

# NTA Forum

Perspectives, Ideas and News from the National Tax Association

Fall, 1994



Richard A. Musgrave

## Musgrave to Receive Holland Medal

The NTA Board of Directors has named Richard A. Musgrave to receive the 1994 Daniel M. Holland Medal, in recognition of his distinguished lifetime contributions to the study and practice of public finance.

Prof. Musgrave received his Ph.D. in Economics from Harvard University in 1937. He served as Professor of Economics at the University of Michigan before returning to Harvard in 1965, where he held the H. H. Burbank professorship in Political Economy until his retirement in 1981. Since then he has been on the faculty of Crown College, University of California at Santa Cruz.

His book *The Theory of Public Finance* (1959) has been a handbook for

(continued on page 9)

## Shadows of Things that May Be . . .

by Jim Fields, Keith Hennessey, and Mark A. Weinberger

*Are these the shadows of the things that Will be, or are they the shadows of the things that May be, only? . . . Men's courses will foreshadow certain ends, to which if persevered in, they must lead . . . But if the courses be departed from, the ends will change. Say it is thus with what you show me!"*

The Bipartisan Commission on Entitlement and Tax Reform concluded its Interim Report to the President with this quotation from Dickens' *A Christmas Carol*.<sup>1</sup> The Commission Report describes a growing gap between the Federal government's entitlement promises and revenues available to pay for these programs. The Commission concluded that this trend was not sustainable. Failure to resolve this imbalance jeopardizes the Nation's long-term economic growth and prosperity. But the Commission found Dickens' message just as appropriate for America as it was for Scrooge — America can change course.

This paper reviews the conclusions of the Commission's Interim Report. It will show that the Commission did not rely on some form of technical budget alchemy to reach its conclusions. Instead, the conclusions can be readily

understood from basic facts provided by the Federal government's entitlement experts.<sup>2</sup> The discussion emphasizes that the long-term budget projections are inexorable consequences of current spending and revenue policies.

The Commission's message, though dramatic, should not be viewed as pessimistic. It is a call to action. In response, the Commission is now considering ways to resolve the fiscal imbalance between the government's entitlement promises and the funds it will have to pay for them.

### Budgetary Overview: The Current Trends are Not Sustainable

While from a policy perspective each Federal program should be examined separately, an overview of budgetary trends is extremely useful in illustrating the need for reform. The Commission has painted a picture of the long-term fiscal and economic implications of current spending and tax policies (Chart I). Today, Federal spending is approximately 22 percent of gross domestic product (GDP) and revenues are approximately 19 percent. Without a change in policy, entitlement spending and interest on the national debt grow so rapidly that they will consume all Federal revenues in 2012. By 2030, total Federal spending is projected to reach 37 percent of GDP and entitlement spending alone will exceed Federal revenues. Without a change in policy, annual deficits will reach 18 percent of GDP in 2030, compared to less than 3 percent today. To counter this growing imbalance, long-term spending commitments

(continued on page 2)

*Fields and Hennessey are staff members, and Weinberger is Chief of Staff, of the Bipartisan Commission on Entitlement and Tax Reform. They wish to thank Beth Lang and Liz Leiss for their comments. The paper reflects the views of the authors and not those of the Commission or of its Chairmen.*



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# NTA Forum

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must be reduced or revenues raised.

The increase in spending in the Commission's long-term budget picture is driven by Federal health care and retirement programs. *Medicare, Medicaid and Social Security are projected to increase by more than 10 percent of GDP over the next 35 years.* This increase is the heart of the long-term budgetary problem. While spending cuts in other programs could be considered, the 10 percentage point increase exceeds projected spending on all other entitlement programs and all discretionary programs combined. Congress could abolish all other entitlements, yet the foregone spending would still not be sufficient to offset the increases in Federal health care and retirement spending over the period.

## A Closer Look at the Spending Programs.

The current budget trends present a sobering picture of what awaits future generations of Americans if action is not taken. To understand the reasons for the explosive growth in spending and to design reform options, it is necessary to examine spending programs individually. As previously noted, the dramatic increase in the growth of spending is dominated by retirement and health care programs. Why will these programs experience phenomenal growth?

First, the demographic makeup of America is changing. Currently, there are almost five working-age Americans for each American over 65. By 2030, there will be fewer than three working-age Americans for each person over 65 (Chart II). Compounding this change in demographics is the fact that Americans are living longer. Average life expectancy is projected to rise from 72.1 years for men and 79.0 years for women to 75.6 and 81.8 years, respectively, by 2030.<sup>3</sup>

Second, independent of demographic changes, increases in the price, quantity, and quality of health care services are driving up health care expenditures. Federal health care spending has been increasing at annual rates averaging more than 10 percent over the past 5 years — between 3 percent and 4 percent faster than the economy (control-

ling for demographic change).

*Social Security spending.* The aging of the population has a tremendous impact on the future solvency of Social Security (Chart III). Currently, payroll taxes for Social Security exceed benefits paid, so the Social Security Trust Fund is building a surplus. However, as the baby boom generation begins to retire in 2010, the cash flow surplus rapidly disappears. This means that, rather than "masking" the total federal deficit, Social Security begins to increase the deficit. By 2013, outlays will exceed tax receipts, and the Trust Fund assets begin to be depleted.<sup>4</sup> At that point, the Federal government must begin repaying the debt held by the Social Security Trust Fund. By 2029, the Social Security Trust Fund will be exhausted (Chart IV).

In terms of the economy, the Social Security Trustees project that Social Security spending will rise from 4.8 percent of GDP to 6.7 percent over the next 35 years — a 40 percent increase. As a result, the Trustees believe that "legislative action is needed to ensure the long-range financial integrity of the [Social Security] system."

