ECONOMICS AND THE APPLIED THEORY OF PUBLIC EXPENDITURES

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What does the economist have to offer a perplexed public and its policymaking representatives on the theory of Government functions as they affect the budget? The cynic's offhand answer, "not much," may be close to the mark if one demands definitive rules of thumb for determining the precise scope of Government functions and level of Government expenditures. But if, instead, the demand is for economic guidelines to aid the budgetary decisionmaker (1) in blending rationally the service, stabilization, and income-transfer functions of Government, (2) in identifying those deficiencies in the private-market mechanism which call for Government budgetary action or, more broadly, those activities where Government use or control of resources promises greater returns than private use or control, and (3) in selecting the most efficient means of carrying out Government functions and activities (whether by Government production, contracts with private producers, transfer payments, loans, guaranties, tax concessions, and so forth)—if this is the nature of the demands on him, the economist is prepared to make a modest offering now and to work along lines that promise a greater contribution in the future.

In a sense, this paper is a progress report designed to show where the economist can already offer some useful counsel, to indicate some of the lines along which promising work is being done, and to suggest certain limitations or constraints within which the economic criteria for dividing resources between public and private use must be applied.

A Basic Framework

As a first step in the search for economic guideposts, we need to disentangle, classify, and define the basic objectives and functions of Government that shape its budgetary decisions. Fortunately, Prof. Richard A. Musgrave has developed a conceptual framework for this task in his "multiple theory of budget determination." Although he speaks for himself in this volume and elsewhere,[1] a brief examination of his contribution provides a most useful point of departure for a schematic review of expenditure theory.

The component functions of the budget as he brings them into focus are: (1) The service, or want-satisfying, function: to provide for the satisfaction of those individual wants which the market mechanism cannot satisfy effectively (e. g., education and conservation) or

[1] See, for example, A Multiple Theory of Budget Determination, Finanzarchiv 1957, vol. 13, No. 3, pp. 333–343, and the relevant chapters of his forthcoming treatise on public finance.

is incapable of satisfying (e. g., defense and justice); (2) the income-transfer or distributional function: to make those corrections in the existing income distribution (by size, by occupational groups, by geographical area, etc.) which society desires; and (3) the stabilization function: to join with monetary policy and other measures to raise or lower the level of aggregate demand so as to maintain full employment and avoid inflation. For purposes of the panel discussion of which this paper is a part, the first function is of dominant interest, and the succeeding sections of the paper return to it. But several general implications of the Musgrave system as a whole deserve attention before turning to specifics.

Musgrave's formulation helps unclutter our thinking on the component parts of the budget decision. It drives home the significant point that our decisions on how much and what kind of want-satisfying services to provide by Government budgets need not be tied to our demands on the budget for correction of either the existing patterns of income distribution or the level of aggregate demand. If we prefer, we can have a small budget for services (financed by taxes levied on the benefit principle) combined with a big budget for redistributive transfers of income (financed by taxes levied on the ability principle), or vice versa; and either combination can be coupled with either a deficit to stimulate demand and employment or a surplus to reduce demand and check inflation. In this respect, it is reminiscent of Samuelson's "daring doctrine" that by appropriate fiscal-monetary policy "a community can have full employment, can at the same time have the rate of capital formation it wants, and can accomplish all this compatibly with the degree of income-redistributing taxation it ethically desires.[2] Musgrave, in turn, points the way to achieving any combination of Government services, income redistribution, and economic redistribution, and economic stability we set our sights on.

So far, so good. The waters, though deep, are clear and relatively still. They get somewhat muddied and troubled when we move from the clear-cut want-satisfying programs (subject to the benefit principle) and clear-cut distributive programs (subject to the ability principle) into dual-purpose programs, transfers-in-kind in the form of subsidized housing, medical care, vocational education, and so forth. For here we are no longer furnishing services that the majority has voted to meet its own needs (including both selfishly motivated needs like defense and police protection and socially motivated needs like foreign aid) via Government, but are in effect requiring the minority to accept services which they might or might not have bought had they been handed an equivalent amount of cash. Perhaps they would have preferred to spend it on wine, women, and song, but the majority is apparently saying, "No, we know what's best for you." Can this be justified?

