87th Congress } JOINT COMMITTEE PRINT
2d Session }

212

THE FEDERAL BUDGET AS AN ECONOMIC DOCUMENT

PREPARED FOR THE

SUBCOMMITTEE ON ECONOMIC STATISTICS

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

Printed for the use of the Joint Economic Committee

U.S. GOVERNMENT PRINTING OFFICE
77316 WASHINGTON : 1962

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington 25, D.C. - Price 50 cents

JOINT ECONOMIC COMMITTEE

(Created pursuant to sec. 5(a) of Public Law 304, 79th Cong.)

WRIGHT PATMAN, Texas, *Chairman*
PAUL H. DOUGLAS, Illinois, *Vice Chairman*

HOUSE OF REPRESENTATIVES

RICHARD BOLLING, Missouri
HALE BOGGS, Louisiana
HENRY S. REUSS, Wisconsin
MARTHA W. GRIFFITHS, Michigan
THOMAS B. CURTIS, Missouri
CLARENCE E. KILBURN, New York
WILLIAM B. WIDNALL, New Jersey

SENATE

JOHN SPARKMAN, Alabama
J. W. FULBRIGHT, Arkansas
WILLIAM PROXMIRE, Wisconsin
CLAIBORNE PELL, Rhode Island
PRESCOTT BUSH, Connecticut
JOHN MARSHALL BUTLER, Maryland
JACOB K. JAVITS, New York

WM. SUMMERS JOHNSON, *Executive Director*
JOHN W. LEHMAN, *Deputy Executive Director*
RICHARD J. BARBER, *Clerk*

SUBCOMMITTEE ON ECONOMIC STATISTICS

WILLIAM PROXMIRE, Wisconsin, *Chairman*

RICHARD BOLLING, Missouri
THOMAS B. CURTIS, Missouri
WILLIAM B. WIDNALL, New Jersey

PAUL H. DOUGLAS, Illinois
J. W. FULBRIGHT, Arkansas

ROY E. MOOR, *Economist*

LETTERS OF TRANSMITTAL

JANUARY 11, 1962.

To the Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee and other Members of the Congress is a study paper prepared for the Subcommittee on Economic Statistics titled "The Federal Budget as an Economic Document."

It is hoped that this study will be helpful to Members of Congress and to the general public, as well as to the members of the subcommittee and of our entire committee.

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

JANUARY 10, 1962.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a study paper entitled "The Federal Budget as an Economic Document," which has been prepared for the Subcommittee on Economic Statistics in connection with its general study of Government economic data. The study has been written by Dr. Roy E. Moor of the committee staff, with statistical assistance by Mr. Hamilton Gewehr, and its contents have been reviewed by a number of individuals both within and outside the Government. In particular, full cooperation was obtained from the Treasury Department and the Bureau of the Budget, as well as from a number of the other agencies mentioned in the study.

I believe that this study will serve as an excellent primer for anyone who wishes to be informed on the financial aspects of Government operations. It should also provide a starting point for needed reform of the budget document. Virtually nothing of a similar nature is now available in published form, and the study should prove quite valuable to the Members and committees of Congress, to executive agencies, and to individuals and organizations with an interest in the Federal budget, including students of government.

Although nothing in this study necessarily reflects the views of the members of the subcommittee, I am confident that it will be given a cordial reception by users of Government budget data.

Sincerely,

WILLIAM PROXMIRE,
Chairman, Subcommittee on Economic Statistics.

CONTENTS

PART I—RECEIPTS AND EXPENDITURES

	Page
SUMMARY OF FINDINGS	IX
CHAPTER ONE. INTRODUCTION	1
CHAPTER TWO. THE FEDERAL BUDGET PROCESS	5
I. The taxing process	5
II. The expenditure process	7
A. Authorization	7
B. Appropriations	8
C. Apportionment	13
D. Obligation	14
E. Expenditures	18
F. Renegotiation	21
G. Audit	23
CHAPTER THREE. ACCOUNT OF THE TREASURER OF THE UNITED STATES	25
I. Available funds in Federal Reserve banks	26
II. Tax and loan accounts in special depositaries	26
III. Gold in Treasury general fund	28
IV. Balances in other depositaries	29
V. Amounts in Federal Reserve banks in process of collection	30
VI. Unclassified collections, etc	30
VII. Silver, coin, and currency	30
CHAPTER FOUR. TYPES OF RECEIPTS	31
I. General nature of cash flows	31
II. Individual income taxes	37
A. Withholdings on wages and salaries	37
B. Payments of estimated tax	40
C. Fiscal year tax payments	42
III. Corporation income taxes	42
IV. Excise taxes	43
A. Liquor and tobacco excises	45
B. Other major excises	46
C. Miscellaneous minor excises	47
V. Custom duties	48
VI. Estate and gift taxes	50
VII. Employment taxes	50
A. Taxes under Federal Insurance Contributions Act	50
B. Railroad retirement taxes	52
C. Unemployment insurance taxes	52
D. Railroad unemployment insurance taxes	52
VIII. Gross receipts of Government enterprises	53
A. Nature of the concepts	53
B. Post Office receipts	55
C. Commodity Credit Corporation receipts	57
D. The Export-Import Bank receipts	59
E. Federal National Mortgage Association receipts	60
F. Tennessee Valley Authority receipts	61
G. Receipts of other Government enterprises	61
IX. Other receipts	65
CHAPTER FIVE. TYPES OF EXPENDITURES	78
I. General nature of cash outflows	78
II. Tax refunds	81
III. Conventional budget expenditures	82
IV. Expenditures from trust funds	86
A. Expenditures under Federal Insurance Contributions Act	86
B. Expenditures by the Railroad Retirement Board	86
C. Expenditures from unemployment trust funds	86

Chapter Five. Types of Expenditures—Continued Page
V. Expenditures by Government enterprises 87
A. Post Office Department 87
B. Commodity Credit Corporation 88
C. Export-Import Bank expenditures 89
D. Federal National Mortgage Association expenditures 89
E. Expenditures of the Tennessee Valley Authority 89
F. Expenditures of other Government enterprises 89
VI. Other expenditures 91

Part II—Budget Concepts

Chapter Six. An Ideal Economic Budget 95
I. General characteristics 95
II. Efficiency in obtaining and using resources 97
A. Resources employed directly by the Government 97
B. Resources employed on behalf of the Government 98
III. Influence on economic stability 100
IV. Effect on distribution of income 102
V. Contributions to economic growth 103
VI. Impact on private resource allocation 105
VII. Summary 106
Chapter Seven. The Present Federal Budget 109
I. General characteristics 109
II. The conventional budget 110
III. The cash budget 113
IV. The Federal budget in the national income accounts 120
V. Other budget data 127
Chapter Eight. Economic Adequacy of the Present Budget 129
I. Nature of the criteria 129
II. Efficiency in obtaining and using resources 130
III. Influence on economic stability 131
IV. Effect on distribution of income 133
V. Contributions to economic growth 134
VI. Impact on private resources 135
VII. Summary 136
Chapter Nine. Suggested Changes in the Present Budget 138
I. Changes in the 1963 budget 138
II. Further changes in future budgets 139
A. Specific improvements 141
1. Specify economic assumptions 141
2. Distinguish types of changes 141
3. Incorporate present agency data 141
4. Consolidate employment data 142
5. Provide estimates of obligations to be incurred 142
6. Indicate gross impact of new policies on both receipts and expenditures 142
7. Include loan and guarantee programs 143
8. Describe contemplated administrative actions 143
9. Divide data into quarterly periods 143
10. Publish some budget material quarterly 143
11. Identify cost data 144
12. Distinguish current from capital items 144
13. Estimate benefits from nonphysical capital outlays 145
14. Relate capital returns to capital costs 145
B. General direction of improvements 146
1. Extend the budgetary time horizon 146
2. Indicate the nature of alternative policies 147
III. Summary 148

APPENDIX—USE OF CAPITAL BUDGETING TECHNIQUES BY FOREIGN AND STATE GOVERNMENTS

Page

I. Introduction — 149
II. Capital budgeting in foreign countries — 150
  A. Sweden — 150
    1. Structure of Government accounts — 150
      a. Current budget of the Government — 150
      b. Capital budget of the Government — 152
    2. National Debt Office — 153
  B. Netherlands — 153
    1. Structure of the state budget — 154
    2. Coverage of the budget accounts — 154
    3. Financing of the capital account deficit — 155
    4. State balance sheet — 156
    5. Relationship between budget accounts and state balance sheet — 157
    6. "State's cash position" — 158
  C. Ecuador — 159
  D. Union of South Africa — 161
    1. Structure of accounts — 162
      a. Consolidated revenue fund (Treasury accounts) — 162
      b. Railways and harbors fund — 162
    2. Financial relations between the Union and provincial governments — 163
    3. Official policy on the balanced budget and capital expenditure — 163
    4. Financing of capital investment — 164
    5. Revenue account and loan account relationships — 165
  E. India — 166
    1. Relationship between the capital budget and the general budget — 166
    2. Role of Government railways and other enterprises — 168
  F. United Kingdom — 169
    1. Conventional presentation of accounts and the "alternative classification" — 170
    2. Role of Government enterprises and funds — 174
    3. Recent discontinuance of alternative classification — 174
  G. Canada — 175
    1. Coverage of budgetary and nonbudgetary accounts — 175
    2. Accounting basis — 176
    3. Government balance sheet — 177
    4. Relationship between Government policies and the accounting system — 178
    5. Role of Government enterprises ("crown corporations") — 179
III. Capital budget procedures in certain States — 180
  A. Connecticut — 180
  B. Maryland — 181
  C. Michigan — 183
  D. Minnesota — 183
  E. North Carolina — 184
  F. Oregon — 185

BIBLIOGRAPHY — 187

LIST OF TABLES AND CHARTS

Table 1.—Types of new obligational authority, fiscal 1962 — 12
Chart I.—1962 expenditures related to authorizations by Congress — 13
Table 2.—Nature of the competition in military procurement contracts during the fiscal year 1961 — 17
Table 2a.—Nature of contracts let by the Defense Department during the fiscal year 1961 — 18
Table 3.—Assignments made by the Renegotiation Board to regional boards during fiscal year ended June 30, 1960 — 22
Table 4.—Assignments completed by Renegotiation Board by clearance or decision not to proceed during fiscal year ended June 30, 1960 — 22
Table 5.—Analysis of refund determinations by Renegotiation Board with respect to renegotiable sales volume for July 1, 1959, to June 30, 1960 — 22

Page
Table 6.—The net recoveries by Renegotiation Board after probable tax credit allowances to contractors, July 1, 1959, to June 30, 1960 23
Table 7.—Collections and other benefits resulting from the work of the Accounting and Auditing Divisions, fiscal year 1961 24
Table 8.—Status of the account of the Treasurer of the United States on November 30, 1961 25
Table 9.—Summary of Federal cash receipts, calendar year 1960 33
Table 10.—Flow of Federal cash receipts by months, 1960 .... 34, 35
Chart II.—Monthly flow of Federal receipts, 1960 36
Table 11.—Individual and corporation income taxes, monthly, 1960 39
Table 12.—Excise tax collections, calendar year 1960 43
Table 13.—Excise tax collections, monthly, 1960 46
Table 14.—Customs and estate and gift tax receipts, monthly, 1960 50
Table 15.—Employment taxes, monthly, 1960 51
Table 16.—Postal revenue, calendar year 1960 55
Table 17.—Receipts of five major Government enterprises, monthly, 1960 57
Table 18.—Commodity Credit Corporation receipts, monthly, 1960 59
Table 19.—Receipts of Federal National Mortgage Association, calendar year 1960 61
Table 20.—Tennessee Valley Authority revenue for calendar 1960 61
Table 21.—Receipts of other Government enterprises, calendar year 1960 62
Table 22.—Other receipts, calendar year 1960 68
Table 23.—Summary of Federal cash expenditures, calendar year 1960 79
Table 24.—Federal cash expenditures by months, 1960 80
Table 25.—Refunds of Federal receipts in the fiscal year 1960 81
Table 26.—Refunds of Federal receipts, monthly, 1960 82
Table 27.—Conventional budget expenditures, monthly, 1960 84
Table 28.—Employment trust funds expenditures, monthly, 1960 86
Table 29.—Post Office Department expenditures, fiscal 1960 87
Table 30.—Expenditures of five major Government enterprises, monthly, 1960 88
Table 31.—Gross cash expenditures of the Commodity Credit Corporation, monthly, 1960 89
Table 32.—Expenditures of other Government enterprises 90
Table 33.—Other expenditures for calendar 1960 91
Table 34.—Summary of conventional budget receipts and expenditures for fiscal 1962, based on existing and proposed legislation 111
Table 35.—Interfund transactions, fiscal year 1962 (deducted from totals of budget receipts and budget expenditures) 112
Table 36.—Federal Government receipts from the public and payments to the public, fiscal year 1962 114
Table 37.—Federal receipts from and payments to the public compared with budget receipts and expenditures, fiscal year 1962 115
Table 38.—Summary of estimated trust receipts and expenditures, fiscal year 1962 116
Table 39.—Intragovernmental transactions, fiscal year 1962 118
Table 40.—Trust fund receipts which are also budget expenditures, fiscal year 1962 118
Table 41.—Trust fund receipts which are also trust fund expenditures, fiscal year 1962 119
Table 42.—Government-sponsored enterprise expenditures (net), fiscal year 1962 119
Table 43.—Accrued interest and other noncash adjustments (net), fiscal year 1962 120
Table 44.—Federal Government receipts and expenditures, calendar 1960 122
Table 45.—Relation of Federal Government receipts and expenditures in the national income accounts to the budget, fiscal year 1960 124

APPENDIX TABLES

Table 1.—Major components of state budget—Netherlands, 1950, 1952, and 1955 154
Table 2.—Condensed state balance sheet: Netherlands, December 31, 1952, and 1953 158
Table 3.—Capital budget of central government: Ecuador, 1952 and 1953 161
Table 4.—Reconciliation of "Conventional form of accounts" and the "Alternative classification" of exchequer accounts: United Kingdom, 1947–48 172

SUMMARY OF FINDINGS

The Federal budget is an important economic document because it is virtually the only place where information can be obtained on Government choices among alternative economic policies (pp. 1–2).

Ideally, the Federal budget, to be an effective instrument of economic decisionmaking, should indicate the economic consequences of proposed Government policies on the use of resources (pp. 97–99), on the stabilization of the economy (pp. 100–102), on the distribution of incomes in the economy (pp. 102–103), on economic growth (pp. 103–105), and on the allocation of resources within the private economy (pp. 105–106).

However, the budget as presently designed does not adequately perform its function as an economic document (pp. 136–137). A survey of current policies proposed by the Eisenhower and Kennedy administrations indicates that the budget provides very little economic assessment or even economic data on these policies (pp. 129–136). For example, many of the countercyclical actions recommended or taken by the Kennedy administration will never appear in any budget (pp. 131–132).

The conventional budget totals as presently constructed give only minor economic information and may be misleading to those who use the totals (pp. 110–113). They do not show aggregate cash flows between the Government and the private economy (chs. 4 and 5) and the totals do not reveal the aggregate economic impact of Government receipts and expenditures (pp. 136–137). For example, in 1960, Federal cash receipts—excluding borrowing—are estimated to have been nearly $127 billion (pp. 31–36) and total expenditures during the same period were about $130 billion (pp. 78–81). These figures are much larger than any amounts published in the budget or in other Government sources.

The types of receipts and expenditures which are wholly or partially omitted from the present conventional budget include (*a*) the gross receipts and expenditures of many Government enterprises such as the Post Office (pp. 55 and 87), and lending agencies (pp. 59 and 89); (*b*) the receipts and expenditures of foreign currencies such as those received under Public Law 480 (pp. 58 and 88) or as counterpart funds (pp. 67 and 91); (*c*) financial transactions such as the issuance and redemption of currency (pp. 67 and 91), the operations of the Federal Reserve System and other Government financial institutions (pp. 65 and 90).

On the other hand, the budget contains some intragovernmental transactions which do not directly affect the public (pp. 117–120) such as payments of interest by Government enterprises to the Treasury (p. 113).

The conventional budget totals have very little meaning also, because they contain many different types of estimates and projections

(p. 110) and these different types are all added together as though they were of uniform validity (pp. 110–113). Furthermore, only rarely are the economic assumptions underlying the various budget estimates indicated in the budget (p. 141).

Another shortcoming of the conventional budget totals is that they represent aggregates of amounts having impacts that occur in differing time periods (ch. 6). For example, individual income tax receipts are generally received in the year the income is earned (pp. 37–42), corporate tax receipts are obtained at least in part in the year following the receipt of income (pp. 42–43), and customs duties may be received several years after goods have been imported (pp. 48–50).

Some Government expenditures occur after most of the economic impact from the expenditures has already occurred. For example, with Federal procurement contracts, the prime contractor typically employs the economic resources and pays for the resources before the Government makes expenditures (pp. 19 and 130). Progress and advance payments do not significantly qualify this conclusion (pp. 19–20). When the Government hires its own resources, expenditures are usually closely related to the use of resources, though not necessarily to the services provided by the resources (pp. 18–19). When transfer payments are made, the economic consequences probably occur only at a later stage when the individuals receiving the funds spend them (p. 142). The budget makes no distinction between these types of economic effects (pp. 110–113).

Similarly, budgeting decisions that are made at many points can have significant economic consequences besides the point of receipt or expenditure of funds. For example, decisions are made on taxes by the central office of Internal Revenue Service, by agents in the field, and by judicial review, some of which is done in the executive branch (pp. 5–7).

Decisions are made on authorizations, including earmarking of funds (pp. 7–8), on appropriations (pp. 8–13), on apportionments by the Budget Bureau (pp. 13–14), and on audits by the General Accounting Office (pp. 23–24), all of which can have economic effects not directly related to actual cash outlays.

The Government provides many forms of subsidies which are not examined in the budget (pp. 105 and 135). The Government also furnishes services to many specific sectors of the economy. For example, sizable amounts of Federal funds are maintained in deposits with most commercial banks in order to ease the fluctuations in general bank deposits (pp. 26–30). Commercial banks are allowed to serve as collecting agents for various Federal taxes (pp. 37–40).

Government receipts typically have significant seasonal fluctuations (pp. 32–36) but Federal expenditures are fairly stable throughout the year (pp. 78–82).

Most Federal receipts and expenditures flow into and out of the account of the Treasurer of the United States and this account indicates generally the cash operations of the Government (ch. 3).

The budget figures shown in the national income accounts (pp. 120–127) and in the Federal Reserve flow-of-funds data (p. 127) have some advantages for purposes of economic analysis but are not fully adequate.

The 1963 budget represents a considerable improvement over previous budgets, both for general use and for economic analysis (pp. 138–139).

On the other hand, many relatively simple modifications can still be made in the budget which will make it a much more useful and significant document (pp. 139–140). These modifications would include (1) specifying economic assumptions (p. 141), (2) distinguishing types of changes (p. 141), (3) incorporating present agency data (pp. 141–142), (4) consolidating employment data (p. 142), (5) providing estimates of obligations to be incurred (p. 142), (6) indicating the gross impact of new policies on both receipts and expenditures (pp. 142–143), (7) dividing some data into quarterly periods (p. 143), (8) distinguishing current from capital items (p. 144), and other changes. In general, the changes should be in the direction of expanding the time horizon of the budget (pp. 146–147) and indicating analysis of alternative policies (pp. 147–148).

Other countries and some States use various capital budgeting techniques which are of interest in connection with any assessment of the Federal budget (pp. 149–185).

THE FEDERAL BUDGET AS AN ECONOMIC DOCUMENT

Part I—Receipts and Expenditures

CHAPTER ONE

INTRODUCTION

The Federal budget is a document that is used in many different ways, just as a family or business budget may serve different purposes. The Federal budget can be employed as a device to plan future Government programs, as a medium through which to restrict Government activities, and as a technique for auditing previous actions. All of these uses are significant, and any discussion of the Federal budget must recognize that the budget is designed to serve a number of diverse purposes.

As part of its general study of Government economic data, the Subcommittee on Economic Statistics of the Joint Economic Committee decided that its 1961 program should include an examination of the Federal budget in terms of its usefulness for economic analysis.[1] The staff was instructed to draw together available materials on the budget and at the same time raise questions concerning the economic effectiveness of the budget document. This volume provides that staff study.

This study examines the Federal budget from only one aspect: the extent to which the budget indicates the economic impact of the Federal Government on the private sector of the economy. No attempt is made to appraise the effectiveness of the budget in performing other functions. Moreover, relatively little attention is directed to the budgetary procedures employed by various agencies of the Government, except as these procedures affect the final availability of information about the economic impact of the Government.

A study of the economic characteristics of the Federal budget is useful because the budget is practically the only Government source for statistical information on the economic significance of Federal receipts and expenditures. Through the years, an enormous literature has accumulated concerning the influence of Federal fiscal actions on the private economy. Virtually all of the statistics used in these writings have been, of necessity, Government budget data. Discussion and debate on the economic roles of the Federal Government will obviously continue into the future, both in Congress and elsewhere. Yet surprisingly little attention has been given to the nature of Government budget statistics and their effectiveness in measuring the

---

[1] "1961 Joint Economic Report," Report of the Joint Economic Committee, 87th Cong., 1st sess., May 2, 1961, p. 48.

economic consequences of Federal fiscal policies. This study is designed to provide some information on the usefulness of budget data for economic analysis of Government actions.[2]

The Federal budget also represents the core of Government decision-making on economic matters. The document is the central point at which economic choices are made among alternative policies. It is the point at which all the policies of the Government obtain their dollar measure and their economic significance. As the report of one recent congressional subcommittee stated:

> The budgetary process can be the President's most powerful instrument for establishing a scale of national priorities and marshaling, through the Congress, the resources required on their behalf.
>
> The budget pulls together, into one comprehensive reckoning, information on all the competing claims of national policy, foreign and domestic. It offers the President unique help in ranking rival claims on the basis of a system of priorities, and allocating resources accordingly.[3]

The present Director of the Bureau of the Budget, Mr. David Bell, has described the role of the budget in a similar way:

> The essential idea of the budget process is to permit a systematic consideration of our Government's program requirements in the light of available resources; to identify marginal choices and the judgment factors that bear upon them; to balance competing requirements against each other; and, finally, to enable the President to decide upon priorities and present them to the Congress in the form of a coherent work program and financial plan. The budget operates as an extremely effective element of discipline on the President and the executive branch because it requires that each proposed use of resources—for defense, science, natural resources, or whatever—be tested against others and against the total size of the budget.[4]

Information about the economic ramifications of Federal actions should be useful to many groups, in addition to the Congress and the executive agencies. Businessmen will be able to understand better their relationships with the government and the impact of Government policies upon business decisions. Taxpayers will have a clearer knowledge of how their money is being used. Persons or businesses now receiving subsidies will be better informed about the nature of Federal aid. Students of government will be able to analyze the role of government more effectively in terms of dollar magnitudes. In essence, a government budget is a handy tool in the operation of a democratic society, and it seems desirable to make the tool as effective as possible.

The following chapters are divided into two parts. Chapters two through five furnish a description of Government receipts and expenditures, as well as a description of some of the Government procedures associated with these receipts and expenditures. The remaining four chapters, six through nine, raise questions about the effectiveness of the budget as an instrument for economic analysis.

Chapter two provides a description of the stages of Government decision-making underlying Federal receipts and expenditures. These stages must be distinguished in order to understand the concepts used in the Federal budget. Moreover, each of these stages has

---

[2] One recent volume, "The Theory of Public Finance," by Prof. Richard A. Musgrave, McGraw-Hill Book Co., Inc., 1959, attempts to apply the analytical tools of economics to build the theoretical underpinnings of a complete Government economic budget. The present study attempts to break some ground for the construction of the same objective. The starting point here is the existing statistical material on the Federal budget.

[3] "Organizing for National Security," a study submitted to the Committee on Government Organization by its Subcommittee on National Policy Machinery, 87th Cong., 1st sess., p. 2.

[4] Hearings before the same subcommittee, pt. VIII, Aug. 1, 1961, pp. 1134–1135.

economic significance because each one furnishes some information about the economic impact of Government receipts and expenditures. This chapter indicates the nature and quantitative significance of each stage.

Chapter three explains the operations of the "Account of the Treasurer of the United States." This account is, in a sense, the focal point of fiscal policy. Virtually all Federal funds from the public flow into this account and virtually all Federal payments to the public are made from this account. Information about this account is an essential prerequisite to an understanding of the mechanics of Government receipts and expenditures and provides a necessary background for an explanation of the Government's present budget statistics.

Chapter four describes the types of receipts obtained by the Federal Government and the nature of the statistics available on these receipts. This chapter, in effect, describes all of the cash flows from the private economy to the Government.[5] As shown in this chapter, total cash receipts of the Government in the calendar year 1960 were about $127 billion, a figure which is not available in either the Federal budget or any other published source. Chapter 4 also indicates the seasonal flow of these receipts by months. It is important to recognize, however, that the data in this chapter are not intended to reflect the economic impact of the Federal Government through receipts. Rather, the material is presented in order to indicate the nature and quantitative significance of the processes by which the Government draws funds from the private economy. The economic impact of these receipts is discussed in later chapters.

Chapter five describes and measures the amounts of total cash outflows from the Government to the private economy, in the same manner as chapter four describes and measures the cash inflows. In the calendar year 1960, total cash expenditures by the Federal Government are estimated to have been $130 billion, an amount which is not shown in either the Federal budget or any other published source. The amount of cash outflows is also shown by calendar months. Hence, a comparison of chapters four and five indicates, on a month-by-month basis, the extent to which the Government either had to borrow from the public or could retire U.S. securities held by the public. Chapter five is not designed to measure the economic impact of Federal expenditures; rather, it is designed to describe and quantify the types of Federal expenditures. Such description and quantification would seem to be an essential prerequisite to the economic analysis of these expenditures.

In contrast to the first five chapters of this study, which are primarily descriptive, the last four chapters raise questions about the effectiveness of present budget concepts in measuring the economic consequences of Government fiscal actions. Chapter six asks the question: What types of budget data would be ideal in order to judge the economic effects of Federal fiscal decisions? The purpose of this chapter is to establish—or at least explicitly indicate—the goals of

[5] "Private sector" and "private economy" are used in this study to include, in effect, all non-Federal economic units. So, for example, State and local governments and foreign economies will be included. The terms are perhaps not generally considered sufficiently elastic to include all these other economic units, but the terms do describe the major areas which are involved and at the same time avoid the awkwardness of any of the more descriptive alternative terms.

economic budget reform. If it is desirable for the Federal budget to show the economic impact of Government actions, what forms of statistics are necessary? This chapter does not examine, except in passing, the feasibility of obtaining these statistics. It seems essential as a first step to determine what should be accomplished before asking how the goals can be achieved.

Chapter seven asks the question: What types of economic data are now available in the present Federal budget? This chapter explains the various concepts used in Government budget materials, including not only the data presented in the formal budget but also the statistics on Federal receipts and expenditures which are available from other Government agencies.

Chapter eight applies the standards established in chapter six to the present budget and asks the question: How adequate are the present budget data in measuring the economic consequences of Government fiscal actions? In effect, this chapter represents an attempt to use current budget material to assess the economic effects of various Government policies. There are, of course, ways in which the existing material can be so used, and these ways are indicated. On the other hand, there are many types of information that are not obtainable from present budget data, and it is important to recognize the extent to which the budget does not provide adequate material for economic analysis.

The last chapter in this study asks the question: What types of additional information could be feasibly provided in order to make the Government budget a more useful economic document? The suggested answers are arranged generally in order of ease of adoption, rather than in order of importance. No attempt is made to assess the effects of the proposed changes on the administrative usefulness of the budget, although it seems likely in many instances that the changes would improve the effectiveness of the budget for other purposes as well as for economic analysis. The suggestions are designed to serve as a basis for further discussion by Government agencies, the Congress, and other users of budget material.

CHAPTER TWO

THE FEDERAL BUDGET PROCESS

This chapter provides an outline of the legislative and administrative procedures underlying Federal receipts and expenditures. These procedures represent the means by which decisions are reached on the level and composition of Government receipts and expenditures. The procedures are important economically for two reasons. First, the nature of the procedures may influence the nature of the decisions. Second, the procedures are observable. Hence, economic reactions can occur in the private sector as the decisions are being made at each level in the budget process.

No attempt is made here to appraise the effectiveness of budget procedures.[1] Rather, the intention is merely to describe the process in order to provide an understanding of concepts that may be useful in examing the budget document. Later chapters indicate the nature of Government cash flows and the possible economic reactions to the decisions made at various stages of the budget process.

I. The Taxing Process

The decisionmaking process on Government receipts is much different than the process for Government expenditures and the two cannot be described in a parallel manner. One reason for this nonparallelism is that much of the decisionmaking with respect to Federal receipts is done in the private sector of the economy and is not as readily subject to description or statistical measure. For example, very little information is available on how funds are obtained by individuals and businesses in order to pay their income taxes. Another reason is that tax legislation is not generally considered along with expenditure legislation. The budget document, for example, contains a vast array of data on proposed expenditures but virtually nothing on tax changes. For both these reasons, the description in this section is shorter and more general than the next section on the expenditure process.

The Constitution requires that "All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills." [2] The bills are, in almost all instances, amendments to the Internal Revenue Code of 1954.[3] Once introduced in the House of Representatives, the revenue bills are customarily referred to the House Ways and Means Committee.[4] When tax legislation reaches the Senate, it is typically referred to the Finance Committee.

---

[1] This is a subject which has been examined at length in other studies. See, for example, Arthur Smithies, "The Budgetary Process in the United States," McGraw-Hill, 1955; Jesse Burkhead, "Government Budgeting," John Wiley & Sons, 1956; Robert A. Wallace, "Congressional Control of Federal Spending," Wayne State University Press, 1960.

[2] Art. I, sec. 7, cl. 1.

[3] Public Law 591, 83d Cong., 2d sess.; 68A U.S. Stat.; 26 U.S.C.

[4] For a general description of the tax legislative process, see Roy Blough, "The Federal Taxing Process," Prentice-Hall, 1952, pt. 2. See also Carl T. Curtis, "The Procedure for Enacting a Revenue Bill," Nebraska Law Review, May 1952, pp. 552-558.

Administration of the tax laws is largely handled by the Internal Revenue Service, an agency of the Treasury Department.[5] In addition to the national office of the Service in Washington, D.C., there are 64 district director's offices, divided generally by State. It is in these offices that administration of the tax laws primarily occurs, for it is here that the agent of the Government has contact with the persons paying moneys to the Government. This is where the individual problems of interpretation of the tax laws are initially encountered and largely solved.

The Internal Revenue agent and the taxpayer have certain general guidelines in meeting these problems besides the Internal Revenue Code as amended and the legislative record associated with the passage of tax bills. The Treasury Department issues regulations designed to explain and interpret the laws.[6] In addition, the Internal Revenue Service publishes rulings that provide examples of applications of the tax laws in specific factual situations.[7] Frequently, these rulings are in reply to requests by taxpayers on matters where interpretation of the law is uncertain. The requests may concern contemplated—as well as actual—transactions. Further interpretation is provided by the Internal Revenue Service in press releases, annual pamphlets such as "Your Federal Income Tax," and the instructions accompanying return forms.

The district director's office makes a preliminary inspection of returns for mathematical errors, and bills or refunds resulting from this review are sent out to taxpayers almost immediately. In 1960, 82 percent of all individual income tax returns were mathematically verified.[8] Of the returns verified, 4 percent—slightly over 2 million returns—had changes made because of the mathematical check. Within the group in which mathematical errors were discovered, 65 percent had their tax liabilities increased by an aggregate amount of $112 million, or about $85 per return. The remaining 35 percent, in which tax liabilities were reduced due to the verification, had an aggregate reduction of $48.6 million, or about $69 per return.

A subsequent audit review is made to determine legal conformity. In general, the audits for individual income tax returns with gross income under $8,000 or business receipts under $25,000 are either "correspondence audits," conducted by letters, or "office audits," in which the taxpayer appears at a local revenue office with his records. The remaining audits are "field audits," in which the examining agent goes to the taxpayer's home or business. In terms of overall averages, about 4 percent of all individual taxpayers and 15 percent of corporations are subject to intensive audit of income tax returns each year.[9] The aggregate amount of additional tax, penalties, and interest in 1960 as a result of the audit of returns was almost $1.8 billion.[10]

If a taxpayer and a Service agent do not agree on the settlement of a case, there are several levels of review within the Service itself.

---

[5] For a general description of this agency, see Joseph P. Crockett, "The Federal Tax System of the United States," Columbia University Press, 1955.
[6] See title 26, Code of Federal Regulations.
[7] See, for example, Internal Revenue Bulletin, Cumulative Bulletin 1961-1, Treasury Department.
[8] Annual report, Commissioner of Internal Revenue, 1960, pp. 26, 34.
[9] Ibid., p. 36.
[10] Investigation of delinquent returns and fraud penalties raised this total to nearly $2.1 billion.

These include the review group of the district director's audit division, the group chief of the examining agent, and the regional appellate division. If no settlement is reached at any of these levels, a statutory deficiency notice is issued.

The most important court of original jurisdiction in tax cases is the Tax Court of the United States, formerly known as the Board of Tax Appeals. This court is technically an independent agency in the executive branch, although it functions in the same manner as a judicial court with respect to rules of evidence, procedure, rules of practice, and so forth. The court has jurisdiction over taxpayers' appeals from deficiencies in tax assessed by the Internal Revenue Service. Therefore, all proceedings before it are by the taxpayers against the Commissioner of Internal Revenue.

The other courts of original jurisdiction are the district courts of the United States and the Court of Claims. The district courts have jurisdiction in any tax case against the United States or a district director for a refund of tax, regardless of the amount involved. The Court of Claims has jurisdiction over all tax suits against the United States, regardless of amount. Cases in both the district courts and Court of Claims are refund cases, i.e., the taxpayer is seeking to obtain a refund of tax previously paid. The Government is represented by the Tax Division of the Department of Justice.

Appeals from both the Tax Court and the district courts are to the several courts of appeals of the United States. Decisions from both the courts of appeals and the Court of Claims are reviewed by the Supreme Court under the certiorari procedure.

II. The Expenditure Process

A. AUTHORIZATION

The first step toward determining the nature and amount of Federal expenditures is to make decisions on the functions which the Government should perform. In a few instances, the decisions are so basic that they are accepted without specific legislation. However, in the great majority of cases, the Congress explicitly enacts statutes authorizing a particular activity to be carried out. These authorizations may not include any financial details, but they are nevertheless an indication of congressional intent and thus can have significant economic effects.[11]

Some authorizations are permanent. For example, in 1935 the Congress enacted a permanent authorization whereby 30 percent of all customs receipts are allocated to the Agricultural Marketing Service for the purpose of expanding domestic and foreign market outlets for farm commodities.[12] Other authorizations are for specified periods and must be renewed if necessary. For example, the national defense education program, as enacted in 1961, is for 2 years only.[13]

---

[11] For an excellent analysis of the economic significance of the various expenditure stages, see Murray L. Weidenbaum, "Government Spending: Process and Measurement," a doctoral dissertation for Princeton University published by the Boeing Airplane Co., 1958. For an updating of this work, see "The Economic Impact of the Government Spending Process," by the same author, Business Review of the University of Houston, spring 1961, pp. 4–47.

[12] 7 U.S.C. 612c. In this instance, the permanent authorization is also a permanent appropriation. See p. 11.

[13] Public Law 344, 87th Cong., 1st sess., signed by the President on Oct. 3, 1961.

In general, authorizing legislation is enacted before funds are granted, and the financial aspects of a Government activity are considered separately by the Congress.[14] Therefore, an agency which has been given responsibility for a function must typically request further legislation to obtain operating funds. However, in some instances, authorizing statutes also provide financial authority. For example, the Federal-Aid Highway Act not only initiated the Federal highway program but also allowed the Bureau of Public Roads to commit the Government to make specific grants for highway construction.[15] All Government corporations are allowed by statutory authorization to make expenditures from the receipts of their own operations.

B. APPROPRIATIONS

The Constitution of the United States states that—

> No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.[16]

This constitutional requirement represents the cornerstone of the Federal budgetary process.

The Government—like most individuals and businesses—typically commits itself to expenditures before the expenditures are actually made. For example, when an agency hires an employee, a commitment exists to pay a salary before the salary is paid. Similarly, when an agency lets a contract, a commitment exists to make payment at a later time when the contract is fulfilled. Before any Government agency can make an expenditure, permission must be obtained from the Congress to commit or obligate the Government for the expenditure. The legislation which grants this authority to commit the Government is referred to as "obligational authority."

In March or April each year, the Bureau of the Budget begins to develop preliminary estimates of anticipated future expenditures. Sometimes these estimates are requested from the individual agencies; sometimes the Bureau of the Budget itself initiates the preparation of the estimates. The estimates include all of the types of outlays which will be associated with future activities of each agency, regardless of the persons receiving the expenditures or the purposes for which the expenditures are made. For example, the judiciary branch might estimate the amounts of expenditures which it will make for printed materials even though a substantial portion of the actual printing will be done by the Government Printing Office or other Government agencies. The estimates are made both for programs already authorized and for new programs which will be proposed. The estimates are reviewed by the Bureau of the Budget and, in consultation with the agencies, consolidated estimates for the entire Government are obtained. These projections of estimated future expenditures are based upon the requests for "new obligational authority." Each January, the President submits to the Congress figures which, in his

---

[14] This practice is based on custom and is not a statutory requirement. See "Constitution, Jefferson's Manual, and Rules of the House of Representatives," H. Doc. No. 766, 80th Cong., 2d sess., Washington, Government Printing Office, 1949, rule 21, clause 2; "Senate Manual Containing the Standing Rules, Orders, Laws and Resolutions Affecting the Business of the U.S. Senate," S. Doc. No. 11, 81st Cong., 1st sess., Washington, Government Printing Office, 1949, rule XVI, clause 2.

