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**THE FEDERAL BUDGET AND THE
OUTLOOK FOR DEFENSE SPENDING**

By

Murray L. Weidenbaum
Department of Economics
Washington University
St. Louis, Mo.
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Prerace

An examination of the pattern of U.S. space and defense expenditures in recent years reveals some indications of offsetting changes. Although these offsetting movements may not necessarily be intentional, an analysis may be helpful in evaluating the future outlook for space budgets.

For example, during 1963 and 1964, slowdowns or reductions in defense spending were accompanied by rapid increases in the NASA program. Conversely, the current rapid Viet Nam expansion in the defense budget coincides with the at least temporary cessation in the growth of the civilian space program and in some reductions in its expenditure level.

Hence, the present study of the Federal Budget and the Outlook for Defense Spending may provide some useful perspective. The study indicates that, barring another fundamental escalation in the level of U.S. military spending in Viet Nam, the major portion of the impact on the economy of the current defense buildup already has been felt. Hence, it would appear that the inflationary pressures accompanying the expansion in defense spending may subside during the coming year and that opportunities for expanding Federal non-defense spending programs may appear once again.

The Federal Budget and the Outlook for Defense Spending^{1/}

That perennial whipping boy of economic analysis -- the proverbial man-in-the-street -- seems to be right once again. Sophisticated economists have been contending that Federal fiscal policy has been one of restraint in recent periods and that the inflationary pressures have arisen in good measure in the private sector, especially from rapid expansion in business capital investment. In contrast, just try asking our wandering pedestrian what is causing the present inflation. The odds are he will reply to the effect that "Don't you know that there's a war on, buddy?" This paper says that he is right, and has properly, although intuitively, analyzed the current economic impact of the Federal Budget.

Some perspective may be helpful. In a sense the United States is engaged in a war; but, we do not have a war economy. Ours is truly a mixed economy; we are literally concerned with social security as well as national security. We do not have the controls or runaway inflation often associated with war-time experiences. Yet, we do find an economy pressing very closely to the limits of available capacity and we are making choices somewhat analogous to guns versus butter but not quite so. In a sense, we are choosing both more guns and more butter. However, we are also choosing less private housing and fewer automobiles while we are voting for more urban redevelopment and additional public transportation -- thus simultaneously increasing both the military and civilian portions of the public sector in both relative and absolute senses.

Let us first examine the impact of the Viet Nam military buildup on the economy as a whole and on the Federal Budget; subsequently, I will indicate the effects on various types of companies and regions and then hazard a few

^{1/} I wish to express my appreciation to Mr. Kenneth Galchus, my research assistant, for both the usual helpful work and for manfully reporting negative findings. I have also benefited from discussions with Harold Barnett, Keith Carlson, William Chartener, and Hy Minsky.

projections .

The Timing of the Impact: A Macro Viewpoint

The escalation in the U. S. commitment in Viet Nam can, to some extent, be translated into economic impact by looking at the changing pace of military demand. As a benchmark, let us recall that in the fiscal year ending June 30, 1965, total contracts placed, orders let and other "obligations" incurred by the Department of Defense were a shade over \$50 billion. I use the concept of obligations because it is a generic term, including both government payrolls and contracts with private firms. In the January 1966 budget, it was estimated that this rate of making new commitments would rise to well over \$63 billion in fiscal year 1966. Actually, the January budget underestimated the rise in military demand during the fiscal year which was then in progress.

The actual amount of new obligations incurred during the past fiscal year was somewhat in excess of \$67 billion, or fully one-third greater than in 1965. Actual expenditures increased at only half that rate during the same period -- $16\frac{1}{2}$ percent. In other words, obligations is the sensitive or leading indicator. Unfortunately from the viewpoint of analyzing business conditions, the supposedly most sophisticated measure of government finance, the so-called national income accounts budget, uses a concept that even lags behind expenditures -- the delivery of completed military equipment.^{2/} To compound the problem, the national income accounts budget picks up government revenues on an accrual basis, which precedes the actual receipt of cash by the government. (See Figure 1)

