METHOD II

On an aggregate basis, a similar result may be computed assuming a composite corporate and personal marginal tax rate of 50 percent[4] and a taxable return of 10 percent on any money not borrowed by the Government.

(.5) (.1)	5.0%
Cost of Government borrowing (see explanation under Method I)	4.0%
Less taxes on Government bond interest (.04) (.35) (see explanation under Method I)	−1.4%
Cost to Government	7.6%

[1]Various economists have examined rates of return before taxes in the private sector. Stockfisch (see footnote on page 7), arrives at an average of 13.5 percent. Stiegler, National Bureau of Standards, determines a rate of 14 percent. Variations in this estimate result from consideration of differing time periods, weighting, etc. Our estimate of 12 percent used for this appendix is somewhat conservative in comparison with the recent experience noted by these economists.

[2]See Raymond Goldsmith's "Flow of Capital Funds in the Postwar Economy," National Bureau of Economic Research, 1965, where a table of gross capital consumption by major segments of the economy is shown. We are interested here in capital consumption for purposes of productive investment. Most household borrowing can be excluded as investment in consumption which would also result from payments by the Government to labor involved in Government programs. State and local capital consumption can be left out of this consideration. The corporate share of the remainder is approximately 65 percent.

[3]A table of marginal tax rates for various income levels is contained in a study done by the Institute for Defense Analyses for the Office of Economic Opportunity, as