*Federal health care spending.* Three programs dominate Federal health care spending, Medicare Hospital Insurance (referred to as HI or Part A), Medicare Supplementary Medical Insurance (referred to as SMI or Part B), and Medicaid. The Trustees have concluded that the Medicare HI program "is severely out of financial balance and is unsustainable in its present form." The Medicare HI Trust Fund will be exhausted by 2001. The Trustees have also concluded that "prompt, effective, and decisive action . . ." is necessary to ensure the long-term financing of Medicare SMI. These programs are critical for the health security of the elderly and the Trustees indicate that they are in jeopardy.<sup>5</sup>

The combination of an aging population, as in Social Security, and the extraordinary increases in health care costs produce dramatic increases in Federal health care outlays both in dollars and as a percentage of the economy. Federal government health care programs are projected to triple as a percentage of GDP over the next 35 years, from just over 3 percent of GDP to 11



percent (Chart V). Comprehensive health care reform options that were reviewed by the 103rd Congress generally worsen and certainly do not materially improve that projection.<sup>6</sup> But, even under the optimistic assumption that the magic bullet is found so that health care costs grow no faster than any other part of the economy, Federal health care programs will still more than double by 2030 due to the aging of the population. This is driven by population aging — older persons consume more health care (Chart VI).

*Other entitlements.* Although they frequently are blamed as the cause of increased spending, the remaining entitlement programs, numbering over 400 budgetary "accounts," are a small fraction of the Federal budget. These include Federal civil and military retirement, unemployment compensation,

veteran programs, and anti-poverty programs such as Aid to Families with Dependent Children and Food Stamps. Chart VII shows the largest 13 programs.

Entitlements other than Medicare, Medicaid, and Social Security comprise only 3.6 percent of GDP today.<sup>7</sup> CBO projects that they will decline to about 3 percent of GDP within a decade. Accordingly, all other entitlements are neither large nor growing in relation to the economy. Although some reduction might be achieved in these programs, such cuts cannot be relied upon to fund more than a small fraction of the growth in Federal retirement and health care spending.

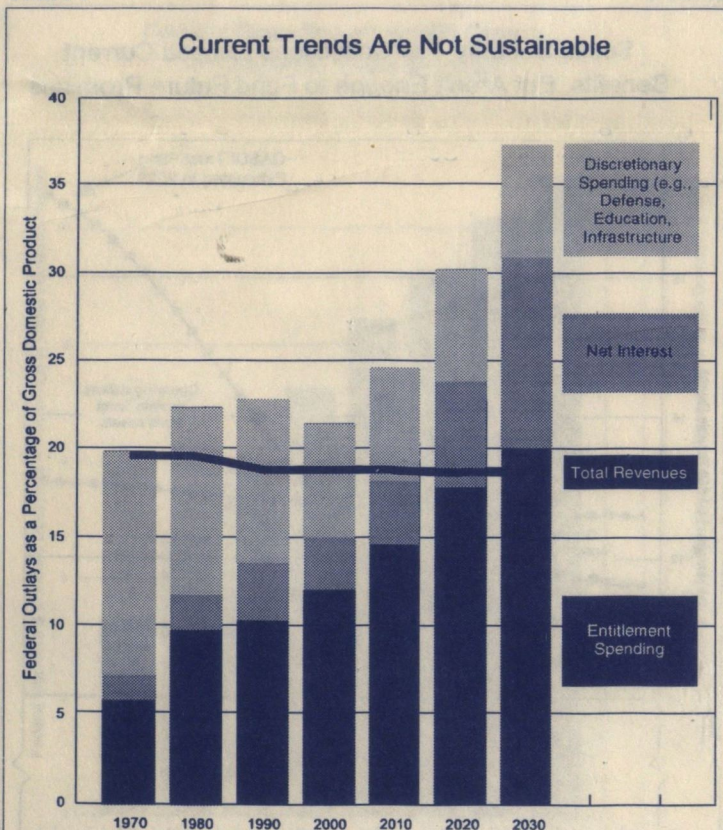
*Discretionary spending.* Discretionary spending includes Federal programs for education, crime, health care research and national defense. Discretion-

ary spending has decreased as a percentage of GDP over the last 30 years from 13.4 percent to 8.6 percent. As a result of the impacts of discretionary spending caps, this category of spending will decline to 6 percent of GDP by 1999 (when the caps expire). It is doubtful that further squeezing of these programs can be relied upon to fund a meaningful portion of the growth in Federal retirement and health care programs.

*Revenues.* Over the last 30 years, Federal revenues have generally remained between 18 and 19 percent of GDP. For very brief periods during the Vietnam War and in the early 1980s when inflation caused receipts to climb, revenues reached 20 percent of GDP. The Nation's high for Federal revenues was 21.7 percent of GDP during World War II.