[15] Public Law 627, 84th Cong.

[16] Art. I, sec. 9. The second clause in this section is the basis for the publication of the "Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government" mentioned later, p. 39.

It is interesting to note that this constitutional requirement is apparently violated in some cases. See, for example, ibid., 1960, p. 30.

judgment, indicate the needs of the entire Government for new obligational authority in order to enter into commitments during the 12-month period beginning on the following July 1.[17] The combined statement of all these requests represents "The Budget of the U.S. Government." [18]

Several features of this budget should be noted. First, the new obligational authority does not reflect estimates of cash outflows during the forthcoming fiscal year. Rather, the amounts represent requests by the agencies for permission from the Congress to obligate the Government to future expenditures. The actual cash outflows may occur several years after the period for which the permission to obligate was granted. Second, the budget consists of estimates which are subject to several types of changes. The most obvious type of change is that the Congress will not grant exactly the amounts of new obligational authority requested. Also, the estimates of the agencies—made initially in March or April of one year for the period beginning in July of the following year—may not accurately indicate the actual needs for obligational authority for the activities of the Government. To the extent that actual circumstances vary from those predicted and additional obligational authority seems necessary, the President may make requests for supplemental obligational authority.

Despite these characteristics, the budget does represent a statement of Presidential proposals. As such, it serves as one advance indication of the potential economic impact of the Government on the private sector. The budget can be used as a planning instrument not only by the Congress and the other agencies of Government but also by all those businesses and individuals which will be affected by Government decisions.

The budget is disintegrated as soon as it is received by the Congress. The document is referred to the House Appropriations Committee, separated into parts, and further referred to various subcommittees of the Appropriations Committee. These parts become the basis for the various appropriations bills that pass through Congress. The budget as a single document is not considered by the Congress in one piece of legislation. Each subcommittee of the Appropriations Committee holds hearings, draws up an appropriation bill, reports it to the full committee, and the bill proceeds through the normal legislative channels. Most appropriation bills are finally enacted around the end of June and early July.[19]

Following the completion of each congressional session, a set of revised budget estimates, based on the appropriation bills enacted, is published by the Bureau of the Budget. This publication is generally referred to as "Midyear Budget Review." [20] This document provides further indication of the Government's future expenditure intentions.

---

[17] The fiscal year of the Government is from July 1 to June 30. The fiscal year is designated by the calendar year in which the fiscal year ends.

[18] See, for example, "The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1962," Government Printing Office, 1961. In addition to this voluminous document (1,040 pages for fiscal 1962), the Government publishes each year a smaller volume that includes only the budget message of the President and the summary budget statements. A "Federal Budget in Brief" pamphlet is also published that describes the general character of the budget for individuals interested in an overall view of the document. As noted below, pp. 110 to 113, the budget totals used to derive the surplus or deficit are based on expenditures, not new obligational authority. However, the body of the budget is largely devoted to new obligational authority.

[19] Constitutionally, the bills should be passed before the beginning of each fiscal year, as noted above. Cf. B. U. Ratchford, "Some Constitutional Aspects of Federal Expenditures," Journal of Finance, December 1955, p. 460.

[20] See, for example, 'The 1962 Budget Review," released by the Bureau of the Budget at the end of October 1961.

The new obligational authority provided by the Congress in the various appropriation bills are of several types. The most common form is the ordinary appropriation. An appropriation allows a Government agency (1) to commit the Government by orders, contracts, and so forth for specific types and amounts of future expenditures and (2) to make the future expenditures as the commitments are fulfilled.

Appropriations are granted in various forms. "One-year appropriations," which are the most common form, allow an agency to incur obligations within only 1 fiscal year, the grant expiring at the end of the year. However, if the obligations are incurred in the year, obligated balances of such appropriations remain available indefinitely for the making of expenditures in payment of the obligations.[21] A typical example would be salaries and expenses of the FBI.

"Multiple-year appropriations" are available for the incurring of obligations for a specified period of time in excess of 1 year, with the obligated balances remaining available indefinitely for the making of expenditures in payment of the obligations. These appropriations are used primarily for programs of an unusual seasonal nature, for example, the Sugar Act program of the Commodity Stabilization Service.

"No-year appropriations" are available for both obligation and expenditure until the purpose is accomplished. This type of appropriation is used primarily for certain types of benefit payments and for construction of projects where a time limit would not add appreciably to the system of expenditure control. An example is the general construction by the Corps of Engineers in the Department of Defense.

"Current indefinite appropriations" are appropriations in which both the obligations and subsequent expenditures are indefinite in amount. These appropriations may be available on a 1-year, multiple-year, or no-year basis. The amounts involved in these appropriations are determined in various ways. Sometimes, the amounts are tied to particular percentages of particular receipts, and are frequently set in the enabling authorizations. For example, all advance deposits to cover payments of fees are appropriated each year for certification, inspection, and other services of the Food and Drug Administration. In other cases, the amount of the appropriation is determined by other factors. For instance, the appropriation to the Post Office Department is based on the difference between estimated postal receipts and authorized obligations.

"Permanent appropriations" are those in which additional amounts become available from year to year under existing law, without new action by Congress. Their availability may be limited to 1-year or multiple-years, or be of a no-year type. Some of these permanent appropriations are enacted through ordinary legislation; others are in appropriation acts. Some permanent appropriations involve definite amounts for obligation and expenditure. For example, an endowment of $50,000 is given each year to each State and Puerto Rico for agricultural and mechanical arts instruction in colleges.[22] Others are permanent indefinite appropriations where the amount becoming available for obligation and expenditure is not specified in the law, but is

[21] 31 U.S.C. 701-708.
[22] 7 U.S.C. 322.

determined by other factors, e.g., the amount of receipts from a specified source. An example is the allocation of 30 percent of customs receipts to the Agricultural Marketing Service mentioned earlier.[23] Alternatively, the determination may be simply on the basis of financial need, e.g., interest on the public debt.[24]

Another type of obligational authority is the contract authorization. These authorizations have the first feature of an appropriation, i.e., they allow an agency to incur specific obligations, but they provide no power to make the expenditures associated with the obligations. Hence, an agency with contract authorization must make a subsequent request to the Congress for an appropriation to liquidate the obligations.

Contract authorizations are used generally where more than a year is expected to lapse between the time an obligation is placed and the time expenditures become necessary. A contract authorization may be enacted currently by Congress; those which appear in substantive law are current for the first year and permanent thereafter. Typically, they are definite in amount, e.g., the amount of air-navigation facilities that can be contracted for in a particular year. However, sometimes they are indefinite in amount, e.g., the contracts for the building in connection with extension of the Capitol. Alternatively, the contract authorizations may be permanent, and these are usually in substantive law. Some of these provide for specific amounts to be obligated for a limited number of years, e.g., grants for slum clearance and urban renewal. Others provide for renewal each year with no time limit, e.g., education and welfare services for Indians in Alaska.

Due to the existence of contract authorizations, another type of appropriations are those to permit the payment of obligations incurred under previously granted contract authorizations, i.e., "appropriations to liquidate contract authorizations." These are authorizations to make expenditures only, and are not authority to incur additional obligations. Hence, these authorizations are not included in new obligational authority.

Some obligational authority is in the form of authorizations to expend from debt receipts. Some of these authorizations are in appropriations bills. However, many of the authorizations are not in appropriations bills and these are frequently referred to as "backdoor financing." They are generally provided in one of three ways. First, the Treasury may be authorized to provide public debt receipts to an agency, often in exchange for notes of the agency. Since the dollar balances in the bank accounts of the Treasury are not distinguishable by sources, whether obtained from taxes or from borrowing, this type of authorization represents, in essence, an appropriation to commit and to spend Government funds just like any other appropriation. Second, the Treasury and an agency may receive authorization to cancel notes issued by the agency to the Treasury. The effect of this authorization is to restore the authority previously used by the agency to "borrow" from the Treasury, i.e., to obligate and to spend additional Federal funds. Third, an agency may obtain an authorization to borrow directly from the public. Since this type of authorization is granted by the Congress, it means, in essence, that the agency can obtain funds by increasing the outstanding debt of the

[23] P. 7.
[24] 31 U.S.C. 711(2) and 732.

Federal Government. All three of these forms of authorizations may be considered and recommended to the Congress by committees other than the Appropriations Committees.[25]

Some obligational authority is "no-year" in the sense that the agency may use the grant of authority to obligate at any time in the future. Most appropriations, however, are limited in time—usually to 1 or 2 fiscal years. In these cases, an agency which does not obligate itself to the full extent of its appropriations within the limited period must request an extension or reappropriation for a further period if the intention still exists to make the commitment. There are also reauthorizations of contract authority and reauthorizations to expend from debt receipts.

Table 1 indicates the amounts of total new obligational authority proposed by President Eisenhower for the fiscal year 1962 and the general categories of these amounts.

TABLE 1.—*Types of new obligational authority, fiscal 1962*

[In millions]

Type	Current authorizations	Permanent authorizations	Total
Appropriations	$70,315	$9,188	$79,503
Authorizations to expend from debt receipts	793	211	1,004
Contract authorizations		340	340
Reappropriations	(1)	20	20
Total	71,108	9,759	80,867

1 Less than $500,000.

Source: The 1962 Budget, pp. 14–15.

It is essential to recognize that Table 1 shows only request for new obligational authority. There is, at any point in time, an outstanding amount of existing obligational authority which has not yet been fully consumed by expenditures. Most of these existing obligational authorities will already have been used to create commitments but the final expenditures under the commitments will not have been made. Table 1 indicates the increment of obligational authority that President Eisenhower considered should be added to the amount which was estimated would be in existence on July 1, 1961.

Chart I shows these relationships. It was estimated in January 1961 that unspent obligational authorizations on July 1, 1961, would be approximately $74 billion. President Eisenhower requested $80.9 billion of new obligational authority be made available for the fiscal year 1962. If this total were granted by the Congress, agencies would then have $154.9 billion of obligational authority from which to make expenditures. It was further estimated that, of the total amount, $80.9 billion would result in expenditures, during fiscal 1962.[26]

---

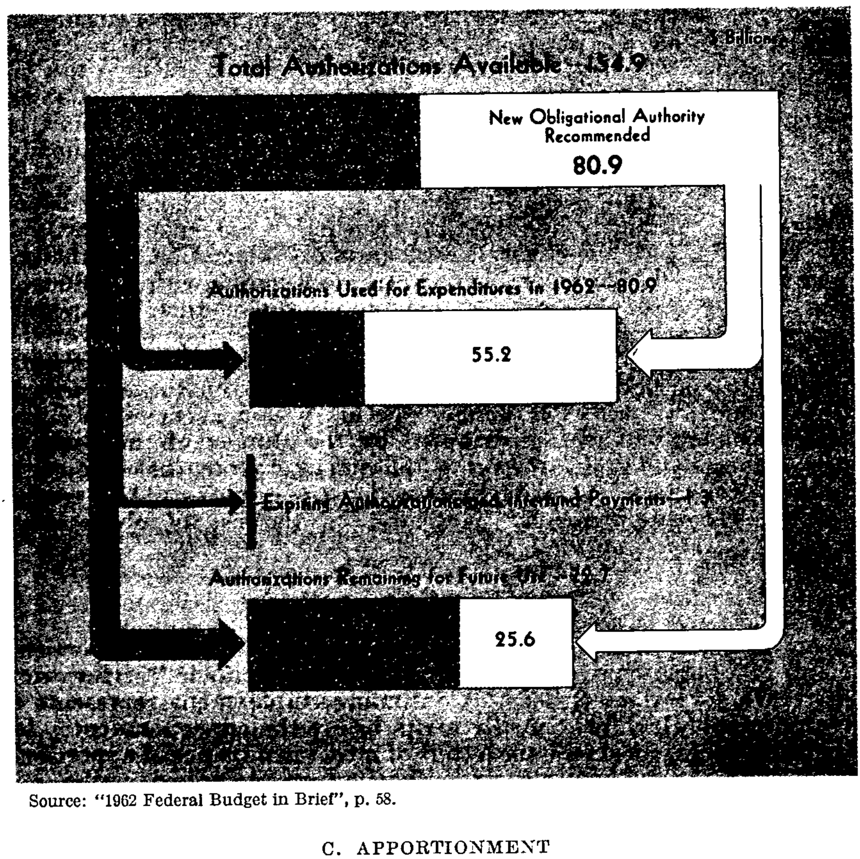
25 For comments on this procedure, see Arthur Smithies, "The Budgetary Process in the United States." op. cit. p. 398.

26 It is mere coincidence that anticipated expenditures are approximately the same amount as requested new obligational authority in fiscal 1962. The components are obviously much different and the totals are rarely similar in amount.

The total expenditures in fiscal 1962 would include $25.6 billion in liquidation of obligational authority already granted by the Congress and $55.2 billion in liquidation of the new obligational authority requested by President Eisenhower. Expiring obligational authorizations would have consumed another $1.3 billion of the previously appropriated authorizations. Hence, out of the $154.9 billion granted and requested, $72.7 billion was expected to be used for expenditures in fiscal years after fiscal 1962.

CHART I

1962 Expenditures Related to Authorizations by Congress



Source: "1962 Federal Budget in Brief", p. 58.

C. APPORTIONMENT

The enactment of an obligational authority by the Congress does not require the immediate establishment of a Treasury bank account to the credit of a Government agency. There are several steps between enactment of an obligational authority and cash outlay by the Treasury, and it would be poor business practice to hold cash idle while each of these steps is being consummated. As Chart I above suggests, the interval between the grant of an obligational authority and the expenditure may be quite long, up to several years.

If the Treasury were to hold amounts in bank balances for all of these future expenditures, the cost to the Government would equal the interest on the national debt that could be retired by these balances. Hence, the Treasury uses its funds almost immediately as it receives them to meet daily expenditure needs, regardless of outstanding obligational authority. If current receipts exceed claims against the Treasury arising from expenditures, as customarily happens during major taxpaying periods, debt obligations can be reduced. If the flow of cash claims begins to drain the relatively small Treasury bank balances at a faster rate than the incoming flow of cash receipts, the Treasury must go to the money markets and borrow funds.

The first step in the budgetary process after obligational authority has been enacted typically involves apportionment of the authority.[27] This apportionment is done by the Bureau of the Budget, usually on a quarterly basis. The agencies determine in the first instance the rate at which they wish to obligate the Government to future expenditures, but the Budget Bureau reviews these plans before apportioning the authority to be sure the rate is consistent with the amount of obligational authority for the entire year. The Bureau may modify apportionments requested by the agencies if the requests do not seem appropriate.[28] Hence, the Bureau has the ability to hold the use of obligational authority to lower levels than those enacted by the Congress.[29] Since the congressional grants of obligational authority are rather general, considerable potential power rests with the Budget Bureau to control the direction and timing of Government expenditures. This power has been exercised to achieve economic objectives only in rare cases, but it represents a significant latent force for controlling the economic impact of the Government on the economy.[30]

A second level of apportionment occurs within agencies once the obligational authority is distributed by the Bureau of the Budget. Agency heads determine the rate of allotments by months or quarters to the various administrative units within the agencies. As a result, additional restrictions may be placed on the use of obligational authority granted by the Congress.

D. OBLIGATION

An agency usually commits the Government only after apportionment of obligational authorizations have been made.[31] However, there are several exceptions. Continuing employment represents a commitment which presumably exists before the apportionment. In some instances, agencies issue letters of intent in advance of apportionment, and a number of specific situations are described in the law under which orders with private firms can be placed even before appropriations.[32]

---

[27] Trust funds and some Government enterprises are not subject to apportionment. See Bureau of the Budget, Budget Circular No. A-34.

[28] 31 U.S.C. 665.

[29] General Appropriations Act, 1951 (64 Stat. 595). For a defense of this procedure, see J. D. Williams, "The Impounding of Funds by the Bureau of the Budget," Inter-University Case Program, CIP Case Series, No. 28, University of Alabama Press, 1955.

[30] Cf. Gerhard Colm, "Essays in Public Finance and Fiscal Policy," Oxford University Press, 1955, p. 90.

[31] 31 U.S.C. 665. The law also requires that "no contract for purchase is to be made except under an adequate appropriation," 41 U.S.C. 11.

[32] 25 U.S.C. 99.

Government statistics indicate amounts of "obligations incurred," [33] i.e., commitments made by the Government during certain periods.[34] The figures include not only commitments for purchases of goods and services from the private economy but also intragovernmental transfers, grants to State and local governments, and purely financial transactions. For example, the agencies may show obligations incurred to the Government Printing Office or interest owed to the Treasury as a result of borrowings from the Treasury.

The incurring of obligations is a significant step in two senses. It is typically the first point at which specific arrangements are made with those private firms and individuals that will be affected by the ultimate expenditures. Hence, to the extent that the private sector has not already begun to adjust during the previous stages of budget decisionmaking, it must begin to react when obligations are incurred, since the commitments become binding on both the private sector and the Government. For the same reason, the incurring of obligations is also the last step in the budgetary process at which the Government has complete discretionary control over its expenditures. From this point forward, the amount and flow of expenditures is influenced by both parties to the transactions, not merely the Government.

Letters of intent are, in effect, interim devices by which a seller is instructed to begin production even though a detailed contract has not yet been signed. The purpose of these letters is to expedite production. They were extensively used during Word War II and had significant economic effects in advance of the incurring of obligations.[35] However, the use and importance of such letters has been substantially reduced in recent years.[36]

Procurement procedures of Government agencies are generally governed by two laws: The Armed Services Procurement Act of 1947 and the Federal Property and Administrative Services Act of 1949, as amended.[37]

The first of these acts provides that—

> Purchases of and contracts for property or services covered by this Act shall be made by formal advertising. However, the head of an agency may negotiate such a purchase or contract, if—
>
> (1) it is determined that such action is necessary in the public interest during a national emergency declared by Congress or the President;
>
> (2) the public exigency will not permit the delay incident to advertising;
>
> (3) the aggregate amount involved is not more than $2,500;
>
> (4) the purchase or contract is for personal or professional services;
>
> (5) the purchase or contract is for any service by a university, college, or other educational institution;
>
> (6) the purchase or contract is for property or services to be procured and used outside the United States and the Territories, Commonwealths, and possessions;
>
> (7) the purchase or contract is for medicine or medical supplies;
>
> (8) the purchase or contract is for property for authorized resale;
>
> (9) the purchase or contract is for perishable or nonperishable subsistence supplies;

---

[33] See "Gross and Net Obligations Incurred and Net Unpaid Obligations of Executive Agencies of the Government," a single sheet of statistics issued quarterly to interested persons by the Bureau of Accounts, U.S. Treasury Department.

[34] Except by letters of intent.

[35] For example, the largest bomber building program during the war was initiated by a letter of intent. Francis Walter, "Miracle of World War II, How American Industry Made Victory Possible," Macmillan, 1956, p. 129.

[36] See, for example, Industrial College of the Armed Forces, "Purchase and Procurement Planning," Government Printing Office, 1950, p. 67.

[37] 10 U.S.C. 2301 and 41 U.S.C. 251.

(10) the purchase or contract is for property or services for which it is impracticable to obtain competition;

(11) the purchase or contract is for property or services that he determines to be for experimental, developmental, or research work, or for making or furnishing property for experiment, test, development, or research;

(12) the purchase or contract is for property or services whose procurement he determines should not be publicly disclosed because of their character, ingredients, or components;

(13) the purchase or contract is for equipment that he determines to be technical equipment whose standardization and the interchangeability of whose parts are necessary in the public interest and whose procurement by negotiation is necessary to assure that standardization and interchangeability;

(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising and competitive bidding might require duplication of investment or preparation already made or would unduly delay the procurement of that property; or

(15) the purchase or contract is for property or services for which he determines that the bid prices received after formal advertising are unreasonable as to all or part of the requirements, or were not independently reached in open competition, and for which (A) he has notified each responsible bidder of intention to negotiate and given him reasonable opportunity to negotiate; (B) the negotiated price is lower than the lowest rejected bid of any responsible bidder, as determined by the head of the agency; and (C) the negotiated price is the lowest negotiated price offered by any responsible supplier;

(16) he determines that (A) it is in the interest of national defense to have a plant, mine, or other facility, or a producer, manufacturer, or other supplier, available for furnishing property or services in case of a national emergency; or (B) the interest of industrial mobilization in case of such an emergency, or the interest of national defense in maintaining active engineering, research, and development, would otherwise be subserved; or

(17) negotiation of the purchase or contract is otherwise authorized by law.[38]

The Federal Property and Administrative Services Act of 1949 establishes almost identical requirements.[39]

In general, the Government does not publish statistics on the number or amount of negotiated bids as contrasted with advertised bids.[40] However, the Defense Department does publish such data on a fiscal-year basis. Table 2 indicates a breakdown of the contracts let by the Defense Department during the fiscal year 1961.[41] This table reveals the difference between certain concepts used in military procurement. Negotiated contracts can be considered to include all of the items in Table 2 except those designated as "formally advertised." However, the Defense Department considers that, of these negotiated contracts, many involve competition. "Informal price competition" refers to the practice of contacting a number of individual firms and encouraging them to submit bids. "Design or technical competition" refers to competition on quality rather than price grounds. In effect, the Defense Department in these cases solicits a number of firms to submit designs for a type of product which the Defense Department wishes to purchase. The figures shown in

[38] 10 U.S.C. 2304(a).

[39] 41 U.S.C. 252(c).

[40] Statistics are assembled on the number and amount of identical bids made by potential contractors to the Government. A collection of these statistics has recently been published. See staff report titled "Ninety-Three Lots of Bids Involving Identical Bids Reported by the Federal Procurement Agencies in the Years 1955-60," Joint Economic Committee, August 1961.

[41] For an interesting description and analysis of the economic effects of contracts let by the Defense Department, see "Hearings Before the Subcommittee on Defense Procurement of the Joint Economic Committee," 87th Cong., 1st sess., June 12, 1961. Also see testimony by Charles J. Hitch, Assistant Secretary of Defense, "January 1961 Economic Report of the President and the Economic Situation and Outlook, Hearings Before the Joint Economic Committee," Apr. 10, 1961, pp. 614-701.

Table 2 include the "follow-on contract" awarded to the firm which wins the design competition. "Open market purchases" involve the Defense Department contacting several firms and inquiring as to the price of a particular product. "One source solicited" represents those cases in which the Department makes a contract after approaching only one firm.

TABLE 2.—*Nature of the competition in military procurement contracts during the fiscal year 1961*

NET VALUE (THOUSANDS)

Type of competition	Total		Army		Navy		Air Force	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total	$25,584,390		$6,273,056		$7,935,082		$11,376,252	
Intragovernmental	880,990		303,274		188,617		389,099	
Total, except intragovernmental	24,703,400	100.0	5,969,782	100.0	7,746,465	100.0	10,987,153	100.0
Formally advertised	2,931,711	11.9	1,221,322	20.5	1,261,115	16.3	449,274	4.1
Informal price competition (subtotal)	4,278,488	17.3	1,481,189	24.8	1,644,724	21.2	1,152,575	10.5
Small business restricted advertising	584,536	2.4	254,408	4.3	128,209	1.6	201,919	1.8
Small business and labor surplus area set-asides	384,253	1.5	137,730	2.3	207,631	2.7	38,892	.4
Other	3,309,699	13.4	1,089,051	18.2	1,308,884	16.9	911,764	8.3
Design or technical competition (including follow-on contracts awarded to the design source)	10,215,763	41.4	1,474,648	24.7	3,380,878	43.6	5,360,237	48.8
Open market purchases of $2,500 or less within United States (price competition obtained on actions of $250 or more)	918,717	3.7	385,087	6.5	284,517	3.7	249,113	2.3
One source solicited	5,749,555	23.3	1,076,569	18.0	1,067,267	13.8	3,605,719	32.8
Competition status unknown	609,166	2.4	330,967	5.5	107,964	1.4	170,235	1.5

NUMBER OF PROCUREMENT ACTIONS [1]

Type of competition	Total		Army		Navy		Air Force	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total	7,496,504		3,138,704		2,355,878		2,001,922	
Intragovernmental	1,001,806		437,272		261,978		302,556	
Total, except intragovernmental	6,494,698	100.0	2,701,432	100.0	2,093,900	100.0	1,699,366	100.0
Formally advertised	262,338	4.0	88,191	3.3	74,796	3.6	99,351	5.8
Informal price competition (subtotal)	74,911	1.2	37,013	1.4	13,084	.6	24,814	1.4
Small business restricted advertising	9,808	.2	3,795	.2	2,238	.1	3,775	.2
Small business and labor surplus area set-asides [2]	34,569	.5	13,773	.5	6,693	.3	14,103	.8
Other	30,534	.5	19,445	.7	4,153	.2	6,936	.4
Design or technical competition (including follow-on contracts awarded to the design source)	20,154	.3	3,602	.1	11,338	.5	5,214	.3
Open market purchases of $2,500 or less within United States (price competition obtained on actions of $250 or more)	5,363,785	82.6	2,166,833	80.2	1,873,678	89.5	1,323,274	77.9
One source solicited	35,205	.5	9,041	.3	6,603	.3	19,561	1.2
Competition status unknown	738,305	11.4	396,752	14.7	114,401	5.5	227,152	13.4

[1] A procurement action may award, amend, terminate, or otherwise change a prime contract.
[2] Excludes set-asides accomplished through small business restricted advertising.

Source: "Military Prime Contract Awards and Subcontract Payments," Office of the Secretary of Defense, July 1960–June 1961, p. 28.

Table 2a indicates the general nature of the contractual agreements which were made by the Defense Department during the fiscal year 1961. In general, the terms used in Table 2a are self-explanatory. The "actions of less than $10,000" involve almost entirely firm-fixed-price contracts.

TABLE 2a.—*Nature of contracts let by the Defense Department during the fiscal year 1961*

Type of pricing provision	Net value ($000)		Number of procurement actions	
	Number	Percent	Number	Percent
Total	$25, 584, 390		7, 496, 504	
Intragovernmental	880, 990		1, 001, 806	
Actions of less than $10,000	1, 846, 169		6, 372, 392	
Actions of $10,000 or more (subtotal)	22, 857, 231	100. 0	122, 306	100. 0
Fixed price type (subtotal)	13, 243, 052	57. 9	101, 784	83. 2
Firm	7, 211, 278	31. 5	89, 601	73. 3
Redeterminable	2, 403, 006	10. 5	2, 971	2. 4
Incentive	2, 553, 522	11. 2	5, 213	4. 3
Escalation	1, 075. 246	4. 7	3, 999	3. 2
Cost reimbursement type (subtotal)	9, 614, 179	42. 1	20, 522	16. 8
No fee	466, 798	2. 0	3, 600	3. 0
Fixed fee	8, 362. 396	36. 6	14, 823	12. 1
Incentive fee	724, 161	3. 2	893	. 7
Time and materials	45, 409	. 2	901	. 7
Labor hour	15, 415	. 1	305	. 3

Source: "Military Prime Contract Awards and Subcontract Payments," Office of the Secretary of Defense, July 1960–June 1961, p. 36.

E. EXPENDITURES

Cash outflows begin to occur in some cases almost simultaneously with the incurring of obligations. In other instances, the interval between the initial commitment and the final expenditure related to the commitment can be several years. These differences in lag times can be explained by the differences in types of expenditures which the Government makes.

The Government makes some expenditures which involve virtually no use of productive resources. These expenditures include purchases of existing assets, interest payments on the national debt,[42] and security benefits, unemployment compensation, certain farm subsidies, and various other outlays. In these instances, expenditures typically are concurrent with—or immediately follow—commitments since no process of production is required prior to payment.

The Government also makes expenditures for goods and services produced by the Government itself. In these cases, the Government pays the productive factors as their services are being used—not as the final goods and services are received. Hence, there are two potential lags in these types of expenditures: the interval between commitment and expenditure and between expenditure and completion of the goods or services. However, because of the nature of the goods and services

[42] It can be argued that payments of interest represent a return to a productive factor. Even if this view is accepted, however, interest payments can most logically be placed with the above group of expenditures, since the lag time between commitment and expenditure is short.

produced directly by Government, these two lags are typically short or nonexistent. For example, the Agriculture Department incurs an obligation to Forest Service employees that it will pay wages and salaries during the course of a fiscal year. The wages and salaries are paid monthly or biweekly after the services have been provided by the employees. Therefore, the Government may receive the benefits of, for example, an improved mountain trail after the commitment to spend but before the expenditure. On the other hand, results of forest research may not become available until a number of years after the expenditures associated with the research.

Government expenditures involving minimum use of productive resources and expenditures involving direct Government employment of such resources must be distinguished from purely intragovernmental transfers. The latter, which involve merely changes in the internal bookkeeping of the Government, are only examined in this study to the extent they reflect possible future economic consequences. The Government expenditures must be examined because they have a direct impact. For example, when an amount is debited to the Treasury's account and credited to a Social Security Administration account, the economy is unaffected. But when the Social Security Administration makes payments to individuals, the payments clearly do affect the economy. Similarly, an apportionment by the Bureau of the Budget to the Forest Service allowing it to incur obligations is, in a sense, an intragovernmental transfer which is only important as an indication of future Government action. A basic assumption throughout this study is that the productive resources employed by the Government are drawn from the private sector. Hence, payments by a Federal agency to its employees—as well as to private owners of resources—are treated as expenditures to the private economy, not as intragovernmental transfers. This approach is similar to that used in the Federal budget.[43]

In addition to expenditures which involve little use of resources and those where the resources are employed directly by the Federal Government, there is a third category of expenditures in which the resources are employed on behalf of the Government by the private sector.[44] This production in the private sector of goods and services for sale to the Government is not usually reflected in Federal budget data as the production proceeds, despite the fact that the Government is clearly affecting the economy.

The Federal Government, just as a private business firm, does not usually pay for goods until the items have been delivered, inspected, and approved. Hence, the expenditures in these cases occur after the use of productive resources.

However, some Government agencies which contract for work to be done in the private sector are allowed to make payments to the private contractors prior to final delivery.[45] Such payments are usually restricted to large orders for heavy equipment where the pro-

---

[43] However, as discussed below, pp. 53–65, the budget definition of "Government" is somewhat narrower than that used in this study, with the result that some "expenditures" in the budget are considered here as intragovernmental transfers and the payments by the agencies as Government—rather than private—expenditures.

[44] As noted earlier, p. 3, the term "private sector" is used in this study in a very broad sense to include State and local governments, foreign economies, etc. A more descriptive—but far too awkward—term would be "non-Federal Government sectors."

[45] For example, see the Armed Services Procurement Act of 1947, op. cit.

duction requires substantial addition to the working capital of the private producer. The payments in these cases are of two types. "Progress payments" can usually be made up to 75 percent of the value of the contract or 90 percent of labor and material alone, and no interest is charged the contractor on such payments.[46] It has been estimated that almost one-third of total military expenditures for procurement and production in fiscal 1954 were in the form of progress payments.[47]

"Advance payments" are made before work begins on a contract but are typically provided only when no other contractor is available to do the work without advance payments.[48] In general, a 6 percent per annum interest is charged on advance payments. The payments are deposited in special bank accounts and withdrawals by a contractor are supervised. Advance payments were quite important during World War II,[49] but are relatively insignificant at present. To the extent these two types of payments are made, however, data on Government expenditures presumably reflect more precisely the use of resources by the private economy.

In general, there are two reasons for the lags between initial authorizing of expenditures and final payments to the private sector. The first lag is usually administrative. A period of time is necessary for the agencies to prepare and obtain approval of apportionment requests, to draw up specifications for orders, and to award contracts. It was estimated that during the World War II defense buildup this administrative lag varied from a week to 5 months.[50] This lag depends in part on the newness of the program. The average period was reduced from approximately a year in the first Public Works Administration to 100 days in the second PWA program.[51] Such changes in the length of the lag period during the course of an expenditure program are typical and must be considered in measuring the economic effects of Government contracts and expenditures.

A second, and more significant, lag is due to technological factors. It takes time for a contractor to obtain the necessary resources, to draw plans, to negotiate subcontracts, and to solve technical difficulties. It has been estimated that for military items, the interval between contract settlement and the time the first units are completed at the scheduled rate of production varies from 6 months in the case of uniforms to over 2 years for bombers and fighters.[52] A further delay occurs after delivery for inspection, paperwork, and disbursements.

The lags for soft goods and services are, of course, much shorter than for hard goods. The period between obligations and expenditures for such items as salaries, travel, and printing usually is only a few months at most.[53]

---

[46] Department of Defense, "Armed Services Procurement Regulations," 1955 edition, GPO, 1955, p. 4.
[47] Murray L. Weidenbaum, "Government Spending: Process and Measurement," Boeing Airplane Co., September 1958, p. A35.
[48] Department of Defense, op. cit., p. 14.
[49] Lynn L. Bollinger, "Financing Defense Orders," McGraw-Hill 1941, p. 44.
[50] Morris A. Copeland, "The Defense Effort and the National Income Response Pattern," Journal of Political Economy, June 1942, p. 416.
[51] J. K. Galbraith, assisted by G. G. Johnson, Jr., "The Economic Effects of the Federal Public Works Expenditures, 1933-38," National Resources Planning Board, GPO, 1940, p. 28.
[52] Murray L. Weidenbaum, op. cit., p. A39.
[53] See Michael S. March, "A Comment on Budgetary Improvement in the National Government," National Tax Journal, June 1952, p. 173.

The rate of expenditures can be changed in several ways. Federal contracts may be canceled, although the Government may lose its existing investment in a project or may have to pay damages to a contractor for unrecoverable cost in these cases. Most contracts allow for subsequent changes by the Government which may serve to expedite or slow the rate of expenditures.

F. RENEGOTIATION

Renegotiation is a process of determining what part, if any, of the profits realized from contracts and subcontracts is excessive. To the extent that such profits are determined to be excessive, they are returned to the Government in the form of refunds. Statutory renegotiation of defense contracts and related contracts dates back to 1942. Presently, renegotiation is conducted by the Renegotiation Board.[54]

It is important to note that renegotiation of contracts is quite limited in scope. First, renegotiation applies only to contracts with certain agencies of the Government and to the related subcontracts. These agencies presently are the Department of Defense, Maritime Administration, Federal Maritime Board, General Services Administration, National Aeronautics and Space Administration, and the Atomic Energy Commission. Second, a number of limitations are set forth in the Renegotiation Act so that certain contracts with the specified agencies are excluded. These exemptions include contracts and subcontracts for many agricultural commodities, for products of mines, oil and gas wells, contracts with common carriers, public utilities and tax-exempt organizations.

Renegotiation is conducted not with respect to individual contracts but with respect to the receipts or accruals of a contractor under all renegotiable contracts and subcontracts in an entire fiscal year.

No fixed formula or preestablished rates are used in determining excessive profits. Each contractor is treated as an individual case. In general, six factors are considered in measuring excessive profits: the efficiency of the contractor, reasonableness of cost and profits, amount and source of public and private capital employed, the extent of risk assumed, the nature and extent of the contribution to the defense effort, and the character of the business.

Under the law some contractors are required to file information with the Renegotiation Board. In fiscal 1960, approximately 17,400 contractors filed such information.[55] Of these 17,400, about 13,400 were not examined in detail. About 3,000 more were withheld at central headquarters for further screening. This left approximately 1,100 cases to be assigned to the regional boards which actually do the examining for excessive profits. Table 3 indicates the nature of the cases assigned the regional boards during the fiscal year 1960.

---

[54] Established by the Renegotiation Act of 1951.
[55] The Renegotiation Board, Fifth Annual Report, 1960, p. 5.

77816—62——3

TABLE 3.—*Assignments made by the Renegotiation Board to regional boards during fiscal year ended June 30, 1960*

[Dollar amounts in thousands]

	Renegotiable sales			
	Under $500,000	$500,000 to $1,000,000	Over $1,000,000	Total
Number of assignments [1] (net)	230	78	706	1,014
Sales:				
Total	$1,068,846	$556,818	$80,981,436	82,607,100
Renegotiable	36,081	55,207	21,549,393	21,640,681
Nonrenegotiable	1,032,765	501,611	59,432,043	60,966,419
Profits:				
Total	42,390	35,391	7,421,310	7,499,091
Renegotiable	2,229	4,094	1,117,278	1,123,601
Nonrenegotiable	40,161	31,297	6,304,032	6,375,490

[1] 89 other assignments involving agents and brokers and certain other companies could not be tabulated for technical reasons.

Source: The Renegotiation Board, 5th Annual Report, 1960, p. 6.

During the same year, 1,035 cases were completed by the regional boards. Table 4 shows the character of those cases completed.

The refunds associated with these cases negotiated in fiscal 1960 are shown in Table 5.

TABLE 4.—*Assignments completed by Renegotiation Board by clearance of decision not to proceed during fiscal year ended June 30, 1960*

[Dollar amounts in thousands]

	Renegotiable sales			
	Under $500,000	$500,000 to $1,000,000	Over $1,000,000	Total
Number of assignments [1] (net)	221	72	742	1,035
Sales:				
Total	$894,041	$542,287	$84,721,067	$86,157,395
Renegotiable	30,294	44,956	24,487,558	24,562,808
Nonrenegotiable	863,747	497,331	60,233,509	61,594,587
Profits:				
Total	34,963	9,079	7,661,157	7,705,199
Renegotiable	272	702	1,483,547	1,484,521
Nonrenegotiable	34,691	8,377	6,177,610	6,220,678

[1] 207 other assignments involving agents and brokers and certain other companies could not be tabulated for technical reasons.

Source: The Renegotiation Board, 5th Annual Report, 1960, p. 6.