It may be digressing to do so, but let us consider for a moment the provision of free vocational education as a case in point. It might be argued that vocational training results in a direct increase in earning power of the trainee (since employers will be willing to pay him higher wages) and that it should therefore be left in private hands

[2] Paul A. Samuelson, The New Look in Tax and Fiscal Policy, in Federal Tax Policy for Economic Growth and Stability, Joint Committee on the Economic Report, Washington, November 9, 1955, p. 234.

or, if furnished publicly, should be financed under the market principle (by direct charges to the recipient of the service) rather than the budget principle (provided free of charge and financed by general taxation).[3] In terms of the service budget alone, the foregoing conclusion is probably right. But bringing in the redistributive motive puts subsidized vocational training in a different light. The voting majority may feel that income transferred in this form constitutes a more efficient and desirable form of transfer than a direct cash transfer. It insures that the transferred economic power won't be squandered in foolish and dissolute ways. It approaches reduction of economic inequality through greater equality of opportunity. In the process, it strengthens the economy's productive capacity.

The new welfare economics may protest that this is a form of tyranny of the majority of the voters over the minority, that each individual is his own best judge of his welfare. Since the equivalent cash payment would have been spent differently, it is said to be a violation of consumer sovereignty. But it is also quite possible that the recipient of the transfer in kind will vote with the majority to have this kind of program rather than a direct cash payment. The individual may accept and welcome the discipline in such an arrangement which overcomes his own self-deplored lack of willpower (a lack which is not restricted to children, aged persons, and imbeciles). How many of us would "prefer" to spend our time quite differently than we do if left to our own devices, yet are willing to accept, or even welcome, the tyranny of a deadline as a condition of participating in a desirable project? Seen in this light, the transfer in kind may interfere more with license than with freedom of consumer choice. I do not mean to dismiss the "tyranny" argument, but its force is certainly softened by the kind of consideration just examined. It may be further softened if we accept the proposition that the responsibility of the voters' representatives goes beyond a mere recording of individual preferences to leadership and education designed to redirect individual preferences along lines which a social consensus deems more constructive.

Even beyond this, the transfer in kind may actually have a large service component, i. e., secondary benefits which accrue to others than the direct recipient of the service.[4] For example, low-income housing may confer indirect benefits on high-income people in surrounding areas for which they are willing to pay a considerable price. Subsidized housing projects may replace unsightly slums, arrest urban blight which threatens to encroach on better neighborhoods, and reduce fire and police protection costs. To this extent, taxes on high-income people to subsidize low-cost housing may in large part be a

[3] For a discussion of these principles see Gerhard Colm, Essays in Public Finance and Fiscal Policy, New York, 1955, pp. 8–11.

[4] To the extent that the income transfer motive is the sole or dominant motive for keeping certain services on the public budget (or at least causing us to supply them on the budget principle rather than the market principle), a rise in average family income and a decline in inequality will eventually bring us to a point where programs such as vocational education and low-cost housing should be moved off of the Government budget and into the market economy. This point is undoubtedly much more distant for some programs than others. Also, I do not mean to suggest that the main impact of economic growth and prosperity is to reduce Government expenditures. Both in the case of intermediate public goods (such as roads), the demand for which typically moves in accord with private goods, and in the case of "end item" services (such as better education and recreation), the demand for which increases with higher standards of living, economic growth and prosperity mean higher rather than lower demands for Government services. (See Gerhard Colm, Comments on Samuelson's Theory of Public Finance, The Review of Economics and Statistics, November 1956, vol. 38, p. 410.)

payment for the indirect benefits they receive rather than a transfer payment. Clearly identifying and separating the service elements from the redistributive element in this manner suggests that the wants of third-party beneficiaries are being satisfied by using the direct recipient of subsidized housing, medical care, education and the like as the instrument, willing or unwilling, for this purpose.

This formulation may also shed new light on the theory of progressive taxation. Musgrave suggests that high-income people may be willing to pay proportionately more for a given government service than low-income people (i. e., the income elasticity of demand for the service is greater than unity), even in the case of government services like defense and justice which by their nature must be consumed in equal amounts by all persons. Add to this consideration the important indirect stake which the upper income groups have in subsidized programs for the lower income groups (i. e., programs not equally consumed by all). The direct beneficiary may put a low value on the service and a high value on money, while the indirect beneficiary (who gets secondary benefits in protection from epidemics, in arresting of urban blight, in a more stable body politic and labor force, and so forth) may put a relatively high value on the service and a low value on money. The tax policy result: progressive taxation on the benefit principle.[5]

Although the foregoing discussion leads us afield from the strict question of what functions government should undertake, it underscores an important point that should not be overlooked in the course of separate inquiries into tax and expenditure principles: the two are intertwined in both a conceptual and a practical way. Our concept of government functions, both in their service and in their redistributive elements, has obvious implications for tax theory. Also, as will be noted below, expenditure and tax instruments are often alternative means of accomplishing a given governmental objective. For example, one can give government support to the oil and gas industry, to foreign investment, or to agriculture either by outright subsidy reflected in higher expenditures or by tax concessions reflected in lower tax revenues.

