your taxable income. But if you go to improve yourself by training for a better job, you cannot. Yet the process today is such, if my interpretation of this dynamic economy is right, that if you have a skill, it can become obsolete in 5 years. Formerly, in father's time, you could have a skill that would last you a lifetime. Really, to maintain yourself you have to be in a position of upgrading your skill, retraining constantly, and yet our tax laws work against this process. Third, our tax laws on research and development are out of date and working against economic growth.

You have to tie the actual research and development into a marketed product to get a tax deduction. Yet today pure research which is not tied to a product must be conducted if we are to move forward, and our tax laws work against that. Our tax laws work against equity financing, giving an undue preference to retained earnings and debt financing. We started to reform that in 1954, one step out of three was taken. But even this modest reform was so hit on the head, I would say, in a demagogic fashion, by people who refused to look at the problem, saying we were giving tax cuts to rich people, that we have been hard put to hold the little progress we made, let alone take the next two desirable steps. The purpose of the stock dividend tax credit was to try to relieve the double tax burden on new equity financing of growth on the theory that new equity financing was a more effective way to promote economic growth, than retained earning and debt financing. This reform actually works against the rich investor in favor of the smaller investor and encourages the noninvestor to become an investor.

And then finally I must mention the burdensome taxation we impose on profits which has had a lot of discussion here. This is an out-and-out tax on incentive, the well spring of human progress, economic or otherwise. I simply want to put those matters on the record. So much talk has been spent on economic aggregates that we tend to forget the components where we will find the source of our problems. You call them structural when I refer to them in this way. I think if we would get to work on these structural things which mean little as far as the revenue is concerned, we would move forward. It would mean a great deal to economic growth because we would be removing some of these impediments to economic growth. We would help to match up the unused labor force with the jobs that are going begging. I am convinced there are more jobs going begging today, than there are unemployed, which is traditional, not unusual, in America. In other words, we have a labor shortage. We have not matched the human beings with the jobs that are going begging.

Thank you.

Senator Douglas. There very well may be a tax cut, if not in 1962, in 1963. In connection with that, the chairman asked me to read certain sentences from the report of the commission on money and credit set up by the CED, which certainly is not charged with being a radical commission. These are from pages 134 and 135:

As in the proposal for formula flexibility—

said the commission—

the most appropriate choice for shortrun discretionary changes in taxes is the first-bracket rate of the personal income tax. They are least likely to open