some sort of psychological stimulus in the people's mind where they will put up with it, which they will do in periods of war because of the patriotism and everything else? That is certainly not a solution for a peacetime economy.

Mr. ECCLES. No; but you only do it in war after you get to the point where your manpower and goods are in short supply. You continue to run deficits in a war period. It seems to be impossible to finance a war currently out of taxes, even though you put on the very highest taxes you can get. The speed with which the economy moves at that time calls for a very large amount of bank financing to take care of the residual amount of spending that is in excess of the taxes you can collect and the bonds that you can sell to the public. You have a large residual amount left over that must be financed by the banking system.

Therefore, you have a growth in the money supply during a war period greatly in excess of the available supply of goods and labor. Therefore, you put on price control and rationing because a large part of your production is not going into capital or consumer goods for the public. It is being wasted on war.

During the peacetime economy in the depression, the deficit was insufficient to get our productive facilities and manpower operating. We could have a balanced budget and maybe a surplus if our productive facilities and manpower were fully used. I don't say you always have to run a deficit. I think the best way to slow up inflation is through a budgetary surplus as well as tight money. That is the best way to do it.

Certainly it is bad economy when we have a lot of idle men and idle facilities and try to balance the budget.

Representative CURTIS. That is why I say you begged the question. I don't happen to think that is the way you do it. I think there are others.

Mr. ECCLES. I don't know what they are.

Representative CURTIS. I have been in that over a period of years. Much as I would like to engage in that debate, I don't want to at this time. The thing I would like to leave the record open on is this question of the size of the debt.

When our committee examined with the Commission on Money and Credit on this matter, I asked some questions in regard to debt management and whether or not the theory was that we should have a debt for basic reasons, and so on, and got few responses. I think that maybe this committee ought to sometime make a study into the problems of debt management, the economic impact on them, particularly when in your remarks you were referring the size of the debt to the gross national product. I have heard that before, too.

Frankly, I think that is a very dangerous thing to say we are doing all right now because debt in relation to gross national product is only 60 percent of what it was at the end of World War II. I say it for this reason. If we went into a war now, we would need all the resiliency and flexibility possible in this debt because we would have to—just as you say about financing a war—go heavily into deficit financing. To say that our peacetime debt is only 60 percent of the gross national product, a low figure compared to the debt in wartime, is dangerous.

It may be all right. I don't know. But I have never seen an examination into that aspect of the problem of debt management. What