level of concentration than we have in the United States. They were conservative, they pursued policies for the most part of cost plus pricing which, of course, will sound familiar to you.

This is not a question of the fault of individuals, but a matter of historical evolution.

The U.S. manufacturers have in the same way enjoyed until fairly recently a wonderful position. They led the world in some of the most important growing industries, whether it was television or movies or automobiles, and on the basis of this headstart they fell into sluggish ways. I genuinely believe that is true. It is too sweeping a generalization but in too many industries it is true.

That is why I place so much emphasis on the President's proposal with respect to trade. Just as the salvation for England has to be found in exposing themselves to the competition and to the opportunities of the Common Market, so I think this is true of the United States in the 1960's. In many ways, there is such a parallel between our position and theirs: Our balance-of-payments problem, for example, is just like England's in the 1920's.

Senator PROXMIRE. So we open a free world trade area just like the Common Market and including the Common Market and in doing that we tend to a sort of relative deconcentration to a very considerable extent.

This is another of your proposals and, incidentally, I think it is a practical one because I think we are going to pass this bill with some changes but pass it, and this may give us an automatic antimonopoly effect, at least an automatic increase in competition.

I would like to ask you about one other aspect of this that frankly troubles me a lot because I agree very strongly with you gentlemen, except I am concerned about what actually happened to this country in the depression of the thirties when we did turn not toward greater competition but as you said, we turned toward the NRA, and toward price fixing, and I can see why we did it.

It seems to me if you get too much of this competition, I can't say too much, if you get competition of this kind, under some circumstances it can be extraordinarily deflationary, particularly if you develop a situation in which labor unions become quite weak, it can result in wage cutting and as I think Mr. Kahn, you implied in your paper, we are not so sure it could not be worse than it is now.

Mr. KAHN. Yes. I think that is quite true.

If one is talking about a general economywide deflation and decline, I don't think most economists believe that the way to get out of a recession is to let prices and wages fall.

I agree with you completely. But I think we are at a juncture now where we are not talking about a general major depression or recession in which generalized price cutting leading to wage cutting leading to price cutting will just take you down, there is no bottom so far as I know to that kind of spiral.

We are rather at a kind of a critical point where we are growing but not enough.

Senator PROXMIRE. This is a matter of balance really, isn't it?

We can't go all the way either, all the way. If we do go all the way with competition we are likely to get into a situation you can't exactly