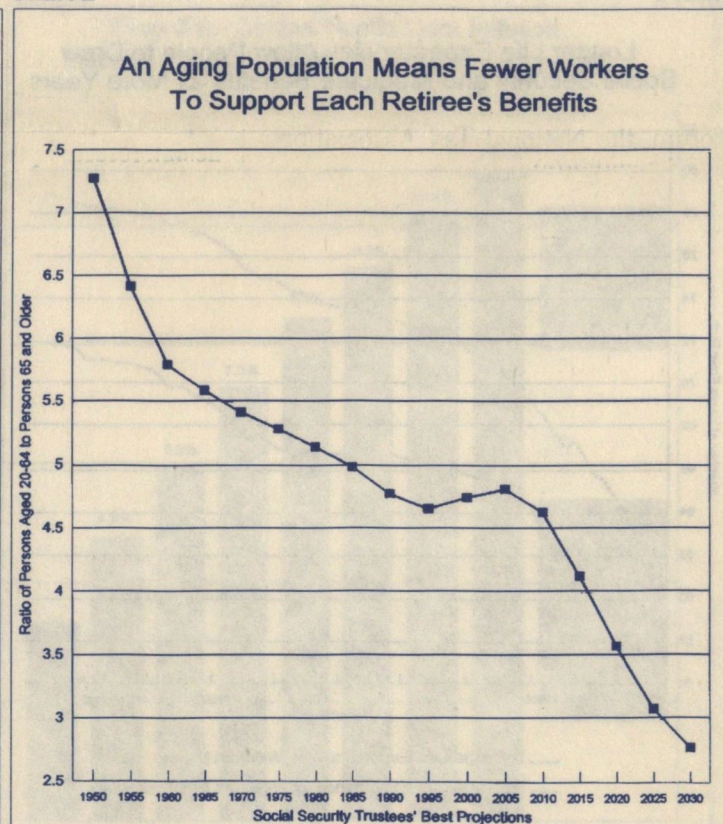
While revenue increases will proba-

Chart 1



This chart shows the long-term budget implications of current spending and tax policies. In projecting entitlement spending, Medicare and Social Security outlays follow the Medicare and Social Security Trustees' "best estimates." Medicaid outlays are assumed to reflect demographic changes and the increases in health care costs that underlie the Medicare projections. All other spending and revenues are assumed to follow CBO projections through 1999 and to grow in proportion to the overall economy thereafter.

Chart 2



Social Security and Medicare Hospitalization Insurance benefits are paid out of current payroll tax revenues. In 1950, there were 7.3 working age people for each person over age 64. By 1990, there were only 4.8 working age people for each person over 64. The Social Security Trustees' best estimate is that by 2030, there will be just 2.8 working age people to support each person over age 64.



bly play a role in addressing the long-term fiscal imbalance, it is unlikely that they can be the sole solution. Federal spending is growing faster than the economy, while revenues generally grow in proportion to the economy. As a result, continual tax increases would be necessary to offset spending growth. Federal Reserve Chairman Alan Greenspan, in testimony before the Commission, warned that:

[i]ncreasing the tax base or tax rates cannot solve this problem, for it would take enormous increases to fund the rising outlays, and even such increases would only postpone the inevitable, because tax revenue growth cannot indefinitely exceed the growth in income.

To illustrate this point, eliminating

the Federal deficit in 2030 would require an increase in Federal revenues from 19 percent of the economy today to 37 percent. This means almost **doubling** every Federal tax. By way of contrast, the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993), viewed by many as a relatively substantial tax increase, raised revenues less than .7 percent of GDP per year.

Under current law, Social Security and Medicare HI have dedicated revenue sources, principally, payroll taxes. Legislators could look to increases in payroll taxes to fund the increased growth in these programs. However, the resulting tax rates would be quite high by current and historical standards.

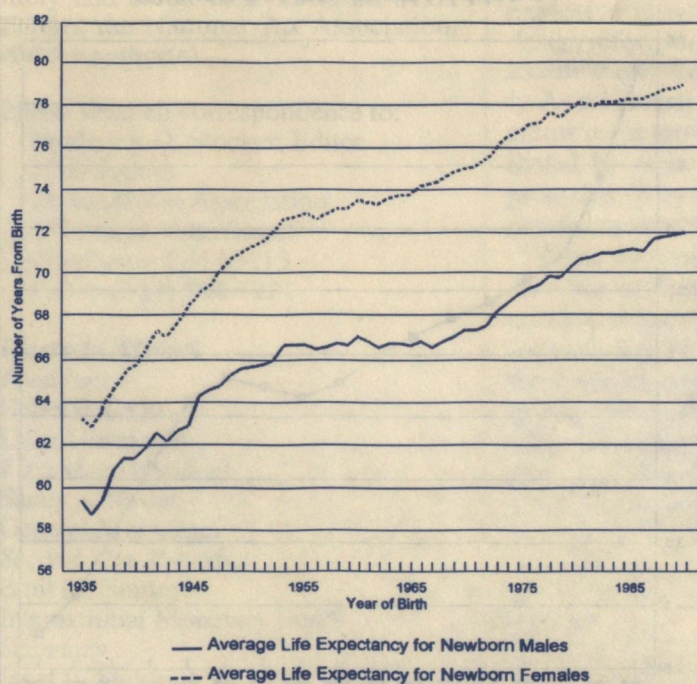
Social Security payroll taxes today are 12.4 percent of wages up to \$60,600 (paid equally by employers and employees). The Social Security Trustees

have concluded that an immediate 2.13 percent combined payroll tax increase would bring the program into 75-year "actuarial balance."<sup>8</sup> That would be a tax increase of over \$300 billion over the next 5 years – significantly larger than the \$268 billion tax increase in OBRA 1993. Alternatively, if funding is not increased, by 2030, payroll taxes would have to rise 4 percentage points to 16.5 percent of Social Security payroll tax base to offset Social Security outlays.

Medicare HI payroll taxes today are 2.9 percent on all wage income (paid equally by employers and employees). Medicare HI is currently running a deficit. By 2029, that deficit is projected to increase to 5 percent of the payroll tax base. Accordingly, to cover the Medicare HI outlays, payroll taxes would have to increase from the current 2.9