TABLE 5.—*Analysis of refund determinations by Renegotiation Board with respect to renegotiable sales volume for July 1, 1959, to June 30, 1960*

Renegotiable sales volume	Refunds determined [1]	Portion of total
		Percent
Under $500,000	$943,448	1.8
$500,000 to $1,000,000	865,125	1.7
Over $1,000,000	50.899,430	96.5
Total for the year	52,708,003	100.0

[1] By agreement or orders.

The firms which were determined to have the $52.7 million of excessive profits had total renegotiable sales of $4,583.1 million and renegotiable profits of $401.6 million.

In addition to the determinations of excessive profits, contractors subject to renegotiation made voluntary refunds and price reductions of $77.8 million. However, both the figures for determinations of excessive profits and for voluntary refunds are made before adjustments in Federal income taxes. Table 6 indicates the relationship of these figures.

TABLE 6.—*The net recoveries by Renegotiation Board after probable tax credit allowances to contractors, July 1, 1959, to June 30, 1960*

[Dollar amounts in millions]

Determinations of excessive profits	$52.7
Voluntary refunds and price reductions	77.8
Total	130.5
Less tax credit	68.9
Net recoveries	61.6

Net recoveries by the Government arising from determination of excessive profits are included in miscellaneous receipts. The funds do not revert to the individual departments.

G. AUDIT

The auditing of expenditures is done in the first instance at the agency level. Each agency has an auditing officer as well as a budget officer and the auditing process is continuous. Many agencies have both a preaudit of expenditures prior to payment and a postaudit after payment. However, the major auditing of Government accounts is done by the General Accounting Office, an agency of the Congress. Very broad powers have been vested in the GAO and in the Comptroller General of the United States who directs its activities. These powers include the authority to decide most questions involving a payment to be made by any agency of the Government; to audit and settle all public accounts; to settle, adjudicate, and adjust all claims for and against the Government; to prescribe systems and procedures for administrative appropriation and fund accounting; and to investigate all matters relating to receipts and disbursements of public funds,[56] including the right to examine any pertinent books, documents, papers, and records of any Government contractors or subcontractors. All decisions of the Comptroller General are final and conclusive upon the executive branch in the settlement of public accounts. The responsibility is upon agency heads to maintain adequate systems of accounting and internal control, but these must conform to principles and standards prescribed by the Comptroller General.

Within these broad powers, GAO performs several types of functions. All wholly owned and mixed-ownership Government corporations are subject to an annual audit by GAO.[57] In addition, the

[56] Budget and Accounting Act, 1921, 42 Stat. 20, 23, 31 U.S.C. 41 et. seq. Also see the Budget and Accounting Procedures Act of 1950, 31 U.S.C. 65. An important qualification to the above powers concerns Government banking institutions. For some reason, GAO does not audit any of the 4 Government banking institutions which are not in the budget. See p. 65.

[57] Government Corporation Control Act of 1945, 31 U.S.C. 850, et. seq.

GAO conducts audits on a selective basis of all other Government activities, either by functional or agency categories. The Comptroller General also makes many specific analyses of administration and expenditures by particular Government agencies for the benefit of the Congress.[58]

Table 7 indicates the amounts of collection and other benefits for the fiscal year 1961 which GAO attributes to its audits and investigations.[59] The amounts shown as collections are those obtained on behalf of the individual departments and agencies.

TABLE 7.—*Collections and other benefits resulting from the work of the accounting and auditing divisions, fiscal year 1961*

	Collections	Other benefits [1]	Total
DEPARTMENTS			
Army	$2,934,000	[2] $63,521,000	$66,455,000
Navy	1,902,000	15,066,000	16,968,000
Air Force	2,538,000	7,683,000	10,221,000
Agriculture	104,000	455,000	559,000
Army Corps of Engineers (civil functions)	102,000	224,000	326,000
Commerce	376,000	20,000	396,000
Health, Education, and Welfare	230,000	325,000	555,000
Interior	41,000	334,000	375,000
Justice	1,000	33,000	34,000
Labor	4,000	2,134,000	2,138,000
Post Office		239,000	239,000
State (including International Cooperation Administration)	298,000		298,000
Treasury	105,000	65,000	170,000
AGENCIES			
Atomic Energy Commission	43,000	2,459,000	2,502,000
Civil Service Commission	39,000	46,000	85,000
Federal Aviation Agency	24,000	5,000	29,000
General Services Administration	28,000	2,112,000	2,140,000
Housing and Home Finance Agency	7,000	104,000	111,000
National Science Foundation	54,000		54,000
Office of Civil and Defense Mobilization	110,000	186,000	296,000
Veterans' Administration	19,000	25,000	44,000
Other agencies	11,000	2,000	13,000
Total	8,970,000	95,038,000	104,008,000
Additional amounts from—			
Claims	4,878,297		
Transportation	24,070,443		
Total	37,918,740	95,038,000	132,956,740

[1] Other benefits represent reductions or elimination of payments, costs, or expenses that would have been made or incurred except for the adoption of recommendations made by the General Accounting Office as a result of its examinations of agency operations, contractors' costs, or contract terms.

[2] An undeterminable but relatively small part of this amount relates to the Air Force.

Source: Information obtained from the General Accounting Office.

[58] For example, one recent report was entitled "Review of Noncompetitive Procurement of Aeronautical Replacement Spare Parts Within the Department of Defense," by the Comptroller General, September 1961.

[59] Cash receipts from these sources are generally shown as miscellaneous receipts, although in some instances the amounts are credited to the appropriations from which the amounts were originally paid.

CHAPTER THREE

ACCOUNT OF THE TREASURER OF THE UNITED STATES

An understanding of the "Account of the Treasurer of the United States," sometimes referred to as the "general fund," is important in any study of the Federal budget because through this account flow virtually all receipts and expenditures of the Federal Government. Almost without exception, every expenditure made by the Government is paid from this account and therefore almost every receipt obtained by the Government must be funneled into the account. The account is exactly comparable to the bank balances and other cash assets of an individual or a business.

The account includes, first, the "Treasury operating balance." This balance indicates the amounts which are, according to the Treasury Department procedures, most readily available to pay for expenditures of the Government. The operating balance includes three types of items: (*a*) balances in accounts with Federal Reserve banks, (*b*) balances in tax and loan accounts in special depositaries, and (*c*) gold in the Treasury fund. In addition to the operating balance, the account of the Treasurer includes a miscellaneous assortment of other liquid assets: (*d*) balances in other depositaries, (*e*) amounts in Federal Reserve banks in process of collection, (*f*) unclassified collections, etc., and (*g*) silver, coin, and currency. Each of these items is explained below. Table 8 shows the amounts in each of these categories on November 30, 1961.

TABLE 8.—*Status of the account of the Treasurer of the United States on Nov. 30, 1961*

[In millions of dollars]

Types of assets	*Amounts*
Treasury operating balance	$5, 528
Available funds in Federal Reserve banks	489
Tax and loan accounts in special depositaries	4, 930
Gold in Treasury fund	109
Balances in other depositaries	414
Amounts in Federal Reserve banks in process of collection	154
Unclassified collections, etc	58
Silver, coin, and currency	173
Total assets	6, 327

Source: Treasury Bulletin, December 1961, p. 20.

Information on the status of the account of the Treasurer can be found primarily in the Daily Statement of the U.S. Treasury, with some references to the account in the Monthly Statement of Receipts and Expenditures of the U.S. Government, the monthly Treasury Bulletin, the annual report of the Secretary of the Treasury, and the annual Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government.

I. Available Funds in Federal Reserve Banks

Virtually all expenditures of the Federal Government are paid by checks drawn on the Treasurer of the United States and charged to the Treasury's accounts maintained in the 12 Federal Reserve banks and their branches. The balances in these accounts are, in effect, the immediate working cash of the Government. The other items in the account of the Treasurer serve generally to support the Federal Reserve accounts. Amounts are funnelled into the Federal Reserve accounts from the other items in order to meet the daily anticipated cash drain on the Treasury. In addition, some amounts are directly deposited to the Treasury's Reserve bank accounts by accountable officers of the Government, e.g., district directors of Internal Revenue who have offices in the same cities as Federal Reserve banks or branches. The word "available" in the title indicates that the balance is presumably confirmed because a period of time—usually 2 days—has been allowed for checks deposited to be received and honored by the commercial banks on which the checks were drawn.

The Treasury attempts to maintain an active working balance at the beginning of each day of approximately $500 million. However, the activity in the accounts is reflected by the fact that daily debits and daily credits both frequently exceed $2 billion.

A typical expenditure by the Federal Government usually involves steps similar to the following. A Government disbursing officer writes a check against the account of the Treasurer. The recipient of the check deposits it in his personal bank account. The bank credits the account of the individual and deposits the check in its reserve account with its Federal Reserve bank, thereby increasing the bank's reserve position and its ability to make loans. The Federal Reserve bank credits the bank's reserve account and charges the check against the Treasury's working account. The Federal Reserve bank then ships the check to the Treasury Department in Washington, D.C. The disbursing officer also sends to the Treasury in Washington a record of all checks he has written for the month. The Treasurer's office reconciles the disbursing officer's records of checks issued with the records of checks paid. The Bureau of Accounts in the Treasury maintains the central accounts for the Government on receipts, expenditures, appropriations, cash balances, and liabilities.

II. Tax and Loan Accounts in Special Depositaries [1]

There are approximately 13,500 commercial banks in the United States. Of these, 11,617, or about 85 percent, are special depositaries of public moneys, i.e., they have tax and loan accounts. Any incorporated bank or trust company may make application to become a special depositary.[2]

The primary purpose of tax and loan accounts is to reduce the economic impact on commercial banks of Federal tax payments and loan operations. The accounts serve as cushions between payments

[1] For a more complete description of these accounts, see "The Treasury's Deposit Balances and the Banking System," Monthly Review, Federal Reserve Bank of New York, April 1958. An earlier discussion of the historical and legal aspects is to be found in the Annual Report of the Secretary of the Treasury for the fiscal year 1955, pp. 275–291. For a description of the significance of these accounts on the money market. see The Treasury and the Money Market, Federal Reserve Bank of New York, Third Printing (May 1956),

[2] Treasury Department Circular No. 92 (Revised), Nov. 10, 1949.

of funds to the Government and use of the funds by the Government. This cushion is provided by transferring funds from private to Government control but, at the same time, leaving the funds in the commercial banks which originally held the funds.

An example is the payment of withheld taxes on wages and salaries. If an employer deposited the withheld taxes in a Treasury working account in a Federal Reserve bank, the bank would credit the Treasury working account and reduce the reserve account of the commercial bank upon which the check of the employer was written. The commercial bank in turn would reduce the employer's account by the amount of the check. However, the bank's reserve position would be altered because, under the fractional reserve system, required reserves would diminish by only a percentage of the reduction in deposits while actual reserves would fall by the full amount of the employer's check. Such a result would occur spasmodically whenever a withholding payment was made to the Government. Instead, the Treasury allows commercial banks to be agents of the Federal Government. The banks can receive tax payments. A bank, in the typical case, merely reduces the account of the employer in the bank and increases the balance in a tax and loan account in the bank. The result is that aggregate deposits in the bank are not changed and the bank's actual and required reserves remain unaffected. The Treasury, through the Federal Reserve banks, then transfers funds from the tax and loan accounts to the Treasury working accounts at the Federal Reserve banks only as amounts are needed to meet Government expenditures.

The major distinction between tax and loan accounts and other accounts of the Treasury maintained with commercial banks is that the commercial banks—as authorized agents of the Government—are allowed to make the deposits into the tax and loan accounts whereas other authorized officers of the Government make deposits into the other accounts. In effect, commercial banks are allowed to receive certain tax payments and place these payments in Government accounts in the commercial banks.[3]

Special depositaries are divided into three groups. Group A includes those banks which have tax and loan accounts of less than $150,000 on the date selected for classifying the groups. Withdrawals from these banks to the Treasury's working cash with the Federal Reserve banks are typically made once or twice each month, and 1 week's advance notice is usually given of the withdrawals, although withdrawals can be—and occasionally are—made more frequently. On September 30, 1961, 10,085 banks were in this group.[4]

Group B includes all banks with tax and loan accounts of $150,000 or more, except those banks included in group C. Withdrawals from group B banks are usually made daily from Monday through Friday each week. Notices are issued on Monday for withdrawals on the following Friday and Monday, and on Thursday for the following Tuesday, Wednesday, and Thursday. The frequency of withdrawals from this group of banks will vary depending upon the need for funds

[3] It should be noted in this connection that deposits to tax and loan accounts are made as a result of borrowing operations of the Government as well as from tax collections. In this study, attention is directed only to the use of the accounts for tax receipts.

[4] Data on number of banks in each group were obtained from the Fiscal Service, Treasury Department.

at the Federal Reserve banks. There were 1,481 banks in this group on September 30, 1961.

Group C banks are those having total public and private deposits of $500 million or more as shown by the latest reports of the bank supervisory authorities. Calls for withdrawals of balances with group C banks are usually made at the same time as calls on group B banks. However, calls on "C" banks are subject to subsequent increases, decreases, or cancellation on any particular day that Treasury closing balances in the Federal Reserve banks are expected to deviate substantially from the desired level. On September 30, 1961, there were 51 of these group C banks.

Each call on a commercial bank is based on a forecast by the Treasury, working with the Federal Reserve Bank of New York, of the daily receipts and disbursements which will affect the Reserve bank balances of the Treasury. If actual receipts and disbursements vary significantly from the forecasts, adjustments are made by means of special calls on group C banks, redeposits of amounts withdrawn from group C banks, or cancellations of previously scheduled withdrawals from group C banks. In general, notice of these changes is given to group C banks before 11 a.m. (Washington time) on the days the changes are to be made.

On November 30, 1961, the balances in all tax and loan accounts totaled $4,930 million. Of this amount, $1,054 million was in all group A banks, $1,890 million in all group B banks, and $1,986 million in all group C banks.[5]

III. Gold in Treasury General Fund

When the Treasury Department purchases gold bullion, the gold is held at a Government depository. The largest depository is at Fort Knox, Ky. The Treasury customarily issues gold certificates, or at least obtains gold certificate credits in the Federal Reserve banks, for the dollar value of the gold. The gold certificates are given to a Federal Reserve bank and the working account of the Treasury is increased by a corresponding amount, offsetting the payment for the gold. Hence, the value of the gold certificates held by Federal Reserve banks equals a substantial portion of the value of gold owned by the Treasury. In addition, the Treasury holds gold with a value of $156,039,430.93 as a reserve against outstanding U.S. notes. The dollar value of gold held by the Treasury which is not related to gold certificates or U.S. notes is the so-called "free gold," i.e., the gold in the Treasury general fund.

The largest single increase in the Treasury's free gold occurred in 1934 when the dollar value of gold was increased. All the gold then being held by the Treasury was increased in dollar value; gold certificates had already been issued for the gold at the lower value; hence the Treasury obtained free gold to the extent of approximately $2.8 billion. This free gold has gradually been monetized in various ways. For example, much of it has been used to reduce Government debt obligations held by the Federal Reserve banks. The procedure here is to convert the free gold into a Federal Reserve bank account balance and then use that balance to retire part of the security hold-

[5] Ibid., p. 20. The figures on the distribution of groups of banks were obtained from the Fiscal Service, Treasury Department.

ings. As this procedure illustrates, free gold is the part of the gold stock which is at the free disposal of the Treasury and the amount of free gold is controllable by the Treasury. By making a gold certificate deposit, the Treasury can at any time convert free gold to working balances at the Federal Reserve banks.

IV. Balances in Other Depositaries

As indicated above, tax and loan accounts are used primarily for deposits by commercial banks acting as agents of the Government. Other Government agents use other commercial bank accounts. As a means of transmitting collections of Government officers, the Treasury has designated approximately 850 commercial banks to accept deposits of various type of receipts. These banks are known as "active general depositaries." Deposits received by these other depositaries are not typically held by then but are transferred on the date received to a Federal Reserve bank or branch and immediately credited in a Treasury working account at that point. There are a few exceptions to this procedure wherein deposits are not transferred to a Federal Reserve bank or branch until they have been confirmed by being charged to the bank account on which they were written.

To compensate commercial banks for their expenses in connection with handling these receipts, a second Treasury account is maintained with them. A fixed balance is maintained in these accounts. The Treasury attempts to relate the balance in each of these accounts to the amount of services being provided by the individual banks. In effect, the balances represent the means used by the Treasury to reimburse commercial banks for the services they render. The banks can invest these balances and the income on the investments serves in lieu of fees. Since the balances are left for relatively long periods with quasi-guarantees that they will not be withdrawn unexpectedly, the amounts are similar to time deposits.[6] Tax and loan accounts, by comparison, are considered as equivalent to other demand deposits.

Treasury time deposits are also maintained with banks providing other Government services. For example, the Treasury has currently authorized the operation of approximately 450 banking facilities at Government establishments, primarily at military posts. These facilities render certain banking services to the post and its personnel, such as cashing Government checks, furnishing cash for payrolls, receiving deposits of Government funds, maintaining accounts of organizations and individuals, and similar services. Treasury time balances are maintained with the banks designated to operate banking facilities.

In certain instances, the volume of collections of Government officers does not warrant the designation of an "active general depositary." In these cases, the Treasury will designate banks to issue bank drafts, without a fee, to Government officers in exchange for their collections. The bank drafts are then forwarded by the agents to a Federal Reserve bank or branch, or other central point, for deposit. Treasury time balances are maintained with approximately 2,200 banks for this service.

---

[6] And only a time deposit reserve requirementl s imposed with respect to these balances

In addition to the foregoing, Treasury time balances are maintained with banks for such services as furnishing the cash requirements of Government officers, the handling of State unemployment compensation benefit payment and clearing accounts, and the cashing of Government payroll checks.

V. Amounts in Federal Reserve Banks in Process of Collection

As indicated above, the Treasury's working balance in the Federal Reserve banks includes only those deposits on which sufficient time has been allowed for collection of the checks deposited by being charged to the bank accounts of the individuals who wrote the checks to the Government. In addition, at any point in time there are checks which have been received by the Federal Reserve banks for deposit to the Treasury account but which have not yet been confirmed. This distinctive type of "float" is shown separately in the Treasury account as amounts "in process of collection."

VI. Unclassified Collections, Etc.

This category of the Treasurer's account also represents items "in process of collection." The only difference between unclassified collections and amounts in Federal Reserve banks in process of collection is that the former are funds received directly by the Cash Division of the Treasury Department in Washington, D.C., while the latter are deposited in the Treasury account with the Federal Reserve banks. The former are usually obtained from miscellaneous receipts.[7] The unclassified collections are typically sent through the Federal Reserve banks for collection.

VII. Silver, Coin, and Currency

All the items of the Treasurer's account which have been described above are "cash" in the sense of account balances on the books of the Treasury, the Federal Reserve banks, or the commercial banks. The Treasury Department also has, at any point in time, a physical inventory of silver, coins, and currency. These inventories are held for fairly immediate purposes. The silver is the amount in excess of reserves against silver certificates that is available as reserves for invoice of additional silver certificates. Silver bullion is also available for silver coinage. The coins are amounts held in various vaults for distribution to the banking system. As these coins are delivered, this account is reduced and Treasury bank accounts are increased. The currency portion represents primarily new bills issued but not yet delivered to points of distribution.

---

[7] See pp. 65–67 for a description of miscellaneous receipts. As noted previously, all the amounts in the Treasurer's account include funds from borrowing operations.

CHAPTER FOUR

TYPES OF RECEIPTS

I. General Nature of Cash Flows

This chapter and the following one represent in effect an attempt to draw up a statement of cash flows for the Federal Government. The purpose of these two chapters is not to design a budget which will measure the economic impact of the Federal Government. Rather, the two chapters are designed only to accomplish two purposes: (1) To describe the nature of the cash transactions in which the Federal Government engages, and (2) to indicate the factors which influence the seasonal fluctuations in the level of the national debt. This chapter described the sources of cash inflows to the Government; chapter five indicates the types of cash payments made by the Government.

The term "receipts" is used throughout this study to include all the funds obtained by the Federal Government from the private sector of the economy, except those obtained by borrowing. This use of the term seems reasonably consistent with general usage although, as indicated below, it differs somewhat from the use of the term in the budget.[1] Accounting entries which involve shifts in amounts from one agency of the Government to another are not considered as receipts. These intragovernmental transactions, while important to the agencies involved, do not reflect cash flows from the private economy. To the extent that the transfers represent shifts in command over economic resources, the transfers are reflected ultimately in the receipts or the expenditures which are examined here.

In some respects, this chapter and the following one have features in common with a profit-and-loss statement of a business firm. First, such a statement usually indicates the gross income from operations and then the expenses associated with that gross income. Similarly, these two chapters will indicate, in a sense, the gross income and gross expenditures of the Federal Government. Second, a profit-and-loss statement usually covers only the business operations of a firm and excludes financial transactions such as borrowing or capital flotation. In the same way, this chapter does not discuss the management of the national debt. As with the business firm, therefore, receipts are considered here to include only those amounts to which the Government has a complete claim unqualified by an increase in a financial liability.[2] Such an approach means, however, that profits and losses from sales of securities are included as gross receipts,[3] just as they are

[1] See p. 110 to 112.

[2] This approach should not be interpreted as implying that management of the national debt has no economic consequences. Sales of Government securities are similar to tax receipts in many respects and should probably be considered virtually equivalent for most analytical purposes. However, in examining the Federal budget, it seems desirable to restrict the study to a concept of receipts similar to that used in principle in most budgets. At the same time, it must be recognized that the distinction between receipt and borrowing is arbitrary and therefore awkward at several points in this chapter.

[3] For example, profits and losses on open market operations of Federal Reserve System.

by many business firms. Since all Government expenditures are considered in chapter five, regardless of the sources from which the money is obtained to pay for the expenditures, the difference between aggregate receipts, as here defined, and aggregate expenditures represents a surplus or deficit to the Government which is reflected in public debt operations.

On the other hand, there are some differences between the typical profit-and-loss statement of a business and the data presented in this chapter and chapter five. The principal difference is that most profit-and-loss statements are presented on an accrual basis; i.e., the statements indicate the amounts of income and expenses attributable to a period rather than the cash inflows and outflows in the period. Gross income typically represents the amount earned during a period, whether received in cash or other assets such as receivables; expenses include all those incurred in connection with the income, whether paid in cash or in such liabilities as accounts payable. Government data do not permit the full use of an accrual approach. Therefore, to be consistent, this chapter and the following one are based as completely as possible upon cash flows between the private sector and the Government. One result of this cash flow approach is that imputed amounts are not considered in these chapters. For example, no attempt is made to indicate the amount of depreciation on Government property even though such depreciation is clearly an expense of Government.[4]

In the calendar year 1960, total cash receipts of the Federal Government, as derived in the following sections, are estimated to be nearly $127 billion. Table 9 summarizes the major sources of these receipts. Table 10 indicates the breakdown of these receipts by months and Chart II shows the general pattern of seasonal fluctuations of these receipts. Such tables are not available in any official Government publication.[5] The reason for this is that the Federal budget does not define cash receipts of the Federal Government as broadly as they are defined here.[6] The principal differences are (1) in this chapter, gross receipts of all Government enterprises are considered as cash inflows to the Government (the budget generally shows these Government enterprises only in terms of their net profit or loss and the figures, either positive or negative, are usually on the expenditure side of the budget); (2) a number of cash inflows which represent payments for financial services are included in this chapter (and excluded from the budget entirely); (3) some payments to the Government in foreign currencies are included here (although excluded from the budget). The differences between the amounts shown here and those shown in the budget are indicated as they occur in this chapter.

---

[4] Another result is that some economic functions of Government, e.g., insurance of private loans, are almost entirely omitted. For an excellent analysis of loan insurance programs, see George F. Break, "The Economic Impact of Federal Loan Insurance," National Planning Association, 1961.

[5] The Federal Reserve System has developed a set of accounts based on cash flows, but the figures are different than those presented in this chapter, primarily because the Federal Reserve uses net figures and excludes the Federal Reserve from the Government sector. For a further description of the Federal Reserve figures, see p. 127 below.

[6] For a description of the definitions in the Federal budget, see chapter seven.

TABLE 9.—*Summary of Federal cash receipts, calendar year 1960*

[Thousands of dollars]

Source:	*Amount*
Individual income taxes, total	46, 053, 699
Withholdings on wages and salaries	32, 638, 744
Other	13, 414, 955
Corporation income taxes	22, 694, 876
Excise tax collections, total	12, 154, 120
Liquor	3, 175, 762
Tobacco	1, 954, 734
Other	7, 023, 624
Custom receipts	1, 086, 089
Estate and gift tax receipts	1, 783, 706
Employment taxes	13, 068, 030
Five major Government enterprises, total	14, 014, 724
Post Office	8, 325, 807
Commodity Credit Corporation	3, 222, 942
Export-Import Bank	509, 161
Federal National Mortgage Association	1, 796, 508
Tennessee Valley Authority	160, 306
Subtotal	110, 855, 244
Other Government enterprises	1, 994, 101
Other receipts	13, 921, 633
Grand total	126, 770, 978

TABLE 10.—*Flow of Federal cash receipts, by months, 1960*

[Dollar amounts in thousands]

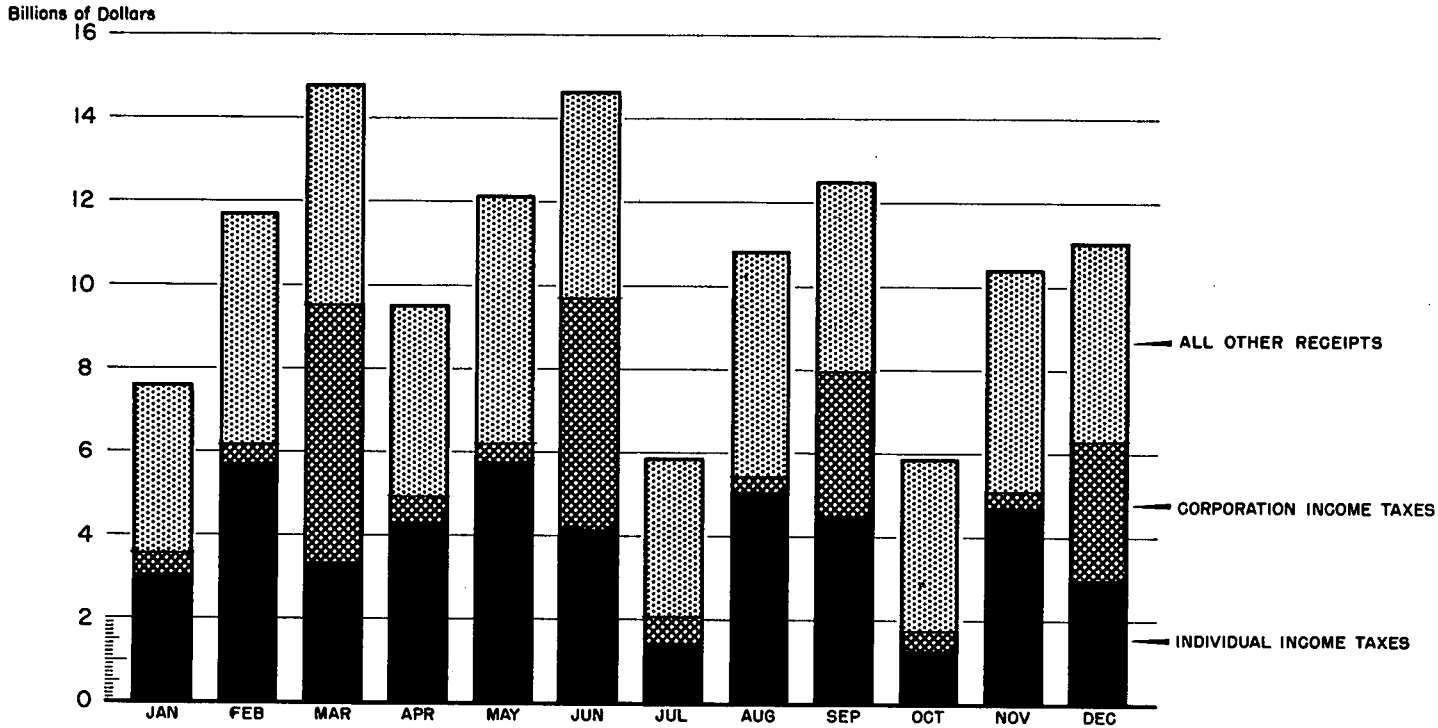
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Individual income taxes, total	$3,003,702	$5,718,460	$3,331,946	$4,290,253	$5,783,260	$4,124,628	$1,400,555	$4,996,082	$4,486,411	$1,296,498	$4,648,337	$2,973,567	$46,053,699
Withholdings on wages and salaries	859,789	4,834,566	2,541,311	770,098	4,744,336	2,272,506	1,054,818	4,849,480	2,527,059	1,066,385	4,527,346	2,591,050	32,638,744
Other	2,143,913	883,894	790,635	3,520,155	1,038,924	1,852,122	345,737	146,602	1,959,352	230,113	120,991	382,517	13,414,955
Corporation income taxes	564,448	482,804	6,192,480	619,305	467,256	5,530,389	670,485	408,916	3,491,939	480,654	454,706	3,331,494	22,694,876
Excise tax collections, total	794,212	954,011	1,043,555	945,103	1,061,384	1,118,169	994,617	1,121,435	1,023,903	1,020,553	1,068,950	1,008,228	12,154,120
Liquor	185,924	213,890	257,835	248,352	282,099	302,756	238,033	272,114	276,649	320,997	318,574	258,539	3,175,762
Tobacco	138,355	150,605	151,958	157,445	166,253	182,755	150,573	178,705	177,314	158,390	178,149	164,232	1,954,734
Other	469,933	589,516	633,762	539,306	613,032	632,658	606,011	670,616	569,940	541,166	572,227	585,457	7,023,624
Custom receipts	89,603	93,378	104,935	90,928	90,745	90,136	83,617	93,239	86,883	92,075	90,611	79,939	1,086,089
Estate and gift tax receipts	103,442	134,286	176,536	243,385	173,148	135,314	118,897	139,490	116,219	150,902	121,451	170,636	1,783,706
Employment taxes	364,255	1,739,432	1,207,938	876,909	2,132,461	1,189,637	394,443	1,838,784	823,243	395,768	1,478,082	627,078	13,068,030
5 major Government enterprises, total receipts	1,418,850	1,266,574	1,405,335	1,087,714	1,062,606	1,093,389	848,119	800,789	1,171,316	1,123,419	1,210,136	1,526,477	14,014,724
Post Office	872,515	823,226	858,339	601,623	594,923	590,637	580,606	585,926	604,081	631,661	638,421	943,849	8,325,807
Commodity Credit Corporation	262,598	298,769	239,542	207,301	189,622	229,436	114,224	129,456	249,791	414,956	484,407	402,840	3,222,942
Export-Import Bank	41,782	30,407	65,390	20,485	19,416	54,260	88,364	22,484	47,852	14,308	15,927	88,486	509,161
Federal National Mortgage Association	227,820	99,204	225,483	243,312	246,439	206,761	54,048	51,765	257,711	50,772	57,990	75,203	1,796,508
Tennessee Valley Authority	14,135	14,968	16,581	14,993	12,206	12,295	10,877	11,158	11,881	11,722	13,391	16,099	160,306
Subtotal	6,338,512	10,388,945	13,462,725	8,153,597	10,770,860	13,281,662	4,510,733	9,398,735	11,199,914	4,559,869	9,072,273	9,717,419	110,855,244
Other Government enterprises [1]	166,175	166,175	166,175	166,175	166,175	166,176	166,175	166,175	166,175	166,175	166,175	166,175	1,994,101
Other receipts [1]	1,160,136	1,160,136	1,160,136	1,160,136	1,160,136	1,160,137	1,160,136	1,160,136	1,160,136	1,160,136	1,160,136	1,160,136	13,921,633
Grand total	7,664,823	11,715,256	14,789,036	9,479,908	12,097,171	14,607,975	5,837,044	10,725,046	12,526,225	5,886,180	10,398,584	11,043,730	126,770,978

	Percentage distribution												
Individual income taxes, total	6.5	12.4	7.2	9.3	12.6	9.0	3.0	10.8	9.7	2.8	10.1	6.5	100
Withholding on wages and salaries	2.6	14.8	7.8	2.4	14.5	7.0	3.2	14.9	7.7	3.3	13.9	7.9	100
Other	16.0	6.6	5.9	26.2	7.7	13.8	2.6	1.1	14.6	1.7	.9	2.9	100
Corporation income taxes	2.5	2.1	27.3	2.7	2.1	24.4	3.0	1.8	15.4	1.9	2.0	14.7	100
Excise tax collections, total	6.5	7.8	8.6	7.8	8.7	9.2	8.2	9.2	8.4	8.4	8.8	8.3	100
Liquor	5.9	6.7	8.1	7.8	8.9	9.5	7.5	8.6	8.7	10.4	10.0	8.1	100
Tobacco	7.1	7.7	7.8	8.1	8.5	9.3	7.7	9.1	9.1	8.1	9.1	8.4	100
Other	6.7	8.4	9.0	7.7	8.7	9.0	8.6	9.5	8.1	7.7	8.1	8.3	100
Custom receipts	8.3	8.6	9.7	8.4	8.4	8.3	7.7	8.6	8.0	8.5	8.3	7.4	100
Estate and gift tax receipts	5.8	7.5	9.9	13.6	9.7	7.6	6.7	7.8	6.5	8.5	6.8	9.6	100
Employment taxes	2.8	13.3	9.2	6.7	16.3	9.1	3.0	14.1	6.3	3.0	11.3	4.8	100
5 major Government enterprises, total receipts	10.1	9.0	10.0	7.8	7.6	7.8	6.1	5.7	8.4	8.0	8.6	10.9	100
Post Office	10.5	9.9	10.3	7.2	7.1	7.1	7.0	7.0	7.3	7.6	7.7	11.3	100
Commodity Credit Corporation	8.1	9.3	7.4	6.4	5.9	7.1	3.5	4.0	7.8	12.9	15.0	12.5	100
Export-Import Banks	8.2	6.0	12.8	4.0	3.8	10.7	17.4	4.4	9.4	2.8	3.1	17.4	100
Federal National Mortgage Association	12.7	5.5	12.6	13.5	13.7	11.5	3.0	2.9	14.3	2.8	3.2	4.2	100
Tennessee Valley Authority	8.8	9.3	10.3	9.4	7.6	7.7	6.8	7.0	7.4	7.3	8.4	10.0	100
Subtotal	5.7	9.4	12.1	7.4	9.7	12.0	4.1	8.5	10.1	4.1	8.2	8.8	100
Other Government enterprises, total receipts [1]	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	100
Miscellaneous receipts [1]	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	100
Grand total	6.0	9.2	11.7	7.5	9.5	11.5	4.6	8.5	9.9	4.6	8.2	8.7	100

[1] Annual totals divided by 12.

CHART II

MONTHLY FLOW OF FEDERAL RECEIPTS, 1960



* Post Office, Commodity Credit Corporation, Export-Import Bank, Federal National Mortgage Association, and TVA

The following sections indicate in detail the types and amounts of Government receipts, the methods of obtaining the receipts, the timing of the receipts, and the sources of statistical information about the receipts. No attempt is made to describe the statutes underlying the receipts—except as the statutes influence the collection of the receipts—or to examine the economic and political issues surrounding the receipts.[7]

II. Individual Income Taxes

Almost without exception, individuals use the calendar year as the base period in computing their income for Federal income tax purposes.[8] The final computation and payment of tax for calendar year taxpayers must be made between January 1 and April 15 of the year following the one for which the tax is computed.[9] However, the actual payments to the Government are not made solely in this 3½ month period. The following sections indicate the timing and significance of these payments.

A. WITHHOLDINGS ON WAGES AND SALARIES

In general, all employers must withhold a certain portion of the wages and salaries which are paid to their employees.[10] The amount withheld is computed in one of two ways. The amount may be determined directly from a table provided by the Internal Revenue Service. This table indicates, for different ranges of wages in various pay periods, amounts to be withheld, based on the first bracket tax rate (20 percent), the number of exemptions ($600 per person per year), and the standard deduction (10 percent of income or $1,000 per year, whichever is less). Alternatively, an employer may compute the withheld amount directly by subtracting from the wage an amount reflecting the personal exemptions of each taxpayer and taking 18 percent of the remainder (the first-bracket rate of 20 percent less 10 percent of that rate—2 percent—to reflect the standard deduction). Total amounts withheld in a year do not equal final tax liabilities of individuals to the extent they (*a*) receive income from sources other than wages, (*b*) claim exemptions different than the number used for withholding, (*c*) do not use the standard deduction, and/or (*d*) have an average tax rate other than 20 percent.

According to preliminary data for the year 1959, the most recent information available, 50.5 million individual income tax returns showed advance payments through withholding, or about 84 percent of the total of 60.3 million individual returns.[11] The actual number of individuals who had withholding on wages and salaries is presumably higher than 50.5 million since, in many instances, more than one wage earner is included in a single joint return.

The amounts withheld from wages and salaries by employers are generally turned over to the Government on a monthly basis. The withholding schedule is based on a calendar year, regardless of whether the individual or employer is on a calendar year basis. For the first

---

[7] In general for this type of material, see "Federal Revenue System: Facts and Problems, 1961." Materials assembled by the committee staff for the Joint Economic Committee.

[8] For the exceptions, see p. 42 below.

[9] Internal Revenue Code, sec. 6072.

[10] Internal Revenue Code, secs. 3401(d) and 3402(a). In general on this subject, see ibid., ch. 24.

[11] Preliminary data from Statistical Division, Internal Revenue Service.

