tion, and I personally don't agree. I don't see where you can stop inflation that way.

Now, of course, there are ways of stopping inflation, and I will ask you gentlemen if you agree that these two ways of stopping inflation, No. 1, is to increase the reserve requirements of banks, in other words, to dry up to some extent the sources, the volume of funds. If it gets really ruinous and it looks like prices are going up through the roof, the next step is to siphon off the purchasing power, the excess purchasing power through taxes, siphon it off and pay it on the national debt.

In that way you would serve two purposes. You would stop the inflation and at the same time you would help the Government by reducing the cost of servicing the national debt, because cost of the national debt now is approximately about $16 billion, and if you will go back 14 years to the time we kept the interest rates low, and compare it with that, you will find we are paying $8 billion a year too much.

Do you believe we can stop inflation like I suggested, Mr. Suits?

Mr. SUITS. I think that there are a number of combinations of monetary policy and tax policy which could slow down the economy and stop inflation. If we are to operate on the global level without specific controls or specific programs, then one way or another we must reduce the aggregate amount of expenditure. We can do this by reducing the availability of loan funds, or we can reduce the availability of spendable income by removing income from individuals by taxation. Either way we operate on this global level, we are simply going to slow down the economy and buy reduced inflation with more unemployment.

Chairman PATMAN. Why do you say that is more effective than raising the reserve requirements of banks?

Mr. SUITS. Well, the raising the reserve requirements of banks is a mechanism whereby one——

Chairman PATMAN. Or reducing the reserve requirements of banks.

Mr. SUITS. Reducing the reserve requirements of banks would, of course, make the funds available, and would increase the rate of inflation.

Chairman PATMAN. I am talking about expanding 10 to 1 and have 8 to 1 or 6 to 1 or 4 to 1.

Mr. SUITS. Yes.

Chairman PATMAN. That is bound to reduce the volume of the money; isn't it?

Mr. SUITS. Yes, indeed.

Chairman PATMAN. And that would be an effective way, wouldn't it?

Mr. SUITS. Indeed it would.

Chairman PATMAN. The Federal Reserve Board has never seen fit to use that method. Probably the one time was in 1936, when we were paying out four and a half billion dollars to three and a half million veterans. They wanted to do something about what they considered to be run away inflation. They made it so difficult and hard that the country didn't get as much benefit from the payment of that money to every section of our Nation that I felt our country should have. But I have never known them to use it generally, have you?