of economic growth. In other words, it is turning to a long-time factor.

As I see the situation, the benefit of a tax cut would be to create a deficit which would be met by increased borrowing and the creation of additional monetary purchasing power to buoy up consumers' income to the level of the prices charged by industry. I would like to ask if it would not be a better long-time remedy to try to bring prices down to the level of consumers' income rather than expanding consumers' income to the level of prices?

Mr. KATONA. I do not know of any way to bring prices down.

Senator DOUGLAS. You don't believe in the antitrust policy?

Mr. KATONA. I do.

Chairman PATMAN. Are you seriously insisting that we could roll back prices, Senator?

Senator DOUGLAS. I am saying we should try.

Chairman PATMAN. We tried that during the war.

Senator DOUGLAS. There you had a big expansion of the money supply. If you try to reduce price while expanding the money supply at a rate much faster than the growth in production, the effort is likely to be ineffective.

Mr. KATONA. We have made extensive studies on people's reaction to prices, and people thoroughly dislike inflation and are worried if prices rise out of understandable reason. They also distrust price reductions. What creates consumer confidence is price stability. People get accustomed to prices. After a while they think this is the right price just because it has been in existence for a year or longer. Price stability is perfectly satisfactory in the minds of most American consumers.

Senator DOUGLAS. You see what we are getting into. If you say that an increase in consumer purchasing power is necessary in order to speed up the rate of economic growth—and I agree with this—and then you say we cannot get it through a reduction in prices but only through an expansion in money income to be effected by tax cuts and governmental deficits, you are saying, in effect, that there must be a continuous injection of additional monetary purchasing power into the economy and continuing governmental deficits in order to maintain substantially full employment.

I think we ought to examine that very carefully before we come to that conclusion. This is really the difference between Keynes' 1936 book and his 1929 book on the theory of money. I have always thought the theory of money was basically sound. But the 1936 book, I think, disregarded the fact that the high unemployment in England, which continued ever since 1920, was, in my judgment, primarily due not only to a high interest rate policy of the Bank of England, which was part of it, but also due to the presence of an increasing degree of monopoly, quasi-monopoly, restriction of output, cartels, and so forth, which spread like a fever through British society and in which Keynes, himself, was one of the chief promoters.

If we abandon the effort to get a greater degree of competition in an industry and consequently a greater degree of price reduction, I think we are going to be driven to what you say. But we are going to pay a very heavy price for it. Before we turn to it, I would suggest most seriously that we try the other route.