The Musgrave contribution provides an instructive illustration of the intellectual process at work, a process of which the Joint Economic Committee's hearings are an essential part. His formulation, even though not yet published in definitive form, has already clarified and stimulated thinking on public expenditure theory (a field comparatively neglected in favor of work on tax theory and policy) and has provided a base for further contributions to the subject. This is not to say that his system is complete, that it will not be modified, or perhaps even replaced in the course of time. It is a framework for thinking about the problem rather than an operational prescription for

[5] Prof. Joseph A. McKenna, building on the Musgrave formulation and adding to it the assumption of diminishing marginal utility of money (an assumption Musgrave explicity eschews in drawing inferences for progressive taxation from the service budget), sets up the concept of "maximum taxable benefit," the amount of money any beneficiary—primary or secondary—of a public service would pay if forced to do so rather than do without the service. For services to consumers, this maximum taxable benefit would be the marginal utility of the service divided by the marginal utility of money, while for business services, it could ordinarily be obtained directly in terms of money savings or increased receipts. In this formulation, a public service would be undertaken only if the sum of the maximum taxable benefits for all beneficiaries exceeds the cost of the service. (This formulation is developed by McKenna in an unpublished paper, Reflections on Public Expenditures, St. Louis University, May 1957.)

government budget accounting. It has no unequivocal place in it for those government services which represent a satisfaction of "merit wants," (those which reflect a collective, or majority judgment that certain services should be provided even if they interfere with individual preferences). Nor does it appear to provide explicitly for some of the resource-allocating functions of the budget such as changing the balance between consumption and investment to influence the growth rate, redirecting resources from one industry to another (e. g., from other industries to the petroleum industry), from one stage of production to another (e. g., in favor of the extractive stage) or from one geographical area to another (e. g., in favor of foreign versus domestic investment).[6] But, in spite of these conceptual and practical limitations, encouraging progress has been made toward clearing away the analytical underbrush and revealing more clearly the choices that have to be made and the problems that have to be solved.

Economic Determinants of the Proper Sphere of Government Activity

Given a framework for straight thinking about budget functions, the economist is brought face to face with two questions that come closer to the central problem of the proper sphere of Government activity. First, where competitive bidding via the pricing mechanism is inapplicable, how are the preferences of voters for governmental services to be revealed, measured, and appropriately financed? Second, waiving the question of measurement of preferences, where would the line between public and private control over resources be drawn if economic efficiency were the only criterion to be implied?

On the first question, insofar as it relates to individual preferences for public goods, economists have agreed on the nature and difficulty of the problem, have made some intriguing suggestions as to its solution, and have concluded that it is next to insoluble. The key difficulty is that the voting process, unlike the pricing process, does not force the consumer of public goods to show his hand. The essence of preference measurement is the showing of how much of one good or service the consumer is willing to forgo as the price of acquiring another. But the amount of a public good or service (say, of defense, police protection, or schooling) available to the voter is independent of the amount he pays in taxes or the intensity of his demand for it.[7] Unless and until we devise a reliable and reasonably accurate method of detecting specific voter preferences in some detail, our definition of the proper sphere of government activity will have to rely chiefly on

[6] Some of these reallocations represent an implementation of foreign policy and national defense, others represent simply a substitution of collective judgment or political pressure for the rule of the market as to the most efficient distribution of productive resources. In terms of the Musgrave framework, perhaps some of the expenditure and tax subsidies to specific industries may simply be an inefficient way of providing a larger amount of defense or other services. They would thus fit, albeit rather uncomfortably, into the service budget.

