

Chairman PATMAN. Thank you, sir.

Senator Douglas?

Senator DOUGLAS. First, I want to compliment all three of the panelists for these very informative and objective analyses.

Consumer expenditures take about 65 percent of the gross national product, gross private domestic investments about 14 percent, Government purchases somewhere around 21 or 22 percent. We have covered two of these fields today. I take it that all three of the witnesses agree that so far as objective measurements are concerned, there is not likely to be any decrease in personal consumption expenditures or private domestic investment. There may, indeed, be an increase.

In the concluding paragraphs of Mr. Katona's paper, he threw in a new argument which I never heard before; namely, since statesmen, politicians, economists, and journalists have been advocating a tax cut, the public is likely to be greatly aggrieved if it does not come. What you are saying is that, though there is no sound economic reason for these positions on the part of a statesman, politician, economist, or journalist, nevertheless, they will so affect public opinion that you have to conform with their faulty analyses.

This, indeed, is a strange argument which I find very difficult to accept.

Mr. KATONA. May I say, Senator, I did not say there is no sound economic argument. I think we all know one, that the 1962 recovery has been sluggish.

Senator DOUGLAS. That is true.

Mr. KATONA. Second, that the rate of growth of our economy since 1958 is nothing to be proud of. So I would say there are certain arguments. The third argument, that the recession is here or is threatening during the next few weeks, does not exist in my opinion according to our data.

Even then one may argue that preventive medicine is perhaps better than to operate when the appendix is about to burst. I leave that up to your judgment. As to the argument that people believe it, we have lots of evidence over the past few years that people's interpretation of what is going on influence their action.

Senator DOUGLAS. But if the interpretations are faulty, then must you conform to the faulty interpretations or try to change the interpretations and to have statesmen, politicians, economists, and journalists less trigger-happy and more restrained in their prescriptions?

Mr. KATONA. Again the word "faulty" is a value judgment which is hard to evaluate. It is not in line with objective indicators, but very often objective indicators don't prove good predictors because of people's notions and interpretations. So I think it is a real factor.

I am not radical regarding the analysis of psychological factors. I think both aspects are of importance. Ability to buy, which will probably continue to rise, is of tremendous importance. But the psychological notions and reactions to the ongoing discussions which emphasize recession and the need of tax cuts should not be forgotten.

Senator DOUGLAS. It is interesting that the argument for tax cuts now seems to be turning from the claim that it is necessary to prevent a recession, to the argument that it is necessary to speed up the rate