Chart 3

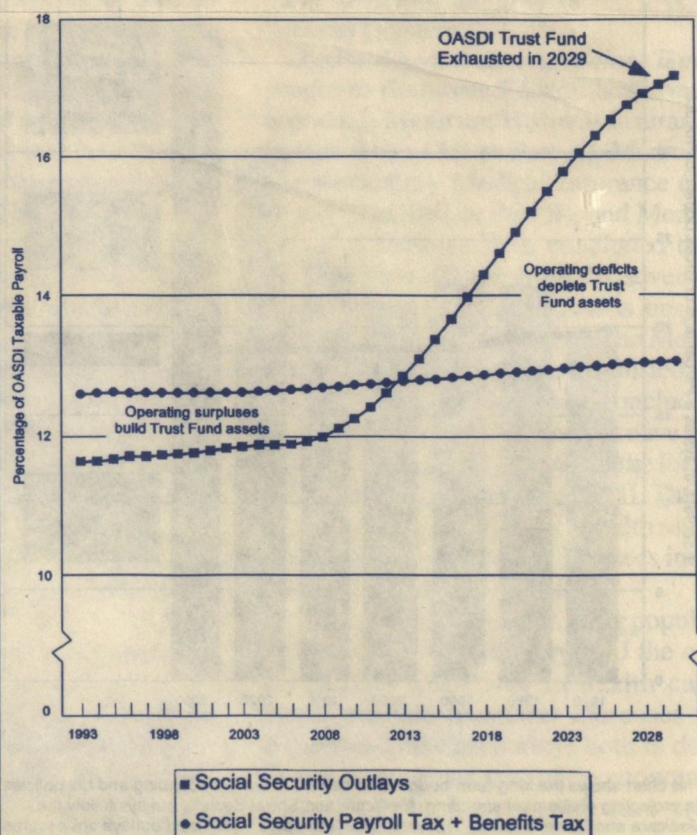
### Longer Life Expectancies Allow People to Draw Social Security and Medicare Benefits for More Years



The population is aging because of the baby boom and longer life expectancies. For example, when Social Security was enacted, the average baby boy was expected to live 59 years (i.e., not long enough to receive Social Security benefits). In 1992, the average baby boy was expected to live 72 years. As life expectancies continue to increase in the future, the fiscal problem caused by this demographic change will only get worse.

Chart 4

### Social Security Tax Collections Exceed Current Benefits, But Aren't Enough to Fund Future Promises





percent level to 8 percent in 2030.<sup>9</sup>

The magnitude of the revenue increases necessary to cover projected government spending makes it clear that, while revenues will undoubtedly play a role in addressing the long-term fiscal imbalance, they cannot be relied upon as the sole solution.

### Effects of Fiscal Imbalance

**Limit Economic Growth.** The Commission found that savings must be increased to ensure long-term growth and prosperity. Congressional Budget Office Director Robert Reischauer testified before the Commission that "history has shown repeatedly that sustained growth in living standards is achieved most reliably through national saving." Higher national savings can lead to increased domestic investment, higher productivity gains, and consistent

growth in both GDP and standards of living. Reducing the deficit is the most direct means to this end.

Net private savings have fallen from 8.3 percent of GDP in the 1960s to 5.2 percent in the 1990s. At the same time, rising government deficits have consumed an increasing portion of private savings. As a result, net national savings have dropped from more than 8 percent of the economy to less than 2 percent today (Chart VIII). This leaves a diminishing supply of savings available for private investment and increases our reliance on foreign capital (Chart IX). The limited flow of net savings does not bode well for sustained economic growth.

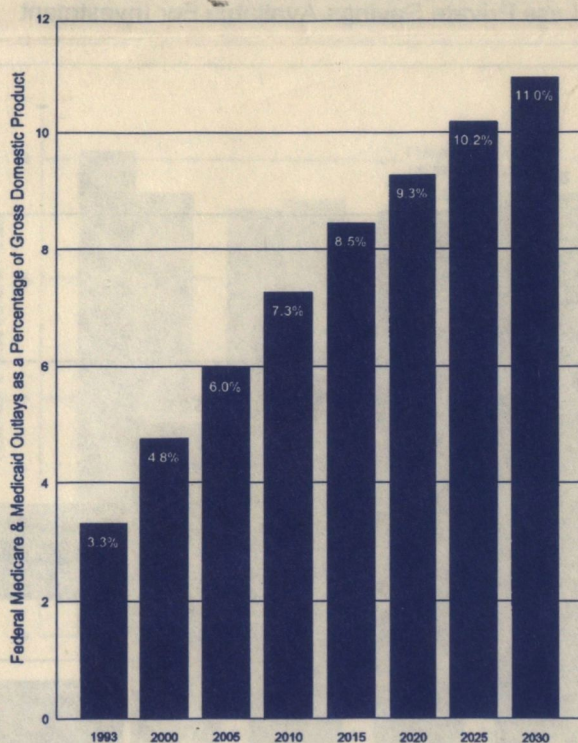
**Crowding out Other Federal Programs.** The Commission found that entitlement growth must be restrained to preserve important discretionary pro-

grams. Entitlement spending and interest on the national debt together consume more than 60 percent of the total Federal outlays today (47 percent for entitlements and 14 percent for interest), double the percentage of just 25 years ago. CBO projects that entitlement spending and interest payments together will exceed 70 percent of total Federal outlays by 2003 (58 percent for entitlements and 14 percent for interest).

The appropriate mix of expenditures must be determined by policy makers. Due to the "automatic" growth in entitlement spending, however, there are progressively fewer resources available for discretionary programs. As a result, the funding of discretionary programs such as education, crime prevention, public works, technological advancement and national defense is being

Chart 5

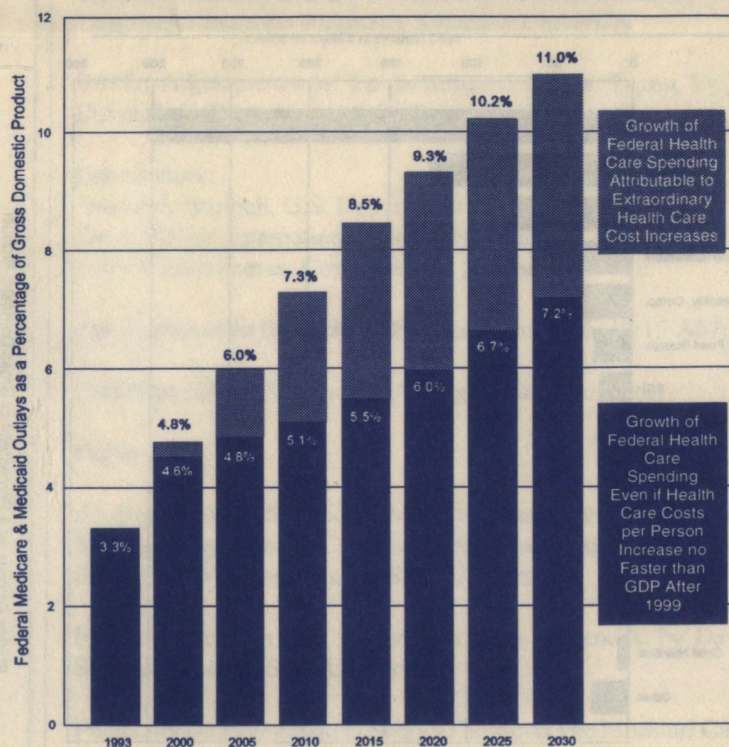
Federal Spending on Health Care is Projected to Triple by 2030



