2. With a different treatment of capital gains another approach to the corporation tax might provide for some integration of corporate and individual taxes by giving taxpayers who sell corporate shares some credit for taxes paid by the corporation on retained income which is reflected in share values; and

3. Averaging of capital gains would lower the indicated revenue costs.

In recognition of the complex issues involved, the tax expenditures involved in the present treatment of capital gains of individuals are placed in a range of $5.5 to 8.5 billion. (No table is shown for this heading.)

IMPORTANCE OF TAX EXPENDITURES

The above analysis indicates that tax provisions control a large fraction of budget resources employed in several functional categories. With respect to commerce and transportation, for example, the volume of budget resources allocated by current special tax provisions is approximately the equivalent of budget outlays. In certain other functional categories, such as natural resources, community development and housing, and health and welfare, tax provisions constitute a major component of total Government activities.

Many reasons for the enactment of these tax provisions may be found other than the promotion of the functional activity under which they are listed, just as a multitude of forces affect the approval of direct Government expenditures which are nonetheless summarized under specific functional headings. This analysis in no way reflects on the wisdom of such reasons.

More efficient use of resources by the Federal Government is advanced, however, if explicit account is taken of all calls upon budget resources, including tax expenditures. The relative importance of different budgetary objectives can be more carefully weighed against all the budget resources used for this objective. Also, the effectiveness of alternative methods of achieving these objectives, whether through direct outlays, loan subsidies, or tax expenditures, can be fully understood, examined, and reevaluated periodically.

Secretary BARR. That concludes my testimony, Mr. Chairman, and I thank you.

Chairman PATMAN. Thank you very much, Mr. Secretary.

(Secretary Barr's prepared statement follows):

PREPARED STATEMENT OF SECRETARY OF THE TREASURY JOSEPH W. BARR

Mr. Chairman and Members of the Joint Economic Committee, I appreciate the opportunity to meet with this distinguished Committee. I think it extremely important that the members have the economic rationale for the financial plan President Johnson has recommended to the Congress—a plan that is responsible and realistic in terms of the country's needs and resources, and that is consistent with our responsibilities to keep the dollar strong and respected.

Before getting into the body of my remarks, I want to take a moment to pay tribute to you, Mr. Chairman, to the Vice Chairman, Mr. Patman, and to the members of the Committee. Under your leadership, the work of this Committee has contributed greatly to the tremendous growth of public interest in economic issues, to better informed public attitudes on economic policy, and to the record economic progress the United States has achieved.

The economy is now in the 95th month of the most sustained and vigorous period of economic expansion in our country's entire history. There is no need for me to enumerate here the many economic records established during this period of unprecedented prosperity. I believe that in his State of the Union Message and in his Economic Report to the Congress the President clearly established that the economy is now stronger and more vigorous than ever before, with production, employment, and after-tax income, including both wages and profits, all at record highs, far above the levels of a decade ago.