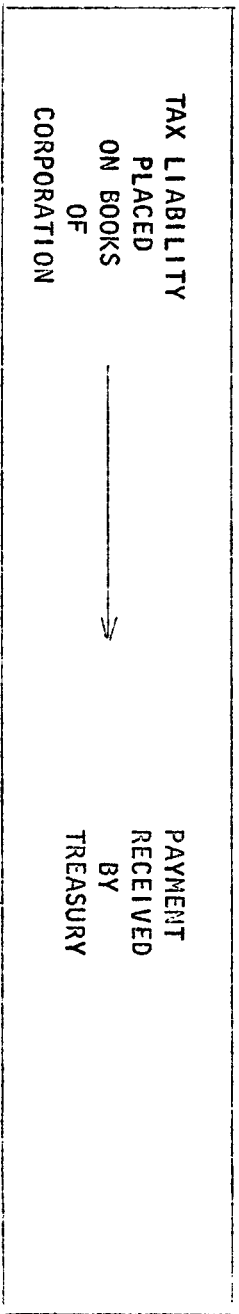
On previous occasions, I have tried to point out that the impact on employment, production, and income of a military buildup may occur primarily

^{2/}See my "The Inflationary Impact of the Federal Budget," Financial Analysts Journal, July-August 1966, and the sources cited there for detailed analysis of this point. The extent to which deliveries lag expenditures is shown graphically in William H. Chartener, The Outlook for Defense Spending -- How Great an Uncertainty?, a paper presented before the Annual Meeting of the American Statistical Assn., Los Angeles, Calif., August 18, 1966.

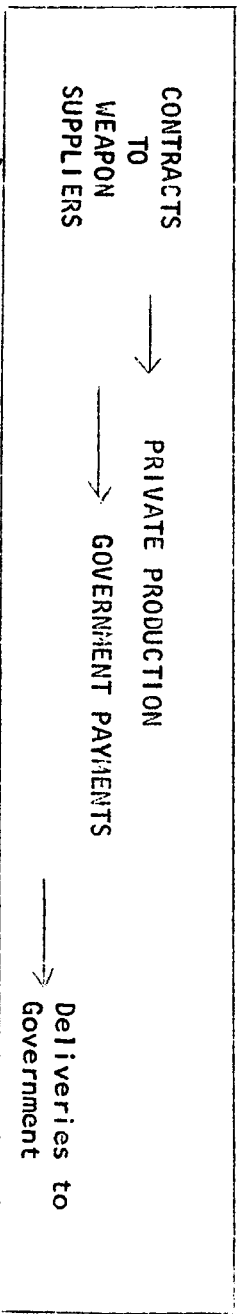
FIGURE 1

DIFFERENCES IN RECORDING GOVERNMENT INCOME AND OUTGO

Time →



Government Income (Corporate Tax Revenue)



Government Outgo (Military Purchases)

Suggested Adjustment "A" Suggested Adjustment "B" Cash Budget Records Transaction National Income Budget Records Transaction

at the point in time that budget recommendations are made, increased appropriations are enacted, and orders placed with military contractors. Although this may appear quite obvious to those acquainted with defense industries, the statement of Federal receipts and expenditures on national income account confines the measurement to the actual delivery of completed weapons and other military "hard goods." A considerable period of time often elapses between budget recommendations for military procurement and delivery of the completed items to the government and payment therefore. The primary effect on productive activity, to the extent there is any, normally occurs in advance of the actual government expenditures. Under most circumstances, the placing of orders induces private production on government account and such production remains in the private sector and does not show up as government expenditures until it is completed and the goods involved delivered to the public sector.

Conceptually, production on government order is not reflected in government purchases of goods and services at the time the work is performed. This activity, as measured by the cost incurred, is currently included, in the gross national product, in the change in business inventories. When the government contractor delivers the finished items, the transaction shows up in the national income accounts as a decline in business inventories.