2 months of each calendar quarter, most employers are required to deposit the amounts by the 15th of the month following the month for which the wages are paid, e.g., amounts withheld on wages paid in January must be deposited by the 15th of February. However, for wages paid in the third month of each calendar quarter, i.e., in March, June, September, and December, employers are allowed the entire following month in which to make the deposits. Employers who have combined social security and income tax withholding of $100 or less in any month typically make deposits only once each calendar quarter, at the same time as the quarterly payments of other employers.

The withheld amounts for the first 2 months of each calendar quarter are deposited by an employer in the nearest special depositary of the Treasury. The bank reduces the account of the employer and credits the tax and loan account of the Treasury. A form 450, a depositary receipt, is sent by the bank to its Federal Reserve bank which validates the receipt and sends it to the employer. The third payment of withheld taxes in each calendar quarter is sent by the employer to the nearest district director of Internal Revenue, along with the two earlier depositary receipts and a form 941 indicating the total amounts withheld for the quarter. The district director in turn deposits the third payment either in a Federal Reserve bank account of the Treasury, if there is a Federal Reserve bank or branch in the same city, or in a local general depositary account.

The result of this procedure is that the Government obtains control over funds which represent advance installments on the income taxes of wage and salary earners. These funds are in the form of bank balances either in the Federal Reserve working accounts or in commercial bank accounts which can be shifted to the working accounts. The Government uses these amounts to pay for current expenditures. The amounts are not held in the form of bank balances pending final computation of tax liabilities by the individuals who have made the advance payments.

The timing by months of Government receipts of withheld income tax amounts for the calendar year 1960 is indicated in table 11.[12] This table reflects the typical seasonal pattern of withholding tax receipts. In March, amounts were received around the 15th, based on the withholding on wages paid in February. April payments were much lower than March payments. The reason for this is that amounts withheld on wages paid in March are not due until the 30th of April. Hence, only a part of the March withholding was recorded in the Treasury books in April. The rest was recorded early in May. Around the 15th of May, however, payments were made for withholding on April wages. The result of this overlap is that May shows much larger withholding receipts than does March, a typical month. This pattern repeats itself through the year: the first month of each calendar quarter has the lowest withholding tax receipts in the quarter, the second month has the largest amount for the quarter, and the third month has, in some sense, an average level of receipts.

[12] The figures in this table are gross, before audits or refunds. For a discussion of tax refunds, see p. 81.

TABLE 11.—*Individual and corporation income taxes, monthly, 1960*

[Thousands of dollars]

Month	Individual income taxes			Corporation income taxes
	Withholdings on wages and salaries (gross)	Other	Total	
January	859,789	2,143,913	3,003,702	564,448
February	4,834,566	883,894	5,718,460	482,804
March	2,541,311	790,635	3,331,946	6,192,480
April	770,098	3,520,155	4,290,253	619,305
May	4,744,336	1,038,924	5,783,260	467,256
June	2,272,506	1,852,122	4,124,628	5,530,389
July	1,054,818	345,737	1,400,555	670,485
August	4,849,480	146,602	4,996,082	408,916
September	2,527,059	1,959,352	4,486,411	3,491,939
October	1,066,385	230,113	1,296,498	480,654
November	4,527,346	120,991	4,648,337	454,706
December	2,591,050	382,517	2,973,567	3,331,494
Total	32,638,744	13,414,955	46,053,699	22,694,876

Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table III, 1960 monthly issues.

It should be noted that, from the standpoint of Government money management, the seasonal fluctuation is even greater than indicated in Table 11. Employers customarily do not deposit withheld taxes until nearly the last day permitted by law, since the amounts can be used, in effect, as part of short-term business working capital until due. Therefore, within each month, a significant concentration of receipts occurs around either the 15th or last day. Relatively few payments are made at other times.

Statistics on the receipts of withheld taxes are publicly available in the Daily Statement of the U.S. Treasury, the Monthly Statement of Receipts and Expenditures of the U.S. Government, the monthly Treasury Bulletin, the Annual Report of the Secretary of the Treasury, and the annual Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government. The figures in these publications are derived in two different ways.

Data in the Daily Statement are based on certificates of deposits cleared through the Treasury. At the end of each working day, every Federal Reserve bank mails—or telegraphs during the heavy taxpaying periods—a transcript of the Treasury account in the bank to the Treasury Department in Washington. One of the items in this transcript is the dollar amount indicated on all of the form 450's received by the Federal Reserve bank that day. The statistics for withholding receipts in each Daily Treasury Statement show these amounts for the day when the Treasury Department records them, regardless of when the amounts were deposited in the commercial banks. Hence, there is a lag between deposit and reporting equal to (1) the mailing time for the form 450's to reach the Federal Reserve bank from the commercial banks plus (2) the mailing—or telegraphing— time for the transcripts to reach the Treasury from the Federal Reserve banks, plus (3) the processing time at the Treasury. The period of this lag obviously varies among Federal Reserve districts, so that the Daily Treasury Statement for any given day typically includes deposits made on several different previous days.

The Monthly Treasury Statement, by contrast, indicates the total amounts of taxes received in a calendar month by collectors of Government money, e.g., district directors, customs officers, etc. The Monthly Statement is based on a monthly transcript sent by each collector to the Treasury. In the case of withheld taxes, the collecting agent for the Government may be a commercial bank or a district director, depending on whether the amounts are deposited in a tax and loan account or by a district director. For commercial bank collections, each Federal Reserve bank summarizes the collections obtained each month and sends a monthly transcript to the Treasury. District directors also send a monthly report for amounts they receive. Hence, the Monthly Treasury Statements show actual amounts received for a month. Because of the difference in reporting practices, figures in the Daily Treasury Statement cannot be added to Monthly Statement data to derive total collections up to any given date.

The monthly statistics of withheld taxes in the Treasury Bulletin are equal to the figures in the Monthly Statement. Data in the Annual Report of the Secretary and the Combined Statement of Receipts are also generally on the basis of the Monthly Statement, as indicated.[13]

One other characteristic of the withholding statistics must be mentioned. As indicated below,[14] withheld income taxes, old-age insurance taxes, and disability insurance taxes are all paid by an employer in one combined amount without separation by type of tax. The distribution of amounts of these taxes by type in all of the above sources is based on estimates by the Treasury Department.[15] Hence, some errors of estimating are present in the basic daily and monthly data on withholding receipts. However, these errors are eliminated in the total annual figures shown, for example, in the Combined Statement of Receipts. Moreover, the estimating errors exist only in the statistics on allocations of withheld taxes by type. The sum of the figures for total withholding of the three types of taxes is an actual amount on either the Daily Statement or Monthly Statement basis.

B. PAYMENTS OF ESTIMATED TAX

An individual is required by law to file a declaration of estimated tax and to make estimated taxpayments if he anticipates that his income from sources not subject to withholding will be more than $200 or he expects to obtain more than $5,000 ($10,000 for married couples filing jointly) of gross taxable income, and if he also expects to pay $40 or more of Federal income tax.[16] Estimated taxpayments are designed for those persons who do not pay a large proportion of their Federal income taxes currently through withholding, either because their average tax rate is above the first bracket rate or because their income is, at least in part, from sources other than wages and salaries. The effect of estimated taxpayments is that the individuals affected pay installments on their final tax liabilities to the Government during the year in which the personal income is being received, just as wage and salary earners do through withholding.

---

[13] It should be noted that there is a 13th Monthly Treasury Statement, called the Final Statement of Receipts and Expenditures of the U.S. Government, which is usually issued in December and which revises slightly the figures which appear in the regular Monthly Statements, especially the figures for the month of June.

[14] P. 50.

[15] Social Security Act, as amended (42 U.S.C. 401(a), sec. 201(a)).

[16] Internal Revenue Code, sec. 6015.

Preliminary data for the year 1959 indicate that, of the 60.3 million individual income tax returns filed, 5.1 million, or about 8 percent, showed advance payments through estimated payments.[17] This is roughly one-tenth of the 50.5 million returns that showed withholding payments. Some returns, of course, show both withheld amounts and estimated amounts.

In general, individuals who are required to make estimated tax-payments must file declarations of estimated tax with the district directors of Internal Revenue on or before April 15 of the taxable year.[18] This declaration, made on Form 1040-ES, indicates the taxpayer's estimate of his income for the current year and his estimate of the amount of his tax liability which will not be paid by withholding. These estimates can be revised subsequently as he makes his quarterly estimated taxpayments.

Payments of estimated taxes in excess of withholding are generally made on the following schedule: [19] one-fourth of the estimated annual amount by April 15 of the current taxable year, one-half by June 15, three-fourths by September 15, and all of the estimated annual amount by January 15 of the ensuing year.[20] Taxpayers who follow this schedule then file final returns and pay the remaining portion of actual tax liabilities (or claim refunds) on or before April 15.

Payments of estimated taxes are sent to district directors of Internal Revenue who deposit them in Treasury working accounts with Federal Reserve banks or in general depositary accounts.

Table 11 shows the seasonal pattern of "other" individual income tax receipts by the Government in the calendar year 1960. This table includes all individual income tax receipts except those from withholding. The pattern is representative of a typical year. The dates of estimated payments result in a concentration of receipts around the 15th of January, April, June, and September. The date for final payment of actual tax liabilities not previously met by withheld or estimated amounts results in a concentration around the 15th of April.

Data on individual income tax payments other than withholding can be found in the same sources as withholding statistics.[21] The figures in the Daily Treasury Statement are obtained in the same way as the withholding data discussed earlier. The figures for other receipts in the monthly statement are shown in the monthly statement if they are "placed under accounting control" by a district director during the month. This concept includes all amounts recorded by the district director during the month, regardless of whether they are deposited or not. Typically, a district director makes daily deposits of receipts recorded, so amounts recorded by him are virtually equal to deposits. However, at the end of each month, some receipts will be recorded but not yet deposited. These amounts are shown in the monthly statement even though not deposited.

---

[17] Preliminary data, Statistical Division, Internal Revenue Service.

[18] Farmers file their declarations and pay their estimated tax on or before Jan. 15 following the taxable year. Ibid., sec. 6073(b).

[19] Ibid., sec. 6153.

[20] The January 15 payment can be skipped if a taxpayer wishes to file his final return and pay the remainder of his actual tax liability by January 31.

[21] See p. 39, above.

C. FISCAL YEAR TAXPAYMENTS

Any individual has the option of paying his Federal income taxes on a fiscal rather than a calendar-year basis.[22] In effect, this means simply that an individual can select any alternative 12-month period instead of the calendar year in which to compute his income subject to tax. However, once such an election is made, a taxpayer must generally continue to use the same period year after year. The fiscal year option is presumably used principally by businessmen who have seasonal peak periods near the normal taxpayment dates and who can more easily compute their annual income at other times.

All payments of withheld taxes are made on a calendar-year basis, regardless of the period for which either the employee or employer computes his income. The dates for paying estimated taxes, however, are changed for fiscal year taxpayers.[23] Payments must be made on or before the 15th day of the 4th, 6th, and 9th months of the taxpayer's fiscal year and the 15th day of the 1st month following the end of the taxpayer's fiscal year. Final taxpayments must be made by the 15th day of the 4th month following the end of the taxpayer's fiscal year.

The exercise of the fiscal-year option by some taxpayers accounts for a portion of the Government receipts shown in Table 11 for months other than April, June, September, and January. Fiscal year taxpayments are not distinguished as such in published Government statistics.

III. Corporation Income Taxes

The statistics on corporate income tax receipts are dominated by corporations which compute their taxable income on a calendar-year basis, even though relatively more corporations use fiscal year bases than do individuals. Calendar-year corporations are required to file their final tax returns by March 15 of the year following the taxable year, 1 month before the final date for calendar-year individuals.[24] Fiscal-year corporations file tax returns by the 15th day of the 3d month following the end of their fiscal year. Corporate taxpayments, however, are made at various points throughout a year and, because of the number and significance of fiscal-year corporations, corporate tax receipts are received by the Government in every month.

Corporations which can reasonably anticipate that their Federal income tax liabilities will exceed $100,000 must file declarations of estimated tax and make quarterly taxpayments.[25] In the usual situation, these corporations, if they are on a calendar-year basis, pay one-fourth of their estimated final tax by September 15 of the current year and another one-fourth of estimated final tax by December 15.[26] The unpaid portion of the actual tax liability is paid in two equal installments on March 15 and June 15 of the ensuing year. Fiscal-year corporations pay on corresponding dates in their fiscal years.

---

[22] Ibid., sec. 441.
[23] Ibid., sec. 6073(e).
[24] Internal Revenue Code, sec. 6072.
[25] Ibid., secs. 6016 and 6154.
[26] Ibid., sec. 6154.

Corporations with estimated tax liabilities of less than $100,000 generally owe their entire annual taxpayment on March 15 following the taxable year or, for fiscal year corporations, the 15th day of the 3d month after the taxable year.[27] However, an option is provided whereby these corporations can postpone half of their taxpayment for 3 additional months, e.g., to June 15 for calendar-year taxpayers.

Payments of corporate estimated taxes are made on form 1120–ES. All payments are sent to district directors of Internal Revenue who deposit the amounts in Treasury working accounts with Federal Reserve banks or in general depositary accounts. Most of the larger corporate taxpayments are deposited in the Treasury working accounts, with the result that, on certain days of each year, commercial bank reserve accounts could be significantly reduced if the deposits were charged entirely against these reserves. Instead, a special arrangement has been provided by the Treasury whereby large quarterly corporate taxpayments (customarily defined as checks of $10,000 or more) may be shifted from the Treasury working accounts to tax and loan accounts in commercial banks to the extent that the funds are not immediately needed by the Treasury to meet expenditures.

Table 11 indicates the seasonal pattern of corporate tax receipts for the calendar year 1960, which follows the typical pattern for these receipts. The 15th day of March, June, September, and December are clearly the major payment points. The smaller receipts in other months come from two sources: (1) fiscal year corporations, and (2) payments of back taxes on liabilities finally adjusted through administrative or judicial review.

Data on corporation income tax receipts are available in the same sources indicated for withheld tax receipts and are derived on the same basis as the figures on payments of estimated taxes by individuals.[28]

IV. Excise Taxes

The Federal Government collects many different types of excise taxes, and no attempt is made here to describe each of these in detail. Table 12 provides a list of Federal excises and the estimated revenue from each tax in 1960. Excise collections can be divided into three general categories, and a description of these categories is provided in the following sections.

TABLE 12.—*Excise tax collections, 1960* [1]

[In thousands of dollars]

Alcohol taxes:	
Distilled spirits	2, 279, 561
Wines	99, 982
Beer	796, 216
Total, alcohol taxes	3, 175, 759
Tobacco taxes:	
Cigars	50, 199
Cigarettes	1, 886, 765
Other	17, 772
Total, tobacco taxes	1, 954, 734

See footnotes at end of table, p. 45.

[27] Ibid.
[28] See p. 39.

TABLE 12.—*Excise tax collections, 1960*—Continued

[In thousands of dollars]

Documentary and certain other stamp taxes:	
Documentary stamp taxes	129, 412
Playing cards	8, 022
Silver bullion sales or transfers	16
Total, documentary and certain other stamp taxes	137, 450
Manufacturers' excise taxes:	
Gasoline [2]	2, 333, 866
Lubricating oil, etc	79, 399
Tires, tubes, and tread rubber [2]	298, 357
Passenger automobiles, chassis, bodies, etc	1, 327, 290
Trucks and buses, chassis, bodies, etc. [2]	262, 698
Parts and accessories for automobiles, trucks, etc	190, 583
Radio and television sets, phonographs, components, etc	166, 070
Refrigerators, freezers, air-conditioners, etc	56, 266
Electric, gas, and oil appliances	68, 272
Pistols and revolvers	1, 844
Phonograph records	23, 794
Musical instruments	18, 264
Sporting goods (other than fishing rods, creels, etc.)	14, 360
Fishing rods, creels, etc	6, 172
Business and store machines	100, 341
Cameras, lenses, film, and projectors	26, 692
Electric light bulbs and tubes	32, 083
Firearms (other than pistols and revolvers), shells and cartridges	15, 354
Mechanical pencils, pens, and lighters	9, 810
Matches	5, 244
Total, manufacturers' excise taxes	5, 036, 757
Retailers' excise taxes:	
Furs	29, 888
Jewelry, etc	169, 385
Luggage, etc	66, 286
Toilet preparations	127, 365
Total, retailers' excise taxes	392, 924
Miscellaneous excise taxes:	
Admissions to theaters, concerts, etc	35, 365
Admissions to cabarets, roof gardens, etc	42, 519
Club dues and initiation fees	64, 996
Toll telephone service, telegraph, cable, radio, etc., wire mileage service, wire and equipment service	318, 208
General telephone service	442, 785
Transportation of oil by pipeline [3]	97
Transportation of persons	261, 099
Transportation of property (including coal) [3]	2, 051
Use of safe deposit boxes	6, 494
Coconut and other vegetable oils processed [4]	150
Sugar	90, 046
Diesel and special motor fuels [5]	83, 597
Narcotics and marihuana, including occupational taxes	1, 047
Coin-operated amusement devices	5, 418
Coin-operated gaming devices	16, 876
Bowling alleys, pool tables, etc	4, 080
Wagering occupational tax	577
Wagers	6, 439

See footnotes at end of table, p. 45.

TABLE 12.—*Excise tax collections, 1960*—Continued

[In thousands of dollars]

Miscellaneous excise taxes—Continued	
Use tax on highway motor vehicles weighing over 26,000 pounds	44, 539
Adulterated and process or renovated butter, filled cheese, and imported oleomargine	2
Firearms transfer and occupational taxes	43
Total, miscellaneous excise taxes	1, 426, 430
Total, received with returns and from sale of stamps	12, 124, 054
Undistributed depositary receipts [6]	29, 837
Unapplied collections	228
Total, excise taxes	12, 154, 120

[1] The figures shown include collections for credit to special accounts for certain island possessions. Floor stocks taxes are included with the related classes of tax.
[2] Taxes on issuance and transfers of capital stock and of corporate securities (bonds, debentures, etc.), deeds of conveyance, and policies issued by foreign insurers.
[3] Repealed effective Aug. 1, 1958, by an act approved June 30, 1958 (26 U.S.C. 4292 note).
[4] The tax of 3 cents per pound, applicable to the 1st domestic processing of coconut oil and other vegetable oils, which was suspended from Oct. 1, 1957, through June 30, 1960, under the acts approved Aug. 30, 1957, and May 29, 1959, is further suspended until June 30, 1963, under an act approved Apr. 22, 1960 (26 U.S.C. 4511).
[5] Excludes diesel fuel not for use in highway vehicles.
[6] Amount of excise tax depositary receipts issued, less amount received with returns and distributed by detailed class of tax.

NOTES.—Detail may not add to totals because of rounding.

Source: Treasury Department, Treasury Bulletin.

A. LIQUOR AND TOBACCO EXCISES

Domestic manufacturers of liquor and tobacco products pay excises on the basis of amounts "withdrawn from the premises." [29] This means generally on the amount of the product leaving the producing factory. For tobacco products, the premises are generally the processing plants which package the products. For beer, the premises are customarily the breweries. For distilled spirits and wines, the taxes can be levied at the producer level. However, an option is provided to a bottler by which he can assume liability for the tax instead of the producer.[30]

Tobacco, beer, and wine excises are paid by semimonthly returns, and payments are mailed to the appropriate district director of Internal Revenue. Excises on distilled spirits are determined by and paid to a "storekeeper-gager," an agent of the Internal Revenue Service, located on the premises of the bonded warehouse, who forwards the payments to the district director. The return forms are 2034 (beer), 2050 (wine), 2521 (spirits), and 2618 and 2619 (tobacco). A "rectification tax" is imposed on the use of spirits in blended whiskies and that tax is paid in the same way as with other spirits (on form 2637).

Liabilities for tobacco and liquor excises are computed on the basis of withdrawals during two semimonthly periods. One of these is from the 9th to the 23d day of each calendar month and the other is

[29] Ibid., secs, 5006, 5041, 5045, and 5703. Customs duties on imported liquor and tobacco products are described in sec. IV below, p. 49.
[30] Ibid., secs. 5005 and 5362.

from the 24th to the 8th day of the following month.[31] Payments of taxes must be made by the third business day following the end of each taxable period.[32]

In all cases, amounts received by district directors are deposited in Treasury accounts either in Federal Reserve banks or general depositaries.

Table 13 shows the seasonal pattern of liquor and tobacco excise collections for the calendar year 1960. The only significant fluctuation here is the larger payments of liquor taxes as withdrawals are made in anticipation of the December holiday period and the larger payments of beer taxes before the summer months.

Statistical material on liquor and tobacco tax collections can be obtained most readily in the monthly Treasury Bulletin.

TABLE 13.—*Excise tax collections, monthly, 1960*

[Thousands of dollars]

Month	Excise tax collections			
	Liquor	Tobacco	Other	Total
January	185, 924	138, 355	469, 933	794, 212
February	213, 890	150, 605	589. 516	954, 011
March	257, 835	151, 958	633, 762	1, 043, 555
April	248, 352	157, 445	539, 306	945, 103
May	282, 099	166, 253	613, 032	1, 061, 384
June	302. 756	182. 755	632, 658	1, 118, 169
July	238, 033	150, 573	606, 011	994, 617
August	272. 114	178, 705	670, 616	1, 121, 435
September	276, 649	177, 314	569, 940	1, 023, 903
October	320, 997	158, 390	541, 166	1, 020, 553
November	318, 574	178, 149	572, 227	1, 068, 950
December	258, 539	164, 232	585, 457	1, 008, 228
Total	3, 175, 762	1, 954, 734	7, 023, 624	12, 154, 120

Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table III, 1960 monthly issues.

B. OTHER MAJOR EXCISES

Table 13 indicates the amount collected by months from all excises except liquor and tobacco. The major excises included in these figures are those on retailers and manufacturers on communications, transportation, admissions, club dues, safe deposit boxes, cabarets, sugar, and coconut oils.

In general, all of these major excises are based on the aggregate dollar volume of actual sales of the product at the relevant point of

[31] Internal Revenue Regulations 26CFR201.382,452; 240.591; 245.117a; 296.105. This peculiar selection of dates was apparently made solely because of the arbitrary importance attached to Government receipt totals for each fiscal year. Payments made for the period ending on June 23 would have time, even with a weekend included, to reach a District Director and be brought "under accounting control" before the end of a fiscal year.

[32] Except for the period ending June 23, when the payment is due on the second succeeding working day. See previous footnote.

The influence of budget totals has apparently been very significant in this area. Prior to 1959, liquor and tobacco excises were generally on a stamp basis, which meant that the taxes were prepaid at the time the stamps were purchased. Conversion to an ex post payment basis involved a reduction in receipts while stamp inventories were used up and other withdrawals were made prior to tax payment. The reduction in receipts in calendar 1959 was probably about $100 million. It is interesting to note that the change was made at the end of a fiscal year which already had developed a conventionally defined deficit of over $12 billion. See Treasury Press Release A517, May 11, 1959.

Some consideration has apparently been given to converting liquor and tobacco excises to a monthly payment basis. Such a change from the present method could result in a reduction of receipts in the year of transition of over $650 million.

distribution.[33] The tax is due on the entire value of the sales, even though the purchases are made on credit.[34] The seller is liable for the taxes in all cases.

For taxpayers with more than $100 in total excise taxes per month, payments of these taxes are due by the end of the month following the month in which the sales take place. The payments for the first 2 months of each calendar quarter are typically deposited in tax and loan accounts, and the banks send the deposit receipts (form 537) to a Federal Reserve bank which validates the receipts and sends them to the taxpayers. A taxpayer makes only a single payment each month, regardless of the number of types of taxes which are being paid. A single retailer, for example, may sell luggage, jewelry, and furs in the same month. One monthly check will pay the tax on all of these sales. Therefore, no monthly data are available for receipts by individual type of excise.

A return form 720 must be submitted quarterly to a district director by each business that has made sales subject to an excise tax. Taxpayers with less than $100 per month of tax liability only pay their taxes quarterly at the time their return is filed. Other taxpayers file their validated deposit receipts with their returns. Generally the third monthly payment in each quarter accompanies the return and hence goes first to a district director rather than a tax and loan account. The return form 720 is due by the end of the month following the end of each calendar quarter. On the return, each seller must indicate the amounts paid in tax by type of excise. Therefore, quarterly data are available on receipt by type of excise. These figures are provided in every third monthly issue of the Treasury Bulletin.

C. MISCELLANEOUS MINOR EXCISES

The remaining group of excises are collected in various ways.

Excises on playing cards are imposed at the manufacturer's level.[35] The taxes are paid in advance of sales, since a manufacturer must purchase stamps to be affixed to the product before it can be sold. These stamps are usually purchased from a district director's office, although they can also be purchased at local post offices.

Taxes on deeds, conveyances, etc., are, in principle, paid by the advance purchase of stamps which are then, in the same manner as for playing cards, affixed to the instruments.[36] However, excises on the transfers of stocks and bonds are generally paid directly by check to a district director, without the intermediate transfer of stamps. Payment in the latter case is made by the transfer agent to the district director at the end of each day on which transactions are due for settlement.[37]

The wagering tax, i.e., on the amount wagered, not on the operation of a wagering establishment, is paid monthly to a district director, along with a monthly return (form 730).[38] The amounts are due on or before the last day of the month following the month of business.

---

[33] Technically, this statement is true only for retailers' and manufacturers' excises and the cabaret tax. The other taxes are based not on sales, but upon "amount paid." The reason for this distinction is that the other taxes are imposed on the act of purchasing, not on the act of selling. However, the value of the coin is obviously the same, whichever side is examined.

[34] Although on installment sales the taxpayer may pay as he receives payment, I. R. Code, sec. 4053.

[35] Ibid., sec. 4451.

[36] Ibid., sec. 4361.

[37] Ibid., sec. 4353.

[38] Ibid., sec. 4401.

Occupational taxes, e.g., on pool hall operators,[39] establishments with coin-operated devices,[40] wholesale and retail liquor dealers,[41] and individuals in the occupation of wagering,[42] generally are paid annually, before July 1, to a district director. On the first year of business, the tax must be paid before the start of operations. Stamps or receipts must be shown by the establishment to indicate payment.

The truck weight tax, paid by each person to whom a truck is registered, is also paid annually.[43] However, the due date is 2 months later, August 31.

V. Customs Duties [44]

Imported goods are brought into the United States under four general types of duty arrangements: (1) Free entry, where no duty is imposed; (2) "consumption" at port of entry; (3) immediate bonded warehouse storage; (4) immediate transit to a nonentry port. The importer determines which of the last three methods is used.

When imported goods arrive at a port of entry, a customs clerk examines them and makes a preliminary decision concerning the classification of the goods, the value of the goods, and hence the customs duty. If his preliminary decision is that the goods fall into a category which is free of duty, no duty is paid to the Federal Government. A bond is posted to insure future payment of duties, if the goods are subsequently reclassified into a taxable category, but the bond itself does not involve any increase in Treasury funds. Similar bonds to insure payment of possible increases in duties are also posted in the case of goods upon which estimated duties are imposed.

"Consumption" at the port of entry simply means that the importer takes possession of the goods and removes them after the duty is paid. The estimated duty imposed by the customs clerk is paid to the collector of customs at the port of entry and the importer receives a permit to obtain the goods. The collector of customs deposits the amounts either in a Treasury working account in a Federal Reserve bank or in a general depositary account.[45]

If an importer chooses to have the goods placed in a bonded warehouse, he does not pay the estimated duty until he withdraws the goods from the warehouse. The warehouses are approved and bonded by the Federal Government, but are privately owned and operated, so no funds are received by the Treasury until the goods are withdrawn. In many instances, goods are left in the warehouses until needed to replenish wholesale inventories, with the result that a considerable time lag (up to 3 years) may exist between importation of goods and payment of the estimated duty.

For imported goods in transit to nonentry ports, the payment of estimated customs duties is typically postponed until the importer

[39] Ibid., sec. 4471.
[40] Ibid., secs. 5111 and 5121.
[41] Ibid., sec. 4461.
[42] Ibid., sec. 4411.
[43] Ibid., sec. 4481.
[44] In general on this subject, see title 19, United States Code. The laws on this subject are scattered through many sections of the code. However, a codification of the laws is now being prepared and will be submitted to the Congress shortly.
[45] On occasion, amounts are paid to a collector of customs in advance of an estimated breakdown of the duties and taxes which are owed. For example, an importer may make a payment before a boat docks in order to expedite shipment. In these cases, the collector deposits the amounts in a special deposit fund account. Only a collector of customs can withdraw amounts from these bank accounts, and they are not considered as part of the general fund of the Treasury. As soon as the estimated duties and taxes are determined, the prepayment is withdrawn from the deposit fund account and appropriate allocation of the funds is made.

withdraws the goods from the bonded warehouse in the city to which the goods are shipped. Payments in these cases are made to the local collector of customs. Hence, some duties are collected at points other than ports of entry.

In some instances, custom duties are postponed until the sale of the products made with the imported goods. For example, tobacco importers may postpone the payment of customs duties until cigars made domestically with the imported tobacco leave the factory warehouses. Duties in these cases are paid to local collectors of customs.

Many imported goods have domestic excises and other taxes imposed on them as well as customs duties. In all such cases, the collector of customs—rather than a district director—receives payment for the other taxes as well as the duties. The amounts deposited in Treasury accounts, either in Federal Reserve banks or general depositaries, are distinguished between domestic taxes and duties. These deposits are cumulated daily by type and forwarded to the Treasury by the Federal Reserve banks, where the figures are included in the daily and monthly statistics compiled on a deposits basis. The amounts of duties deposited serve as the basis for the customs collections figures in the Daily Treasury Statement and the Monthly Treasury Statement. Domestic taxes deposited by collectors of customs appear under the appropriate headings of these statements.

Collectors of customs also summarize their receipts by type of tax or duty on form 5189 and these forms are sent monthly directly to the Treasury in Washington, where the figures are used as the basis for statistics computed on a collections—as contrasted with a deposits—basis. These figures appear in the Monthly Treasury Statement. Hence, a difference exists between the cumulative monthly figures in the Daily Treasury Statement and those in the monthly statement, due to the lag between collections and reports of deposits.

A sample of each imported good is taken to a Government appraiser store and a so-called liquidator in the office of the collector of customs makes a judgment concerning the appropriate final duty, as contrasted with the estimated duty already paid by the importer. This judgment may be challenged by an importer in the customs court, with several levels of appeal. The first issue in each case typically concerns the import classification of the goods, which determines the rate of duty to be imposed. After this issue has been finally adjudicated, an entirely new round of judicial proceedings may be initiated with respect to the appropriate value of the goods upon which to impose the rate of duty. As a result of these proceedings, statistics on customs duties represent a combination of total estimated duties for a current period and adjustment in estimated duties of earlier periods. Payments in addition to estimated duties are shown as "Supplemental duties" in the statistics on customs receipts.[46]

Statistics on customs collections can be obtained in all of sources indicated earlier for individual income taxes.[47] Table 14 indicates these collections for the calendar year 1960.

[46] For a discussion of customs refunds, see p. 81.
[47] See p. 39.

TABLE 14.—*Customs and estate and gift tax receipts, monthly, 1960*

[Thousands of dollars]

Month	Customs	Estate and gift tax receipts	Month	Customs	Estate and gift tax receipts
January	89,603	103,442	August	93,239	139,490
February	93,378	134,286	September	86,883	116,219
March	104,935	176,536	October	92,075	150,902
April	90,928	243,385	November	90,611	121,451
May	90,745	173,148	December	79,939	170,636
June	90,136	135,314			
July	83,617	118,897	Total	1,086,089	1,783,706

Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table III, 1960 monthly issues.

VI. ESTATE AND GIFT TAXES

In general, a tax must be paid and a tax return (form 706) filed for the estate ~~of each~~ person leaving an estate which is valued at the time of death (or 1 year following) at $60,000 or more.[48] The tax must generally be paid within 15 months after the decedent's death. All amounts of tax are paid to district directors of Internal Revenue. Data on receipts are available in the general sources indicated above.

A gift tax must be paid, and a return form 709 filed, by individuals making gifts which exceed in value the amounts of the annual exclusion per donee ($3,000) and any portion of a specific lifetime exemption ($30,000).[49] Gift tax returns must be filed by April 15 of the year after the gifts are made. All taxes are paid to district directors. Statistics on these receipts are to be found in the general sources on receipts.

Table 14 shows estate and gift tax receipts for the calendar year 1960.

VII. EMPLOYMENT TAXES

A. TAXES UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT

In effect, two taxes are collected under this act and a third tax is collected under a closely related law. An income tax is withheld from wages and salaries;[50] an excise tax of the same amount is imposed on the employers who pay the wages and salaries;[51] and a related income tax is imposed on self-employed persons.[52]

The payments of the first two of these taxes are lumped together with withholding payments on individual income taxes.[53] All of the earlier sections describing withholding on wages and salaries is equally descriptive of the methods used in collecting these two Federal insurance contribution taxes. A single check deposited by an employer each month pays the withholding liability for all his employees and the FICA taxes for himself and for his employees. A single return form 941th[54] is filed quarterly by the employer summarizing the three taxes.

48 I.R. Code, secs. 6018, 2052, 2001.
49 Ibid., secs. 2502, 2503, 2521.
50 Ibid., sec. 3101.
51 Ibid., sec. 3111.
52 Ibid., sec. 1401.
53 See p. 40.
54 An alternative form 942 is used by households and form 943 (an annual return) by farmers.

However, separate statistics are available on FICA tax receipts and income tax withholding. In the first instance, the separation of these amounts is based on Treasury estimates. For example, the data appearing in the Daily Treasury Statement is based on assumed percentages of total employer deposits for each of the types of taxes. Adjustments are made in these estimated allocations as additional information becomes available. A wage schedule from each quarterly return, form 941, is sent by the local district directors to a central Social Security Administration office in Baltimore. The data on these schedules are used to credit the account of each person who contributes to the program. Then, based on these statements, a letter of certification is sent from the Social Security Administration to the Treasury indicating the amount of FICA taxes estimated from the wage records.[55] These letters are used as the basis for adjustment of the estimated totals. Final statistics for each year, such as those found in the combined statement, are based in part on these actual amounts and in part on the estimates as yet uncorrected.

Self-employed persons pay their tax in a single annual payment, at the same time they file their final income tax returns. The tax is shown as a separate item on schedule C of the general income tax return form 1040. The payment of tax can be included in one check which also covers the final payment of income taxes. Statistics on self-employed tax receipts are based on compilations made by the Social Security Administration from the schedule C which are sent to them by Internal Revenue.

Employees of some State and local governments make taxpayments under FICA. Since employers must also make taxpayments, the result in these cases is that the Federal Government is taxing State and local governments. Such taxation can only be done by compacts between the two levels of government in order to avoid constitutional difficulties. Therefore, State and local taxpayments are referred to in the statistics on aggregate receipts as "contributions equivalent to tax."[56] These amounts are included in Table 15.

TABLE 15.—*Employment taxes, monthly, 1960*
[Thousands of dollars]

Month	Federal Insurance Contribution Act and Self-Employment Contribution Act tax collections	Railroad retirement tax	Federal unemployment tax	Railroad unemployment tax	Total
January	321,067	16,153	26,461	574	364,255
February	1,367,623	84,457	283,183	4,169	1,739,432
March	1,100,015	49,942	20,774	37,207	1,207,938
April	856,609	17,028	2,339	933	876,909
May	2,041,648	81,561	1,641	7,611	2,132,461
June	1,105,222	50,436	1,120	32,859	1,189,637
July	375,897	17,121	674	751	394,443
August	1,743,564	83,320	807	11,093	1,838,784
September	740,360	52,464	607	29,812	823,243
October	379,253	15,037	541	937	395,768
November	1,386,480	80,571	692	10,339	1,478,082
December	547,675	48,288	847	30,268	627,078
Total	11,965,413	596,378	339,686	166,553	13,068,030

Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table III and IV, 1960 monthly issues.

[55] It is interesting to note that the amounts paid by the Treasury to the Social Security Administration are based on wage records, not tax records. In effect, Social Security Administration computes the taxes that should have been paid on the basis of the wage records, and the Treasury gives Social Security Administration that estimated amount, without any real check as to whether the taxes have in fact been paid.

[56] Sec. 218, Social Security Act.

B. RAILROAD RETIREMENT TAXES

Taxes are imposed under the Railroad Retirement Act which are similar in nature to those described above with respect to the Federal Insurance Contributions Act. An income tax is levied on the wages and salaries of employees in the railroad industry and an excise tax equal in aggregate amount is imposed on the employers.[57] However, unlike FICA taxes, railroad retirement taxes are not combined with withholding of income taxes.

Employers with more than $100 of monthly railroad retirement taxes must deposit the taxes in a tax and loan account, but the deposits are accompanied by a special depositary receipt form 515, not the usual withholding depositary receipt. Taxes for each of the first 2 months of each calendar quarter must be deposited by the 15th day of the following month. Taxes for the third month must be deposited by the last day of the following month, and the deposit is mandatory, unlike withholding where the third payment for each quarter may accompany the quarterly return sent to the district director. The quarterly return for railroad retirement taxes, form CT–1, is filed by the end of the second month following the end of a quarter. Hence, the timing of receipts and of information is somewhat different than for withholding.

There are special provisions under the Railroad Retirement Act for "employee representatives," i.e., union executives and others who are not employed by the railroads but are closely associated with them. The special provisions are roughly equivalent to the self-employed tax under FICA. Employee representatives pay a tax quarterly within 2 months after the end of each calendar quarter. The tax, accompanied by return form CT–2, is paid to a district director of Internal Revenue.

Table 15 indicates the total amounts of these taxes by calendar month in 1960.