[7] For an illuminating exploration of ways and means to get at a more valid and clear-cut expression of voter preferences for government services, see the pioneering work by Howard R. Bowen, Toward Social Economy, New York, 1948, especially ch. 18, Collective Choice. In this chapter Bowen explores both voting and polling techniques for ascertaining those individual tastes and preferences which cannot find expression in, or be measured by, the market mechanism.

the informed judgment and perception of those whom we vote into legislative and executive office.[8]

This being the case, the economist's task is to contribute what he can to this informed judgment and perception. In effect, the economist's job becomes one of telling the voters and their representatives what their preferences as to governmental activities would be if they were guided by the principle of economic efficiency. In doing so, the economist is not proposing that decisions as to what kinds of activities should be assigned to government—what wants should be satisfied and resources should be redirected through government action—should be made on economic grounds alone. He is fully aware that values such as those of political and economic freedom play a vital role in these decisions. But he can perform the valuable service of identifying those deficiencies in the market mechanism and those inherent economic characteristics of government which make it economically advantageous to have certain services provided by government rather than by private initiative. In other words he can show where government intervention in resource allocation and use promises a greater return per unit of input than untrammeled private use.

The economist recognizes, of course, that there are areas in which he is necessarily mute, or at least should not speak unless spoken to. These are the areas of pure public goods, whose benefits are clearly indivisible and nonmarketable, and no amount of economic wisdom can determine the appropriate levels of output and expenditure.[9] In the realm of defense, for example, one successful Russian earth satellite or intercontinental ballistics missile will (and should) outweigh 10,000 economists in determining the appropriate level of expenditures. At most, the economist stands ready to offer analysis and judgments as to the critical levels of defense expenditures beyond which they threaten serious inflation in the absence of drastic tax action or curtailment of civilian programs, or, given that action, threaten impairment of producer incentives and essential civilian programs.

A much more fruitful activity for the economist is to demonstrate the economic advantage offered by government intervention, budgetary and otherwise, in those intermediate service areas where benefits are at least partially divisible and marketable. A number of economists have made useful contributions on this front.[10] In what situations does economic logic point to government intervention to correct the market mechanism's allocation of resources in the interests of greater efficiency in their use?

[8] Insofar as voter wants in the public sphere go beyond individualistic preferences to general welfare choices (as Colm, in his article commenting on Samuelson's theory, argues that they not only do, but should), the problem changes form, but the desirability of sharper definition of voter preferences remains undiminished.

[9] No attempt is made here to define a public good. Samuelson (in The Pure Theory of Public Expenditures, The Review of Economics and Statistics, November 1954, vol. 36, p. 387) has defined "collective consumption goods" as those in which one individual's consumption of the good leads to no diminution of any other individual's consumption of that good. McKenna (op. cit.) would broaden the definition to include as public goods all those that provide "benefit simultaneously and automatically to more than one member of society." It would seem that while the former definition leaves out many goods provided under the budget principle, McKenna's embraces quite a number provided under the market principle.

[10] See, for example, O. H. Brownlee and E. D. Allen, Economics of Public Finance, second edition, New York, 1954, ch. 10, The Role of Government Expenditure. See also Max F. Millikan, Objectives for Economic Policy in a Democracy (especially pp. 62–68), and Robert Dahl and Charles E. Lindblom, Variation in Public Expenditure, both in Income Stabilization for a Developing Democracy, Max F. Millikan, editor, New Haven, 1953.

1. Where there are important third-party benefits (also known as extra-buyer benefits or beneficial neighborhood effects) which accrue to others than the direct beneficiary of the service as in the case of education, disease prevention, police and fire protection, the market price and demand schedules underestimate the marginal and total social benefits provided by the service in question. By and large, the direct beneficiaries are the only ones who enter the private market as buyers, with the result that the services would be undervalued, underpriced, and underproduced unless government entered the transaction. Government is the instrument for representing the third-party beneficiaries and correcting the deficiency of the market place (though this is not to deny that private religious and philanthropic organizations, for example, also represent third-party beneficiaries and operate on budget rather than market principles).

2. Just as there may be indirect benefits not reflected in market demand, there may be indirect costs inflicted on society which do not enter the private producer's costs and therefore do not influence market supply. Classic examples are the costs of smog, water pollution, denuding of forests, and the like. In these areas, private output will exceed the optimum level unless government corrects the situation either by regulation or by a combination of expenditure and charge-backs to the private producers involved.