It is also then recorded as a government purchase of goods and services. These two entries tend to cancel each other out, with no net effect on GNP. At the time it is recorded in the national income accounts, the government purchase does not represent payments to the factors of production; it is more in the nature of an intersectoral transfer -- a reimbursement to the government contractor for his outlays during earlier periods.

It is at the order stage that the government action normally will have its initial and often major impact on the markets for labor, raw materials, and financial resources. The contribution to economic activity is made during the production period prior to the actual government "purchase." Indeed, the recording of the government purchase may coincide in time with a reduction in

governmental impact on total demand and in repayment of working capital loans by the government contractors.

This may seem like a statistical tempest in a teapot (or a crackpot). However, the upshot is that the official budget and economic reports are very slow to pick up the expansionary impact of the Viet Nam buildup, but very quick to take account of the deflationary impact of the revenue speedup. The net result is that the Federal Government appears to have been following a non-inflationary economic policy in 1966 when actually it has been a major source of inflationary pressure in the American economy during the past year. I shall try to present some statistical support for that statement.

In Table 1, I have assembled a few variations on a theme, the theme being the net Federal surplus or deficit in recent periods. On the far left, I have placed the officially reported surplus or deficit in the so-called national income accounts budget. This, we are repeatedly told from on high, is "our best measure of the economic impact of fiscal policy." On that basis, the Federal budget shifted from a position of ease in the second half of calendar 1965 (a deficit of \$1.4 billion) to some restraint in the first half of 1966 (a surplus of \$3.1 billion).

Now I shall try to muddy the waters. The next two columns on that table contain two alternative sets of rough adjustments for the fact that new contracts awarded may be a better proxy for the impact of a military buildup on the economy than delivery of completed weapons. The A series is essentially the excess of military obligations over expenditures during the period, seasonally adjusted and converted to an annual basis. One further change has been made. Over the years, about two to three billions dollars worth of obligations each year do not seem to result in actual expenditures. A number of technical factors are at work here, including some double counting of contracts awarded by one military agency in behalf of another military agency. Such a case might be Air Force procurement of aircraft for the Army, which may

TABLE 1

Federal Surplus or Deficit: Some Variations on the
National Income Accounts Budget

(billions of dollars at annual rates)

Calendar Year	Federal Surplus (+) or deficit (-) <u>--official basis</u>	Adjustments for defense obligations		Federal Surplus (+) or deficit (-) <u>--adjusted basis</u>	
		<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
1964					
1st Half	-4.3	-0.1	-0.1	-4.4	-4.4
2nd Half	-1.8	-4.4	-2.2	-6.2	-4.0
1965					
1st Half	+4.4	-2.0	-1.0	+2.4	+3.4
2nd Half	-1.4	-5.2	-2.6	-6.6	-4.0
1966 estimated					
1st Half	+3.1	-8.4	-4.2	-5.3	-1.1
2nd Half	0	-?	-?	-?	-?

show up as an Army obligation to the Air Force, as well as an Air Force obligation to the airplane manufacturer. In computing both the A and B adjustment series, the annual obligation figures were reduced by \$3 billion in each case to take account of the double counting. My intent, of course, is to err on the conservative side.

It can be seen, referring to the A column on the right hand side of Table I, that adjusting for defense obligations results in some significant changes in the "best" measure of Federal fiscal impact. The second half of 1965 is now seen to be a period of much more substantial ease in the Federal budget than shown on the official basis. Of greater interest, of course, is the indication that the first half of 1966 was not a period of fiscal restraint but also one with a substantial excess of outgo over income.

The B adjustment is an attempt to satisfy the more timid. It is a statistical compromise between the two approaches, the result of an arithmetic averaging of military obligations and expenditures for each period. The theoretical rationale that could be offered is that perhaps a more proper counterpart to the liability basis of the corporate revenue computations would be somewhere between the extremes of contract placement and governmental disbursement.

As would be expected, the B results are somewhat more moderate than the A series. The adjusted Federal deficit for the latter part of 1965 is rather large, but, on this basis, the first half of 1966 witnessed a deficit of somewhat reduced proportions. I would suggest that even the B series provides a very weak case for the widely made claim that fiscal restraint occurred during January-June 1966.

