

who are unemployed because we are not drilling enough wells, and there is no place for these fellows to go where their skills can be used." That is a hard argument to beat in times of substantially less than full employment.

If we are to maximize our rate of growth, then what we must be able to do is avoid the distortion of investment decisions; avoid situations that arise now in which the investment choice often is directed to a project, the pretax rate of return on which is much lower than the pretax rate of return that could be obtained somewhere else but because of special tax treatment the posttax rate of return, which the investor is interested in, is higher in the first instance than in the second.

From the point of view of the economy as a whole, clearly this is wasteful. And as we approach full employment such waste becomes increasingly intolerable.

Similarly, with respect to individuals, we must look to tax reform that will avoid distortion of choices that tend to bring about a lower level of welfare or satisfaction than otherwise obtains. One must re-ask the question, "Are certain deductions under the income tax justifiable?" When I look at one kind of disposition of my income and I see that when I spend a dollar there the Federal Government takes 10, 15, 30, or 40 percent of that cost by allowing me to deduct that dollar, but if I spend a dollar somewhere else I cannot deduct it, clearly this involves a distortion of choice, a distortion of choice that is sometimes justified on the ground that distortion is good in the sense that it helps to achieve certain community goals. But this, I hold, is highly questionable.

I have regard to the deductibility of State and local taxes, deductibility of charitable contributions, and deductibility of several other such items.

In other words, what I look to is reform of the income tax base, reform that will provide for uniform treatment of income irrespective of the manner in which individuals dispose of that income; uniform treatment of income irrespective of the form in which it is received; irrespective of the source be it oil, be it iron ore, be it wages, be it deferred income versus current income, et cetera. All of this, of course, is a very tall order; it will take a very great effort; and it won't be achieved overnight.