3. Where a service is best provided, for technical reasons, as a monopoly (e. g., postal service, electricity, railroad transportation), the Government is expected to step in either by regulation or operation to avoid costly duplication and improve the quality of service. Ideally, its function would also be to guide prices toward levels consistent with optimum output.[11] Involved here is the problem of the decreasing cost industry, where efficient plant size is so large relative to total demand that average cost decreases as output increases, and the market solution of the output and price problem will not result in best use of the productive assets. To push production to a point representing an ideal use of resources may require, if not government operation, a subsidy financed out of tax revenues.

4. Government may enjoy some advantages in production or distribution which make it an inherently more efficient producer of certain services. Here, the classic case is highways, streets, and sidewalks. By providing them free to all comers, Government effects substantial savings in costs of distribution since it does not have to meter the service and charge a price for each specific use. In this category we might also fit projects, such as the initial development of atomic energy, which involves such great risks and huge accumulations of capital that the private market does not have the financial tools to cope with them.

Although the foregoing list could be lengthened, it serves to cover the major types of mixed economic situations (i. e., those in which resource allocation could be guided either by the market mechanism alone, or by Government alone, or by a combination of the two) in which the economist sees opportunities for improved deployment of productive resources via Government action.

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[11] Note that the Government here is likely to be applying the market principle rather than the budget principle, though it has the advantage of being able to combine the two. For example, in the postal service it can subsidize parts of the service in accord with assumed social priorities, while making other parts pay their way.

Alternative Means of Carrying Out Government Functions

Given the decisions as to the appropriate sphere of Government activity (on the basis not merely of considerations of greatest economic gain but also of value preferences), there remains the problem of choice among alternative methods to implement these decisions, to achieve given aims and satisfy expressed public wants. This choice will affect the budget in different ways. It may increase expenditures, decrease revenues, establish contingent liabilities, or perhaps have no effect on the budget at all (except for a small amount of administrative expenses involved in the supervisory and regulatory activities). Since the operational question is not merely what functions and activities Government should carry out, but what budgetary principles and expenditure levels these lead to, the problem of implementation must be included in any applied theory of public expenditures.

Here, the economist's role is to determine the most efficient method of providing the service or otherwise influencing resource allocation. He is concerned with minimizing costs, i. e., achieving the stated objective with a minimum expediture of resources. Needless to say, other considerations will also influence the selection among alternative means, as even a brief consideration of the types of choices involved in the implementation process will make clear.

What are these choices? Take first the case of direct satisfaction of individuals' public wants. Should the Government produce the desired public goods or obtain them from private industry by purchase or contract? To accomplish redistributive ends, should the Government provide transfers in cash or transfers in kind? [12] Should Government rely on public production of educational services, or should it consider private production combined with earmarked transfers of purchasing power to parents? Thus far, the choices all involve direct budgetary expenditures, the level of which differs, at least marginally, depending on the relative efficiency of the method chosen. But in making his choice, the policymaker must consider not merely the direct costs of providing the service but whether one method involves more or less disturbance of private market incentives and patterns of production than another, whether it involves more or less interference with individual freedom (which is largely a function of the extent of Government expenditures and intervention but certainly in part also a function of the form of that intervention), and so on.

Another set of choices may take the item off of the expenditure side of the budget entirely, or leave it there only contingently. Should such subsidies as those to promote oil and gas exploration, stimulate foreign investment, expand the merchant marine, promote low-cost housing, and increase the flow of strategic minerals take the form of (1) outright subsidies or above-market-price purchase programs, (2) Government loan programs, (3) Government guaranties, or (4) tax

[12] One involves so-called resource-using (also called factor-purchase or exhaustive) Government expenditures, i. e., payments in exchange for current goods and services rendered, with direct control of resources remaining in public hands. The other involves transfer payments, i. e., payments made without any provision of current goods and services in return, with direct control over resources passing into private hands.

concessions? The choice will clearly involve quite different impacts on Government expenditures.[13]

In many of these cases, the economist can be helpful with his efficiency criterion. But one would be naive to think that efficiency alone dictates the choice. The economist may show that a direct subsidy could stimulate a given amount of private direct investment abroad, or a given amount of exploration for oil and gas, with a much smaller cost to the budget than is implicitly required in the tax concession method of achieving the same end. Yet, the costlier tax concession method may be preferred for two simple reasons: (1) it is virtually self-administering, involving no administrative hierarchy to substitute its authority for relatively free private decisions, and (2) it does not involve an increase in the expenditure side of the budget, a fact which has certain attractions to the Executive and Congress.