Another Korea?

It has been fashionable to compare the Viet Nam buildup with the Korean experiences in the hope that some parallels would provide a firmer basis for forecasting purposes. However, important differences need to be acknowledged,

although they tend to balance each other out.

The first set of differences relates to the smaller relative scale of the present buildup. The current expansion of the armed forces from 2,700,000 to 3,200,000 seems modest indeed when compared to the spurt from $1\frac{1}{2}$ million in 1950 to over $3\frac{1}{2}$ million in 1952. Also, the defense budget doubled during the first year of the Korean War, while, as noted, the increase during the past year was about 16 percent. All this reflects the fact that this is the first time that the United States has entered a major war with a very large existing defense establishment.

The second set of differences relates to the fact that, unlike Korea or World War II, the present military buildup was superimposed on an economy which was rapidly approaching full employment. Using June 1950 and July 1965 as the respective beginning points, we find that unemployment was higher in the earlier period (5.4% versus 4.5%) and the operating rate of industry was lower (80% versus 90%).

Summing these two conflicting tendencies, we may conclude that even though the current defense program utilizes a smaller fraction of the nation's resources, it is more in the nature of -- but certainly not entirely -- displacement of civilian demand rather than resulting in a total addition to actual production of goods and services. Hence, in the absence of direct controls over materials, wages, and prices, it would be expected that inflationary pressures would accompany the rapid shift of resources from civilian to military use.

The Korean experience showed that the strongest inflationary pressures occurred during that first year of the buildup, while the economy was initially adjusting to the new level of military demand. The actual peak in defense spending a few years later occurred shortly before the onset of recession.^{3/}

^{3/} M. L. Weidenbaum, "The Economic Impact of the Government Spending Process," University of Houston Business Review, Spring 1961, pp 3-47.

If there is any lesson to be gained from the Korean experience, it is that we particularly need to understand the timing of the impact of the different stages of a defense buildup (and subsequent cutback). Otherwise we can find ourselves fighting yesterday's inflation with a tax increase that will compound tomorrow's recessionary problems.

The Changing Mix: A Micro Viewpoint

Important changes also are taking place within the military budget. Such shifts in its composition are affecting the extent to which different industries and regions are participating in the defense program. The key to understanding these developments is analyzing the changing "product mix" of military spending. The fundamental change is the shift of emphasis away from developing and maintaining in being the potential capability to deal with hypothetical worldwide or general-war situations and towards operating a military establishment actually waging a difficult but limited war whose dimensions keep on evolving. Table 2 shows the extent to which funds for U. S. combat forces have been shifting from general war to limited war programs as the cold war has heated up. It is striking to note that general war forces now receive half of the share of the military budget that they received a few years ago.

However, a more detailed breakdown of the military budget is needed in order to get at the questions of regional and company impacts of this fundamental budget change. Table 3 shows the shifting product mix of military procurement (on an obligations basis). Three major shifts are taking place: (1) a more than doubling in the share of the budget going to tanks, weapons, ammunition and similar conventional battlefield ordnance, (2) a massive reduction in the relative as well as absolute importance of missiles, and (3) the reorientation of the military aircraft budget away from long-range strategic bombers and to tactical aircraft, particularly supersonic fighters and helicopters. The latter point, of course, emerges from analyzing the details of the budgetary reports. In general, the military budget is looking much more like

TABLE 2

U.S. Military Budget: General versus Limited War

(Total obligational authority; dollar amounts in billions)

<u>Category of Combat Forces</u>	<u>Cold War</u>		<u>Viet Nam</u>	
	<u>(Fiscal Year 1962) Amount</u>	<u>Percent</u>	<u>(Fiscal Year 1966) Amount</u>	<u>Percent</u>
<u>General War Capability</u>				
Strategic offensive forces	\$ 8.9	(29.8)	\$ 5.1	(13.1)
Continental air and missile defense forces	2.3	(7.7)	1.7	(4.4)
Subtotal	11.2	37.5	6.8	17.5
<u>Limited War Capability</u>				
General purpose forces	17.5	(58.5)	30.0	(76.9)
Airlift and sealift	1.2	(4.0)	2.2	(5.6)
Subtotal	18.7	62.5	32.2	82.5
TOTAL ^{1/}	29.9	100.0	39.0	100.0

^{1/} The remainder of the military budget is devoted to support of the combat forces, research and development, military assistance, and retired pay.

