With the indulgence of the chairman and Congressman Curtis, I would like to ask one more question.

Representative CURTIS. Surely. Go right ahead.

Senator PROXMIRE. I know that you and your very fine staff in the Treasury Department are deeply concerned with the very high tax rates we have, as I am, and are anxious to reduce them. And I just feel that the great difficulty in our tax system is that we do have so many exceptions and privileges and deductions and so forth.

And I think you have done a very courageous job and a very helpful job in recommending programs here. That is why I am so deeply concerned about this investment credit, because it seems to me we are opening up an entirely new field of loopholes and while the loss is only $1 billion this year, it can extend in all kind of ways in the future. And once you get it in, it is impossible to get these tax privileges out.

So that I am just wondering if the Treasury has given this aspect of this new request consideration. It is so important to reduce our rates, and so extraordinarily difficult to do so if we do have special privileges and advantages in tax leaks and losses.

Secretary DILLON. Yes. We have given it a great deal of thought, because it was very clear that we were at a competitive disadvantage here in the United States—our industry—with all the competitors in industrial countries elsewhere, in the matter of new investment machinery and equipment. And we felt that as a national priority for balance-of-payments reasons, among others, we had to put our own people on a level of equality with their foreign competitors. This was particularly true with the progress of the world toward freer trade. That is what we are aiming at with the Treasury bill, which is now before the Congress.

The freer the trade we have, the more we have got to be sure that our own corporations are in a fully competitive situation.

Now, there are various ways in which this could be done, all of which would give some form of extra stimulation or extra incentive to new investment.

One of them is the type of thing Mr. Pell suggested, similar to the 5-year rapid amortization certificates used during the Korean war, which allowed the company to write off its old investment in 5 years even though it kept on using the machinery for a much longer time.

It is our feeling that that sort of stimulation costs more than the investment credit. We figured the investment credit would be more helpful to small business, and that it would in every way meet the twin objectives of putting our business in a position equal to its foreign competitors, and at the same time minimize the drain on Government revenues. That is the reason we chose that particular method to recommend.

In view of your particular interest in interest rates, and the effect of interest costs on new investment in corporations trying to develop, I think you would be interested in, and you may recall, a very interesting bit of testimony on this subject that was given before this committee last February and March, when you had your hearings, by Professor Bernstein, who is certainly one of the greatest monetary authorities in the country.