

TABLE 15.—*Choices among alternative tax policies*

POSSIBLE TAX CHANGES	SOME FACTORS TO BE CONSIDERED
Across-the-board changes in rates	Effects on equity among taxpayers
Corporate taxes:	Effects on income distribution
Depreciation practices	Effects on GNP growth rate
Investment credits	Effects on allocation between consumption and investment
Basic rates	Effect on built-in stabilizers
Individual taxes:	Effect on relative emphasis between saving and investment
Emphasizing upper brackets	
Emphasizing lower brackets	
Exemptions	
Deductions	
Capital gains treatment	
Pension trusts	
Excises:	
General	
Selective	
Estate and gift taxes	
User charges	

THE CHANGING COMPOSITION OF FEDERAL EXPENDITURES

This report, as do most others dealing with future trends in the American economy, shows very substantial increases in civilian Government expenditures, if past trends continue into the future. On the other hand, projections of defense spending are notoriously unreliable. Should the current rise in military outlays continue longer than anticipated, or accelerate, decisions would be necessary as to whether these additional requirements should be at the expense of foregoing some tax reduction or some projected civilian government expenditure increases.

Under the assumptions underlying this report, very substantial increases are projected in civilian government spending programs. Numerous program choices are involved in these projected levels of government spending. The recent introduction of a planning-programming-budgeting system in the Federal Government is highlighting the types of choices that can be made, but hardly simplifies the process of allocating public resources among numerous competing ends.

Table 16 is an attempt to illustrate, in perhaps the simplest form, how proposed new or expanded Federal expenditure programs can be related to the broad and basic functions of purposes of government.¹⁹

TABLE 16.—*Some possible Federal expenditure increases*

Possible increases	Defense	Welfare	Economic development
Second Panama Canal.....	Primary.....		Secondary.
Supersonic transport.....	Secondary.....		Primary.
Social security liberalization.....		Primary.....	
Planetary exploration.....	Primary.....		
Operational desalinization.....			Primary.
Universal veterans' pensions.....		Primary.....	
Large-scale rural development program.....		Secondary.....	Primary.
Many others.....			

The most general level of choice might be of the nature of selecting among (1) developing a supersonic commercial transport aircraft, (2) proceeding with an operational brackish and salt water desaliniza-

¹⁹ For an attempt at implementing this approach, see M. L. Weidenbaum, "Which Resources for What Goals: Another Look at the Budget," Challenge, July 1964.