As yet, no clear boundary lines have been drawn among the various form of Government intervention to mark off those that properly belong within the scope of public expenditure theory. But this illustrative review of the various choices makes clear that some forms of Government activity which are not reflected in expenditures at all (tax concessions) or only contingently (guaranties) are an integral part of such expenditure theory. In fact, there may be a stronger case for embracing these in expenditure theory than many Government activities which require budgetary outlays but are conducted on the pricing principle, i. e., Government enterprise activities.

Economists are conducting some provocative inquiries into questions of alternative methods of carrying out Government programs in areas where the answers had heretofore been taken for granted. For example, the transfer of schooling to a private production and Government transfer payment basis has been urged by Prof. Milton Friedman as a more efficient means of providing the desired service.[14] Prof. O. H. Brownlee is currently probing further into this question, as well as the possibilities of transferring other publicly produced services into the sphere of private production. Once fairly conclusive findings are devised as to the mthods most likely to minimize costs, there remains the vital task of blending these findings with the nonmonetary values that would be gained or lost in the process of transferring from public to private production.

Some Constraints on the Application of Specific Economic Criteria

Repeatedly in this discussion, the note has been sounded that, in determining the level of Government activity, the policymaker cannot live by economics alone. More particularly, we need to guard against setting up our economic guides solely in terms of those considerations which lend themselves to sharp economic analysis

[13] Even within the bounds of a particular program, these impacts can vary sharply. Thus, a direct lending program can be handled by using either funds provided by the U. S. Treasury, in which case it will be reflected in Government expenditures and debts, or as was recently the case in the Federal housing program, funds raised by direct sales of debentures to the public, which are not recorded as part of Government expenditures and debts.

[14] See Milton Friedman, The Role of Government in Education, in Economics and The Public Interest, Robert A. Solo, editor, New Brunswick, 1955, pp. 123–144. In his prescription, Friedman would, of course, have Government regulate the private schools to the extent of insuring that they meet certain minimum standards in their programs and facilities.

and definition. In other words, the role of both economic and noneconomic constraints must be given full weight.

The former include a host of considerations relating particularly to economic motivation in Government versus private undertakings. Government may, for example, have a decided edge in the efficiency of distribution or be able to achieve a better balancing of social costs and social benefits in a variety of fields. Yet, there may be important offsets to these economic advantages in terms of (1) bureaucracy, (2) lack of the profit criterion to gage the results of Government activities, and (3) undesigned or unintended (presumably adverse) economic effects of taxation.[15]

The latter factor, in particular the fact that tax financing of public services involves breaking the link between an individual's cost of a given service and his benefit from it, may involve important offsets to economic advantages otherwise gained by Government expenditure. Thus far, to be sure, no dire consequences of the disincentive effects of taxation have been firmly proved, but changes in the form of private economic activity to minimize taxes are certainly a cost that must be weighed when netting out the balance of economic advantage in Government versus private performance of services.

Beyond the economic factors, one encounters an even more basic and less manageable constraint, namely that of freedom of choice. Thus, it is quite conceivable that following the kinds of economic criteria discussed earlier in the paper would take us considerably farther in the direction of Government spending and control over resource allocation than we would wish to go in terms of possible impairment of economic and political freedom. This consideration enters importantly not merely in decisions as to the proper range of Government activity but also in choosing among alternative methods of providing Government services.

This is not to imply that all value considerations run counter to the expansion of the Government sector of our economy. Such expansion may serve a number of social values, such as greater equality of income and opportunity, a more acceptable social environment, and so on.[16]

To get all of these considerations into the decision-making equation on private versus public provision of a particular service, or on the choice among alternative forms of providing the service, requires a wisdom which goes well beyond the field of economics. Perhaps this explains why so few economists enter politics.

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[15] These less sharply defined economic effects have to be balanced, of course, against comparable and perhaps offsetting drawbacks in the market mechanism. For an exploration of some of these factors, both in the private and the public sphere, see Robert A. Dahl and Charles E. Lindblom, Politics, Economics, and Welfare, New York, 1953, especially pt. V. See also C. Lowell Harriss, Government Spending: Issues of Theory and Practices, Public Finance, vol. 12, 1957, pp. 7–19.

[16] This type of consideration is examined in William Vickrey, An Exchange of Questions Between Economics and Philosophy, in Goals of Economic Life, edited by A. Dudley Ward, New York, 1953, pp. 148–177. See also Fax F. Millikan, op. cit.