Mr. TOBIN. Women and so on. When we talk about going from 3.5 percent down to 3 percent, and the reason we hesitate to do that just by cranking in more generalized purchasing power, is that it would create inflationary pressures. It would do so by increasing demand for labor all across the board, increasing the demand for skilled workers, machinists, electricians, physicists, economists, even——

Senator PROXMIRE. Especially.

Mr. TOBIN. All at the same time, and since they are already scarce in the labor market, additional demand for them creates inflationary pressure. If we could get down from 3.5 percent to 3 percent by specifically employing the people whose unemployment rates are excessively high and who could be, presumably, employed without putting upward pressure on wage rates, then we could move from 3.5 percent to 3 percent in a manner that no one could have objection to, because it would not create additional inflationary pressure.

Senator PROXMIRE. Let me agree on the structural problem of trying to provide training for people who are either now unemployable or their employment is scarce—this I think we can all agree on and we should work much more extensively than we have in the past. This is a long term one, though, is it not?

Mr. TOBIN. No, I think it could be a fairly short term one, too. We were talking about government programs to finance additional jobs and income for the poor. Your question, I think, was whether we have to offset the fiscal and economic effects of those programs by sufficient taxes to erase an equivalent number of private jobs. If so, you do not gain anything net, although you perhaps have a more equitable distribution of the jobs that exist. I think the answer to that is you would not have to offset it completely, because the reason you would want to offset expenditures of this kind is to prevent them from adding to inflationary pressure. You would not need to offset them completely, because to the extent that the government expenditures concentrate on pulling the marginal workers who are available in labor surplus into employment, you can afford to let the economy move to a higher level of employment and a lower level of unemployment.

Senator PROXMIRE. I would like to ask you some specific questions, Dr. Tobin, about this. I think this presentation of yours, your booklet, is excellent. It is so hard to write a detailed program of this kind without having people throw all kinds of rocks at it. I know it is the hardest thing in the world; once you get your specific proposal, you subject yourself to all sorts of criticism. I think this is an excellent job. It is exactly what we need, rather than talking about a negative income tax, to set it forth and show its examples, alternatives, and so forth.

But one thing you recommend, as I recollect, to begin with your low schedule, $400 per person per year, up to a $2,700 maximum for an eight-member family, a 40-percent tax rate. You want to work toward the high schedule, but that is the beginning?

Mr. TOBIN. What we really recommend is the high schedule and anything short of that is purely political expediency.

Senator PROXMIRE. You are being very politically expedient, then, because you say the course of action you think best balances these considerations is Federal enactment of plan L—that is low—with a tax rate of 40 percent. "The basic allowances of this plan would then, we hope, be supplemented by individual high-cost-of-living States