TABLE 3

The Changing Product Mix of Military Purchasing

(dollar amounts in billions)

Procurement Category	Korean War (Fiscal Year 1952)		Cold War (Fiscal Year 1962)		Viet Nam (Fiscal Year 1966)	
	Amount	Percent	Amount	Percent	Amount	Percent
<u>Sophisticated Equipment</u>						
Aircraft	\$ 13.1	43.5	\$ 6.4	27.1	\$ 8.6	29.9
Missiles	.4	1.3	4.7	19.9	2.1	7.3
Electronics	1.3	4.2	1.5	6.4	1.5	5.2
Research and Development	1.5	5.0	5.7	24.2	7.2	25.0
Subtotal	16.3	54.0	18.3	77.6	19.4	67.4
<u>Conventional Equipment</u>						
Ships	1.8	5.8	2.2	9.5	1.1	3.8
Ordnance	9.2	30.4	2.3	9.6	6.4	22.2
Other	2.9	9.8	.8	3.3	1.9	6.6
Subtotal	13.9	46.0	5.3	22.4	9.4	32.6
TOTAL	\$ 30.2	100.0	\$ 23.6	100.0	\$ 28.8	100.0

it did during the Korean War and less than during the more recent period of cold war confrontation with the Russians.

Hence, we are witnessing a reversal of the shift that occurred in defense purchasing in the mid-1950's. Once again, the automotive, mechanical, textile, clothing, and rubber companies are becoming important suppliers of war material. The most dramatic increases have occurred in ammunition (up 270% during the past fiscal year), clothing and textiles (up 240%), tanks and vehicles (up 80%), and food (up 60%). The large aerospace and electronics firms, although still significant defense contractors, are finding their shares of the military market to be declining. Unlike the period of large weapon systems -- such as ICBM's which could only be supplied by a few of the industrial giants -- the demands of Viet Nam result in numerous smaller contracts involving a great many and variety of medium-size firms as defense suppliers.

There is also a geographic dimension to this change in the military product mix. Large proportions of the companies working on Viet Nam orders are located in the Upper Midwest and in other relatively older industrial states in the East. The Far West, which had been receiving so large a share of defense orders during the past decade, is experiencing some absolute as well as relative declines. Table 4 shows the highlights of these changes.

Several states have been receiving defense contracts at rates of 40 to 50 percent above last year's levels. These include Connecticut, Illinois, Indiana, Maryland, Michigan, Minnesota, Ohio, Pennsylvania, and Texas. In contrast, Washington State, Utah, and Colorado have seen their defense contracts virtually cut in half during the past two years. California is now at the 1963 level, despite the substantial growth in the overall military market which has occurred since then.

The economic impacts of this shift in the location of defense industry may not be as simple as would appear. The midwestern states have large, well-diversified industrial bases and these recent increases in their defense

TABLE 4

The Changing Geographic Distribution of Defense Contracts

(Percentage distribution of dollar volume)

<u>Census Region</u>	<u>Korean War</u> (Fiscal Year 1952)	<u>Cold War</u> (Fiscal Year 1962)	<u>Viet Nam</u> (Fiscal Year 1966)
<u>Northeast</u>			
New England	8.1	10.9	11.9
Middle Atlantic	25.1	18.7	17.6
Subtotal	33.2	29.6	29.5
<u>Midwest</u>			
East North Central	27.4	12.6	15.3
West North Central	6.8	6.7	7.6
Subtotal	34.2	19.3	22.9
<u>South</u>			
South Atlantic	7.6	10.4	12.5
South Central	6.4	7.8	12.2
Subtotal	14.0	18.2	24.7
<u>Far West</u>			
Mountain	.7	4.7	2.5
Pacific	17.9	28.2	20.4
Subtotal	18.6	32.9	22.9
TOTAL	100.0	100.0	100.0