C. UNEMPLOYMENT INSURANCE TAXES

In general, unemployment insurance is a State program subject to Federal standards which are imposed through a Federal excise on employers.[58] The Federal excise, which is 10 percent of the statutory rate in the State programs, is the only amount that is received by the Federal Government.

The tax is paid once a year on or before January 31. It is paid to a district director of internal revenue at the same time that a special return form 940 is filed. Hence, as Table 15 indicates, the great bulk of these receipts are actually brought under accounting control in February. Receipts in other months are explained by early and late payments and by audit adjustments.

D. RAILROAD UNEMPLOYMENT INSURANCE TAXES

There is a separate unemployment insurance program for railroad workers.[59] This is entirely a Federal program. The taxes paid are in the form of levies on employers with respect to the wages which are paid. The amounts are paid on the basis of calendar quarters and

---

[57] I.R. Code, ch. 22.
[58] Ibid., ch. 23.
[59] 45 U.S.C. 358.

are due by the end of the second month following each quarter. All the amounts are paid to the Railroad Retirement Board in Chicago, along with a form D.C. 1. The Board determines the rate of tax. All payments are deposited to the Treasury working account in the Chicago Federal Reserve Bank. Figures on receipts are available in the monthly Treasury statement and in the sources based on the statement. However, one bookkeeping procedure complicates the statistics on receipts. The funds are divided in the books between those amounts applied to the insurance reserve—roughly 90 percent—and those amounts used to meet administrative costs. Therefore, total tax receipts equal "deposits by Railroad Retirement Board" plus "transfer of receipts from railroad unemployment insurance administration fund."

VIII. Gross Receipts of Government Enterprises

A. NATURE OF CONCEPTS

The Federal Government conducts many types of specific activities that involve payments from the private sector of the economy to the Government. One group of activities is financed by the employment taxes described in the previous section. Another group is described in this section. A third category, described in section VIII below, obtains funds through fees and other charges. These three categories are distinguished only in order to provide more convenient exposition. In all these cases, the amounts involved have one essential characteristic which is common to all the receipts described in this study: control over the funds is transferred from the private sector of the economy to the Federal Government.

It is useful in the introduction to this section to distinguish the meanings of several terms used generally in Federal budget discussions. The most general of these terms is "revolving funds." Revolving funds can be defined as Government operations in which the expenditures generate receipts which offset at least a major portion of the expenditures.[60] Slightly more than half of the revolving funds of the Federal Government involve intragovernmental transactions. Hence, these funds are not directly significant in this study. They obtain their receipts, in effect, from other Government agencies. The revolving funds which obtain their moneys, at least in part, from the private sector of the economy are called public enterprise funds. These funds are examined here.

"Public enterprise funds" is a generic term which includes Government corporations. Government corporations are, in effect, those corporations owned at least in part by the Federal Government and which are chartered by Federal law. The reason that some public enterprise funds are Government corporations and others are not is simply that the enabling legislation which establishes each organization is designed to give certain attributes to the organization. For example, Government corporations can sue directly, rather than through the Attorney General, and be sued themselves rather than the Federal Government being sued.

[60] Amounts received from the public which are "minor" relative to the total costs of the agency are considered as "miscellaneous receipts." See p. 65.

For the purpose of this study, at least three definitional problems exist in examining Government enterprises. The first of these problems is to delineate the extent of the Federal Government. Many activities are performed by agencies which are only quasi-governmental in organization or in financing. For example, the Federal National Mortgage Association was established by Federal legislation, but one phase of its activities—the secondary market operations fund—is designed to be gradually transferred to complete private ownership. The total receipts of all these quasi-governmental organizations are considered as part of Federal receipts in this study if (1) the agencies were created by the Government, and (2) any Government investment exists in the organizations.

A second difficulty concerns the distinction between returns of capital invested by the Government and current receipts for services. For example, in the FNMA secondary market operations fund, private investment will gradually replace Government investment and the latter amounts will be returned to the Treasury. These rebates of investment are clearly different than the annual gross receipts earned by the fund. However, since all agencies created by the Government and in which it has an investment are considered as part of the Government the returns of capital amounts become merely intragovernmental transfers and not receipts as defined above.[61] Replacement of Government investment by private investment may also be considered as akin to new Government borrowing which is being omitted here.

With respect to annual receipts, a third problem concerns the amounts to be examined. There are basically two alternatives: gross receipts and net receipts. Net receipts have the advantage that they indicate the financial gain (or loss) to the Government. Presumably for this reason, virtually all Government enterprises are included only on a net basis in the Federal budget.[62] However, data on net receipts conceal the factors that determine the net amount and these factors have sufficiently important economic significance that they should be observable. The gross receipts of a Government activity indicate the aggregate withdrawal of funds from the private sector and the aggregate value placed on the services provided by the organization.[63] Gross receipts have, therefore, been selected for examination in this study.

The term "Government enterprises" is defined here to include all agencies of the Federal Government that receive a major portion of their operating funds from specific charges paid by the private sector. Employment taxes are considered to be sufficiently general in nature that the agencies financed by these taxes are not included as Government enterprises. The distinction between major and minor sources of receipts is made arbitrarily and varies among agencies. In general, the definition of Government enterprises used in this section conforms to the definition of "public enterprises" used in the Federal budget, although there are differences.[64]

---

[61] See p. 85.

[62] See pp. 111 to 113.

[63] Correspondingly, the costs which are subtracted from the gross revenues to determine the net figure represent the amounts of funds put into the private economy and the value of services being obtained by the Government from the economy. These costs, therefore, can be considered as other Government expenditures and are so considered below, pp. 87 to 90.

[64] See pp. 64 to 65.

Government enterprises can be divided into certain general categories. However, for purposes of exposition, receipts of five of the larger enterprises are examined separately in the following sections and then the others are combined into one group.

In general, statistics on the operations of business enterprises can be found in the monthly statement of receipts and expenditures. Each month, Government enterprises generally are required to file a form 547 with the Treasury Department indicating various aspects of receipts, expenditures, and financial transactions with both the Treasury Department and the public.

B. POST OFFICE RECEIPTS

Table 16 indicates the estimated receipts of the Post Office Department from the private sector for the calendar year 1960. The individual figures are estimated amounts because there is a difference in timing between receipts and services rendered. Post offices receive money from the public primarily at the time that stamps are sold. The services are provided later at the time the stamps are used. The problem in allocating receipts by types of service is that stamps of any denomination or type may generally be used for any form of mailing. To obtain the breakdown indicated in table 16, therefore, the Post Office Department conducts nationwide sample surveys of mail handled during 4 separate weeks of each year. The results are then inflated to the types of totals indicated in table 16 on the basis of the aggregate cash receipts from the public during the year. This technique assumes, in effect, that the inventories of stamps held by the public are equal in value at the beginning and end of each year.

TABLE 16.—*Postal revenue, calendar year 1960* [1]

[In thousands of dollars]

Domestic mail:	
1st class	1, 526, 435
Airmail	155, 794
2d class	87, 572
Controlled circulation publications	7, 541
3d class	465, 463
4th class	618, 262
Domestic mail fees	13, 854
International mail (originating):	
Surface mail	45, 480
Airmail	46, 488
Mail transit revenue	13, 176
Special services:	
Mail connected special services	140, 807
Money order revenue	[2] 5, 063, 644
Box rents	28, 946
Unassignable revenue	8, 267
Total	8, 221, 729

[1] Data for calendar 1960 were estimated by adding fiscal 1960 and 1961 figures as shown in the budget for 1962 and dividing by 2.

[2] Includes $63,644,000 in fees estimated from 1960 and 1961 fiscal year data plus an estimated $5,000,000,000 assumed to be the value of money orders sold.

Source: The Budget of the U.S. Government for the fiscal year ending June 30, 1962, p. 842.

Several items shown as receipts by the Post Office Department are not indicated on this table. Payments to the Department from other branches of the Federal Government for official and franked mail are excluded because these payments are intragovernmental, not receipts from the public. "Postal savings revenue" as shown in the Post Office budget does not refer to borrowed amounts. Rather, such revenue is equal to interest on Government securities minus both the interest paid to depositors and allocable administrative expenses. The first of these items is an intragovernmental transaction; the last two are expenditures; hence, no amount with respect to postal savings appears in Table 16.

The "money order revenue" figure in Table 16 includes not only the amount of fees charged by post offices for selling money orders—which is all the Post Office Department shows in its budget figures—but also an estimated value of the money orders sold. This value has been estimated at $5 billion.[65] The amount has been included in receipts for several reasons.[66] First, the funds enter the general Treasury accounts just like all other receipts and are not distinguished from them. Second, a timelag exists between receipts and payments and this timelag may be significant—in fact, some money orders are never cashed. Third, sales of money orders are concentrated in certain seasons of the year—Christmas, Easter, and taxpaying times—and this concentration has an important effect on the money flows to the Government. Fourth, the distribution of money order receipts is distinctly different than the distribution of money order outlays and should be recognized. Finally, a money order can be viewed as a product being sold to the public.[67]

All the items in Table 16 are shown on a cash basis except box rents which are on an accrual basis, i.e., the amount indicates the value of the services provided during the year, regardless of when the cash is received for the services.

Local postmasters deposit their total cash receipts from all sources—including sales of money orders, postal savings, etc.—in a local bank account. None of these receipts are used directly to meet local post office expenditures. Then, on a daily basis, or as the bank balances reach certain points, each local postmaster draws a check on the local bank account and mails the check, with a deposit slip, to the nearest Federal Reserve bank, where the check is deposited in the Treasury working balance.

Statistics on monthly gross receipts of the Post Office in 1960 are shown in Table 17. This table is based on the data in the monthly Treasury statement and hence is on a deposits basis. However, the figures in Table 17 have been adjusted in two ways. First, the Post Office Department presents its financial data in terms of 13 periods in a year, rather than on the basis of calendar months. Therefore, amounts in Table 17 have been derived by breaking down the 13 periods to daily figures and then aggregating for calendar months.

---

[65] See 1960 Annual Report of the Postmaster General, p. 128.

[66] When money orders are cashed, the amounts are withdrawn from general funds and are here considered as expenditures. See p. 87. Because of this treatment, overage money orders are not included in the 1960 totals, although an estimate of their value is included in Post Office budget figures.

[67] It must be recognized, of course, that these reasons and others could at least equally well be used to support the view that money orders are a form of borrowing by the Government and that a liability should be shown in the Government's books to reflect the future claim for repayment. If this logic prevails, however, the amounts should be included as part of the national debt, which they are not at present. The only point made here is that the amounts are a significant cash flow to the Government and should be recorded somewhere.

Second, estimated amounts for franked and official mail receipts have been taken out and estimated amounts for money order receipts have been included. The money order receipts have been weighted 10 percent above normal in the months of January, February, March, and December to reflect the typical seasonal variation.

TABLE 17.—*Receipts of 5 major Government enterprises, monthly, 1960*

[Thousands of dollars]

Month	Post Office [1]	Commodity credit corporation [2]	Export-Import Bank of Washington [3]	Federal National Mortgage Association [4]	Tennessee Valley Authority [5]	Total
January	872, 515	262, 598	41, 782	227, 820	14, 135	1, 418, 850
February	823, 226	298, 769	30, 407	99, 204	14, 968	1, 266, 574
March	858, 339	239, 542	65, 390	225, 483	16, 581	1, 405, 335
April	601, 623	207, 301	20, 485	243, 312	14, 993	1, 087, 714
May	594, 923	189, 622	19, 416	246, 439	12, 206	1, 062, 606
June	590, 637	229, 436	54, 260	206, 761	12, 295	1, 093, 389
July	580, 606	114, 224	88, 364	54, 048	10, 877	848, 119
August	585, 926	129, 456	22, 484	51, 765	11, 158	800, 789
September	604, 081	249, 791	47, 852	257, 711	11, 881	1, 171, 316
October	631, 661	414, 956	14, 308	50, 772	11, 722	1, 123, 419
November	638, 421	484, 407	15, 927	57, 990	13, 391	1, 210, 136
December	943, 849	402, 840	88, 486	75, 203	16, 099	1, 526, 477
Total	8, 325, 807	3, 222, 942	509, 161	1, 796, 508	160, 306	14, 014, 724

[1] Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table II, 1960 monthly issues, also estimates for money orders and other items from the Budget of the United States.
[2] Source: Department of Agriculture, Commodity Credit Corporation, report of financial conditions and operations of the Commodity Credit Corporation, 1960 monthly issues. (Includes loan principal repayments, interest income on loans, foreign currency receipts and receipts from dollar sales.)
[3] Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table X, 1960 monthly issues.
[4] Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table X, 1960 monthly issues.
[5] Source: Tennessee Valley Authority, Financial Statements, monthly, 1960.

C. COMMODITY CREDIT CORPORATION RECEIPTS

The CCC is actually a paper corporation. It has no employees and all the work of the corporation is done by the Agricultural Stabilization and Conservation Service, a Bureau of the Department of Agriculture. However, receipts attributable to CCC functions are distinguished from those receipts obtained directly by the Department of Agriculture.

The CCC receives its receipts from the public in three general forms. Two types of loans are made—for price supports and for construction of storage facilities—and one form of receipts is the repayment of these loans. Also, the CCC receives interest on these loans. In addition, the corporation sells commodities and receives payment for them.

Repayments of loans and interest on loans are both handled in the same way, although the two types of payments should be distinguished because the receipts are not necessarily obtained at the same time. In both cases, the amounts are received in the first instance by county committees. These committees are composed of local citizens who are not Government employees, although some reimbursements are paid to them by the Government and the committees are established in part to administer Government programs. Amounts received as payments of principal and interest on loans are deposited by the county committees in their own local bank accounts. In the typical situation, a single check equal to the aggregate daily receipts is then drawn each day on the local account and transmitted to the State office of the ASCS which in turn transmits the accumulated receipts to a ASCS regional office. This regional office deposits the amounts in a Federal Reserve bank to the account of the Commodity Credit Corporation. None of these receipts enter the working accounts of the Treasury.

Offices of the ASCS—customarily at the regional level—conduct all sales of CCC commodities. For example, all cotton sales by the CCC are handled by the New Orleans office of ASCS. The major portion of all CCC sales are for export. In all cases where the sale is made in the United States, regardless of whether the goods are intended for export, the receipts from the sales are deposited by the ASCS offices to the account of the CCC in Federal Reserve banks.

Commodities are sold to foreign countries under the auspices of CCC. These sales are made under title I of Public Law 480.[68] The commodities under this program are sold to foreign countries in two ways. Some of the commodities come out of inventories held by ASCS. In these cases a private exporter initiates the transaction by making his own financial arrangements with a foreign country. The exporter then purchases the commodities from ASCS and pays with a letter of credit. This letter of credit is not considered as a part of receipts at the time the Government obtains it. When the commodities are received by the foreign country, the arrangement by treaty under Public Law 480 is that payment is made in the foreign currency to a foreign bank to the credit of the U.S. Treasury Department. Therefore, in this case, sales by the CCC result in additional financial assets of the U.S. Treasury, not the CCC. Statistics on receipts from sales under Public Law 480 are shown at the time the foreign currencies are credited to the Treasury.[69]

Under Public Law 480, exports can also be made from private inventories as well as from ASCS inventories. In this type of situation, an exporter makes his own arrangements with a foreign country and ships the commodities. At the time of loading, the exporter goes to the bank and receives payment for his sale in domestic currency.[70] The responsibility of the CCC in these transactions is merely to determine that the foreign country has deposited foreign currency to the credit of the Treasury Department in the foreign bank.

Table 18 indicates the monthly receipts of the CCC for the calendar year 1960 under four types of transactions: (1) Repayment of principal on loans, (2) interest on loans, (3) sales of commodities other than under Public Law 480, and (4) receipts of foreign currencies to the Treasury Department under Public Law 480. All of these figures are derived from the monthly report of financial condition and operations of the Commodity Credit Corporation. The statistics are based upon deposits by regional offices of ASCS or information about deposits in foreign banks.

---

[68] Public Law 480, passed July 10, 1954, 83d Cong., 68 Stat. 454.

[69] These same transactions also involve a Government expenditure in 2 ways, as indicated on p. 88. First, the exporter, at the time the commodities are loaded in a domestic port, goes to a bank and receives payment in domestic currency for the shipment. Any difference between the world price at which he sells and the domestic price at which he purchased from CCC is made up by a payment to the exporter from CCC. Second, the arrangement under Public Law 480 is that the foreign currency deposited to the credit of the Treasury will be used in some form of expenditure by the Federal Government in the foreign country, usually in the form of aid.

[70] As indicated on p. 88, the bank then has a claim against CCC and this is one form of Government expenditure.

TABLE 18.—*Commodity Credit Corporation receipts, monthly, 1960*

[In thousands of dollars]

Month	Loan principal repayments	Interest income on loans to Commodity Credit Corporation	Receipts from dollar sales	Foreign currency receipts (Public Law 480)
January 1960	42,883	864	163,426	55,425
February	87,794	2,408	125,193	83,374
March	117,870	4,236	29,625	87,811
April	73,913	1,847	29,779	101,762
May	70,944	1,466	26,955	90,257
June	71,753	2,600	61,207	93,876
July	38,675	938	15,689	58,922
August	27,068	624	28,839	72,925
September	29,946	377	139,117	80,351
October	36,447	446	298,941	79,122
November	34,152	496	345,583	104,176
December	36,855	458	249,796	115,731
Total	668,300	16,760	1,514,150	1,023,732

Source: Report of Financial Conditions and Operations of the Commodity Credit Corporation for appropriate months. Loan principal repayments are obtained from schedule 8, col. 3. Interest income on loans is obtained from exhibit B, III(a). Receipts from dollar sales are obtained from schedule 14, combining both domestic and export sales. Foreign currency receipts (Public Law 480) are found under "Comments."

D. THE EXPORT-IMPORT BANK RECEIPTS

The Export-Import Bank receives payments from private sectors of the economy in two general ways. First, loans and credits extended by the banks are repaid, along with interest on these loans and credits. Second, fees are received for providing insurance or guarantees against risks.

Normally, a repayment of a loan or credit is received first by a commercial bank that is designated as agent at the time the loan is initially made. This is usually the exporter's own bank. The majority of all loans and credits are handled by nine commercial banks. These are the Bankers Trust Co., the Chase Manhattan Bank, the First National City Bank, Manufacturers Hanover Trust Co., Irving Trust Co., Morgan Guaranty Trust Co., Chemical Bank New York Trust Co., and Grace National Bank, all of New York City, and the Girard Trust Corn Exchange Bank of Philadelphia.

If the repayments of a loan or credit involves less than $100,000, the Export-Import Bank will typically leave the amount for a short time in its own account with the commercial bank. Loan repayments of more than $100,000 are immediately transferred to a Federal Reserve bank. In the first instance, these amounts enter an Export-Import account at the Federal Reserve bank but the amounts are shifted over daily to the working account of the Treasury. Periodically, Export-Import balances with commercial banks are also shifted to the Treasury account. The Export-Import Bank, like many of the Government enterprises, maintains a so-called funded checking account with the Treasury Department. In effect, this means that all money received by the enterprise enters directly into the Treasury general fund and the Treasury merely attributes the receipts to the enterprise. The funds themselves are not earmarked and hence no constraint is imposed on the Treasury with respect to the use of these funds for any general purpose.

The Bank's insurance program is handled through a private agent, the American War Risk Agency of New York City. This agency sells the insurance and obtains all the insurance premiums. Each day these premium receipts are deposited in the New York Federal Reserve Bank to the credit of the Treasury working account.

Political risk guarantees are sold, at present, directly by the Bank. Individuals who wish to obtain these guarantees send an application to the Bank along with a deposit which is immediately credited to a Treasury working account. Subsequent payments for the guarantees are also credited by the Bank directly to the Treasury account.[71]

E. FEDERAL NATIONAL MORTGAGE ASSOCIATION RECEIPTS

FNMA obtains funds from the private economy in three general ways. It receives payments of principal and interest on mortgages; it charges fees for specific services in connection with purchasing mortgages; and it occasionally sells mortgages to the private sector.[72] FNMA operates three independent portfolios of mortgages, with separate accounting for each portfolio. Hence, many of the statistics on its receipts must be drawn from three sources. The three portfolios are for (1) secondary market operations, (2) special assistance functions, and (3) management and liquidating functions.[73]

Almost all FNMA transactions with the private sector are conducted through "servicers," i.e., private mortgage companies which choose to handle FNMA mortgages.[74] These servicers deposit funds received on behalf of FNMA in "custodial" accounts with local commercial banks. Then, in the ordinary course of business,[75] which presumably means every day or so, a servicer writes a single check to cover the total FNMA receipts that he has obtained and sends the check to a FNMA regional officer.[76] This check is accompanied by a form 57 indicating the mortgages upon which payments have been made. The amounts received by the regional offices are deposited with Federal Reserve banks. The receipts are credited to the General Treasury working account and an entry is recorded to the funded checking account of FNMA with the Treasury. The funds themselvers are not earmarked to FNMA.

Sales of mortgages are conducted entirely by regional offices of FNMA. Amounts received from these sales are credited to Federal Reserve Treasury accounts and are recorded in the Treasury books in the same manner as are other FNMA receipts.

Table 19 indicates the combined receipts from operations by FNMA for the calendar year 1960.[77] Statistics on monthly receipts

---

71 The Bank intends shortly to begin using insurance companies as agents for selling these political risk guarantees. See hearings before Subcommittee No. 3 of the Committee on Banking and Currency, House of Representatives, Aug. 30, 1961, p. 34.

72 In connection with its secondary market operations, FNMA also requires private subscription to stock in the organization by those who sell mortgages to it. These stock subscriptions are considered in this study as capital raising, equivalent to borrowing, and therefore are excluded.

73 For a description of FNMA functions, as well as an analysis of their economic effects, see Break, op. cit., pp. 49-53. General information on operations can be obtained in the FNMA semiannual report, published in June and December.

74 The principal exception is multifamily units where FNMA is its own servicer. Checks paid in connection with these mortgages are sent directly to FNMA regional offices.

75 FNMA Servicers' Guide, section 205.

76 There are five of these offices, located in Philadelphia, Atlanta, Chicago, Dallas, and Los Angeles

77 The figure of $363,313,000 for sales of mortgages is unusually high. The reason for this is that a decision was taken by the executive branch in 1959 to reduce the level of the national debt by selling some assets held by Government agencies. FNMA was instructed to inform holders of certain Government securities that it was willing to exchange the Government securities for mortgages which it held. The exchange involved FNMA giving up 4 percent VA management and liquidating mortgages in exchange for U.S. 2¾ percent Treasury bonds. Average exchange price was $102.03 face amount of bonds for each $100 unpaid principal amount of mortgages. Hence, individuals were encouraged to give up a lower interest security for a higher interest security by the offer of a discount on the higher interest-bearing security. Apparently the sole purpose of this exchange was to reduce the level of the national debt. The aggregate value of the exchanges was approximately $311 million. See FNMA semiannual report, June 30, 1960, p. 6.

of FNMA for the calendar year 1960 cannot be derived from published sources. FNMA publishes a monthly financial and statistical report but it is for internal distribution only. The Treasury Department in January 1961 expanded the monthly statement and the appropriate statistics on FNMA can now be derived from this source.[78]

TABLE 19.—*Receipts of Federal National Mortgage Association, calendar year 1960*

	In thousands
Repayments of principal on loans	$208, 303
Interest on loans [1]	283, 122
Fees	11, 267
Sales of mortgages [2]	363, 313
Other credits	54, 441

[1] On an accrual basis.
[2] This figure includes the principal value of the mortgage plus net gains on sales. The figure of $363,313,000 includes exchanges for Government securities amounting to $311,300,000.

Source: Semiannual Reports for June 30, 1960 and Dec. 31, 1960 of the Federal National Mortgage Association.

F. TENNESSEE VALLEY AUTHORITY RECEIPTS

The Tennessee Valley Authority obtains its income almost entirely from two sources: sales of electric power and sales of fertilizer. However, a substantial portion of electric power sales are to other Federal agencies such as the Atomic Energy Commission and these sales must be subtracted to obtain receipts from the private sector. Table 20 shows the amounts of these payments for the calendar year 1960 and Table 17 indicates the total receipts from the private sector by months.

TABLE 20.—*Tennessee Valley Authority revenue for calendar 1960*

[Thousands of dollars]

Power proceeds:	
Power operations	247, 223
Less sales to Federal agencies	109, 509
Private power sales	137, 714
Other income	923
Power proceeds	138, 637
Nonpower proceeds:	
Sales of fertilizer and byproducts	16, 745
Sales of retired plant and construction costs recovered	568
Other	4, 356
Nonpower proceeds	21, 669
Total proceeds	160, 306

Source: TVA Monthly Financial Statements.

All cash received by TVA is deposited first into commercial bank accounts to the credit of TVA. Within short periods after the deposits, however, the balances are transferred to general Treasury accounts with Federal Reserve banks and the amounts are credited to the TVA funded account with the Treasury.

G. RECEIPTS OF OTHER GOVERNMENT ENTERPRISES

As noted in the introduction to this section, the distinction drawn here—and in the budget—between receipts of Government enterprises

[78] See tables 6, 10, and 11 in the monthly statement.

and miscellaneous receipts is arbitrary. The distinction is based principally on the significance of the receipts obtained from the public relative to the total costs of the activity. If a major proportion of the total costs are met by direct payments from the public, the agency is considered a public enterprise. If only a minor proportion of total costs are met by direct public payments, the agency is considered part of the general Government and the amounts received from the private sector are labeled "miscellaneous receipts." For example, the Government Printing Office obtains receipts by sales of publications to the public. However, the preponderant amount of printing by GPO is for the Government, and only a small percentage of the agency's total costs are covered by payments from the public for books and pamphlets. Hence, these payments are treated as miscellaneous receipts.[79]

Table 21 provides a list of Government enterprises other than those mentioned above and the amounts received by these enterprises from the private sector during the calendar year 1960. In general, the figures on receipts of Government enterprises can be found in the monthly Treasury Statement, the annual report of the Secretary of the Treasury, and the combined statement of receipts, expenditures, and balances. The figures shown in these sources are entirely on a cash basis; no accrual items are included. The figures include all receipts during the relevant period, regardless of whether the amounts are deposited in commercial bank accounts to the credit of the agencies or in general Treasury accounts. In these respects, the data are suitable for use in this study.

TABLE 21.—*Receipts of other Government enterprises for calendar 1960*

[Thousands of dollars]

I. PUBLIC ENTERPRISE (REVOLVING) FUNDS

Legislative branch, contingent expenses:	
House of Representatives:	
Stationery (revolving fund)	(1)
Restaurant fund	(1)
Recording studio revolving fund	(1)
Senate:	
Stationery (revolving fund)	(1)
Recording studio revolving fund	(1)
Executive Office of the President, Office of Civil and Defense Mobilization: Civil defense procurement fund	203
Funds appropriated to the President:	
Expansion of defense production	59, 574
Mutual security-economic:	
Development Loan Fund	8, 885
Foreign investment guarantee fund	1, 578
Independent Offices:	
Atomic Energy Commission: Defense production guarantees	2
Farm Credit Administration, total [2]	11, 410
Federal Home Loan Bank Board:	
Federal Savings and Loan Insurance Corporation fund	53, 885
Other	9, 477
St. Lawrence Seaway Development Corporation	4, 402
Small Business Administration	130, 956
U.S. Information Agency: Informational media guarantee fund	2, 940
Veterans' Administration	199, 278
General Services Administration, total income [2 3]	3, 794

See footnotes at end of table.

[79] See p. 69.

TABLE 21.—*Receipts of other Government enterprises for calendar 1960*—Continued

Housing and Home Finance Agency:	
Office of the Administrator:	
College housing loans	34, 242
Liquidating programs	146, 434
Urban renewal fund	104, 390
Other	10, 458
Federal Housing Administration	271, 165
Public Housing Administration	133, 237
Agriculture Department:	
Federal Crop Insurance Corporation	16, 640
Farmers Home Administration:	
Disaster loans, etc., revolving fund	32, 989
Farm tenant-mortgage insurance fund	11, 565
Commerce Department:	
General administration	(4)
Maritime activities	7, 699
Inland Waterways Corporation	881
Defense Department:	
Military functions:	
Secretary of Defense	62, 228
Army	583
Navy	1, 962
Civil functions:	
Army:	
Panama Canal Company	102, 158
Defense production guarantees	206
Navy: Defense production guarantees	609
Air Force: Defense production guarantees	14, 707
Health, Education, and Welfare Department:	
Public Health Service: Operation of commissaries, narcotic hospitals	232
Social Security Administration: Operating fund, Bureau of Federal Credit Unions	3, 383
Interior Department:	
Bureau of Indian Affairs:	
Loans to Indians	2, 669
Hoonah housing project liquidation	3
Bureau of Reclamation:	
Upper Colorado River Basin fund	1, 773
Fort Peck project, Montana	2, 860
Bureau of Mines: Development and operation of helium properties	8, 594
Fish and Wildlife Service, Bureau of Commercial Fisheries	326
Office of Territories: Loans to private trading enterprises:	
Trust Territory of the Pacific Islands	77
Alaska Railroad revolving fund	18, 532
Virgin Islands Corporation	3, 142
Labor Department: Farm labor supply fund	3, 573
Treasury Department:	
Office of the Secretary:	
Reconstruction Finance Corporation liquidation	4, 829
Civil defense loan program	241
Bureau of Accounts: Government losses in shipment fund	2
Office of the Treasurer: Check forgery insurance fund	188
Total, public enterprise (revolving) funds	1, 488, 961
II. TRUST ENTERPRISE (REVOLVING) FUNDS [5]	
Independent offices:	
Civil Service Commission:	
Employees' health benefits fund [6]	148, 123
Employees' life insurance fund	133, 033
Federal Communications Commission: International telecommunications settlements	112

See footnotes at end of table.

TABLE 21.—*Receipts of other Government enterprises for calendar 1960*—Continued

General Services Administration: Records activities, National Archives trust fund	253
Department of Agriculture, Farmers Home Administration: State rural rehabilitation funds [6]	1, 040
Department of Defense (civil), Department of the Army: U.S. Soldiers' Home revolving fund	113
Department of Justice [6]	2, 035
Total, trust enterprise (revolving) funds	284, 709
III. OTHER ENTERPRISES	
Federal Reserve System [7]	21, 048
Federal Deposit Insurance Corporation [8]	79, 187
Farm Credit Administration: Banks for cooperatives and Federal intermediate credit banks [8]	110, 698
Exchange stabilization fund [9]	9, 498
Total, other enterprises	220, 431
Total receipts of other Government enterprises	1, 994, 101

[1] Excerpt from reporting to Treasury and budget data incomplete.
[2] From Treasury Bulletin for May 1960, and January and May 1961, "Corporations and Certain Other Business-Type Activities," sec. II, table 2.
[3] Includes income from abaca fiber program, Federal facilities program, and RFC liquidation fund.
[4] Less than $500.
[5] From Treasury Bulletin, January and May 1961, "Corporations and Certain Other Business-Type Activities," sec. II, table 6. Data for calendar 1960 was derived from taking ½ of fiscal year 1960 plus July to December 1960.
Beginning January 1961, these accounts are shown in table XI of the monthly statement.
[6] Data for fiscal 1960 since calendar not available. Regarded as comparable to calendar 1960. From January 1961 Treasury Bulletin. (See footnote 5.)
[7] From 47th Annual Report of the Board of Governors of the Federal Reserve System, No. 6, pp. 118–119, total current earnings less U.S. Government securities plus profits on sales of U.S. Government securities (net); on an accrual basis.
[8] From Treasury Bulletin, January and May 1961, "Corporations and Certain Other Business-Type Activities," sec. II, table 5. Data for calendar 1960 was derived by taking ½ of fiscal year 1960 plus July to December 1960.
[9] From Treasury Bulletin, May 1960 and 1961.

Source: Treasury Department: Monthly Statement of Receipts and Expenditures of the U.S. Government, table X, December 1959, July and December 1960 (unless otherwise noted).

On the other hand, for purposes of this study, some adjustments are necessary in the data shown in the Treasury sources. First, some of the figures represent receipts to the Treasury from the public enterprises rather than receipts of the enterprises from the private sector. For example, the receipts shown in these sources for the Farm Credit Administration banks for cooperatives represent returns on investments to the Treasury from the banks. However, since these banks are owned in part by the Government, these returns on investment are considered here as intragovernmental transfers, and the appropriate amounts are the banks' receipts from the private sector. The enterprises for which this adjustment is made are noted in Table 21.

Second, the Budget and Treasury documents distinguish public enterprise funds and "trust enterprise funds." The distinction between these two types of operations is, in essence, that receipts by the latter are payments for services to be rendered in the future whereas receipts of the former are for current services. This distinction is useful for various purposes but is not relevant in a description of Government cash inflows. Hence, all trust enterprise funds are included in table 21.[80]

[80] The Treasury only began to publish gross monthly data on trust enterprise funds in January 1961. The figures can be found in table XI of the monthly statement. The figures for the calendar year 1960, as shown in Table 21, are derived by cumulating quarterly data in the Treasury bulletin.

Third, there are some Government business activities which, for various reasons, are not included in the budget concept of enterprise funds. These other Government businesses include: (1) the Federal Reserve System, (2) the Federal Deposit Insurance Corporation, (3) the banks for cooperatives and Federal Intermediate credit banks, and (4) the exchange stabilization fund. It seems appropriate in this study to consider each of these operations as a part of the Government and therefore to include the gross receipts to these agencies from the public as part of Government gross receipts. Federal Reserve System income includes amounts received as discounts, advances, acceptances, as well as net profits on open market transactions in Government securities.[81] Amounts for the other Government businesses represent their receipts from the private sector for services.

Adequate data are not publicly available to indicate a breakdown of all these receipts by agencies on a monthly basis for the calendar year 1960.

IX. Other Receipts

The Government obtains cash from the private sector in a great variety of ways besides those indicated in the foregoing sections. While each of these other sources of receipts is relatively small in amount, the aggregate amount of these receipts is substantial. As measured in this study, the total amount of these other receipts in the calendar year 1960 is estimated to be approximately $14 billion. Moreover, these other forms of receipts are important in examining the economic impact of the Federal Government because the amounts tend to be drawn from specific sectors of the economy, rather than being broadly based as are the receipts previously described. For both of these reasons, it is important to include a category of "Other receipts" in any examination of the cash inflows to the Government. Table 22 indicates the nature and amount of these other receipts to the Federal Government. This table is presented in considerable detail in order to indicate the wide range of other receipts which the Government obtains.

The Treasury Department designates a group of cash inflows as "miscellaneous receipts." These items are shown as the first group in Table 22. Virtually without exception, these receipts are transferred to the general fund of the Treasury and are not used directly to meet expenditures of the individual agencies which collect the amounts. These miscellaneous receipts include fees for permits and licenses, fines, penalties, gifts, interest on loans, dividends, rents, royalties, income from sales of products and Government property, fees for services, returns of capital on investments, and certain other recoveries.

There are certain differences between the items shown in the first group of Table 22 and the miscellaneous receipts as published by the Treasury Department. The Treasury Department indicates an amount for "seigniorage," i.e., the excess of the value of coins minted by the Government over the value of the raw metal in the coins. This is not used in Table 22 because the amount is net after an expenditure item by the Government, i.e., the purchase of the raw metal. The gross cash receipts from the production of coins is clearly the

[81] See p. 31.

value of the coins produced and distributed.[82] Therefore, in lieu of the seigniorage item, Table 22 indicates, after the miscellaneous receipts, the aggregate value of coins produced and distributed during the calendar year 1960.[83]

In addition, the miscellaneous receipts figures of the Treasury include amounts received as dividends and interest from Government-sponsored enterprises.[84] Since the gross receipts of these Government-sponsored enterprises have already been included in the receipts data presented earlier in this chapter, dividends and interest of Government-sponsored enterprises have been removed from the miscellaneous receipts figures appearing in Table 22. Otherwise, the miscellaneous receipts, as shown in Table 22, are similar to those which appear in budget and Treasury sources.[85]

A number of different receipts are obtained by the Government in addition to the category of miscellaneous receipts indicated by the Treasury Department. The Government operates a number of trust funds besides those which have been discussed above in connection with employment taxes. The receipts of these various trust funds are indicated in the second group in Table 22.

The Government also receives so-called non-Federal reimbursements to appropriations. These items are exactly like miscellaneous receipts except for one feature: the non-Federal reimbursements go into general Treasury accounts but are typically earmarked for the agency which collected them. Therefore, the amounts represent a minor source of additional funds to the agency beyond those appropriated by the Congress. The amounts are not shown as receipts in the budget. However, they are shown in Table 22 since they are cash inflows to the Government.[86] Figures for non-Federal reimbursements are only available on a fiscal year basis and are so shown in Table 22 on the assumption that the aggregate amounts do not differ significantly from the calendar year amounts.

There is another category of amounts received by the Government which is not shown in Table 22. This category is the so-called deposit funds. These funds are, in effect, amounts left with the Government to which it does not have a full claim. They are essentially like the unearned income of business firms. The funds are designated as deposit funds primarily so that if they must be returned to the private sector, the return can be made without an appropriation from Congress.[87] An example would be patent fees, which shift to miscellaneous receipts if the patents are accepted and are returned in part if the patent is rejected. Deposit funds are awkward from the standpoint of this study for several reasons. Many of the deposit funds represent borrowing by Government enterprises and other agencies which should be excluded. Some deposit funds are returned to individuals with little delay. Other deposit funds rather quickly are shifted to miscellaneous receipts and are shown there, so that a problem of potential double counting arises. A portion of deposit funds are used eventually

---

[82] In a similar manner, the total value of old coins and raw metal purchased from the public, and the costs of producing new coins, are all treated as expenditures in ch. V.

