

funds with which to finance new investment, and on both scores should be expected to accelerate the level of business investment in plant and equipment. Actually, we find that there had been, prior to 1963, a substantial lag in investment on the part of business, in plant and equipment. We did not reattain the level of business investment in plant and equipment achieved in 1957 until 1963. Now we find that business investment in plant and equipment is, while not approaching boom proportions, advancing rapidly, and in the eyes of most people, very satisfactorily; from a level of about \$39 billion in 1963 to almost \$45 billion in 1964, and projected to increase some 8 to 12 percent above that in 1965.

In the effort to encourage or stimulate investment--which most observers view as being important to growth in the economy--in addition to the tax credit, we had, in 1962 through administrative action of the Treasury, depreciation reform--a reform which provides business with much more latitude in the rate at which it writes off business machinery and equipment, thus providing for a shorter payout period, providing for higher profitability, and also providing some of the funds needed for the financing of investment.

These two measures taken together, the investment tax credit and the depreciation reform, amount to more than \$2.5 billion a year in tax savings to business. Together, with respect to those kinds of business machinery and equipment, which means almost everything, eligible for the new more liberal depreciation and the investment credit, this means an increase in average expected profitability of some 30 percent, as well as providing the \$2.5 billion in additional funds available to business.

The 1964 Revenue Act originated in President Kennedy's tax message of January 1963 as a tax reduction-tax reform measure. As the bill came out of Congress in late winter of 1964 it was primarily a tax reduction bill and the reform is confined, in the most important respect, to reform in tax rates. The achievement here, I think, is a remarkable one in that the total reduction when the bill's measures are in full effect at 1965 levels of income, amount to \$13.5 billion, something in the neighborhood of \$3 billion of which accrues to corporations, the remainder to individuals--a remarkable achievement also, in that tax rates which had for many years been in the range of 20 to 91 percent, for 1965 will be in the range of 14 to 70 percent.