mitted to the Joint Economic Committee on January 17, 1969 by former Secretary Joseph W. Barr. Other limitations result from the fact that the revenue loss attributable to some special tax provisions has to be excluded from the estimates either because there is insufficient information regarding the magnitude of the revenue loss or because there are honest differences of opinion as to what constitutes a tax expenditure in specific cases.

Comparing tax expenditures with budget outlays often requires that tax expenditures be forced into classifications not appropriate for them; consequently, a substantial part of total tax expenditures falls into what is essentially a miscellaneous category. And adding tax expenditure estimates to the budget could pose a workload problem of major proportions.

When plans are made for the 1971 budget, the question of whether to include tax expenditure estimates in one of the budget documents will be considered. No decision on whether to include them will be made until full consideration can be given to the several relevant issues involved.

(2) The effect which the Administration's proposals on tax credits will have on the size of tax expenditures will depend upon the nature of the tax credits proposed. Estimates of their effect cannot be made until the tax credit proposals have been formulated.

Senator PROXMIRE. And you talked about flexibility and not tying yourself down in the future on the basis of policy judgments now. I would like to call your attention to one specific recommendation made by this administration in their closing days, the Trinity River project. The initial cost of this project would be $150,000. The ultimate cost or once we get committed is $750 million. It would provide a canal, in effect, from Fort Worth to the Gulf of Mexico. Some people say it would be easier to move Fort Worth to the Gulf of Mexico, and cheaper. At any rate, the benefit-cost ratio, with a 3¼-percent discount, is 1.5. If they used the new discount proposal which we will use after the 1970 budget, it goes down to 1.09. And the benefits there are very, very questionable, because the transportation benefits are measured on the reduced cost of those who will use the canal rather than the effect of the total reduced cost to the Nation as a whole. And it is a very risky project in the sense of the public investment actually paying out. And on the basis of the hearings we have had, I think that most economists, no matter how liberal they may be with the public money, would agree that this would be a serious misallocation of resources. So, I would hope that you would give that careful consideration.

Mr. MAYO. Well, I have seen the Trinity River——

Senator PROXMIRE. It is the kind of thing that we do so easily with pressure from powerful and influential and attractive Senators and Congressmen. It is just $150,000. And once we are in it, we never get out of it.

Mr. MAYO. This illustrates very well the problem of uncontrollability.

Senator PROXMIRE. If this were up for 1971, it would have a lot harder time, because we have adopted a new discount factor; instead of three and a quarter percent, we go to 4⅝, I think it is.

Now, finally, do you prepare budget estimates based on alternative levels of unemployment?

Mr. MAYO. Will I?

Senator PROXMIRE. Do you expect to?

Mr. MAYO. I have not gotten that far into it.

I don't expect to, in the light of what typically has been done here, but I am sure we will have in mind as we present our budget what might happen to these estimates under different levels of gross national product.