[83] Silver dollars are exchanged with the private sector but are no longer produced by the Government and therefore are not included in this figure. See Annual Report of the Director of the Mint, June 30, 1960, pp. 1 and 8.

[84] See p. 85.

[85] For a complete description of each of these items, see "Receipt, Appropriation, and Other Fund Account Symbols and Titles," Treasury Department, fiscal year 1961.

[86] And can influence, albeit to a minor degree, the amount spent by individual agencies.

[87] As is required with all other Government outlays. See p. 8.

to pay for Government expenditures without being shown as miscellaneous receipts. This last portion should clearly be included as receipts, but the published data are not adequate to obtain this portion. Therefore, all deposit funds are excluded from this study. There were approximately 600 of these deposit funds in 1960.[88]

Section IV of Table 22 indicates amounts of receipts obtained by the Federal Government in the form of foreign currencies. None of these amounts are considered as receipts in either the Budget or Treasury sources. Receipts of foreign currencies are of two types. First, there are so-called counterpart funds. These funds are amounts which are in the custody of a foreign Government but are generated by sales of commodities to the foreign countries by the Federal Government.[89] The sales of commodities are paid for by the counterpart funds which are left in bank accounts in the name of the purchasing government. However, the distribution of these amounts are determined by bilateral agreements between the receiving country and the Federal Government. Since the amounts represent payments for commodities sold by the Federal Government, and the use of these funds is in large part determined by the Federal Government, the amounts are included as receipts here.

In addition to the counterpart funds, there are a number of other ways in which the Federal Government obtains command over foreign currencies. In these other instances, the foreign currencies are credited to bank accounts in the name of the U.S. Treasury, but because of foreign currency restrictions cannot be withdrawn from the foreign countries. The amounts represent receipts of the Federal Government for sales of products, however, and are included in Table 22.

Another item in Table 22 is for amounts received under agricultural marketing agreement acts. By the terms of the Agricultural Marketing Agreement Act of 1937,[90] committees or administrators are set up in various local areas to administer the orders of the Secretary of Agriculture with respect to milk, fruit, and vegetables. These committees are financed by assessments levied against the producers whose prices are regulated. These assessments do not appear anywhere in Government sources, but the data can be obtained from the Department of Agriculture.

The last section of Table 22 shows the amounts of gross issuances of currency by the Federal Government in the calendar year 1960. These amounts are included here because the Government can, and does, obtain receipts by printing money. The amounts are reflected in Government bank account balances in the same manner as the other receipts discussed in this chapter. The Federal Government has within its power the ability to obtain additional cash by creating it—in lieu of borrowing additional funds—and the amounts of this creation should presumably be included in the measures of total cash over which the Government obtains control.[91] For some purposes, it may be desirable to exclude these amounts from total cash receipts. However, it should be recognized that exclusion of these amounts may

[88] A list of the funds is shown in the "Combined Statement of Receipts for 1960," beginning on p. 403.
[89] Pursuant to sec. 142 of the Mutual Security Act of 1954.
[90] 7 U.S.C. 674; 50 Stat. 249.
[91] In the same way, purchases of old money to be retired are viewed as cash outlays since money is paid in order to obtain the old currency. See p. 91.

also require exclusion of some other similar items in this chapter such as the repayment of loans created by Government enterprises.[92]

TABLE 22.—*Other receipts, calendar year 1960*

[In thousands of dollars]

I. Miscellaneous receipts: [1]	
Bullion changes:	
Profit on sale of silver bullion	2, 943
Handling charges on gold bullion	331
Other bullion charges	462
Taxes, miscellaneous	4, 476
Fees for permits and licenses:	
Admission	5, 058
Business concessions:	
Telephone pay stations	2, 258
Other	4, 064
Immigration, passport, and consular	19, 181
Patent and copyright	8, 498
Registration and filing	3, 677
Landing fees, airports	1, 536
Miscellaneous:	
Migratory bird hunting stamps	4, 918
Leased grazing lands, Pierce Act	1
Grazing fees for range improvements, Taylor Grazing Act, as amended	1, 060
Other	7, 958
Fines, penalties, and forfeitures:	
Agricultural laws	5, 284
Economic stabilization laws	76
Immigration and labor laws	318
Customs, commerce, and antitrust laws	3, 360
Narcotic, prohibition, and alcohol laws	48
Forfeitures of unclaimed money and property	626
Other	3, 868
Gifts and contributions:	
Contributions to "conscience fund"	90
Gifts:	
Residue of funds of quasi-governmental organizations	158
Other	126
Interest:	
Loans to States, municipalities, and other public bodies	449
Domestic loans to individuals and private organizations:	
Rural Electrification Administration	59, 324
Farmers Home Administration	35, 410
Other	129
Foreign loans and deferred payments:	
United Kingdom	70, 664
Federal Republic of Germany, agreement of Feb. 27, 1953	20, 674
Deferred foreign collections or payments	17, 748
Mutual security loans, foreign exchange conversions	3, 621
Other loans, advances, and credit sales	46, 574
Public deposits:	
Foreign exchange conversions	3, 302
Other than foreign exchange conversions	98
Miscellaneous:	
Union Pacific Railroad, central branch	24
Other	25, 246

Footnotes at end of table.

[92] Exclusion of cash creation would also presumably require the exclusion of some expenditure items such as purchases of silver, the costs incurred in printing currency, and new loans provided by Government enterprises.

TABLE 22.—*Other receipts, calendar year 1960*—Continued

I. Miscellaneous receipts—Continued	
Dividends and other earnings:	
Gain by exchange	190
Other dividends and earnings	3, 740
Rents:	
Land	19, 675
Outer Continental Shelf lands	148, 308
Real property	29, 868
Equipment and other personal property	53, 938
Royalties:	
Outer Continental Shelf lands	4, 420
Miscellaneous royalties on natural resources:	
Moneys due Oklahoma from royalties, oil and gas, south half of Red River, act of Mar. 4, 1923, as amended	12
Other	102, 126
Patents and copyrights	19
Sale of products:	
Agricultural products, livestock, and livestock products	184
Timber, wildlife, and other natural land products:	
Timber and other products from revested Oregon and California grant lands (25 percent)	6, 842
Other	175, 738
Mineral and mineral products	11, 490
Power and other utilities:	
Sale and transmission of electric energy:	
Bonneville project, Oregon	52, 760
Eklutna project, Alaska	1, 562
Falcon Dam, Tex	454
Southwestern Power Administration	8, 404
Southeastern Power Administration	17, 393
Other	92, 010
Publications and reproductions	4, 955
Miscellaneous products and byproducts	5, 954
Fees and other charges for services and special benefits:	
Administrative, professional, and judicial services:	
Legal and judicial services	2, 701
Accounting and auditing	796
Deductions from awards of Mixed Claims Commission, United States and Germany, settlement of war claims	20
Expenses, International Claims Settlement Act of 1949	472
Expenses, sec. 901, Social Security Act, as amended	2, 450
Other	4, 927
Communication and transportation services:	
Recoveries, expenses of international service of ice observation and patrol	574
Postal receipts, Canal Zone Government	754
Other	7, 167
Subsistence, laundry, and health services	3, 888
Charges for testing inspection, and grading services:	
Overtime service, Federal Communications Commission	7
Overtime service, Marine Inspection and Navigation	32
Other	3, 668
Services provided to the District of Columbia	4, 326
Special benefits:	
Licensee	481
Retired pay deposits, Uniformed Services Contingency Option Act of 1953	148

Footnotes at end of table.

TABLE 22.—*Other receipts, calendar year 1960*—Continued

I. Miscellaneous receipts—Continued	
Fees and other charges for services and special benefits—Continued	
Special benefits—Continued	
Reimbursement by Panama Canal Company for annuity payment to Republic of Panama under treaty	440
Other	156
Reimbursement for net cost of operations of Canal Zone Government less tolls on Government vessels	11, 706
Recoveries, intergovernmental defense agreements, and foreign exchange conversions	11, 562
Miscellaneous services:	
Reimbursement of expenses, sec. 201(g) of Social Security Act, as amended	42, 137
Other	8, 152
Sale of Government property:	
Public domain:	
Town lots and standing timber, Alaska	−4
Public land and materials, 5 percent fund to States	924
Other	5, 869
Other real property:	
Account of military post construction fund	41
Columbia Basin land development program	486
Other	20, 062
Equipment and other personal property:	
Vessels, titles V and VII, Merchant Marine Act, as amended	9, 424
Surplus property in foreign areas, foreign exchange conversions	39, 392
Surplus property in foreign areas, other than foreign exchange conversions	24, 715
Excess property in foreign areas, foreign exchange conversion	2
Surplus vessels	31, 997
Strategic and critical materials stockpile	72, 320
Surplus property in United States	64, 998
Vessels, Coast Guard	9
Other	10, 394
Scrap and salvage materials	127, 748
Realization upon loans and investments:	
Repayment of investment in liquidated enterprises and special funds	1, 964
Repayment of loans to States, municipalities, and other public bodies:	
Public works loans to the District of Columbia	226
Advances to District of Columbia for acquisition of lands under sec. 4, act of May 29, 1930, as amended (National Capital Planning Commission)	427
Other	128
Repayment of domestic loans to individuals and private organizations:	
Rural Electrification Administration	110, 943
Farmers Home Administration	211, 408
Other	4, 732
Repayment of foreign loans:	
United Kingdom	52, 474
Federal Republic of Germany on agreement dated Feb. 27, 1953	19, 966
For United Nations headquarters	2, 250
Agricultural Trade Development and Assistance Act of 1954, as amended	778
Mutual security loans, foreign exchange conversions	3, 120
Other	33, 731

TABLE 22.—*Other receipts, calendar year 1960*—Continued

I. Miscellaneous receipts—Continued	
Realization upon loans and investments—Continued	
Repayments on miscellaneous recoverable costs:	
Reimbursable construction charges, Bureau of Indian Affairs	230
Reimbursable costs under Alaska Public Works Act	1, 111
Reimbursable maintenance charges, Bureau of Indian Affairs	2, 722
Reimbursable construction charges, District of Columbia	199
Other	1, 578
Miscellaneous repayments on loans and investments	1, 806
Recoveries and refunds:	
Compensation for Government property lost or damaged:	
National Guard	365
Other	5, 793
War reparations and recoveries under military occupation:	
World War II, proceeds from reparations property, foreign exchange conversions	78
Reparations, other than foreign exchange conversions	4
Recoveries, Germany and Austria, foreign exchange conversions	367
Recoveries of excess profits and costs:	
Under renegotiation program	13, 150
Other	528
Recoveries under foreign aid programs:	
Defense aid, commodities, supplies and services, foreign exchange conversions	5, 053
Defense aid, commodities, supplies and services, other than foreign exchange conversions	20, 178
Economic and technical assistance, foreign exchange conversions	20, 643
Military assistance, foreign exchange conversions	8, 560
Military assistance, other than foreign exchange conversions	11, 654
Other, foreign exchange conversions	370
Other, other than foreign exchange conversions	64
Recoveries, informational media guarantees, foreign exchange conversions	404
Refunds of erroneous payments	13, 728
Other	19, 784
Total miscellaneous receipts	2, 189, 137
II. Miscellaneous trust fund receipts: [2]	
Legislative branch	1, 214
The judiciary: Contributions to judicial survivors annuity fund	515
Funds appropriated to the President	233, 083
Independent offices:	
Civil Service Commission, civil service retirement and disability fund:	
Deductions from employees' salaries, etc	776, 674
Voluntary contributions, donations, etc	10, 168
Veterans' Administration:	
Government life insurance fund: Premiums and other receipts	20, 820
National service life insurance fund: Premiums and other receipts	471, 551
Other	1, 707
Other independent offices	142

Footnotes at end of table.

TABLE 22.—*Other receipts, calendar year 1960*—Continued

II. Miscellaneous trust fund receipts—Continued	
General Services Administration	445
Agriculture Department	40, 006
Commerce Department	43, 343
Defense Department:	
Military functions	7, 813
Civil iunctions	16, 339
Health, Education, and Welfare Department	249
Interior Department:	
Indian tribal funds	46, 973
Other	10, 902
Labor Department	75
State Department	319
Treasury Department	24, 457
District of Columbia	201, 787
Total, miscellaneous trust fund receipts	1, 908, 582
III. Reimbursements from non-Federal sources: [3]	
Executive Office of the President: Funds appropriated to the President: Mutual security: Intragovernmental funds: Advances and reimbursements, economic assistance	156
Independent offices:	
Atomic Energy Commission:	
Operating expenses	26, 486
Intragovernmental funds: Advances and reimbursements	10, 503
Civil Service Commission: Intragovernmental funds: Advances and reimbursements	11
Federal Aviation Agency: Intragovernmental funds: Advances and reimbursements	1, 832
Historical and memorial commissions: Civil War Centennial Commission	2
Interstate Commerce Commission: Intragovernmental funds: Advances and reimbursements	6
Selective Service System: Salaries and expenses	2
Small Business Administration: Intragovernmental funds: Advances and reimbursements	1
U.S. Information Agency: Intragovernmental funds: Advances and reimbursements	180
Veterans' Administration:	
Medical care:	
Inpatient	1, 104
Outpatient	82
Intragovernmental funds: Advances and reimbursements	52
General Services Administration: Personal property activities: Intragovernmental funds: Advances and reimbursements	1
Housing and Home Finance Agency: Public Housing Administration: Intragovernmental funds: Advances and reimbursements	2
Department of Agriculture:	
Agricultural Research Service: Intragovernmental funds: Advances and reimbursements	6, 432
Extension Service: Intragovernmental funds: Advances and reimbursements	1
Soil Conservation Service: Intragovernmental funds: Advances and reimbursements	946
Agricultural Conservation Program Service:	
Agricultural conservation program	324
Intragovernmental funds: Advances and reimbursements	1

Footnotes at end of table.

TABLE 22.—*Other receipts, calendar year 1960*—Continued

III. Reimbursements from non-Federal sources—Continued	
Agricultural Marketing Service: Intragovernmental funds: Advances and reimbursements	1,960
Foreign Agricultural Service: Intragovernmental funds: Advances and reimbursements	4
Federal Crop Insurance Corporation: Intragovernmental funds: Advances and reimbursements	1
Rural Electrification Administration: Intragovernmental funds: Advances and reimbursements	2
Farmers Home Administration: Intragovernmental funds: Advances and reimbursements	6
Office of the General Counsel: Intragovernmental funds: Advances and reimbursements	1
Office of Information: Intragovernmental funds: Advances and reimbursements	9
Forest Service: Intragovernmental funds: Advances and reimbursements	854
Department of Commerce:	
Bureau of the Census: Intragovernmental funds: Advances and reimbursements	406
Coast and Geodetic Survey: Salaries and expenses	1,079
Business and Defense Services Administration: Intragovernmental funds: Advances and reimbursements	464
Maritime activities: Intragovernmental funds: Advances and reimbursements	86
Bureau of Public Roads:	
Federal-aid highways (trust fund)	234
Forest highways (liquidation of contract authorization)	142
Miscellaneous accounts	280
Weather Bureau: Intragovernmental funds: Advances and reimbursements	45
Department of Defense (military):	
Military personnel:	
Army	113,296
Navy	12,314
Marine Corps	1,205
Air Force	14,444
Reserve personnel:	
Army	240
Navy	2
Marine Corps	52
Air Force	2
National Guard personnel:	
Army	600
Air Force	4
Operation and maintenance:	
Army	104,912
Navy	12,770
Marine Corps	1,984
Air Force	33,557
Army, National Guard	5
Air National Guard	39
Alaska Communication System, Army	1
Procurement:	
Equipment and missiles, Army	125,732
Shipbuilding and conversion, Navy	113
Other procurement, Navy	1,100
Missile, Air Force	61,612
Aircraft and related, Navy	66
Ordnance and ammunition, Navy	193
Research, development, test, and evaluation:	
Army	346
Navy	716
Air Force	1,834

TABLE 22.—*Other receipts, calendar year 1960*—Continued

III. Reimbursements from non-Federal sources—Continued	
Department of Defense (military)—Continued	
Military construction:	
Army	4,102
Navy	2,148
Air Force	4,422
Naval Reserve	2
Intragovernmental funds:	
Army management fund	1,474
Navy management fund	18
Naval working fund	21,038
Department of Defense (Civil):	
Department of the Army:	
Cemeterial activities: Salaries and expenses	4
Corps of Engineers (Civil):	
Intragovernmental funds: Advances and reimbursements	2,252
Ryukyu Islands, administration	4
Department of Health, Education, and Welfare:	
Food and Drug Administration: Intragovernmental funds: Advances and reimbursements	5
Freedmen's Hospital: Salaries and expenses	1,702
Office of Education: Intragovernmental funds: Advances and reimbursements	46
Public Health Service:	
Medical care and foreign quarantine	573
Intragovernmental funds:	
National Institutes of Health management fund	393
Advances and reimbursements	394
St. Elizabeths Hospital: Salaries and expenses	14,310
Social Security Administration: Intragovernmental funds: Advances and reimbursements	252
Special institution:	
Gallaudet College: Salaries and expenses	458
Howard University: Salaries and expenses	4,230
Office of the Secretary:	
Salaries and expenses: Federal OASI trust fund	314
Office of Field Administration	964
Office of the General Counsel	550
Intragovernmental funds: Advances and reimbursements	1
Department of the Interior:	
Bonneville Power Administration:	
Construction	164
Intragovernmental funds: Advances and reimbursements	61
Southeastern Power Administration:	
Operation and maintenance	2,070
Continuing fund	5,569
Bureau of Land Management: Intragovernmental funds: Advances and reimbursements	189
Bureau of Indian Affairs:	
Tribal funds (trust fund)	100
Intragovernmental funds: Advances and reimbursements:	
Replacement of personal property sold	96
Veterans' tuition	8
Refund of overtime	3
Bureau of Reclamation:	
Operation and maintenance	3,406
Intragovernmental funds: Advances and reimbursements	702

TABLE 22.—*Other receipts, calendar year 1960*—Continued

III. Reimbursements from non-Federal sources—Continued	
Department of the Interior—Continued	
Geological Survey: Surveys, investigations, and research	10, 276
National Park Service: Intragovernmental funds: Advances and reimbursements	1, 686
Fish and Wildlife Service:	
Bureau of Sport Fisheries and Wildlife: Intragovernmental funds: Advances and reimbursements	820
Bureau of Commercial Fisheries: Intragovernmental funds: Advances and reimbursements	6
Department of Justice:	
General administration: Salaries and expenses	1, 070
Federal Bureau of Investigation: Intragovernmental funds: Advances and reimbursements	138
Immigration and Naturalization Service: Intragovernmental funds: Advances and reimbursements	1, 492
Federal Prison System: Intragovernmental funds: Advances and reimbursements	631
Department of Labor:	
Bureau of Labor Standards: Salaries and expenses	3
Bureau of Employees Compensation: Salaries and expenses	53
Bureau of Labor Statistics: Intragovernmental funds: Advances and reimbursements	28
Post Office Department: Current authorizations out of postal fund: Intragovernmental funds: Advances and reimbursements	8, 632
Department of State: Administration of Foreign Affairs:	
Salaries and expenses	359
Acquisition, operation, and maintenance of buildings abroad	3, 453
Intragovernmental funds: Advances and reimbursements	24
Treasury Department:	
Bureau of Accounts: Intragovernmental funds: Advances and reimbursements	4
Office of Treasurer: Salaries and expenses	528
Bureau of Customs: Intragovernmental funds: Advances and reimbursements	8, 364
Internal Revenue Service: Intragovernmental funds: Advances and reimbursements	36
U.S. Secret Service: Intragovernmental funds: Advances and reimbursements	2
Bureau of the Mint: Salaries and expenses	1, 411
Coast Guard: Operating expenses	204
Total, reimbursements from non-Federal sources	652, 260
IV. Foreign currency receipts: [4]	
Counterpart funds	774, 526
U.S. dollar equivalent of currencies available primarily for sale for dollars to Government agencies:	
Dollar proceeds for credit to general fund receipts:	
Foreign currency, Federal income tax	71
Foreign exchange account of the Secretary of the Treasury	5
Foreign currency, gifts to the United States, not otherwise classified	3
Interest on loans to foreign governments, advances and credit sales	6, 035
Interest on public deposits, foreign exchange	19, 114
Recoveries, intergovernmental defense agreements, foreign exchange	23, 125

Footnotes at end of table.

TABLE 22.—*Other receipts, calendar year 1960*—Continued

IV. Foreign currency receipts—Continued	
U.S. dollar equivalent of currencies, etc.—Continued	
Dollar proceeds for Credit—Continued	
Net proceeds from surplus property in foreign areas, foreign exchange	44, 512
Net proceeds from excess property in foreign areas, foreign exchange	4
Foreign currency, repayments of loans to foreign governments, section 104(g), Public Law 480, as amended	28
Reparations, World War II, proceeds from reparations property	365
Recoveries, governmental operations in occupied areas, Germany and Austria	739
Recoveries, defense aid, commodities, supplies, and services	4, 250
Recoveries, economic and technical assistance to foreign nations	27, 089
Recoveries, military assistance to foreign nations (MAAG)	8, 569
Recoveries, military assistance to foreign nations, other	2, 000
Recoveries, military assistance to foreign nations (Mansfield Amendment)	66
Miscellaneous recoveries on foreign aid programs, foreign currency	4
Recoveries on purchases for other countries, title I, Public Law 480, as amended	8, 601
Miscellaneous	8, 784
Dollar proceeds for credit to revolving funds:	
Sale of public land and buildings, not otherwise classified	683
Sales of agricultural commodities, Commodity Credit Corporation Charter Act: Nonrestricted sales	7
Informational Media Guarantee Fund	4, 335
Informational Media Guarantee Fund (interest account)	27
Sales account, Development Loan Fund	3, 086
U.S. dollar equivalent of currencies available primarily for transfer to agencies for expenditures without charge to appropriations:	
Foreign currency, Development Loan Fund	6, 796
Foreign currency, Development Loan Fund, interest account	15
Collection of principal and interest on loans, sec. 505(b), Mutual Security Act as amended	11, 832
Surplus agricultural commodities, sec. 402, Mutual Security Act of 1954	161, 763
Sale of commodities and services, mutual security program	1, 955
Sale of military commodities and services, mutual security program	59
U.S. dollar equivalent of currencies available primarily for sale for dollars to Government trust fund accounts:	
Dollar proceeds for credit to revolving funds:	
Foreign currency, President's international program	2
Alien property fund, Philippines, World War II	42
President's special international program	1
Advances for technical assistance	20, 429
Contributions by the Government of Pakistan for construction of U.S. chancery	118
Total, foreign currency receipts	1, 139, 036

TABLE 22.—*Other receipts, calendar year 1960*—Continued

V. Agricultural Marketing Agreement Act: [5]	
Milk	11, 419
Fruits and vegetables	1, 854
VI. Gross value of coins minted [6]	89, 087
VII. Bureau of Printing and Engraving: [7]	
Gross issuances of Federal Reserve notes	6, 439, 060
Gross issuances of United States notes and silver certificates	1, 491, 198
Total, other receipts	13, 921, 633

1 Source: Bureau of the Budget, "Statement of Miscellaneous Receipts for Fiscal Years 1960, 1961, and 1962" (mimeographed). Data for calendar 1960 are average of fiscal year 1960 (actual) and fiscal 1961 (estimated).

2 Source: Treasury Department, "Monthly Statement of Receipts and Expenditures of the U.S. Government," table IV. Excludes (1) trust revolving funds, (2) payments from general fund, (3) interest and/or profit from investment, and (4) items included under employment taxes.

3 Source: "The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1962." From appropriate agency tables, pp. 100-905. Average of fiscal 1960-61.

4 Source: Treasury Department. "Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government for Fiscal Year Ended June 30, 1960," and International Cooperation Administration, "Counterpart Funds, and ICA Foreign Currency Accounts." (Quarterly). Data are for fiscal 1960.

5 Source: Department of Agriculture.

6 Source: Annual Report, Director of the Mint, June 30, 1960, pp. 1 and 18.

7 Source: Bureau of Printing and Engraving.

CHAPTER FIVE

TYPES OF EXPENDITURES

I. General Nature of Cash Outflows

This chapter represents an attempt to indicate all of the cash outflows from the Federal Government during the calendar year 1960. Cash payments do not adequately measure or reflect the economic impact of the Government, but cash payments represent one consistent means of describing the financial activities of Government. The purpose of this chapter is merely to provide a description of the payments associated with these financial activities.

All Federal cash payments to the private sector are referred to in this chapter as "expenditures," although this use of the term is somewhat different than that used in the budget.[1] As in the case of receipts in chapter four, accounting transactions between agencies of the Government are not considered to give rise to expenditures. The money used to pay expenditures to the public is drawn, in almost all cases, from the account of the Treasurer, and it is generally impossible to relate expenditures to particular sources of receipts. For example, there is no way to distinguish expenditures paid out of borrowed funds from those paid our of taxes or other receipts. Hence, expenditures in this chapter include all Government outlays, regardless of the sources of Federal cash inflows. Since receipts in chapter four excluded borrowing operations, a comparison of the aggregate amounts in chapters four and five indicates one measure of the net surplus or deficit of the Government.

Virtually all of the amounts discussed in this chapter are on a cash, rather than an accrual, basis. Accrual figures are used only where cash outflow data are not available, and these instances are noted. In the calendar year 1960, total cash payments by the Federal Government are estimated to have been approximately $130 billion. Table 23 summarizes the major categories of the payments and Table 24 shows the fluctuations in these payments by months. Such tables are not provided in any official Government publication although all of the data are drawn from Government sources, as indicated in the following sections. The major differences between these figures and those in the budget are (1) total expenditures of Government enterprises are shown here whereas only the net estimated surpluses or deficits of these enterprises are typically included in the budget; (2) financial capital expenditures, such as loans, are included in this chapter although they are sometimes excluded from the budget; and (3) expenditures from foreign currency holdings are shown in the following sections and frequently are not included in the budget.

[1] See pp. 110 to 113.

TABLE 23.—*Summary of Federal cash expenditures, calendar year 1960*

[In thousands of dollars]

Source:		*Amount*
Refunds of receipts		5, 281, 347
Conventional budget		73, 225, 697
Less: Intragovernmental transfers		3, 905
Employment trust funds, total		16, 022, 821
Federal old-age survivors and disability insurance trust funds	11, 892, 910	
Railroad retirement board	1, 097, 137	
Unemployment trust fund	3, 032, 774	
Government enterprises, total		19, 982, 177
Post Office	9, 080, 623	
Commodity Credit Corporation	5, 635, 449	
Export-Import Bank	470, 031	
Federal National Mortgage Association	1, 717, 188	
Tennessee Valley Authority	275, 332	
Other	2, 803, 554	
Other expenditures		15, 232, 170
Total		129, 740, 307

TABLE 24.—*Federal cash expenditures by months, 1960*

[Dollar amounts in thousands]

Source	January	February	March	April	May	June	July	August	September	October	November	December	Total
Refunds of receipts	$73, 551	$432, 038	$1, 317, 412	$1, 336, 383	$1, 004, 601	$252, 239	$166, 736	$202, 827	$160, 553	$172, 828	$101, 446	$60, 733	$5, 281, 347
Conventional budget	5, 757, 117	5, 918, 512	6, 252, 847	5, 870, 781	5, 821, 335	6, 347, 586	5, 701, 302	6, 294, 152	6, 229, 554	6, 247, 288	6, 295, 816	6, 489, 407	73, 225, 697
Less: Intragovernmental transfers	229	331	198	180	161	1, 187	213	195	235	269	254	453	3, 905
Employment trust funds, total	1, 344, 533	1, 293, 431	1, 345, 492	1, 302, 595	1, 268, 961	1, 596, 960	1, 238, 272	1, 303, 546	1, 307, 971	1, 293, 783	1, 331, 868	1, 395, 409	16, 022, 821
Federal old-age survivors and disability insurance trust funds	991, 495	916, 301	952, 578	950, 754	951, 755	1, 282, 998	957, 451	971, 873	976, 378	970, 470	979, 202	991, 655	11, 892, 910
Railroad retirement board	97, 759	92, 680	80, 655	93, 461	88, 825	86, 225	89, 446	98, 475	87, 320	102, 740	97, 409	82, 142	1, 097, 137
Unemployment trust fund	255, 279	284, 450	312, 259	258, 380	228, 381	227, 737	191, 375	233, 198	244, 273	220, 573	255, 257	321, 612	3, 032, 774
Five major Government enterprises, total	1, 341, 866	1, 258, 899	1, 442, 063	1, 289, 665	1, 380, 873	1, 463, 836	1, 272, 203	1, 320, 187	1, 575, 033	1, 568, 928	1, 557, 709	1, 707, 361	17, 178, 623
Post Office	771, 306	741, 547	743, 920	730, 693	745, 353	680, 346	769, 516	764, 650	758, 667	768, 169	769, 380	837, 076	9, 080, 623
Commodity Credit Corporation	524, 053	349, 179	341, 239	305, 135	279, 379	532, 469	357, 644	418, 167	454, 400	689, 226	661, 653	722, 905	5, 635, 449
Export-Import Bank	38, 869	35, 099	37, 633	24, 380	30, 455	62, 602	32, 669	36, 167	41, 486	22, 767	45, 504	62, 400	470, 031
Federal National Mortgage Association	−14, 463	113, 848	296, 152	206, 138	301, 851	163, 368	90, 530	79, 358	298, 345	65, 045	57, 655	59, 361	1, 717, 188
Tennessee Valley Authority	22, 101	19, 226	23, 119	23, 319	23, 835	25, 051	21, 844	21, 845	22, 135	23, 721	23, 517	25, 619	275, 332
Other Government enterprises	233, 629	233, 630	233, 629	233, 630	233, 629	233, 630	233, 629	233, 630	233, 629	233, 630	233, 629	233, 630	2, 803, 554
Other expenditures [1]	1, 269, 348	1, 269, 347	1, 269, 348	1, 269, 347	1, 269, 348	1, 269, 347	1, 269, 348	1, 269, 347	1, 269, 348	1, 269, 348	1, 269, 348	1, 269, 347	15, 232, 170
Total	10, 019, 815	10, 405, 526	11, 860, 593	11, 302, 221	10, 978, 586	11, 162, 411	9, 881, 277	10, 623, 494	10, 775, 853	10, 785, 535	10, 789, 562	11, 155, 434	129, 740, 307
Percentage distribution	7. 7	8. 0	9. 1	8. 7	8. 5	8. 6	7. 6	8. 2	8. 3	8. 3	8. 3	8. 6	100. 0

[1] Annual total divided by 12.

Because Government expenditures are usually not related to particular sources of receipts, the following sections cannot generally be related to any corresponding sections in chapter four. The customary procedure of making Government expenditures has already been described in chapter three,[2] and this procedure is common to almost all Federal outlays. In some instances, such as Government enterprises, chapter four provides a description of the activities of the Government and only the character of the expenditures needs to be mentioned here. For all of these reasons, this chapter is not as detailed as chapter four.

II. Tax Refunds

All of the tax receipts indicated in chapter four may involve collections in excess of legal liabilities. These excess collections are caused primarily by incorrect estimates in advance taxpayments, by judicial adjustments of previous taxpayments, and by errors of various types. The significance of these refunds lies both in their magnitude and in their seasonal variation. Table 25 indicates the total amount of tax refunds in the fiscal year 1960.[3] Table 26 shows the fluctuations in these refunds by months in calendar 1960. Data on these refunds are most readily available in the Monthly Treasury Statement and the Combined Statement on Receipts, Expenditures, and Balances.

Unfortunately, a substantial amount of tax refunds paid by the Government are never revealed in published sources and hence are not included in Tables 25 and 26. The reason for this exclusion is that the refunds are paid in the form of credits against future tax liabilities. Therefore, the refunds only appear in the form of lower future tax receipts. To a certain extent, these credit refunds occur with individual and corporate income tax receipts, but they apparently exist most commonly with excises and custom duties. No estimates are available on the significance of these credits, but they are known to be substantial.

Table 25.—*Refunds of Federal receipts in the fiscal year 1960*

[In thousands]

Internal revenue:	
Individual income taxes [1]	$4,230,464
Corporation income taxes	685,337
Excise taxes	84,970
Estate and gift taxes	20,205
Employment taxes:	
Railroad Retirement Tax Act	64
Federal Unemployment Tax Act	2,498
Other [2]	932
Total, internal revenue refunds	5,024,471

[1] Includes refunds from Federal old-age and survivors insurance and Federal liability insurance trust fund.
[2] Primarily due to general errors, although includes some refunds on renegotiations of contracts.

Source: Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government for the fiscal year ended June 30, 1960, U.S Treasury Department, p. 103.

[2] See p. 26.
[3] Calendar year figures are not available in the same detail and data for the fiscal year 1961 have not yet been published.

TABLE 26.—*Refunds of Federal receipts, monthly, 1960*

[Dollar amounts in thousands]

Month	Internal revenue [1]	Customs	Other	Total	
				Amount	Percent
January	$72,261	$1,138	$153	$73,551	1.4
February	430,324	1,595	119	432,038	8.2
March	1,315,697	1,623	92	1,317,412	24.9
April	1,334,712	1,477	194	1,336,383	25.3
May	1,002,691	1,843	66	1,004,601	19.0
June	249,730	2,399	110	252,239	4.8
July	164,840	1,625	271	166,736	3.2
August	201,112	1,605	109	202,827	3.8
September	158,776	1,725	52	160,553	3.0
October	170,753	1,983	92	172,828	3.3
November	99,279	2,122	45	101,446	1.9
December	58,938	1,734	61	60,733	1.1
Total	5,259,113	20,870	1,364	5,281,347	100.0

[1] Includes tax refunds from Federal old-age and survivors insurance and Federal disability insurance trust funds.

Source: Treasury Department. Monthly Statement of Receipts and Expenditures of the U.S. Government, table III, monthly issues, 1960.

The amounts shown in Tables 25 and 26 represent only refunds of receipts to the public. There are some refunds of amounts from the Treasury to Government agencies such as trust funds and public enterprises which are considered in this study as intragovernmental transfers and are excluded. There are also some interest payments to the public because of late refunds which are not included in the above tables. These interest payments are treated as expenditures in a later section.[4]

All the figures in Tables 25 and 26 are on a "checks issued" basis, rather than on the basis of when the liabilities were incurred or when the checks were cashed. The procedures involved in expenditures for refunds are the same as for most of the Federal expenditures described in later sections of this chapter. An appropriation is enacted each year by the Congress for expenditures. The appropriation for refunds is an indefinite, no-year appropriation. Agents of the Government—in the case of refunds, the District Directors of Internal Revenue, customs officers, etc.—compute the appropriate amounts of expenditures and send vouchers for these amounts to regional officers of the Division of Disbursing of the Treasury Department. The vouchers are charged against the appropriation accounts and checks are issued by the regional disbursing officers to the persons named in the vouchers.

III. CONVENTIONAL BUDGET EXPENDITURES

The conventional budget includes most of the cash outflows by the Government. The procedures with respect to these expenditures are like those described above for tax refunds. Vouchers are sent by Government agents to the regional disbursing officers of the Treasury who charge an appropriation account and issue the checks. Data in the budget are generally on a checks-issued basis.

Table 27 indicates the standard agency breakdown of conventional budget expenditures, with the exception of the Post Office Depart-

[4] See p. 85.

ment, which is discussed in a later section of this chapter. The amounts shown in Table 27 are for the calendar year 1960. The figures are smaller than the corresponding amounts shown in the budget or Treasury sources because the figures in Table 27 do not include the net profit or loss of public enterprises which are related to the various departments. Public enterprise expenditures are shown on a gross basis in a following section of this chapter. Monthly data on conventional budget expenditures can be most readily obtained from the Monthly Treasury Statement.

