And he pointed out that the effect of the investment credit—he was then talking about 8 percent, because that is what we were talking about at the time—was equivalent, on the new investment, a 10-year investment, to the difference in interest costs on borrowed money of 2 percent—the difference between 5 percent and 3 percent.

So it is a tremendous stimulus, and in that way is much more effective through a moderate change in interest rates. I just cite that as an indication of the stimulus that will be given by this for a relatively small cost.

Senator PROXMIRE. No. 1, the record shows interest rates are not very restraining on business investment, anyway. They are not a very important factor. But they are extremely important in construction; especially home construction.

And No. 2, the main objection I have to the investment credit is that it permits business to depreciate more than 100 percent. I think this is a very important principle.

I know the Finance Committee modified it. That modification, it seems to me, should be double what it is to provide a complete washout at 100 percent. But I am not satisfied, because I think this principle is so important.

The suggestion by Senator Pell I think is much more attractive to me, simply because that principle has not been violated. And to my knowledge, no other country permits a more than 100 percent depreciation.

Now, I may be wrong about that. What countries do?

Secretary DILLON. I think you are. The investment credit principle is in effect in the United Kingdom, and Belgium, and Holland.

Senator PROXMIRE. They permit a writeoff of more than a hundred percent?

Secretary DILLON. Yes. And it has just been adopted in Australia. I would not be surprised, myself—I know it is under discussion—if it was adopted in Canada soon.

Senator PROXMIRE. I do not mean to question you, because you undoubtedly are authoritative on this, but I do wish you could document that with legal references. We have been trying again and again to pick this up, and we have not been able to do it.

Secretary DILLON. I will be glad to furnish you with this same study we made of depreciation practices, which include those of all of these various countries. It is rather a formidable document, but it will give you what you want, I think.

Senator PROXMIRE. Well, I have a fine staff, but I think the Joint Economic Committee has a formidable staff, and I think they can handle it. (See p. 694.)

Chairman PATMAN. Mr. Curtis?

Representative CURTIS. Mr. Secretary, due to the late hour, I will not be able to go into tax reform as I wanted to, but I do want to get a couple of things clarified.

For one, there has been this constant reference to revision in the form of depreciation schedules as a tax cutting, when actually it is not.

Am I not right, Mr. Secretary?

Secretary DILLON. I do not think it is a tax cut. What I said in my statement is that it would reduce tax liabilities in the current year.