Mr. TOBIN. It is more difficult to do something about poverty in a situation in which the general economy has 4.5 percent unemployment than it is today when the general economy has 3.5 percent unemployment. So the more you try to stop the inflation by deflationary or disinflationary fiscal or monetary measures, the tougher you make the job of the relief of poverty and of providing opportunities for people at the low end of the job lines and so on. That is true.

What I meant to say is this: Suppose that the wisdom of the Congress chooses some compromise between unemployment and inflation. You decide you want to aim at 3.5 percent unemployment or 4 percent. Whatever you decide, you can then accompany that decision with whatever degree of income maintenance program, properly financed, Congress thinks appropriate.

Senator PROXMIRE. Yes, I think you have made yourself quite clear. I think you can do it. As I say, the question is how high are your taxes going to have to be? You also have the nagging question that the Kerner Commission raises when they say we have to create a million private sector and a million public sector jobs. If you do that, I am still worried about how you can do that without having a tax that will eliminate jobs in some other sector and the jobs that you eliminate are likely to be the jobs for the same people, the same kind of people who need the jobs, need them the most.

As I understand it, if we had an elimination of another million jobs, the people who would lose their jobs are the last hired, first fired—the Negroes, the least skilled, the marginal workers, the people who are poor generally. Dr. Garth Mangum said the other day, the poor have always been our price stabilizers. They should not be. The purpose here is to develop a system where they will not be. But I think to say, well, all you have to do is have a little different tax adjustment here to solve it does not really meet the dimensions of the problem. I think it is awfully big.

Mr. TOBIN. If I thought the present proposals on tax surcharge and economy of government expenditures were going to make the unemployment rate 4.5 percent next year, I would not be for them.

Senator PROXMIRE. You were against them for a while.

Mr. TOBIN. I would be against a dose of that magnitude right now. I would be in favor of the increase in taxes by itself, provided we also have an understanding that in case of need, perhaps the excessive deflationary effects of the tax increase would be offset by the easing of monetary policy. I think that would be a better mix of policy. But I am not in favor of aiming at a much higher rate of unemployment than we have now.

Senator PROXMIRE. We had testimony by Dr. Thurow that every economic model he has seen shows that if you crank in the official actions being taken by the House right now into the model, it shows a recession in 1969. Dr. Gerhard Colm said that he though it would raise unemployment between 4 and 4.5 percent.

I would like to ask Dr. Miller to comment.

Mr. MILLER. I fundamentally agree with the point you are taking here. I think with this complex set of objectives that we have now, we have to move to much more selective sets of policies than we have had in the past. I think this is really what the debate is between the two of you, to what extent you rely upon typical aggregate measures