This chart shows the projected long-term growth of Federal health care spending as a percentage of the economy. Medicare outlays follow the Medicare Trustees "best estimates." Medicaid outlays are assumed to reflect demographic changes and the increases in health care costs that underlie the Medicare projections.

Chart 6

Even if we Control Health Care Inflation, Federal Health Care Spending Doubles by 2030



This chart divides the projected long-term growth of Federal health care spending into the portion that is attributable to the extraordinary health care cost increases and the portion that would remain even if health care costs for each person of a given age grew no faster than the economy after 1999.



squeezed. According to CBO, by 2003, less than 30 cents of each dollar the Federal government spends will be available for discretionary programs.

### The Commission's Future Work

When Commission members approved the Interim Report by a 30 to 1 vote, they set a formidable standard for long-term budget policy. The second phase of the Commission's work will be an effort to meet that challenge — developing reforms that will bring into balance the Federal government's entitlement promises with its revenues. ♦

### Endnotes

1. The Report was approved by the Commission by a 30 to 1 vote on August 8, 1994, and transmitted to the President on September 8, 1994.

2. The Commission principally relied on the Social Security and Medicare Trustees' economic assumptions and long-term outlay projections for the

Medicare and Social Security programs. The Trustees are charged with evaluating the long-term viability of the Social Security and Medicare programs. They provide three sets of projections and assumptions. The Commission chose the Trustees' intermediate set of projections, which represents their best judgment. The Commission also relied upon Congressional Budget Office (CBO) data for certain short-term estimates.

3. In 1940, five years after Social Security was enacted, the average life expectancy was 61.4 years for men and 65.7 years for women. In 1965, the year Medicare was enacted, the average life expectancy for men had increased to 66.8 and 73.8 for women.

4. This actually overstates the cash flow position of Social Security because payroll tax payments from the Federal government for its employees are included in Social Security cash flow.

5. The HI Trust Fund is running a cash flow deficit (outlays already exceed dedicated revenues). By 2001, the Trust Fund will be exhausted. For SMI, enrollee premiums finance about 25 percent of program costs. The remaining share of outlays, over 75% in most years, are financed by transfers from general revenues to the SMI Trust Fund.

6. Few of the major health reform bills under consideration in the 103rd Congress that were scored by the Congressional Budget Office (CBO) reduced the deficit over the 10 year budget period 1995 to 2004. Those that were estimated to reduce the deficit significantly depended on favorable assumptions regarding the ability of the Congress to restrain costs. Senator Mitchell's health reform proposal reduced

deficits by \$38 billion over 10 years. The health reform bill reported out of the Senate Committee on Finance reduced deficits by \$13 billion over 10 years. The bill introduced by Representative Michel reduced the deficit by \$11 billion over 10 years. By contrast, the Clinton Administration's Health Security Act was estimated by the CBO to increase deficits by \$136 billion over 10 years. The Managed Competition Act introduced by Representative Cooper had 10 year deficit estimates that ranged from increasing the deficit by \$301 billion to decreasing it by \$111 billion according to the CBO, depending on how sharply subsidies to low income people would be reduced if planned health system savings were not achieved. The estimate also depended on whether the Congress approved a comprehensive or limited standard health benefits package.

7. Means-tested programs, other than Medicaid, totalled \$86 billion in 1993, 1.4% of GDP.

8. Actuarial balance generally means that the present value of future outlays is matched by the current Trust Fund surplus plus the present value of future tax revenues. For purposes of actuarial balance, the immediate increase in payroll taxes effectively pre-funds future Social Security benefits.

9. Payroll taxes are not used to fund Medicare SMI and Medicaid. The SMI program is financed 25 percent by premiums enrollees and 75 percent out of general revenues. If Medicare SMI spending growth were financed by an increase in income taxes, a 30 percent increase in such taxes in 2030 would be required. The Medicaid program is funded from general revenues.