TABLE 27.—*Conventional budget expenditures, monthly, 1960*

[Thousands of dollars]

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Legislative branch	9, 119	8, 715	9, 857	10, 370	8, 332	13, 954	9, 839	11, 870	10, 598	10, 047	10, 128	17, 249	130, 078
The judiciary	3, 900	3, 765	4, 053	4, 814	4, 379	4, 245	3, 864	4, 031	4, 030	4, 756	4, 515	4, 401	50, 753
Executive Office of the President	3, 939	4, 931	3, 291	4, 275	5, 945	4, 790	4, 804	8, 001	5, 537	5, 374	4, 624	5, 169	60, 680
Funds appropriated to the President:													
Mutual security-economic	114, 065	121, 341	116, 673	123, 873	150, 808	120, 379	107, 063	113, 661	118, 442	102, 081	144, 079	116, 777	1, 449, 242
Other	670	590	457	1, 383	359	1, 263	1, 006	6, 675	1, 278	892	620	2, 706	17, 899
Independent offices:													
Atomic Energy Commission	209, 877	209, 774	223, 210	222, 361	223, 460	244, 263	219, 300	229, 910	225, 479	216, 859	228, 867	221, 199	2, 674, 559
National Aeronautics and Space Administration	31, 899	41, 371	38, 892	32, 376	44, 043	52, 076	27, 460	59, 342	52, 011	71, 274	56, 239	66, 804	573, 787
Veterans' Administration	419, 555	420, 872	456, 721	422, 153	422, 126	426, 354	404, 991	461, 256	415, 221	422, 715	436, 200	438, 372	5, 146, 536
Other	109, 305	120, 086	128, 662	89, 059	92, 268	96, 529	121, 491	105, 058	117, 302	94, 614	90, 079	98, 679	1, 263, 132
General Services Administration	21, 923	32, 148	39, 732	38, 059	13, 432	67, 925	−1, 765	37, 276	41, 966	26, 694	30, 654	43, 705	391, 749
Housing and Home Finance Agency	436	−1, 049	1, 528	215	1, 142	980	1, 334	1, 328	2, 247	1, 709	1, 578	1, 481	12, 929
Agriculture Department	207, 733	175, 982	174, 928	136, 401	100, 986	109, 713	175, 822	178, 314	195, 547	425, 903	278, 142	204, 465	2, 363, 936
Commerce Department	40, 530	46, 417	29, 333	69, 797	67, 240	48, 098	53, 530	44, 175	36, 997	53, 081	37, 010	24, 985	551, 193
Defense Department:													
Military functions	3, 142, 051	3, 385, 631	3, 576, 209	3, 300, 406	3, 333, 923	3, 495, 177	3, 114, 847	3, 609, 166	3, 598, 452	3, 431, 119	3, 528, 729	3, 851, 687	41, 367, 397
Military assistance	135, 788	102, 660	171, 664	135, 379	109, 843	239, 365	129, 460	121, 065	78, 820	76, 123	114, 870	124, 616	1, 539, 653
Civil functions	56, 413	56, 405	64, 494	62, 449	76, 384	128, 709	55, 582	91, 673	94, 968	102, 982	84, 894	82, 627	957, 580
Health, Education, and Welfare Department	314, 461	285, 312	270, 031	324, 865	284, 013	278, 513	277, 339	297, 128	303, 388	299, 412	297, 361	279, 119	3, 510, 942
Interior Department	44, 391	58, 336	48, 877	41, 055	48, 370	52, 297	53, 176	77, 626	94, 710	60, 332	60, 086	54, 042	693, 298
Justice Department	19, 935	20, 329	22, 259	27, 616	20, 551	21, 226	21, 234	24, 041	29, 229	21, 532	21, 140	22, 949	272, 041
Labor Department	47, 898	41, 521	40, 773	56, 688	44, 652	46, 734	45, 025	40, 040	47, 932	53, 378	50, 352	58, 842	573, 835
State Department	21, 995	22, 101	38, 351	12, 817	14, 144	20, 237	57, 039	16, 940	20, 414	22, 063	19, 862	18, 137	284, 100
Treasury Department:													
Interest on the public debt	735, 662	688, 699	693, 424	681, 683	681, 265	710, 848	715, 600	660, 424	645, 414	658, 032	643, 506	674, 527	8, 189, 084
Other	65, 572	72, 575	99, 428	72, 137	73, 320	163, 911	73, 028	95, 152	88, 572	84, 566	152, 281	76, 869	1, 117, 411
District of Columbia	0	0	0	550	350	0	30, 233	0	1, 000	1, 750	0	0	33, 883
Total:													
Amount	5, 757, 117	5, 918, 512	6, 252, 847	5, 870, 781	5, 821, 335	6, 347, 586	5, 701, 302	6, 294, 152	6, 229, 554	6, 247, 288	6, 295, 816	6, 489, 407	73, 225, 697
Percent	7. 9	8. 1	8. 5	8. 0	7. 9	8. 7	7. 8	8. 6	8. 5	8. 5	8. 6	8. 9	100. 0
Intragovernmental transfers	229	331	198	180	161	1, 187	213	195	235	269	254	453	3, 905
Total less intragovernmental transfers	5, 756, 888	5, 918, 181	6, 252, 649	5, 870, 601	5, 821, 174	6, 346, 399	5, 701, 089	6, 293, 957	6, 229, 319	6, 247, 019	6, 295, 562	6, 488, 954	73, 221, 792

Source: Treasury Department, Monthly Statement of Receipts and Expenditures of the U.S. Government, tables II, III, and X, 1960 monthly issues.

It would be desirable to indicate the types of resources involved in the expenditures shown in Table 27. However, such information is not available in any organized form in either Treasury or budget publications. Some information on expenditures for types of resources by individual agencies can be obtained on a fiscal year basis from the budget in tables labeled "Object classification." The budget document contains many of these tables for each agency. No attempt has been made in this study to draw these tables together for the individual agencies. In general, the figures in Table 27 include expenditures for personnel, for purchases of new capital assets, some transfer payments, and purchases of various assets. For example, the expenditures listed as "Treasury Department, other" includes not only the payroll amounts for the Treasury Department and its affiliated agencies, but also many types of miscellaneous expenditures roughly comparable to the miscellaneous receipts amounts shown in chapter IV.[5] The amounts shown for the District of Columbia are, in effect, the grants-in-aid by the Federal Government to the District of Columbia.

As is evident from Table 27, the flow of Federal expenditures from the conventional budget agencies is fairly steady throughout the year and does not exhibit the significant seasonal fluctuations characterized by some of the Federal receipts shown in chapter IV.

One problem with respect to the figures in Table 27 is that they contain some intragovernmental amounts. These amounts are of two types. First, some expenditure items involve two or more conventional budget agencies. For example, if a new office building is constructed for the State Department, the General Services Administration will make the actual contract and handle the details of the construction. Hence, the expenditure in this case could be attributed either to the agency for which the expenditure is being made or the agency which is actually making the expenditure. Potentially, this type of situation could lead to double counting of certain expenditure amounts. However, in all of these cases, the amounts are attributed to only one of the two agencies and Table 27 does not involve any double counting. On the other hand, there is generally an arbitrary allocation of these expenditures between the agencies involved. Therefore, with respect to this type of intragovernmental transfer, the total outlays of the Government are correctly measured but the distribution of these expenditures between agencies may not be appropriate for certain analytical purposes.

There is a second type of intragovernmental transfer which is more awkward. These are transfers between conventional budget agencies and other agencies of the Government. For example, many housing agencies are outside the conventional budget. These housing agencies borrow money from the Treasury and pay interest to the Treasury on these borrowings. Such interest appears as expenditures by the housing agency and as miscellaneous receipts of the Treasury Department. Since this study treats all Government agencies alike, and examines only the cash flows from Government agencies to the public, all intragovernmental transfers should be excluded from the totals. In general, these transfers include (1) budget receipts which are also trust fund expenditures, (2) budget receipts which are also Government-sponsored enterprise expenditures, and (3) trust funds receipts which are also budget expenditures. The aggregate amounts of these

[5] See pp. 68 to 71.

transfers are shown in the last line of Table 27. No agency breakdown of these amounts is available on a monthly basis.[6]

IV. Expenditures From Employment Trust Funds

A. EXPENDITURES UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT

Table 28 indicates the monthly expenditures during the year 1960 from the Federal old-age and survivors insurance trust fund and the Federal disability insurance trust fund. In general, the amounts represent cash payments to beneficiaries. However, the amounts also include some administrative and construction expenses. The figures also include some transfers to the general fund which are not cash outflows to the public and which are eliminated in the figures on intragovernmental transfers.

B. EXPENDITURES BY THE RAILROAD RETIREMENT BOARD

Table 28 shows the monthly expenditures in 1960 of the Railroad Retirement Board. These amounts are predominately for benefit payments, although they include some administrative expenditures—which are not intragovernmental because the Board is an independent agency—and some transfers to other trust funds and to the general fund which are eliminated in the intragovernmental figures in this chapter.

C. EXPENDITURES FROM UNEMPLOYMENT TRUST FUNDS

Table 28 provides monthly data on payments from unemployment trust funds, including railroad unemployment insurance. In the case of the railroad unemployment expenditures, the amounts are mainly benefit payments, although there are some intragovernmental transfers. Since all other unemployment insurance is handled primarily on the State level, the Federal expenditures for these programs in Table 28 are of two types: administrative expenses incurred by the Federal Government and payments to States. The amounts also include some Federal payments under a temporary extension of unemployment compensation granted in 1960.

Table 28.—*Employment trust funds expenditures, monthly, 1960*

[Thousands of dollars]

Month	Federal old-age survivors and disability insurance trust funds	Railroad retirement board	Unemployment trust fund: State accounts-withdrawals by States	Unemployment trust fund: Railroad unemployment insurance account	Total
January	991,495	97,759	231,900	23,379	1,344,533
February	916,301	92,680	264,894	19,556	1,293,431
March	952,578	80,655	274,303	37,956	1,345,492
April	950,754	93,461	243,358	15,022	1,302,595
May	951,755	88,825	216,096	12,285	1,268,961
June	1,282,998	86,225	193,609	34,128	1,596,960
July	957,451	89,446	180,240	11,135	1,238,272
August	971,873	98,475	214,760	18,438	1,303,546
September	976,378	87,320	199,905	44,368	1,307,971
October	970,470	102,740	199,297	21,276	1,293,783
November	979,202	97,409	232,204	23,053	1,331,868
December	991,655	82,142	296,753	24,859	1,395,409
Total	11,892,910	1,097,137	2,747,319	285,455	16,022,821

Source: Treasury Department. Monthly Statement of Receipts and Expenditures of the U.S. Government, table IV, monthly issues 1960.

[6] For a breakdown on an aggregate fiscal year basis, see p. 112. Information on the aggregate monthly amounts of intragovernmental transfers can be obtained in table 5 of the monthly Treasury Bulletin.

V. Expenditures by Government Enterprises

A. POST OFFICE DEPARTMENT

There is no breakdown of expenditures of the Post Office Department in any published source. Neither the budget, the annual report of the Department, nor any Treasury publications contain such a breakdown.[7] The closest figures that are publicly available are the obligations incurred by the Post Office Department during a fiscal year. In effect, these figures—which appear in the budget—represent the accrued expenses of operations for a fiscal year. Table 29 indicates the nature of these accrued expenses for fiscal 1960. Some of these expenses—especially for transportation and buildings—are incurred by the General Services Administration for the Post Office Department and are included as expenditures by GSA but the amounts are offset by transfers of appropriations so that no double-counting occurs. No subsidy figures are shown in Table 29 because the Post Office Department does not consider any of its payments to be subsidies. Rather, all payments are viewed as costs of operation. An estimated amount for money order payments has been added to Table 29.

TABLE 29.—*Post Office Department expenditures, fiscal 1960*

[Thousands of dollars]

Item:	*Amount*
Personnel compensation	2, 765, 515
Personnel benefits	189, 020
Travel and transportation of persons	20, 302
Transportation of things	89, 770
Rent, communication, and utilities	73, 543
Printing and reproduction	17, 670
Other services	62, 171
Supplies and materials	54, 666
Equipment	88, 295
Insurance claims and indemnities	8, 457
Lands and structures	9, 749
Purchase of stamp-embossed envelopes	7, 571
Judgments	427
Money orders	4, 999, 800
Total, Post Office expenses	8, 386, 956

Source: 1962 budget.

Treasury data does indicate aggregate cash expenditures by the Post Office Department. However, these expenditure figures are provided to Treasury by the Post Office Department on the basis of 13 periods in each year. Table 30 shows these aggregate expenditure figures redistributed into the 12 months of 1960.

[7] Moreover, the Department itself apparently does not maintain records on expenditures even for internal use.

TABLE 30.—*Expenditures of 5 major Government enterprises, monthly, 1960*

[Thousands of dollars]

Month	Post Office [1]	Commodity Credit Corporation [2]	Export-Import Bank of Washington [3]	Federal National Mortgage Association [4]	Tennessee Valley Authority [5]	Total
January	771, 306	524, 053	38, 869	−14, 463	22, 101	1, 341, 866
February	741, 547	349, 179	35, 099	113, 848	19, 226	1, 258, 899
March	743, 920	341, 239	37, 633	296, 152	23, 119	1, 442, 063
April	730, 693	305, 135	24, 380	206, 138	23, 319	1, 289, 665
May	745, 353	279, 379	30, 455	301, 851	23, 835	1, 380, 873
June	680, 346	532, 469	62, 602	163, 368	25, 051	1, 463, 836
July	769, 516	357, 644	32, 669	90, 530	21, 844	1, 272, 203
August	764, 650	418, 167	36, 167	79, 358	21, 845	1, 320, 187
September	758, 667	454, 400	41, 486	298, 345	22, 135	1, 575, 033
October	768, 169	689, 226	22, 767	65, 045	23, 721	1, 568, 928
November	769, 380	661, 653	45, 504	57, 655	23, 517	1, 557, 709
December	837, 076	722, 905	62, 400	59, 361	25, 619	1, 707, 361
Total	9, 080, 623	5, 635, 449	470, 031	1, 717, 188	275, 332	17, 178, 623

1 Source: Treasury Department, Monthly Statement of Receipts and Expenditures of the U.S. Government, table II, 1960 monthly issues, also estimates for money orders.
2 Source: Department of Agriculture, Commodity Credit Corporation.
3 Source: Treasury Department, Monthly Statement of Receipts and Expenditures of the U.S. Government, table X, 1960 monthly issues.
4 Source: Treasury Department, Monthly Statement of Receipts and Expenditures of the U.S. Government, table X, 1960 monthly issues and Treasury information on secondary market operations.
5 Source: Tennessee Valley Authority, Monthly Financial Statement, 1960.

B. COMMODITY CREDIT CORPORATION

Table 31 indicates the types of expenditures made by the CCC and the seasonal fluctuation of these expenditures. Several of these items need clarification, however.

Payments to farmers, to producers, and to warehouse operators are all involved in the purchases of commodities. The payments may, in many instances, be initially in the form of loans. Farmers and producers may later forfeit the collateral on the loans to the extent the commodities cannot be sold at higher prices on the open market. The amounts in Table 31 show the timing of the cash outflows, whether in the form of loans or actual purchases. The budget, by contrast, indicates expenditures only when collateral is forfeited.

Ocean transportation of Public Law 480 commodities is provided, virtually without exception, by ships under U.S. flag. Therefore, all payments are in dollars and no foreign currencies are involved. Similarly, payments for commodities shipped under Public Law 480 are almost entirely in dollars. However, to the extent exporters sell commodities under Public Law 480 at world prices which are lower than domestic prices, the exporters receive the differences in payments from CCC and these payments may be in the form of payments-in-kind, e.g., a wheat exporter may receive wheat from CCC equal in value to the difference between the world price and the domestic price.[8] These payments-in-kind are included as payments in Table 31.

Table 31 includes interest payments to banks who participate in the CCC loan programs. The CCC also pays interest to the Treasury, but these payments are excluded from Table 31 as intragovernmental transfers. The CCC makes payments of wages and salaries to the "county committees" and to the ASCS [9] and these amounts are included in Table 31 because the amounts are not shown elsewhere in this chapter.

8 It is interesting to note that the commodities given as payments-in-kind are valued at domestic prices. Hence, if the exporter sells the payment-in-kind abroad, he has a new difference between world and domestic prices and receives some more of the commodity.
9 See p. 57.

TABLE 31.—*Gross cash expenditures of the Commodity Credit Corporation, monthly, 1960*

[Thousands of dollars]

<table>
<tr><th rowspan="2">Month</th><th rowspan="2">Price support programs</th><th colspan="2">Public Law 480 [1]</th><th rowspan="2">International Wheat Agreement [2]</th><th rowspan="2">Other activities [3]</th><th rowspan="2">Total</th></tr>
<tr><th>Title I</th><th>Title II</th></tr>
<tr><td>January</td><td>436,636</td><td>75,792</td><td>4,294</td><td>6,850</td><td>481</td><td>524,053</td></tr>
<tr><td>February</td><td>235,208</td><td>82,116</td><td>7,687</td><td>5,948</td><td>18,220</td><td>349,179</td></tr>
<tr><td>March</td><td>131,392</td><td>125,222</td><td>8,090</td><td>5,190</td><td>71,345</td><td>341,239</td></tr>
<tr><td>April</td><td>149,369</td><td>138,520</td><td>8,091</td><td>8,590</td><td>565</td><td>305,135</td></tr>
<tr><td>May</td><td>100,065</td><td>151,525</td><td>8,544</td><td>7,392</td><td>11,854</td><td>279,380</td></tr>
<tr><td>June</td><td>54,223</td><td rowspan="2">333,402</td><td rowspan="2">35,776</td><td rowspan="2">24,131</td><td rowspan="2">84,937</td><td>532,469</td></tr>
<tr><td>July</td><td>357,644</td><td>357,644</td></tr>
<tr><td>August</td><td>340,956</td><td>71,956</td><td>226</td><td>5,029</td><td>..........</td><td>418,167</td></tr>
<tr><td>September</td><td>288,857</td><td>103,150</td><td>5,477</td><td>5,273</td><td>51,643</td><td>454,400</td></tr>
<tr><td>October</td><td>558,355</td><td>113,170</td><td>4,303</td><td>6,862</td><td>6,535</td><td>689,225</td></tr>
<tr><td>November</td><td>529,036</td><td>116,511</td><td>10,031</td><td>5,338</td><td>737</td><td>661,653</td></tr>
<tr><td>December</td><td>517,268</td><td>145,795</td><td>9,720</td><td>6,014</td><td>44,108</td><td>722,905</td></tr>
<tr><td>Total</td><td>3,699,009</td><td>1,457,159</td><td>102,239</td><td>86,617</td><td>290,425</td><td>5,635,449</td></tr>
</table>

[1] 7 U.S.C. 1703.
[2] 7 U.S.C. 1641.
[3] Includes classing and grading tobacco and cotton, waterfowl feeding, supplemental stockpile (Public Law 540) American and Egyptian stockpile cotton, National Wool Act, payment of outstanding soil bank certificates, and military housing (Public Law 181). Expenditures include noncash costs transferred from price support operations for which expenditures may have been made in prior years, in addition to adjustments for prior month's transactions.

For all months except June, a month's lag exists in the amounts recorded.

Source: Department of Agriculture, Commodity Credit Corporation. Report of financial condition and operations of the Commodity Credit Corporation, 1960 monthly issues.

C. EXPORT-IMPORT BANK EXPENDITURES

Table 30 indicates the cash outflows from the Export-Import Bank during the calendar year 1960. These cash payments include primarily loans and credits extended by the Bank, plus some occasional payments on guarantees and for purchases of equipment.

D. FEDERAL NATIONAL MORTGAGE ASSOCIATION EXPENDITURES

Table 30 shows the total cash expenditures by FNMA to the private sector in 1960. These expenditures are primarily loans made under the three programs administered by FNMA, including all loans for secondary market operations. The figures include the administrative expenditures of the agency.

E. EXPENDITURES OF THE TENNESSEE VALLEY AUTHORITY

Table 30 indicates the expenses of the TVA by months during 1960. Breakdowns of these expenses can be found under the heading of "Program requirements" in the monthly financial statements of the TVA. The expenses in the financial statements are divided between those applicable to power operations and to all nonpower operations. In general, the expenses include the costs of administration, production, and maintenance, and acquisition of assets. The expense figures also include one accrual item: changes in inventories. Amounts transferred between TVA and Treasury are excluded from Table 30.

F. EXPENDITURES OF OTHER PUBLIC ENTERPRISES

Table 32 indicates the gross expenditures of other public enterprises, trust enterprise funds, and other Federal business operations.

Table 32 includes the same list of enterprises described in the corresponding section of chapter four. In all cases, the figures in Table 32 represent estimates of actual cash flows to the private sector; no intragovernmental amounts are shown.

Table 32 includes the expenses incurred by the Federal Reserve banks in calendar 1960. Excluded from these amounts are the value of Federal Reserve notes purchased, which is shown separately below,[10] and the assessments paid to the Board of Governors which are considered to be intragovernmental transfers.

TABLE 32.—*Expenditures of other Government enterprises*

[Thousands of dollars]

I. PUBLIC ENTERPRISE FUNDS	
Executive Office of the President: Office of Civil and Defense Mobilization	104
Funds appropriated to the President:	
Expansion of defense production	93, 684
Development loan and foreign investment guarantee funds	235, 481
Independent offices:	
Veterans' Administration	408, 805
Other [1]	287, 112
General Services Administration	1, 214
Housing and Home Finance Agency [2]	940, 719
Agriculture Department [3]	42, 990
Commerce Department	6, 463
Defense Department:	
Military functions	97, 421
Civil functions	115, 042
Health, Education, and Welfare Department	3, 408
Interior Department	75, 042
Labor Department	2, 430
Treasury Department	1, 306
Total, public enterprise funds	2, 311, 221
II. TRUST ENTERPRISE FUNDS	
Employees life and health benefits	215, 774
National Archives	219
State rural rehabilitation	280
U.S. Soldiers' Home	119
Commissary, Federal prisons	2, 012
Total, trust enterprise funds	218, 404
III. OTHER ENTERPRISES [4]	
Federal Reserve System [5]	159, 963
Federal Deposit Insurance Corporation	12, 524
Banks for cooperatives and Federal intermediate credit banks	94, 389
Exchange stabilization fund	7, 053
Total, other enterprises	273, 929
Total, expenditures of other Government enterprises	2, 803, 554

[1] Includes Farm Credit Administration, Home Loan Bank Board, National Science Foundation, St. Lawrence Seaway Development Corporation, Small Business Administration, and USIA.
[2] Includes college housing loans, urban renewal fund, Federal Housing Administration, and Public Housing Administration.
[3] Includes Federal Crop Insurance Corporation and Farmers Home Administration.
[4] Expenses as shown in Treasury bulletins, January and May 1961 on accrual basis.
[5] Source: Annual Report, Board of Governors, Federal Reserve System, 1960, pp. 118–119.

[10] See p. 93.

VI. Other Expenditures

Table 33 provides a summary of other Government expenditures not previously included in this chapter. In part, these expenditures are comparable to the "other receipts" described in chapter four. However, there are differences. All of the so-called miscellaneous receipts and reimbursements from non-Federal sources described in chapter four enter into the general fund and are used for all of the types of expenditures described in this chapter. Therefore, there is no separate category which needs to be distinguished for miscellaneous expenditures and payments from non-Federal sources.

The first section in Table 33 indicates the expenditures by other trust funds not already mentioned above. The expenditures for these other trust funds include some intragovernmental transfers which are included in the figures provided earlier on intragovernmental transfers.

The second section in Table 33 shows total expenditures paid out of foreign currencies. The first line in this section indicates expenditures of counterpart funds during 1960. The remaining lines indicate amounts of expenditures of other foreign currencies by the various agencies of the Government.

Table 33 also shows purchases of old coins, raw silver, and other metals that went into the minting of new coins, as well as the purchase of gold bullion. The conventional budget figures indicate, within Treasury Department expenditures, some of the costs of producing coins, such as wages and salaries of mint employees, but do not include the cost of the raw materials that were used in the production of coins. The excluded costs are those for purchases of old coins, newly mined domestic silver, domestic scrap silver, other silver purchases, and purchases of other metals. The figures on acquisitions of other metals besides gold and silver are not available in any published Government source, and the figure used here is an estimate provided by the mint. The figures exclude silver transferred from other Government agencies.

Table 33 also indicates the total retirements of paper currency from circulation. These include both retirement of Federal Reserve notes for calendar 1960 and retirement of U.S. notes and silver certificates. These amounts are included under expenditures because they represent purchases of old money from the private sector for which payments were made from the account of the Treasurer.

Table 33.—*Other expenditures for calendar 1960*

[Thousands of dollars]

I. MISCELLANEOUS TRUST FUND EXPENDITURES [1]

	Amount
Legislative branch	1,234
The judiciary	289
Funds appropriated to the President	242,275
Independent offices:	
Civil Service Commission	867,223
National Capital Housing Authority (net)	1,516
Veterans Administration	663,776
Other	364
General Services Administration	408
Housing and Home Finance Agency	880,860
Agriculture Department	41,524
Commerce Department	2,991,552

See footnotes at end of table.

TABLE 33.—*Other expenditures for calendar 1960*—Continued

[Thousands of dollars]

I. MISCELLANEOUS TRUST FUND EXPENDITURES [1]—continued

	Amount
Defense Department	26, 784
Health, Education, and Welfare Department	194
Interior Department	81, 211
Justice Department	1, 929
Labor Department	54
State Department	3, 880
Treasury Department	33, 261
District of Columbia	285, 508
Total miscellaneous trust fund expenditures	6, 123, 842

II. FOREIGN CURRENCY EXPENDITURES

Counterpart funds [2]	858, 447
U.S. dollar equivalent of foreign currencies expended: [3]	
Funds appropriated to the President:	
Surplus agricultural commodities, sec. 502(a), Mutual Security Act of 1954, International Cooperation Administration	6, 341
Transfer to:	
Navy	574
Defense	100
Surplus agricultural commodities, sec. 402 Mutual Security Act of 1954, International Cooperation Administration	163, 606
Transfer to:	
Navy	781
Navy (dollars)	297
Air Force	2, 894
Defense	12, 639
Sale of commodities and services, mutual security program. International Cooperation Administration	170
Agricultural Trade Development and Assistance Act of 1954, International Cooperation Administration:	
Guaranteed agreements	2, 863
Nonguaranteed agreements	304, 913
Agricultural Trade Development and Assistance Act of 1954, military family housing:	
Guaranteed agreements:	
Transfer to Air Force	141
Nonguaranteed agreements—Transfer to:	
Air Force	941
Army	8, 981
Navy	911
Independent Offices:	
Export-Import Bank of Washington:	
Agricultural Trade Development and Assistance Act of 1954	20, 029
Interest on 104(e) loan principal	2
United States Information Agency: Agricultural Trade Development and Assistance Act of 1954	1, 212
Department of Agriculture:	
Agricultural Trade Development and Assistance Act of 1954:	
Guaranteed agreements	390
Transfer to Commerce	73
Nonguaranteed agreements	5, 553
Transfer to:	
Commerce	1, 793
International Cooperation Administration	100
United States Information Agency	62

See footnotes at end of table.

TABLE 33.—*Other expenditures for calendar 1960*—Continued

[Thousands of dollars]

II. FOREIGN CURRENCY EXPENDITURES—continued

	Amount
U.S. dollar equivalent of foreign currency expended[3]—Continued	
Department of Defense:	
Military family housing:	
Guaranteed agreements—Transfer to:	
Air Force	1, 442
Navy	1, 144
Nonguaranteed agreements—Transfer to:	
Air Force	8, 823
Army	5, 144
Department of State:	
Counterpart fund, sec. 708(c), Public Law 118, July 16, 1953:	
Guaranteed agreements	3
Nonguaranteed agreements	628
Agricultural Trade Development and Assistance Act of 1954:	
Guaranteed agreements	613
Nonguaranteed agreements	5, 990
Expenditures from trust fund:	
Funds appropriated to the President:	
Advances for technical assistance, International cooperation Administration	16, 556
Transfer to Navy	218
Department of Justice: Alien property fund, Philippines, World War II	2
Department of State:	
Foreign currency advanced from foreign governments, U.S. educational exchange program	1
Payment to former German prisoners of war	8
Contributions to the Government of Pakistan for construction of United States chancery	118
Total foreign currency expenditures	1, 434, 503

III. GROSS VALUE OF METAL PURCHASED FOR MINTING COINS[4]

Purchases of old coins	1, 780
Newly mined domestic silver	661
Domestic scrap silver	1, 808
Other silver purchases	173
Purchases of other metals	5, 821
Total gross value of metal purchased for minting coins	10, 243

IV. BUREAU OF PRINTING AND ENGRAVING[5]

Gross retirement of Federal Reserve notes	6, 156, 413
Gross retirement of U.S. notes and silver certificates	1, 507, 169
Total retirement of notes and certificates	7, 663, 582
Total, other expenditures	15, 232, 170

[1] Source: Treasury Department, Monthly Statement of Receipts and Expenditures of the U.S. Government, table IV, monthly issues, 1960.
[2] Source: ICA, Counterpart Funds and ICA Foreign Currency Accounts, rept. No. W131.
[3] Source: Treasury Department, Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government, for fiscal year 1960, pp. 525-528.
[4] Source: Annual report, Director of the Mint, June 30, 1960, p. 23, and estimates by the Bureau of the Mint.
[5] Source: Federal Reserve System and Bureau of Printing and Engraving.

Part II. Budget Concepts

CHAPTER SIX

AN IDEAL ECONOMIC BUDGET

I. General Characteristics

Any budget is essentially a set of plans for future actions. It is a document designed primarily to examine new policies and the financial aspects of these policies. It should include whatever data are available and appropriate to evaluate the plans. It should provide data on the past to the extent necessary for background to assess the proposed programs.

The Federal budget is the instrument most generally used to provide financial data about future plans of the Government. Moreover, the Federal budget, defined broadly to include the types of material described in chapter seven, is virtually the only Government source of information on the fiscal impact of proposed Government programs. Perhaps the information should be provided elsewhere, e.g., in the President's Economic Report. but, in fact, the material is not available in other places. Therefore, to the extent the Government wishes to furnish data about the financial nature of proposed policies, such data will presumably be in the Government budget.

This chapter examines the types of budgetary data which would seem necessary in order to provide the ideal amount of useful information about the fiscal aspects of proposed Government programs. It is, of course, impossible to indicate all the characteristics of such an ideal economic budget, and opinions may differ on details, but an attempt is made to suggest the general elements that would appear to be most desirable. No consideration is given here to feasibility. That question is reserved to chapter nine. Establishment—or at least reaffirmation—of goals should presumably precede specific recommendations.

It is necessary initially to distinguish those aspects of Government policies which are economic in nature and which can be measured by fiscal data. For purposes of this study, the economic aspects of Government programs will be defined to include—

1. The efficiency with which resources are drawn from the private sector and used by the Government.
2. The effects of changes in Government receipts and expenditures on the economic stability of the private sector.
3. The impact of Federal fiscal programs on the distribution of private incomes.
4. The role of Government receipts and expenditures in the economic growth of the Nation.
5. The influences of budget components on the allocation of resources within the private sector.

Clearly, these categories overlap. The last group, in particular, represents a catchall that might encompass at least two or three of the others. However, for purposes of organizing budget data, some such cataloging of economic aspects seems essential.

Before considering Government policies in terms of these categories, however, it is also necessary to outline generally the form in which budget material on economic issues should be presented. The form of presentation is important because it determines—to a major extent—both the usefulness and meaningfulness of budget data. One overriding consideration should presumably dominate the determination of budget form: the budget is an instrument of action. The Government is continuously engaged in policy formulation and the budget is a major tool in developing policy, in explaining policy, and in analyzing policy. The form of budget presentation should be designed to perform these tasks with maximum effectiveness.

An ideal economic budget should be arranged so that a policymaker or a lay reader would be able—

A. To differentiate those economic factors that will be determined outside the Government from those over which the Government has control.

B. To discern the major alternative policies that are available to the Government, the implications of these alternatives, and the relationship of the alternatives to other existing and proposed programs of the Government.

C. To distinguish: (1) the proposed actions, (2) the goals to be achieved by the proposed actions, (3) the reasoning and justification underlying the proposed actions, and (4) the factual data available and pertinent to the proposed actions.

D. To separate the items that will change quickly as a result of policy from those that will vary only slowly over time and those that represent relatively fixed relationships with the private economy.

E. To obtain quantitative estimates of the significance of each policy broken down by time periods.[1]

F. To assess the possible indirect effects of Government policy as well as the direct effects intended by the policies.

G. To determine the economic results of past policies which are related to the proposed actions.

These budget materials should be available in three forms. First, there should be short, summary publications on each policy which provide condensations of the materials for the initial use of policymakers and the public generally. Second, there should be supporting details, arranged in the same manner, for the benefit of those interested in examining individual policies more fully. Third, there should be one document which consolidates in summary form the materials on all policies influencing receipts and expenditures, in order that each action can be viewed as a part of the overall program of the Government. This latter document, supported by the other two types of publications, would be an ideal economic budget.

The following sections indicate the types of material that should be available in an ideal Government budget for each of the economic

[1] These time periods would vary in length, depending on the distance into the future. Immediate effects should be measured at least by calendar quarters for the ensuing 18 months or 2 years. Beyond that period yearly estimates would be sufficient.

categories mentioned above. The desired material is described as it should appear in the detailed supporting statements, since these statements would provide the basis for the condensations and the consolidated budget.

II. Efficiency in Obtaining and Using Resources

Government policies which involve obtaining and using resources are assumed here to be reflected only on the expenditure side of the budget.[2] In this respect, this category of economic budget information is different than any of the other categories, where the significance of both receipts and expenditures must be considered. Moreover, expenditures involving virtually no employment of resources, such as social security expenditures, need not be discussed in this section. Therefore, attention can be focused on only two groups of expenditure policies: (1) those which involve direct employment of resources by the Government, and (2) those which result in employment of resources by private agents on behalf of the Government.

A. RESOURCES EMPLOYED DIRECTLY BY THE GOVERNMENT

Any proposed Government policy should be examined in terms of how it may influence the direct Federal employment of resources. Projections of this type are essential in the first instance to determine the dollar costs of a proposed policy. The projections are also necessary in a more fundamental sense to provide measures of the economic cost caused by the withdrawal of resources from potential production in the private sector.

Some aspects of any proposed Government employment of resources will be determined, at least in part, by factors outside the immediate control of the Government. For example, how many of the necessary professional persons are willing to work for the Government? What salary levels will be required in order to obtain them? Is there sufficient technological knowledge available to accomplish the proposed project? How long will it take to produce the necessary capital equipment? Projections of this type are obviously essential in considering any proposed program.

Some economic factors are more directly within the control of the Government. What alternative combinations of resources can accomplish the desired objective? To what extent can resources now being employed by the Government be shifted to the proposed project and what is the loss to the Government if such shifts are made? Can the project be performed by resources within the private economy without direct employment? Answers to such questions should certainly be available in the budget materials.

Government policies are presumably not designed primarily for the purpose of increasing or decreasing Federal employment of resources. Hence, while the policies and goals should be clearly indicated, the economic question of direct resource use involves essentially some of the reasoning underlying an action and the factual material related to it. How were the cost estimates developed?

[2] Use of resources to obtain funds from the private sector is viewed as an expenditure item. Use of taxes to prevent private employment of resources and thereby free the resources for possible employment by the Government is examined in later sections.

What do they assume about technological changes? How would the costs change if alternative methods were used? How do the costs of the proposed project compare with those for similar projects conducted in the past by either the Government or the private sector? Are the techniques, the salary levels, the amount of capital equipment all generally comparable with previous projects or are there improvements in various ways?

If the project is to continue for some time, what changes from the estimates now being provided can be expected in the future? Some items may change quickly. For example, certain costs may decline significantly after the program passes through its initial stages. Other changes may occur slowly over time, e.g., gradually increasing wage rates and improvements in technology. Some relationships will remain relatively fixed. As an example, there may be a fairly constant relationship between the scope of a program and the age composition of the population. These different types of factors must be clearly distinguished for intelligent consideration of individual policies.

In order to make all of the above items meaningful, they must be quantified. Several different types of quantities should be available. The data should include: amounts of units to be produced, dollar values of the units (either in terms of cost or sales price, depending on the nature of the items), aggregate costs at the anticipated level of output, and a breakdown of aggregate costs by types of resources used, e.g., by types of employees and capital equipment. These data should be in the form of projected series to indicate how the amounts are expected to change over time. Yearly data alone will conceal many of the changes; hence, the series should be broken down at least by calendar quarters for the first 18 months or 2 years after the initiation of the proposed action. This type of material would seem to represent the sine qua non of budget formulation.

The indirect economic effects of prospective Government employment should certainly also be analyzed in the budget. To what extent are workers to be hired from the presently unemployed? Do certain employees have to sacrifice current positions or merely take leave temporarily? How much geographical shifting of personnel is required? Is new tooling required or can the items be produced with existing equipment? Can similar products be used by the private economy as well as by the Government? Such secondary repercussions of Federal actions are clearly significant in policy determination.

Data on past policies are frequently necessary as a basis for appraising proposed projects. First, to the extent that a proposed project represents a continuation or modification of an existing program, previous cost and output data are essential to judge the reasonableness of the projections. Second, past data can be used to assess the accuracy of earlier forecasts and to indicate how forecasts can be arranged in order to make them more precise in the future. Third, information on prior periods is necessary for whatever auditing of procedures seems appropriate.

B. RESOURCES EMPLOYED ON BEHALF OF THE GOVERNMENT

From an economic standpoint alone, the distinction between direct Government employment of resources and indirect employment through the private sector is not very significant. In either case, resources are employed because of action by the Government, the decisionmaking with respect to the use of the resources is made by the Government, and the cash flows are essentially between the Government and the owner of the resource. The only difference is that, in indirect employment, an intermediary agency is placed between the Government and the resources for contracting purposes.[3] As a result, there are two general characteristics of an ideal economic budget with respect to resources employed on behalf of the Government: (1) to provide the same types of projections as for resources employed directly by the Government, and (2) to provide information on the nature of the economic relationships between the Government and the intermediary agencies in the private sector.

It is clearly desirable to have comparable data on resources to be employed both directly and indirectly by the Government. One major advantage of having such data is that it highlights the nature of the alternative between Government production of goods and services and private production for the Government of the goods and services. An ideal budget would presumably not indicate every aspect of every proposed contract; to attempt such specificity would destroy the usefulness of the document by burying broad budget decisions under an overwhelming load of details. Rather, the budget should indicate the general alternatives available to the Government for the production of goods and services, the nature of the choice to be made among these alternatives, and the significance of these choices. What is the character of the proposed products and services such that they should be produced either within the Government or within the private sector? In the case of major contracts, are private firms already producing similar products? How may cost estimates change after the initial models are produced and more production begins? How will deliveries be distributed through time? Will there be joint products that can serve the private sector as well as the Government demands? In effect, what are the significant alternatives in the Government contracts proposed in the budget and what is the timing of the economic impact of these proposed contracts?

The other type of information with respect to resources employed on behalf of the Government should be on the nature of the economic relationship between the Government and the private agents.[4] Some of the factors influencing these relationships are not within the complete control of the Government. The major example, of course, is the terms of the contracts, since the Government can not usually impose its decisions by fiat. In other cases, the Government chooses not to exercise control. For example, to what extent does a State have latitude in the use of proposed grants-in-aid for education? However, many aspects of the transactions are within Federal control. For example, how are choices to be made between the use of competitive bidding and negotiation with individual firms? How are contracting firms to be selected out of those which enter bids or which are available for negotiated contracts? Under what conditions are renegotiations of contracts to be available? What conditions will govern the choice of cost-plus or fixed-fee contracts? What techniques will be used in determining appropriate profit rates? Answers to these questions are essential to an understanding of how the Government is influencing the operation of market forces in the economy.

