

4 percent growth? If you got that, that would be all right, but we are not going to get it?

Mr. SPRINKEL. No, sir. I think we should have greater demand, but I am saying that to drive us down to 3 percent unemployment would take a lot greater demand, such as we had for awhile in early 1966 and late 1965, and that this would be bought only at the expense of very sizable inflation, given the current flexibilities in the labor market.

I certainly think we need more demand at the moment. The economy is weak.

Chairman PROXMIRE. You say this would be bought with considerable inflation in view of the labor market. Why do you say that? What in the labor market particularly, if you have 3 percent unemployment, leads you right now to think you are going to have inflation? You didn't have it in 1953 when it was 2.9 percent. What is it in the labor market now that would suggest to you that with that we are going to necessarily get inflation?

Mr. SPRINKEL. The last two chances we have had to test this idea; namely, 1957 and again late 1965—early 1966—

Chairman PROXMIRE. That was a food inflation very largely, and also an inflation because of the rise in mortgage interest rates which accounted for a third in the whole rise in services.

Mr. SPRINKEL. The first index that went up was food. That doesn't mean food caused it. Most price indexes went up substantially. I have nothing against getting down to 3 percent unemployment. I wish we could, but the last two times we tried it we have incited serious inflationary pressures, which suggests to me that the structural unemployment in this economy is such, even though we are working on it, that we can't substantially reduce unemployment below 4 percent without serious inflation, and that doesn't mean we shouldn't have more demand today. We are going to have not 4 percent unemployment; we are going to have considerably more than 4 percent unemployment if demand continues to weaken.

The 1 point drop in the Federal Reserve index in my opinion was only the first, not the last drop.

Chairman PROXMIRE. Dr. Madden?

Mr. MADDEN. I would like to concur with Dr. Sprinkel's views here, including the desire and hope to get unemployment below 4 percent, possibly below 3 percent, but we have very severe institutional restrictions which prevent this from happening, as Mr. Goldwater testified in answer to some questions about incentives to business for training.

Chairman PROXMIRE. Goldwater or Goldfinger?

Mr. MADDEN. Goldfinger, pardon me—not far from the mark.

[Laughter.]

Chairman PROXMIRE. That would be quite a broad consensus.

Mr. GOLDFINGER. That sure would be.

Mr. MADDEN. Excuse me, Mr. Goldfinger.

The second point I would like to make here is to refer, Senator Proxmire, to this report of the Task Force on Economic Growth and Opportunity on the Disadvantaged Poor, Education, and Employment. There we do propose incentives to business for training workers. We propose contracting out. We propose another look at vocational education. I don't know whether the Joint Economic Com-