Chart 7

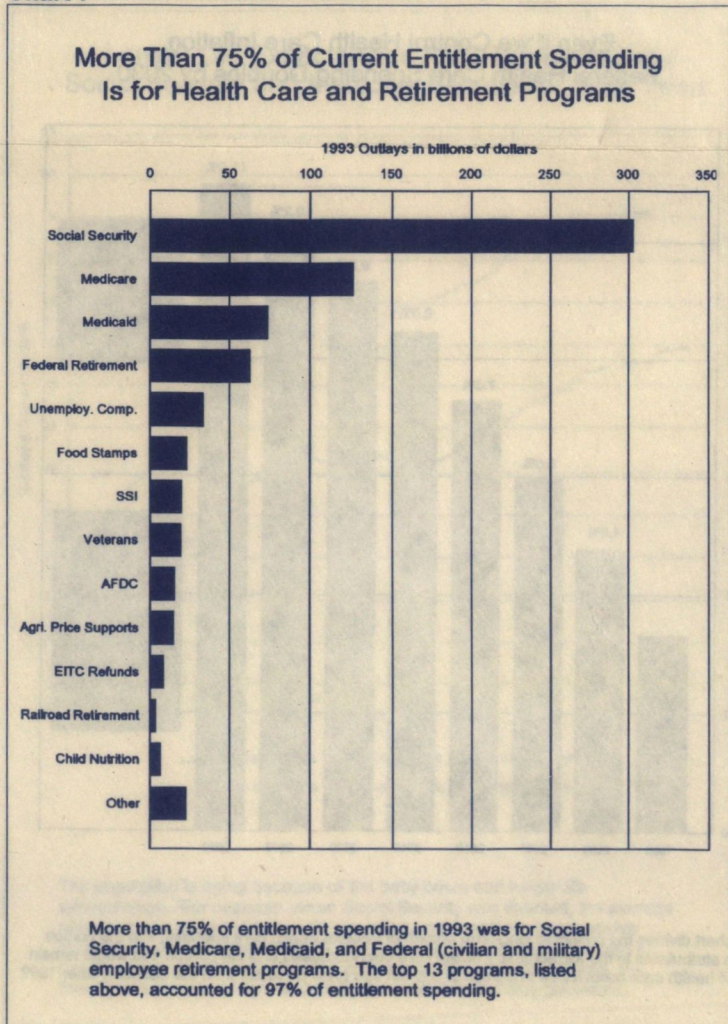
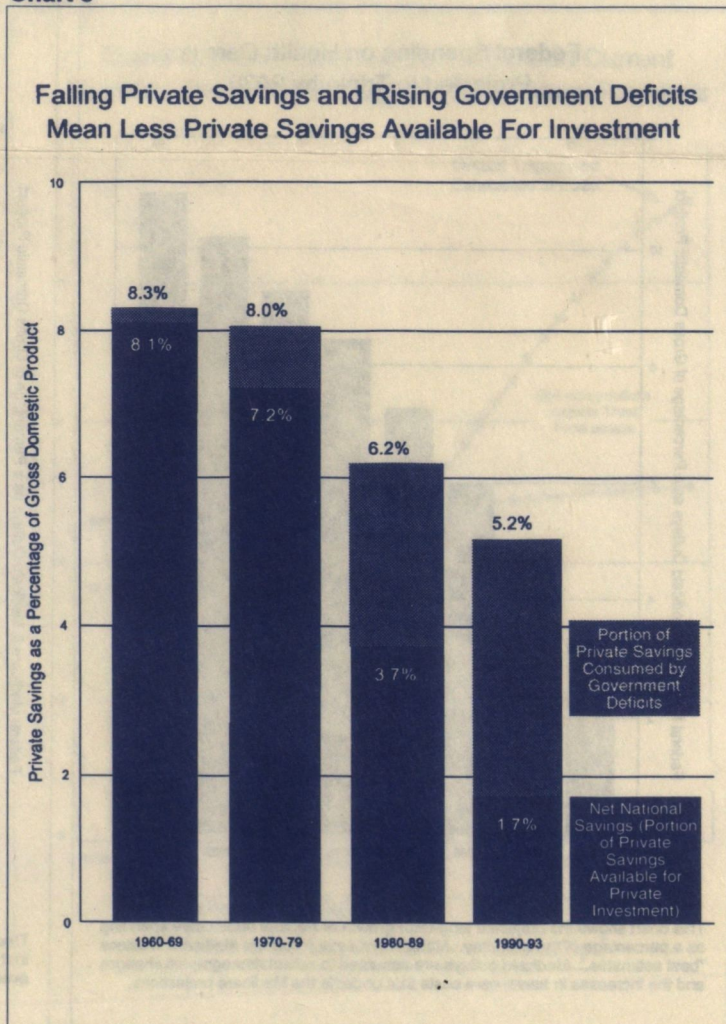


Chart 8





# NTA Sessions at ASSA Conference

NTA will again sponsor three conference sessions at the annual meetings of the Allied Social Sciences Associations, principal among which is the American Economic Association. The sessions have been organized by a committee headed by Prof. Robert A. Bohm, of the University of Tennessee.

These meetings will be held January 6-8, 1995, in Washington.

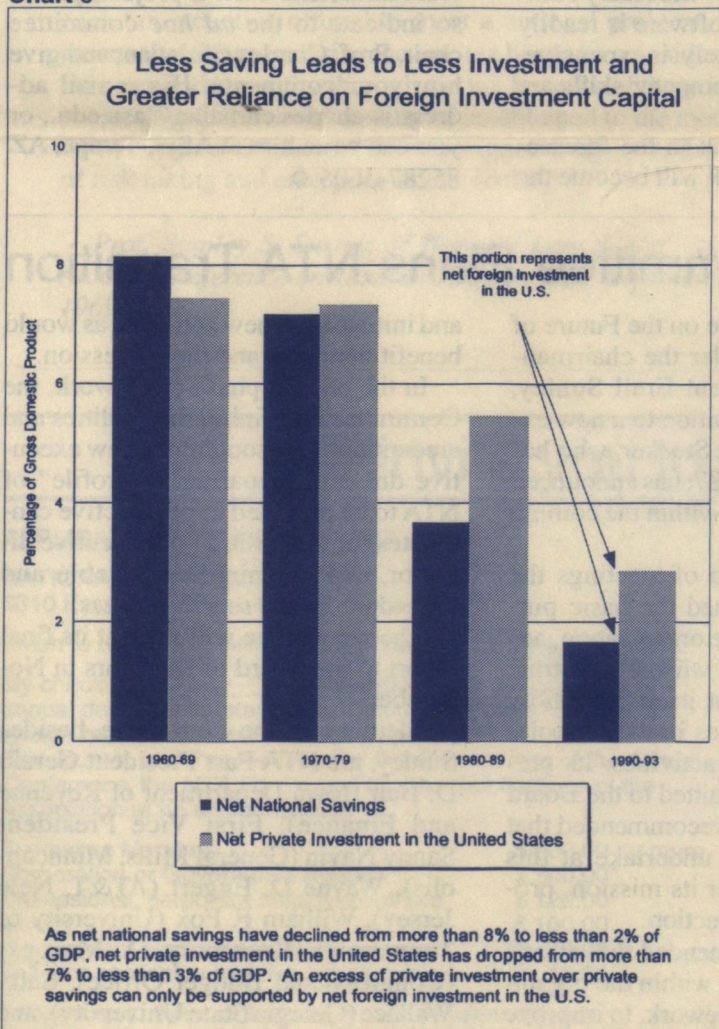
**Productivity and the Public Sector** (January 8, 8:00 AM)  
(Joint with the American Economic Association)

