

they independently do not overcompensate nor is the Nation witness to the performance of an act of "After you, Alphonse," "No, after you, Gaston."

3. *Rapid Expansions in Government Programs.*—Important policy choices will have to be made both within as well as between the major categories of post-Vietnam economic adjustment actions. Certainly, tax reduction and government expenditure increases represent alternative routes. The choices are not likely to be either-or ones but some combination of the two. Hence, the public sector is not likely to contract by the full amount of the military cutback (which would be the result of primary reliance on tax reduction) but some tendency in that direction would result from most of the likely tradeoffs between tax reduction and government spending increases.

Within the expenditure category, there are various programs which may be selected. Liberalized unemployment compensation, public assistance, and similar income-maintenance types of transfer payments might be among the actions most quickly implemented. However, an array of government purchase type programs is also available and will compete for funding.

Of necessity, the latter will be programs already underway and for which expenditures can be increased rapidly. For example, the backlog of authorized civil public works is substantial. It is estimated that, as of June 30, 1968, planning will be complete on projects totalling \$3.1 billion, for which construction contracts could be awarded promptly. For another \$5.9 billion of projects, planning would be underway, but not completed.⁸⁰

Another category of potential expenditure increases would be for those programs using resources similar to those released by the military cutback. Expansions in civilian space exploration, such as manned exploration of nearby planets, and completion of development of a civilian supersonic transport aircraft immediately come to mind.

4. *Long Run Expansions in Government Programs.*—The funds which would be made available from a reduction in military spending in Vietnam could be used for a variety of government programs, the expansion of which might take considerably longer than either transfer payments or ongoing construction projects.

In this category of possible adjustment actions are three major types of programs: (1) those primarily in the nature of investment in people, such as education and training; (2) those designed primarily to improve the physical environment, such as air pollution control; and (3) those which most readily apply the advanced technology of military contractors, such as oceanographic research and development.

Of course, these three groups are not entirely mutually exclusive. The systems approach developed in defense and space programs may well have important applications in education or urban redevelopment programs; improvements in the physical environment may also increase human productivity, etc. The kinds of public policy choices to be made here primarily are a matter of identifying and selecting among long-run goals and objectives, a consideration which current budgeting and other resource-allocation mechanisms in the public sector do not as yet come to grips with.

5. *Federal Aid to State and Local Governments.*—Were the short-term post-Vietnam adjustment efforts to emphasize expansion in direct Federal operations, such action might effectively result in the inability of the Federal Government to embark upon the block grant, tax sharing or related long-term efforts which have been proposed to aid state and local governments in their fiscal problems.

Several key policy issues are involved here. To what extent should the Federal Government, rather than the States, determine the specific program areas to which state and local governments allocate Federal funds? Either expanding existing "tied" program-specific grants or embarking upon new ones would maintain the influence of the Federal government in this regard. In contrast, the proposals for block grants would have rather few strings attached to the Federal aid. Tax sharing and tax credit proposals involve less if any Federal determination as to how the Federal aid is to be spent by the recipient governmental units.

On the other hand, if program grants are continued to be relied upon, decisions at the Federal level will then have to be made as to which program areas are to be favored.

⁸⁰ *Budget of the United States, Special Analyses, Fiscal Year 1968, 1967*, p. 76.