orders, although dramatic, may be taken in stride as they will require relatively small proportions of existing manufacturing capacity. On the other hand, defense work in recent years has accounted for a proportionately large share of the total manufacturing employment of many western states and in several cases for virtually all the growth of such employment in the major metropolitan areas. The adjustment to the changing military market may be especially difficult for those western states that are not participating in the simultaneous expansion in the commercial aircraft market.

On balance, I would expect that the reorientation of defense spending toward greater emphasis on limited war equipment, which seems likely to outlast the current Viet Nam buildup, will have important differential effects on the relative rates of growth in population, income, and tax bases in the various regions of the country -- effects which should primarily be favorable to the Middle Atlantic, Great Lakes, and New England areas.

The Outlook for 1967: Will Fiscal Restraint Be Bigger on the Inside
than on the Outside?

And now to my cloudy crystal ball. Ordinarily, the Federal Government would have issued by now a Midyear Review of the Budget, updating the estimates published last January. Very impressive reasons are given for the lack of a Midyear Review. As I recall, a different set of excuses were made last year. As a sometime forecaster, I will readily agree that it is always more comfortable not to have to stick your neck out.

Hence, the task at hand for us is to infer future developments from the most recent data. It is almost a situation of constructing a case based solely on circumstantial evidence. Let us begin by analyzing the pattern of military buying during the past year, the fiscal year ending June 30, 1966 -- which is the latest period for which data are publicly available. Because of the unique seasonal pattern of military ordering and the absence of a seasonal adjustment for earlier periods, it is useful to compare the data for a given quarter with

the corresponding period in previous years. Beginning with the July-September quarter of 1965, we find that military obligations during each of the past four quarters were the highest for that respective period since the peak demands of the Korean War in 1952.

In addition, each recent quarter has been higher than the preceding quarter, with the greatest spurt occurring during April-June 1966. Because of the age-old tendency to concentrate Federal commitments in the final quarter of the fiscal year (so-called "June buying"), not too much can be read into the last quarter of data. However, it does seem quite clear that the upsurge of defense orders is not running out of steam.

The lead time between ordering tanks, ammunition and similar conventional limited war equipment is likely to be less than is the case for ICBM's, space systems, and other highly sophisticated aerospace products. Hence, the acceleration in defense buying in fiscal 1966 already has been translated into a \$4 billion annual rate of increase in defense purchases of goods and services in the July-September quarter and likely into another \$3-\$4 billion increase in the current October-December quarter. These estimates account for the first half of fiscal 1967.

Here, this Swami's crystal ball begins to cloud up and you need to put some coin in his palm in order to obtain a forecast for the calendar year 1967. Hopefully, the fine print on that coin should contain the military obligation rate for the past quarter and estimates for the next quarter or so. There is little advantage to going back to the January budget; as we later learned, only some time after the document was released, it was based on the optimistic assumption that the war soon would be over. We are really on our own. Two alternative projections of defense spending in 1967 seem to be fashionable these days. The first, a Newtonian or Dow Theory approach, says that the current increase in defense outlays will continue through 1967 -- the rationale being that if the war continues then the military buildup will need to continue.

The second or Acceleration Principle approach indicates that defense spending should taper off in the last half of 1967, even if the Viet Nam fighting continues at its present pace, but of course barring another large-scale escalation. The idea here is that you can let up on the gas pedal after the vehicle attains the desired speed -- in the present case, the new production lines should already have been put in place and quantity production rates achieved early in 1967. Also, to the extent that some of the recent ordering has been designed to restock military inventories, new ordering can taper off as appropriate stock levels, particularly soft goods, are reached. Because this second approach is somewhat more sophisticated, I tend to lean toward it, but with limited confidence. The assumption of no further military escalation may be too optimistic.