**Presiding:** Kathy Hayes, Southern Methodist University

## Papers:

Measuring Productivity in the Local Public Sector: A New Approach, by Dale Boisso and Kathy Hayes, Southern Methodist University, and Shawna Grosskopf, Southern Illinois University

**Chart 9**



Optimal Infrastructure Policy in the Presence of Returns to Variety, by Douglas Holtz-Eakin and Mary Lovely, Syracuse University

The Productivity Effect of Environmental Protection, by Jonathan D. Rubin, Jean H. Peretz, and Robert A. Bohm, University of Tennessee.

## Discussants:

Robert Schwab, University of Maryland  
John Wilson, Indiana University  
Gloria Helfand, University of California - Davis

**Economic Incentives and Alternative Sources of Revenue**  
(January 8, 10:15 AM)

**Presiding:** Charles L. Vehorn, International Monetary Fund

## Papers:

Economic Efficiency and the Unemployment Insurance Tax, by William F. Fox, University of Tennessee, and David M. Mandy, University of Missouri

Equity, Efficiency and the Distribution of School Aid, by William Duncombe and John Ruggiero, Syracuse University

Border Adjustments for Environmental Excise Taxes, by Bruce Davie, U.S. Department of the Treasury

## Discussants:

Stephanie Stullich, U.S. Department of Education  
David Nellor, International Monetary Fund  
Dennis Zimmerman, Congressional Research Service

**Current Issues in Educational Finance** (January 6, 10:15 AM)

**Presiding:** David L. Sjoquist, Georgia State University

## Papers:

An Evaluation of the Recent Move to Centralize Public Schools in Michigan, by Ronald C. Fisher, Michigan State University, and Robert W. Wassmer, Wayne State University

Financing Schools with Nonproperty Tax Revenues, by David L. Sjoquist, Georgia State University

Financing Desegregation in School Districts: The Missouri Case, by Donald Phares, University of Missouri

Are School Finance Reform and Property Tax Reform Conflicting Goals: The Wisconsin Experience, by Michael Wiseman, University of Wisconsin, and Andrew Reschovsky, U.S. Department of the Treasury ♦



## Coming Soon: Two New NTA Books

Within the next two months two new books will appear containing papers presented at recent NTA seminars.

Scheduled for publication in October, *Fiscal Equalization for State and Local Government Finance* (John E. Anderson, ed.) examines the public policy challenge of fiscal disparities, their sources, and how states are addressing them. Particularly in the area of school finance, states are being forced to spend considerable effort and money to reduce fiscal disparities among local governments. Aspects of the problem are explored in seven essays by William H. Oakland, Helen F. Ladd, Thomas A. Downes and Thomas F. Pogue, Andrew Reschovsky and Michael Wiseman, John E. Anderson, Michael Bell, and Richard F. Dye and J. Fred Giertz.

To appear in November is *Taxation of Business Property: Is Uniformity Still a Valid Norm?*. John H. Bowman is the editor. This volume addresses issues connected with the changing nature of the business property tax base and its impact on local government fiscal condition, emerging legal issues in business property taxation, and changing legal and economic perspectives on uniformity as a property tax policy objective. Contributors include John H. Bowman, Gary C. Cornia, Mark G. Ancel, Richard R. Almy, Glenn W. Fisher, John O. Behrens, Marilyn Rubin, Joan M. Youngman, Donald T. Morrison, John L. Mikesell, and Dick Netzer.

These two new books join two earlier publications in Praeger Publishers' series of National Tax Association books: *Sales Taxation: Critical Issues in Policy and Administration*, edited by William F. Fox (1992) and *State Taxation of Business: Issues and Policy Options*, edited by Thomas F. Pogue (1992).

Credit card orders for all four books (including the two forthcoming) can be placed (toll-free, 24-hours-a day) by phoning 1-800-225-5800. NTA members (individuals only, please) qualify for a 20% discount. For quantity purchases phone Judy Martin at 203-226-3571 ext. 392. ♦

## NTA Exploring Internet Hookup: A Member Survey

An *ad hoc* committee of NTA is seeking member input on the question of the desirability and feasibility of utilizing the Internet to facilitate Association related communications. The Internet would make possible almost instantaneous dissemination of information of all sorts, including Association notices, meeting agendas, calls for papers, information on research in progress, member working papers, data sets, and inquiries from and to researchers.

Internet access is at present almost universal among academics. Many state and federal agencies also have access, as do many private firms. Usage is expanding at a phenomenal rate. Cost, both to users and to the sponsor organization, is minimal. The necessary computer hardware and software is readily available and relatively inexpensive, and only moderate computer skills are required.

It is anticipated that in the foreseeable future the Internet will become the

standard mode of communication among professional colleagues.

Among the questions the NTA committee has under consideration are whether such a system should be open access (accessible by anyone) or accessible only to members, and whether it should be designed primarily for researchers or for a broader audience including practitioners and policy analysts.

However, the fundamental question is *whether* NTA should establish a system for Internet communication. The answer depends on how much interest exists among NTA members.

