

Mr. KATONA. May I just say, Senator, on the question of continuous injection, I did not advocate a continuous injection. The people strongly believe that the Government can do something. People look to the Government for a new stimulus, for new trust.

Senator DOUGLAS. Is it possible that the Federal Reserve could do something?

Mr. KATONA. May I just say, first, about taxes, I do believe and there is every indication that millions and millions of Americans would consider a tax reduction as something rosy on the horizon and would get more optimistic and would spend more, not only spending the money they save in taxes, but still more, so that there would be an expansion in the next 12, even 24 months.

Whether later one needs further injections, that is beyond us. I argue for giving now a stimulus to the people, new hope and new thoughts that something is being done to improve the situation and to reduce not only unemployment but the threat of unemployment.

Senator DOUGLAS. I will just make two replies, because my time is almost up. The first is that your study of last year indicated that there were as many people opposed to a tax cut as were in favor of it, and you have not yet made your August study this year. So this is surmise on your part and not sound statistical material.

Second, the first lesson that any military commander must learn—he has two lessons—the first is so that his men do not fire prematurely on the enemy, to hold their fire, as Prescott said at Bunker Hill, until you see the whites of their eyes. The second, which even first sergeants have to learn, and lieutenants and generals have to learn, that you should not commit your reserves too quickly. You should have a reserve so that you don't mistake a diversionary attack for a main attack. I have been rereading Churchill's "Finest Hour." When the Nazis broke through the French line near Sedan and Churchill made his first visit to France and talked with General Gamelin he said, "Where is your strategic reserve?" Gamelin replied, "There is none. When the Germans came through, they went all the way."

So I have felt if you face the possibility of a recession, a tax cut is not the first thing you should do—a reduction in the interest rates is the first step. That has always been classic doctrine until the last 2 or 3 months. If that is not sufficient, and a recession is really on you, then the tax cut.

Senator BUSH. If you faced a recession or you were in a recession, the reduction in interest would come with it, would it not?

Senator DOUGLAS. Yes. I am speaking of a reduction of the interest rate as a preventive measure to stimulate housing. When you stimulate housing, you stimulate building materials, lumber, brick, cement, steel, electrical equipment, and so on. I have taken up more than my time, Mr. Chairman.

Chairman PATMAN. Thank you, Senator Douglas.

Senator Bush?

Senator BUSH. I am glad the Senator did take up more than his time. I think he developed a very interesting line of thought here.

Senator DOUGLAS. The Senator is always a gentleman.

Senator BUSH. I agree with what the Senator said about the tax cut, but I am very dubious about his feeling about interest rates.