One view that I do hold with greater firmness may be consistent with both of these alternatives and that is that the major shock to the American economy from the Viet Nam buildup already has occurred. This statement is made despite the likelihood of Federal defense purchases reaching a total of \$70 billion in 1967, a rise of 40 percent from 1965. Barring a fundamental escalation, it is unlikely that the coming year will witness the 33-1/3 percent increase in defense orders that occurred last year. Hence, the inflationary pressures of a demand-pull nature which we have been experiencing during the past year are likely to subside somewhat, but the cost-push inflationary pressures are likely to continue.

To mollify those who anticipate a projection of the Federal Budget, Table 5 is offered, probably as a sacrifice on the altar of convention. No doubt it should be kept out of the reach of children and appropriately labeled as to its possibly being injurious to the health, financial in this case. It can be seen that I am projecting a relatively small surplus in the statement of Federal receipts and expenditures in the national income accounts in calendar year 1966 and approximate balance in 1967 -- on the official basis. I have used poetic

TABLE 5

Federal Receipts and Expenditures in the National Income Accounts

(In billions of dollars)

<u>Calendar Year</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Surplus (+) or Deficit (-)</u>
1958	78.7	88.9	-10.2
1959	89.7	91.0	- 1.2
1960	96.5	93.0	+ 3.5
1961	98.3	102.1	- 3.8
1962	106.4	110.3	- 3.8
1963	114.5	113.9	+ .7
1964	115.1	118.1	- 3.0
1965	124.9	123.4	+ 1.6
1966 estimate	143.0	140.0	+ 3.0
1967 estimate	158.0	158.0	---

Note: See Table 1 for possible adjustments to the expenditure and surplus/deficit figures.

license in labeling these guesses as "estimates."

A few comments on the details of the projections may be in order. On the revenue side, I have attempted to take account of the scheduled continuation of the speedup in the payment of the corporate income tax. For example, in the current year, large corporations are paying about 116 percent of their normal annual liability (42 percent of their 1965 liability and 74 percent of their 1966 liability). In 1967, the speedup continues, with these companies paying approximately 126 percent of normal annual liability (the remaining 26 percent of their 1966 liability plus 100 percent of their 1967 liability). Thus, they will be on a pay-as-you-go basis for the calendar year 1968 as a whole.^{4/}

On the expenditure side, the bulk of the recently enacted increases in the various Great Society programs is reflected primarily in rising transfer payments and grants-in-aid to state and local governments. Relatively small proportions of these education, housing, and anti-poverty programs result in Federal purchases of goods and services. The greater part of these purchases and virtually all of the recent increases are in connection with military and related national security programs.

On the face of it, it would appear that the trend is for a slight reduction in Federal fiscal restraint in 1967. As you must know by now, I do not believe that it will work quite that way. If we had the data to project the adjustment for defense obligations, I believe that the results would be a Federal deficit on income and product account in 1966 and a smaller deficit in 1967, thus indicating an abatement in the inflationary pressures directly resulting from the Viet Nam buildup.

Dealing with Inflation

Some important policy implications flow from all this. A general tax increase taking effect some time in 1967 may be too late to deal effectively

^{4/} Hence, ceteris parabus, a reduction in Federal corporate income tax receipts may occur in 1968.

with the inflationary pressures of the Viet Nam buildup and of limited usefulness in dampening a wage-price or cost-push inflation. It might also coincide with some of the belated impacts of this year's tight monetary policy, especially in its effect on business investment.^{5/} Thus, a tax increase now might relieve guilt feelings for not having enacted one in January, but mere confession of error might be more helpful.

Given the continued speedup of Federal revenue collections, assuming that our diagnosis of the economic impact of defense spending is approximately correct, and given the softness or slowing down in many private areas of demand, 1967 may be the year that -- one way or another -- they lower the boom.

5/ Cf. John Kareken and Robert M. Solow, "Lags in Monetary Policy: A Summary," in Warren L. Smith and Ronald L. Teigen, editors, Readings in Money, National Income and Stabilization Policy, 1965, pp 76-80.