Here is where you come in. If you (or your organization) would like to see NTA undertake such a project, please so indicate to the *ad hoc* committee chair, Prof. Charles Christian, and give him your comments. His e-mail address is [charles.christian@asu.edu](mailto:charles.christian@asu.edu), or you can write him at ASU, Tempe, AZ 85287-3606. ♦

## Select Committee Plans NTA Transition

The Select Committee on the Future of NTA is at work, under the chairmanship of Vice President Emil Sunley, planning for the transition to a new executive director. Fritz Stocker, who has held the post since 1987, has announced his intention to retire within the coming year.

In its initial round of meetings the Committee reexamined the basic purpose and nature of the organization, addressing the question whether it is time for NTA to "reinvent itself", possibly making major changes in the Association's programs and activities. Its preliminary report, submitted to the Board of Directors in May, recommended that the Association *not* undertake at this time to radically alter its mission, programs, or general direction.

Instead, it recommended that efforts should be continued, within the organization's present framework, to improve programs, attract and retain members,

and initiate such new activities as would benefit members and the profession.

In the present phase of its work, the Committee is defining the qualities and credentials to be sought in a new executive director, preparing a "profile" of NTA to be provided to prospective candidates for the position of executive director, and planning a timetable and procedure for the search process.

The Committee will present its final report to the Board of Directors in November.

Members of the Committee, besides Sunley, are NTA Past President Gerald D. Bair (Iowa Department of Revenue and Finance), First Vice President Sandy Navin (General Mills, Minneapolis), Wayne D. Eggert (AT&T, New Jersey), William F. Fox (University of Tennessee), Rosemary D. Marcuss (Congressional Budget Office), Sally Wallace (Georgia State University), and NTA President Helen Ladd, *ex officio*. ♦



## 25 Years Ago with the NTA

### Tax Incentives and Tax Expenditures

"I believe we are presently witnessing a widening understanding of the problems of tax incentives — the problems involved in the use of the tax system to provide Governmental financial assistance rather than furnishing the assistance through direct expenditures.

"The publication in the Report of Treasury Secretary Fowler for Fiscal Year 1968 of a Tax Expenditure Budget and the updating of that Budget by Secretary Barr in testimony before the Joint Economic committee in January, 1969 — examples of the type of leadership a Treasury Secretary must take if the tax system is to be improved — for the first time enable us to gain some awareness of the magnitude and direction of the assistance that is granted through the tax system. There is much for public finance and expenditure economists to study here, for one suspects a very significant wastage and misallocation of resources. There are about \$45 billion of tax expenditures that have scarcely been analyzed. There is also the basic undercutting of the fairness of the tax system that occurs when tax incentives are used, for each tax incentive offered to meet a national problem, real or supposed, means that the progressive income tax has to be set aside pro tanto. Individuals are made wealthy through the tax benefits of those incentives without subjecting the financial assistance so obtained to the moderating influence that a progressive income tax is designed to apply to the financial rewards of risk taking and enterprise in our society."

*Prof. Stanley S. Surrey, of Harvard Law School, at the Sixty-Second Annual Conference on Taxation, Boston, MA, September 30 – October 3, 1969.*

**Musgrave, (continued from page 1)**

graduate students of Public Finance for more than a generation. His textbook *Public Finance in Theory and Practice* (first edition 1973), coauthored with his wife Peggy, has served the same role for undergraduates in our field.

A long time member of NTA, Musgrave has contributed significantly to the *National Tax Journal* and has published widely in other journals in economics and public finance. He has appeared often on NTA conference programs. His advice on public finance policy questions has been sought many times by governmental agencies and by congressional committees. The Association elected him an Honorary Member of NTA in 1993.

The Holland Medal, named for the distinguished former editor of the *NTJ* and former NTA president, will be presented at the Annual Conference Luncheon on Monday, November 14, in Charleston, SC. ♦

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# New Members

The Association is pleased to welcome the following new members who have joined between June 1 - September 30, 1994.

NAME	STATE OR COUNTRY	NAME	STATE OR COUNTRY
Abe, Yasuyo	DC	Hyman, Michael	NY
Alexander, Nicola A.	NY	Ikoba, Jonathan O.	IL
Arizona State Univ Library	AZ	Ivory, Allison	VA
Atwood, T. J.	IL	Jasienczik, Philip	TN
Babcock, Jennifer	NC	Jershaw, Rebecca A.	AR
Barnett, Kathy	Brazil	Kittel, Laura	MD
Blair, Robert	AR	Kresge Bus Admin Library	MI
Caldwell, Boe L.	TX	LaPlante, Josephine M.	ME
Capdevielle, Cliff	CA	Marshall, Gary	DC
Cordray, F. Burr	TX	Rice University Library	TX
Davis, Bruce	WV	Rijksuniversiteit Limburg	Holland
Enoch Pratt Free Library	MD	Sanpasamit, Activair	Thailand
Gibbs, Alex	DC	Son, Won-Ik	Korea
Gorgy, Sonia	Egypt	Uimonen, Peter P.	MD
Griffiths, David B.	OR	University of Toledo Library	OH
Hill, Thomas J.	TN	Vinzons-Chato, Linwayway	Phillipines
Hineline, Richard	FL	Washington Univ. Library	MO
Holt, Stephen F.	ME	Weiss, Ira	IL
Houser, Scott	WI	Youngeh, Tamfuth Rose	TX
Hoxby, Caroline Minter	MA	Zampelli, Ernest M.	DC
Howard, Marcia	DC	Zvinakis, Kristina	TX

## Future NTA Annual Conferences

November 13-16, 1994

Charleston, SC

Omni Hotel at Charleston Place

October 8-11, 1995

San Diego, CA

Doubletree Hotel

November 10-12, 1996

Boston, MA

Boston Park Plaza Hotel

## NTA Forum

National Tax Association  
5310 East Main Street  
Columbus, OH 43213

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