, there were other factors which were more significant in explaining it, somehow if we get below 4 percent unemployment this year, we are going to have more inflation.

Mr. TOBIN. For this year I think we are going to have more inflation pretty much regardless of what happens on the demand side.

Chairman PROXMIRE. Cost-push inflation.

Mr. TOBIN. Well, in a sense, cost-push, but in a sense the inheritance of the demand inflation of last winter, too, because some prices follow other prices, and wages follow prices, and so on. But I think that the actual degree of inflation we have in 1967 may not be very sensitive to alternative degrees of demand pressure. But I do think that the general tightness of demand on capacity and on the labor force has something to do with the rate of inflation. Now whether you call it cost-push or demand-pull, that is an overrated distinction.

Chairman PROXMIRE. You can call it cost-push for another reason. You can call it cost-push because we have 3.1 million workers whose contracts come up for renewal, including militant groups in the auto