[3] This difference may, of course, be very significant in the political—if not the economic—relations between the Government and the private sector.
[4] Defined broadly to include both foreign countries and State and local governments.

III. Influence on Economic Stability [5]

Opinions differ on the extent to which the Government should strive to obtain stability in the economy, and definitions of desired stability also vary among individuals. Regardless of the goals, however, the Government clearly does have influence on fluctuations in business conditions, and the budget should be a major instrument in measuring this influence. This section indicates how the budget should ideally serve this purpose. Much of the material described in the previous section is useful in examining the impact of Government on economic stability, and particular attention in this section is directed to the types of additional information that are necessary. Fluctuations in economic activity can, of course, be influenced by any budget component, not merely Government employment of resources.

Economic stability can be measured in different ways. One of these is stability in the rate of aggregate employment of resources. Another is stability in price indexes. A third is stability in income. All of these measures—and others—are interrelated and each is important for certain purposes. In this section, primary emphasis is placed on resource indexes because these are perhaps the most fundamental. However, measures of stability are considered to include all the various measures that are commonly used.

Clearly, many of the major factors causing economic fluctuations lie outside the direct control of the Government, and the budget is presumably not the place in which to examine these factors. However, economic fluctuations may change the levels of receipts and expenditures without much control by Congress or the executive agencies, and estimates of these changes should be explicitly indicated in the budget, as well as analyses of the extent to which discretionary action is possible or desirable. For example, a downturn in the economy may lead to increases in unemployment compensation payments or decreases in tax receipts under present laws without any decisions being made within the Government. It seems essential for the budget to include estimates of future economic conditions and of the extent to which these conditions will "automatically" influence budget components under existing laws.

On the other hand, there are always a wide range of alternative discretionary policies that can be adopted through the budget, and the nature of the proposed choices among these alternatives should be presented in an organized manner in the budget. One decision is simply whether to take positive actions designed to stabilize the economy. What will be the impact of the budget on the economy if no countercyclical actions are taken? A second set of decisions involve the choice between administrative and legislative actions. How effective are proposed administrative actions in comparison to other measures that would require legislation? A third level of alternatives concern the specific policies themselves. What are the relative merits of particular proposals such that some are being passed over in favor of others? An ideal budget would not examine every budget decision in terms of its countercyclical effect; an ideal budget should, however, indicate the general set of decisions which will underlie the Government's influence on the stability of the economy.

---

[5] This section—like the entire study—deals only with receipts and expenditures, defined in a broad sense, and excludes an examination of monetary policy.

Policy proposals—whether administrative or legislative—should be accompanied in the budget by statements of the targets which are expected to be achieved and the reasoning underlying the proposals. For example, if an extra dividend payment on veterans' life insurance is contemplated, how may these payments increase aggregate consumption, employment, and other economic variables? The assumptions underlying these projections must be indicated in order that budget users can assess the reasonableness of the conclusions. Similarly, a fairly complete examination of changes which have already occurred in the economy and their impact on anticipated receipts and expenditures should be provided.

Some elements in the economy will change quite quickly as a result of any particular Government policy. Others will change only slowly over time. In addition, there are some relatively fixed relationships which must be recognized and which will influence the effectiveness of any Government policy. These three categories must be differentiated in the budget if a meaningful economic document is to be provided. For example, a proposed increase in the first bracket rate of the individual income tax may be assumed to reduce disposable incomes. To what extent is there a relatively fixed relationship between disposable income and consumption such that aggregate demand may be reduced in the immediate future by this proposed action? Then, to what extent can it be expected that individuals will react to the increased taxes (*a*) by decreasing efforts to earn incomes because of lower after-tax returns from the efforts, or (*b*) by increasing hours of work and taking record jobs in order to make up for the additional income lost through increased taxes? Finally, how may these longer run adjustments affect consumption demands, overall employment, etc. Such estimates on major policy proposals represent essential prerequisites to rational consideration of the proposals.

The budget analyses of the cyclical impact of Government policies must be quantified by the various available measures of economic stability. What are the effects which can reasonably be expected from proposed policies on aggregate employment, on income, on price levels, and on other economic variables? The analyses should be fairly specific on major policy changes. For example, will increased expenditures in the Federal highway program increase demand for already scarce resources and leave unaffected other resources presently unemployed? Will an increase in personnel in the Armed Forces merely reduce excess inventories of soft goods, such as uniforms, without general increases in employment? Will the drafting of additional reservists—while increasing Federal expenditures—possibly have little or no stimulative effect on the economy because civilian jobs will be held open for the reservists and additional workers will not be hired?

Then, when will these effects be felt? In this area, quarterly or even monthly projections for the period immediately following the adoption of a policy are essential. The primary emphasis in analyzing stability must be on the short-run changes. It is more difficult—and less meaningful—to make estimates for periods further in the future than 18 months or 2 years. Hence, the more long-run projections can be on a yearly basis, but the immediate forecasts should be as precise and detailed as possible. For example, in the construction of a new dam, how much additional employment of men and equip-

77316—62——8

ment can be anticipated once the project is initiated? Estimates for later periods can merely suggest the nature of the changes in employment as the work continues.

The indirect effects of Government decisions involve essentially the extent to which individuals will revise their plans as a result of Government action. This is the principal way in which tax changes and adjustments in transfer payments have their economic impact. The budget analyses of each proposed program should indicate which groups in the economy are expected to be affected by the program and how these individuals are expected to react to the changes caused by the program. For example, may tax savings be used largely to retire consumer debt and thereby have little effect upon employment? If unemployment compensation payments are to be increased, what changes may be anticipated in incentives to work, physical and mental ability to work, and aggregate demand for goods and services? These types of questions represent one essential economic aspect of budget decisionmaking.

IV. Effect on Distributions of Income

There are different opinions about the appropriate place of Government in influencing the distribution of incomes in the economy, just as there are about each of the other roles which Government receipts and expenditures play. However, since the Government cannot avoid influencing the distribution of income, the budget should explicitly indicate the possible effects on income distributions of proposed Government policies.

Before these aspects are examined, however, it is necessary to define the distribution of income that should be measured. Income is considered here to be basically personal income. However, corporate retained earnings, allowances for depreciation, and incomes of trusts and other noncorporate financial intermediaries should be added. In some cases, income must include dollar valuation of physical amounts, e.g., income-in-kind such as allotments of agricultural surpluses to low-income families. Distributions of income can be measured in several ways. Total income can be divided by income groups, e.g., those with incomes between $5,000 and $10,000; or by types of income, e.g., wages and interest; or by other categories, e.g., by age brackets. One or more of these forms of distributions may be important in providing information on proposed budget policies.

The Government influences the distribution of total income by virtually every budget decision that is made. In some cases, the effects on income distributions are determined in large part by forces outside the direct control of the Government, but the effects should still be estimated in the budget. For example, the consequences of a new income-tax deduction for corporations will depend on the reactions of the corporations, but the effects will be seen in the relative amounts of wages, dividends, interest, and retained earnings, and these effects should be estimated before the budget decision is made. Other income effects are more directly within the control of the Government. What are the income levels of farmers who will receive the benefits of a proposed agricultural program? What is the distribution of salaries and of fringe benefits to individuals in the Armed Forces?

In some instances, the principal goal of a policy recommendation may be to change existing income distributions. Income redistribution would certainly be a major consideration in any budget decision concerning individual income-tax rates or social security contributions, for example. If income redistribution is the goal of a policy recommendation, the budget is the instrument in which the goal should be explicitly stated. In many other proposed programs, the budget should not only indicate the estimated distributional effects but also the reasoning and factual data which led to the conclus on that the effects would occur. For example, if a Federal excise is to be lowered, is it anticipated that the sellers will reduce their prices by corresponding amounts? Who purchases the taxed products now? How much are sales expected to increase if the prices are reduced? It is difficult to see how intelligent decisionmaking can be achieved without such analysis.

It can be foreseen that some income changes, such as most of those discussed above, will occur almost immediately after the initiation of Government action. Other reactions can be anticipated over a longer period. Is it reasonable to assume that new incomes will be created in industries which have benefited from excise-tax reductions? Will lower income farmers react differently than higher income farmers to a new agricultural program? To what extent may workers at various income levels retire earlier with liberalized social security payments? Also, some fairly constant relationships can be used to appraise the effects of proposed policies on income distributions. In particular, estimates should be available in the budget on the ways in which changes in incomes within certain sectors of the economy as a result of individual programs will lead to alterations in income levels elsewhere in the economy. As an example, to what extent may a proposed increase in Government medical benefits to the aged serve to increase the income levels of doctors?

Virtually all of the estimates described in the foregoing paragraphs should be expressed in terms of average amounts of income being received by various groups. However, much of this material on income distribution will not change significantly for relatively long periods. Hence, there should be some background supporting tables on general income distributions which do not need to be constantly revised. Then, in each budget document, emphasis could be placed on estimates of the income changes associated with immediate policy proposals, with simply a reference to the background material.

V. Contributions to Economic Growth

Much of the information described in the foregoing sections can also serve as a basis for understanding the Government's influence on the economic growth of the Nation. All of the material on stabilization, for example, is directly relevant. However, economic growth is probably accepted as a sufficiently important national goal that the data related to it should be presented separately in the budget. This section indicates what budget material should be available to provide information about the impact of Government policies on economic growth.

Essentially, the Government policies which contribute to economic growth are those which are taken currently but which provide greater satisfaction of wants in the future. In general, the budget should indicate the possible future significance to the economy of actions proposed currently. This clearly requires estimates of an uncertain future, but only by such estimates can the full consequences of current Federal policies be assessed.[6]

Some factors which influence the growth potential of Government actions lie outside Government's control but are nevertheless predictable. For example, how much will the public use the services available from a proposed dam or highway? Other factors are more within the control of the Government. To continue the same example, how much will the efficiency of Government operations be increased—and the costs of Government decreased—by the existence of the dam or highway? Similar questions can be raised about other proposed Government actions. For example, how many potential college students may take advantage of Federal aid to education, and in what ways may Government aid provide future benefit to the Nation? What types of physical and mental problems exist among the "medically indigent" and what effects will proposed Federal medical expenditures have in improving the potential work force? As the economy grows, how much will "automatic" increases in Federal tax receipts serve to repress the growth, and will recommended tax changes ease these repressive effects? Estimates on both the forces of growth that will affect budget components and the forces that will be affected by budget components should be available in the budget.

Some policies may be proposed specifically in order to accelerate the rate of economic growth. The goals at which these policies are aimed should be explicitly indicated in the budget as well as the reasoning which relates the policies to the goals. For example, if a tax policy is advanced as a means of stimulating physical investment, how much growth—and what types of growth—can reasonably be anticipated as a result of the proposal, and why? How are businessmen and others assumed to react if the proposal is enacted? Are there alternative budget measures which might yield greater acceleration of growth rates at the same or lower costs?

In general, the nature of policies designed to increase the rate of growth is such that the results can probably be expected only slowly over time. Hence, the projections should be over a longer timespan than most of the other forecasts discussed in this chapter. Moreover, many of the relationships in the economy that may be considered as fixed for other budget purposes should be viewed as variables in examining economic growth. For example, trends of technological changes and longrun variations in consumption-income relationships should be projected in order to appraise the potential impact of the policies influencing growth. In view of the range of time involved, annual or multiyear, rather than quarterly, projections would seem to be sufficient.

Proposed Government policies can have significant indirect effects on the rate of growth in the private sector. To what extent may grants-in-aid for highway construction divert State resources away from educational expenditures? Does a proposed military contract require the creation of new capital equipment which can be used subsequently for private production? How much unemployment or

[6] The situation is exactly analogous to a businessman who must forecast the returns from an investment before determining whether the investment is profitable. The forecasts must be uncertain, but they must be made.

shifts in labor markets may be associated with a tax subsidy to investment? How may a proposed expenditure for harbor dredging stimulate local industry? Projections should be in the budget which would aid in answering questions such as these.

A summary of current conditions should also be in the budget which would indicate the present rate of growth, the sectors that are growing more rapidly and those that are lagging behind the average growth rate, and the best available assessment of past policies designed to stimulate growth.

VI. Impact on Private Resource Allocation

Virtually all of the economic effects examined in the earlier section of this chapter are reflected in part by reallocation of private resources. Any Government contract with a private firm represents a demand for particular uses of workers, equipment, plants, natural resources, and other productive factors. Countercyclical policies are intentionally designed to influence the demands for and supplies of resources. Changes in distributions of income affect the willingness of individuals to strive for income. The reason for distinguishing this section from the earlier ones is primarily in order to emphasize the economic importance of the effects of proposed Government policies on the use of private resources and the need for indicating these effects explicitly in the Government budget.

In addition to the impact of general budgetary policies on resource allocation, there is one specific budgetary device which is intentionally designed to influence resource utilization in the private sector. This device is the Government subsidy. Since appropriate budget data for assessing the effects of general policies on resources have already been examined, attention is directed in this section to the budget data considered necessary for assessing Federal subsidies.

It is necessary initially to distinguish those features of a proposed policy which can be viewed as subsidies to the private sector.[7] For purposes of this section, subsidies can be considered as grants of special financial concessions to individual groups, either through expenditures or tax savings. While this definition of the term is probably generally accepted, the term can only have real meaning after it has been applied in individual cases. However, since the financial concessions are usually provided through either budget receipts or expenditures, it seems essential that the budget designate those policies which can be considered as subsidies.[8] It may require courage to be candid, but only in this way can the nature of Government policies be understood. The effect of each concession is presumably to alter the monetary returns associated with alternative uses of resources and hence to change the employment of resources.

Information should certainly be available in the budget on the timing of Government subsidies. First, is the subsidy to apply to an indefinite future period of time or is it to be limited to a specified number of years? What is the relationship between the period of time

---

[7] For a first step toward designating subsidies and subsidy characteristics, see "Subsidy and Subsidy-like Programs of the U.S. Government," Joint Economic Committee, 86th Cong., 2d Sess., 1960.

[8] As well as negative subsidies in such forms as penalty taxes. For example, the Government now imposes penalty taxes not only on such understandable items as sales of narcotics, firearms, filled cheese, and production of white phosphorous matches, but also on such unusual items as cotton futures and placer mining in California.

that the subsidy is to be in effect and the goal to be achieved by the subsidy? Second, what is the time period over which adjustments are anticipated in the private sector? Is it contemplated that resources, once shifted because of the subsidy, will remain in the new use after the subsidy is removed? Questions such as these would appear to be essential in any budgetary appraisal of a proposed subsidy.

The budget should clearly provide assumptions about the economic reactions within the private sector to each proposed subsidy. To what extent may business invest more overseas as a result of special tax treatment of foreign income or invest more domestically because of an investment tax credit? The budget should also indicate the factors which are within the control of the Government. What are the alternatives to an investment tax credit? What conditions should farmers be required to meet before receiving agricultural benefits? How should "low income" be defined in a proposed subsidized housing program?

The goals to be achieved by each proposed subsidy should certainly be indicated in the budget as a basis for assessing the appropriateness of the proposal. What additional exploitation of natural resources is desired by the extension of percentage depletion to the production of bricks and tile? What improvements in health are desired by medical allotments to veterans? Then, with what reasoning and factual information can the proposals be associated with the goals? How much production of brick and tile might reasonably be expected without percentage depletion? How many veterans might suffer without medical treatment if the allotments were not granted?

It is also necessary to separate those economic adjustments that will occur only slowly over time as a result of subsidies. To what extent may more funds enter the stock market with a proposed reduction in the capital gains tax? Will many more homes be constructed with a new program of subsidized interest rates on Government loans? Projections of these possible changes should be available for several years into the future.

Attention must be paid to the possible indirect effects from proposed subsidies. Will a new Government loan program merely increase the demand for—and the prices of—older houses and have little effect on employment in the construction industry? Will Federal subsidization of State programs for the "medically indigent" increase hospital fees? What effects on the railroads can be expected from increases in benefits to airlines and truckers? How may the advertising industry be affected by relative decreases in third-class mail rates?

Many proposed subsidies represent modifications in existing programs. Information about the effectiveness of current subsidies should be an important part of a budget document containing recommendations for changes in these subsidies.

VII. Summary

The foregoing sections reveal several other characteristics of an ideal economic budget besides the ones mentioned at the beginning of this chapter. First, the emphasis in the budget must be on the nature of the components, not on a single pair of aggregates and the deficit or surplus difference between the aggregates. No pair of aggregates can adequately measure any type of economic effect because the amounts being cumulated in the aggregates have different economic consequences. In effect, the dollars being added reflect unequal amounts of economic significance. For example, the addition of withheld taxes, customs receipts, and estate-tax payments will give a total which provides no information about the total impact of the three taxes combined on economic stability. Each of the components affects economic stability in different ways and the relative significance of each does not correspond to its dollar value. The budget document must emphasize the character of each type of receipt and expenditure and the various economic effects associated with each component.

Second, while emphasis on components suggests a more complex document, this complexity is considerably reduced by the fact that primary attention needs to be devoted only to the components which are changed during a budget period, not to the much larger group of components which are remaining relatively constant. A review of the previous sections will indicate that virtually all of the key budget questions concerned those items which would change as a result of policy decisions or which would be altered by changing conditions in the economy. An ideal budget would focus on the items which are important because they are subject to change. The budget might, for example, refer to some background study on distributions of general income-tax payments which do not change significantly over time. The crucial issues upon which the budget should provide estimates are the types of specific changes in income distribution anticipated from individual tax policy proposals. Such a concentration on key variables would mean a small budget, a readable budget, and a useful budget.

A third feature to note from the foregoing sections is the extent to which the same data can be useful in analysis of more than one economic aspect of a particular policy. Information on the nature of a proposed Government contract, for example, is necessary not only to assess the efficiency of a Government operation and its effects on the price structure, but also in order to measure the Government impact on stability of particular industries, the income distribution among people affected by the contract, the contribution to economic growth, and so forth. The effect of this overlap of desired material is to increase the value of having the material. In addition, the overlaps mean that the budget can be a relatively small document if the proper types of information are selected for inclusion.

A fourth characteristic of an ideal economic budget is that it provides some economic analysis. For example, it would assess the impact of a proposed tax reduction on private consumption and investment. The argument might be made that such analysis places an intolerable burden upon the document—and the Bureau that prepares it—and that the analysis is more appropriate in esoteric journal articles. However, (*a*) such analyses are being made regularly at the present time by the agencies that propose and administer programs, (*b*) these analyses are already available to the Bureau of the Budget and the President, although not to the Congress or the public, (*c*) the analyses would be necessary only for important new proposals, and (*d*) analysis would seem to be essential for rational decision making, which is the purpose of the budget. A budget without relevant analysis is merely a meaningless and sterile collection of figures.

To summarize, an ideal Government economic budget would—

1. Be reappraised quarterly in a published review in order to stay abreast of current policy issues.[9]
2. Concentrate on the immediate issues and the economic changes anticipated with respect to the issues.
3. Organize the economic changes into meaningful categories, perhaps like those used in this chapter, so that reasonable appraisal could be made of the proposed policies.
4. Provide a summary picture of all the interrelated policies and then have supporting analysis of the economic implications of each proposed action.

---

[9] Similar to the way that economic data is now released regularly by the Departments of Labor, Commerce and Treasury.

CHAPTER SEVEN

THE PRESENT FEDERAL BUDGET

I. General Characteristics

As indicated earlier, a single budget document is presented to the Congress by the President each year, usually in January. This document contains various types of data. Some of these data are added together to derive budget totals for "receipts" and "expenditures." Considerable attention is given to these receipt and expenditure totals by the Congress, the administration, the press, and the public. The totals are apparently accepted as indications of the economic impact of the Federal Government on the private sector. This chapter describes the nature of these totals.

There are several different sets of budget totals that are available for general use. A "conventional" set is used most frequently; these are the basic totals derived from the budget document. "Cash" totals are also derived from the budget which are intended to indicate the cash flows into and from the Government. The Commerce Department develops a somewhat independent set of totals as part of its data on general economic activity. In addition, there is some additional budget material available in other Government publications. The following sections indicate the characteristics of these various budget totals and the relationships between them.

All of the alternative sets of totals for receipts and expenditures obtained from the budget document have at least two features in common. First, they are all applicable to the Government's fiscal years. The Government has established almost all of its bookkeeping on the 12-month period from July 1 to June 30. One significance of the use of a fiscal year is that emphasis is placed on the annual budget data and less attention is directed to data for shorter periods of months or quarters.

A second characteristic of budget data is that three dissimilar types of receipt and expenditure figures are compared. For example, when President Eisenhower presented the fiscal 1962 budget to Congress in January 1961, the document contained data primarily for 3 fiscal years: 1960, 1961, and 1962. The fiscal year 1960 ended on the preceding June 30; therefore, the budget totals for this year reflected actual amounts. The fiscal year 1961 was only half over; therefore the budget totals for this year involved combinations of some actual amounts and some estimates. The fiscal year 1962 would not even begin for another 5 or 6 months; therefore, the budget totals for 1962 were conjectural.

The prospective budget totals presumably draw the most attention. However, it is important to recognize the nature of the estimates that are included in these prospective totals. Estimates must be made for any future budget amounts, but the character of these estimates varies. Some of the estimates are based upon commitments which exist at the time the projections are made, e.g., expenditures for construction already in process. Some of the estimates are for programs that remain relatively stable year after year, e.g., the operations of the Food and Drug Administration. Other estimates are based upon projections of economic factors which will change in the private sector, e.g., unemployment compensation payments. Another group of estimates rely on assumptions about noneconomic variables, e.g., weather conditions and their influence on agricultural subsidies. Still another type of estimate is made for programs that have recently been initiated and for which prior data are not available. Finally, some estimates are included in the budget totals for proposals made in the budget that have not yet been enacted, e.g., the expenditure total in the 1962 budget was reduced by over $800 million on the assumption that postal rate increases would be adopted by the Congress. All of these different types of estimates are added together to develop budget totals, and virtually no distinctions are made in the budget between the various types of estimates. Moreover, very few of the assumptions underlying the various estimates are provided in the budget, and those assumptions which are provided tend to be buried in the detailed sections rather than being associated with the totals.

II. The Conventional Budget [1]

The most widely used totals for Federal receipts and Federal expenditures are probably those in the so-called conventional budget. Certain items have traditionally been selected for inclusion in these totals; other items are traditionally excluded. Some items are included in different ways than others. For example, some are net, others gross; most are on a cash basis, but a few are on an accrual basis. This section indicates the general nature of the items which are included in the conventionally used totals for receipts and expenditures. The conventional budget itself is shown in Table 34.

In general, all the receipts figures in Table 34 represent anticipated cash inflows. The amounts are estimates about future economic conditions, congressional action, and other factors. The figures include not only receipts and expenditures under existing law but also receipts and expenditures from some legislative changes which are to be proposed and which are assumed will be enacted by the Congress.

The cash inflows in the budget are not on a gross basis. All of the receipts figures are net after estimated refunds. Portions of certain excises are excluded from total receipts, the major amounts being those associated with the highway trust fund. Employment taxes are entirely excluded from the totals.

[1] The only real source of information on the concepts used in the conventional budget totals is the budget document itself. See especially pp. 2, 3, 10–12, 1962 budget.

TABLE 34.—*Summary of conventional budget receipts and expenditures for fiscal 1962—Based on existing and proposed legislation*

[Millions of dollars]

Budget receipts:	
Individual income taxes	45, 500
Corporation income taxes	20, 900
Excise taxes	9, 725
Estate and gift taxes	1, 953
Customs	1, 115
Miscellaneous budget receipts	3, 807
Total	83, 000
Deduct interfund transactions (included in both receipts and expenditures)	667
Total budget receipts	82, 333
Budget surplus (+)	+1, 468
Budget expenditures:	
Major national security	47, 392
International affairs and finance	2, 712
Veterans' services and benefits	5, 296
Labor and welfare	4, 759
Agriculture and agricultural resources	5, 101
Natural resources	2, 138
Commerce, housing, and space technology	3, 371
General government	2, 071
Interest	8, 593
Allowance for contingencies	100
Total	81, 532
Deduct interfund transactions (included in both receipts and expenditures)	667
Total budget expenditures	80, 865

Source: 1962 budget, p. 4.

Miscellaneous receipts are shown on a cash basis less refunds, but the definition of miscellaneous receipts is considerably different than that used earlier in this study. The first difference is that an amount for "seigniorage" is included equal to the difference between the face value of coins estimated to be minted in the year and the cost of the metals in the coins. Therefore, the figure is net after an expenditure item, although not all expenditures related to minting coins are included in the derivation of seigniorage.

Miscellaneous receipts also include some amounts from Government enterprises. All interest payments from Government enterprises—either wholly-owned or sponsored by the Government—to the Treasury are included as miscellaneous receipts. In addition, estimates of all dividends, other payments of earnings, and returns of capital from Government-sponsored—but not wholly owned—enterprises are included in miscellaneous receipts. Hence, the amounts included for Government enterprises in the receipts total of the conventional budget are not the gross receipts of the enterprises, nor even the net profits of the enterprises, but rather the estimated amounts which will be turned over to the Treasury from the enterprises during the fiscal year.

This approach leads initially to some double-counting. For example, in the fiscal 1962 budget, it was estimated that the Export-Import Bank—a wholly-owned enterprise—would pay interest of $43 million to the Treasury. This amount would be shown initially as both an expenditure of the Bank and a miscellaneous receipt of the Treasury, despite the fact that the amount would be merely an intragovernmental transfer. Therefore, all interest payments by wholly-owned enterprises—but not payments by Government-sponsored enterprises—are deducted out of both receipt and expenditure totals in the conventional budget. This deduction is the last item on Table 34: "Interfund Transactions." Table 35 indicates these items.

TABLE 35.—*Interfund transactions, fiscal year 1962 (deducted from totals of budget receipts and budget expenditures)*

[Millions of dollars]

BUDGET RECEIPTS WHICH ARE ALSO BUDGET EXPENDITURES

Interest paid to Treasury by wholly owned Government enterprises:	
Colorado River Dam fund, Boulder Canyon project	3
Commodity Credit Corporation	375
Export-Import Bank of Washington	43
Housing and Home Finance Agency	147
Panama Canal Company	9
Small Business Administration	14
Veterans' Administration	39
Various agencies under the Defense Production Act	19
Saint Lawrence Seaway	3
Other	2
Subtotal, interest paid to Treasury by wholly owned Government enterprises	654
Reimbursement for expenses and services:	
Panama Canal Company	13
Various agencies for accounting services	1
Total, budget receipts which are also budget expenditures	667

Source: "Federal Government Receipts From and Payments to the Public," supporting tables, fiscal year 1962, Bureau of the Budget, January 1961, p. 4.

The result of this treatment is that enterprises wholly owned by the Government are considered as part of the Government.[2] Government-sponsored enterprises are not considered as part of the Government—at least for purposes of the conventional budget. The Government-sponsored enterprises which are so treated are the Federal Deposit Insurance Corporation, the Federal home loan banks, banks for cooperatives, Federal intermediate credit banks, and Federal land banks. In addition, the Federal Reserve System is not treated as part of the Government and the amounts paid by the System to the Treasury are included in miscellaneous receipts.

The expenditure figures in Table 34 are also based entirely upon estimates. The amounts are derived from assumptions about the future state of the economy, anticipated proposals of new legislation and enactment of this legislation, and a host of other factors.

Table 34 shows expenditures divided into general classes by types of functions. However, the detail underlying these totals in the budget is based primarily on organizational units, i.e., the amounts are broken down by agencies and bureaus. At the same time, some agencies of the Government, notably trust funds, are excluded entirely, and others are included only on a net basis.

The figures shown in Table 34 are generally on an estimated "checks issued" basis, regardless of when the obligations were incurred, when

[2] Although they are shown only by a net surplus or deficit figure, which is on the expenditure side of the budget. See p. 113.

the goods and services are expected to be received, or when the checks are cashed. The amounts in the conventional budget totals do not represent new obligational authority, appropriations, obligations, or accrued expenditures.

There are three minor exceptions to the checks issued basis. First, if payments are made in coin or currency, rather than by check, the payment is included as an expenditure. Second, some payments are made by issuing a debt or by increasing the redemption value of a debt, and these are considered expenditures at the time of the issuance or the increase. For example, payments to the International Monetary Fund are in the form of demand notes and the expenditure is measured by the issuance of the notes, not their redemption. Third, all interest on the public debt is shown on an accrual basis. Interest on savings bonds falls under the second category and is assumed to represent an expenditure at the time redemption value increases, usually every 6 months.

Government enterprises are included in these totals differently than the usual Government agencies. Wholly owned enterprises are shown on the expenditure side only by a net figure. Their total receipts are not indicated on the receipts side and their total expenditures are not shown on the expenditure side. Rather, the net difference between each enterprise's receipts and expenditures is shown as a single figure. If the receipts exceed expenditures, the net difference is included as a "negative expenditure." If expenditures exceed receipts, the expenditure side of the conventional budget only includes the net deficit as a Government expenditure. This is the treatment, for example, with the Post Office Department.

Government-sponsored enterprises, on the other hand, are assumed to be independent of the Government. Therefore, receipts and expenditures of sponsored enterprises are not in the conventional budget even in a net form. Rather, capital lending to the sponsored enterprises is treated as expenditures by the Government, just as an investment by the Government in a private enterprise would be considered an expenditure. Then, the treatment of the interest paid by sponsored enterprises to the Government on the capital investment depends on the organizational structure of the enterprise. If the interest is paid to the Treasury the interest is a miscellaneous receipt, as noted earlier, and is not offset by a deduction as with interest from wholly-owned enterprises.[3] If the interest is paid to some Government revolving fund, the interest is shown as a "negative expenditure" in the conventional budget,[4]

The same deduction for interfund transactions is made on the expenditure side to eliminate double-counting of interest of wholly owned enterprises.[5]

III. The Cash Budget [6]

The so-called "cash" budget totals for receipts and expenditures represent merely the addition of some estimated items to the con-

---

[3] See p. 112.

[4] The major Government-sponsored enterprises in this latter category are: Banks for cooperatives investment fund, Federal intermediate credit banks investment fund, production credit associations investment fund; Federal Deposit Insurance Corporation; Federal Home Loan Bank Board; Federal National Mortgage Association: Loans for secondary market operations; Federal National Mortgage Association: Secondary market operations fund; "Advances to employment security administration account, unemployment trust fund."

[5] See p. 111.

[6] The best single source on these budget concepts is again the budget document. See especially 1962 budget, pp. 978–982. See also "Federal Government Receipts From and Payments to the Public," a supporting document obtainable on request from the Bureau of the Budget.

ventional budget totals and the elimination of certain items which would otherwise be counted twice as a result of the additional items. Hence, many of the noncash characteristics of the conventional budget totals also are contained in the cash budget totals. All receipts are net after refunds and, therefore, do not indicate gross cash receipts. The Government enterprises which are in the conventional budget on a net earnings basis are on the same basis in the cash budget; therefore cash flows of these enterprises are not included in the cash budget totals. As a result, the cash budget does not reflect the total flows of cash into and out of the Government. Table 36 indicates the cash budget for fiscal 1962. It is important to emphasize again that all of these amounts are estimated for a year beginning at least 6 months after the period in which the estimates are made.

TABLE 36.—*Federal Government receipts from the public and payments to the public, fiscal year 1962*

[Millions of dollars]

Federal receipts from the public:	
Individual income taxes	45, 500
Corporation income taxes	20, 900
Excise taxes	13, 013
Employment taxes	13, 116
Estate and gift taxes	1, 953
Customs	1, 115
Deposits by States, unemployment insurance	2, 400
Veterans' life insurance premiums	542
Other budget and trust receipts	4, 607
Total, Federal receipts from the public	103, 145
Federal payments to the public:	
Major national security	47, 749
International affairs and finance	2, 680
Veterans' services and benefits	5, 967
Labor and welfare	23, 418
Agriculture and agricultural resources	5, 051
Natural resources	2, 178
Commerce and housing	7, 145
General government	2, 420
Interest [1]	6, 620
Deposit funds, net [2]	44
Allowance for contingencies	100
Expenditures for agencies, as employers, for Federal employees' retirement (—) [3]	−799
Deduction from Federal employees' salaries for retirement (—)	−801
Increase (—) or decrease in clearing account for outstanding checks, etc.[4]	59
Total, Federal payments to the public	101, 832
Excess of Federal payments to (—) or receipts from the public	1, 313

[1] Since 1954, includes adjustment for change in public debt interest checks, coupons, and accruals outstanding.

[2] Excludes deposit funds of Government-sponsored enterprises which are allocated by major function.

[3] In 1957 and prior years the Government's payment as employer was made in a lump sum to the Civil Service Commission and was not included in any functional category as a payment to the public. From 1958, the individual agency payments are included in the applicable functional category, but the total is deducted from payments in a lump sum.

[4] Since 1954, excludes that part of clearing account which is for public debt interest checks, coupons, and accruals outstanding.

Source: The Budget of the United States, 1962, p. 979.

Table 37 shows the relationships of amounts between the conventional budget and the cash budget.

TABLE 37.—*Federal receipts from and payments to the public compared with budget receipts and expenditures, fiscal year 1962*

[Estimates. Millions of dollars]

Description	Budget receipts and expenditures	Trust fund transactions and other differences (net)	Receipts from and payments to the public
Receipts:			
Individual income taxes	45,500		45,500
Corporation income taxes	20,900		20,900
Excise taxes	9,725	3,288	13,013
Employment taxes		13,116	13,116
Estate and gift taxes	1,953		1,953
Customs	1,115		1,115
Other receipts	3,807	3,741	7,548
Interfund budget transactions	−667	+667	
Total receipts	82,333	20,812	103,145
Payments:			
Major national security	47,392	357	47,749
International affairs and finance	2,712	−32	2,680
Veterans services and benefits	5,296	671	5,967
Labor and welfare	4,759	18,659	23,418
Agriculture and agricultural resources	5,101	−50	5,051
Natural resources	2,138	40	2,178
Commerce and housing	3,371	3,774	7,145
General Government	2,071	349	2,420
Interest	8,593	−1,973	6,620
Allowance for contingencies	100		100
Interfund budget transactions and undistributed items	−667	−830	−1,497
Total payments	80,865	20,967	101,832
Excess of receipts	1,468	−154	1,313

Source: The Budget of the United States, 1962, p. 980.

The cash budget totals can be best described by starting with the conventional budget totals and indicating the changes. The first of these changes is the addition of trust funds and trust enterprise funds. A summary of the receipts and expenditures of these trust funds and trust enterprise funds for fiscal 1962 is provided in Table 38. The last item, "All other trust funds," includes approximately 150 trust funds, trust enterprise funds, and deposit funds.[7] Some of the items in Table 38 are shown only on a net basis on the expenditure side by either surplus or deficit figures; other items are indicated by both gross receipts (less refunds) and gross expenditures.

[7] For a list of these, see Budget of the United States, 1962, pp. 923–927. The largest of these by far is the trust fund for the District of Columbia which is shown in the cash budget, but not in the conventional budget, by both receipts and expenditures.

TABLE 38.—*Summary of estimated trust receipts and expenditures, fiscal year 1962*

[Millions of dollars]

Receipts:	
Federal disability insurance trust fund	(1, 136)
Employment taxes	1, 000
Deposits by States	68
Interest on investments	68
Payments by Railroad Retirement Act	
Federal old-age and survivors insurance trust funds	(12, 280)
Employment taxes	11, 006
Deposits by States	748
Interest on investments	525
Other	1
Federal employees retirement funds	(1, 960)
Deductions	801
Payments from other funds:	
Employing agency contributions	799
Federal contributions	45
Voluntary contributions, donations, etc	16
Interest and profits on investments	299
Railroad retirement account	(1, 176)
Employment taxes	640
Interest and profits on investments	120
Repayment of advances to railroad unemployment insurance account	95
Payment from OASI trust fund	318
Other	3
Unemployment trust fund	(3, 614)
Deposits by States	2, 400
Federal unemployment taxes	470
Railroad unemployment insurance account:	
Employment taxes	170
Advances from railroad retirement account	110
Advance from temporary revolving fund	250
Interest on investments	205
Other	9
Veterans' life insurance funds	(773)
Premiums and other receipts	542
Payments from general and special funds	10
Interest on investments	221
Highway trust fund	(3, 290)
Excise taxes	3, 288
Interest on investments	2
All other trust funds	960
Total, trust fund receipts	25, 189
Expenditures:	
Federal disability insurance trust fund	(992)
Benefit payments	935
Administrative expenses. reimbursement to Federal old-age and survivors insurance	44
Other	14
Federal old-age and survivors insurance trust fund	(12, 684)
Benefit payments	12, 014
Administrative expenses and construction	239
Refunds of tax receipts	113
Payment to Railroad Retirement Board	318
Federal employees' funds	(1, 028)
Retirement funds	1, 094
Employees' health benefits fund	—11
Employees' life insurance fund	—53
Retired employees health benefits fund	—2
Railroad retirement account	(1, 128)
Benefit payments	1, 008
Administrative expenses	10
Advances to Railroad unemployment insurance account	110

TABLE 38.—*Summary of estimated trust receipts and expenditures, fiscal year 1962*—Continued

Expenditures—Continued	
Unemployment trust fund	(3, 779)
Withdrawals by States	2, 840
Railroad unemployment benefit payments	170
Administrative expenses	375
Repayment of advances to—	
Employment security revolving fund	289
Railroad retirement trust fund	102
Refunds taxes	4
Veterans' life insurance funds	668
Highway trust fund	(3, 158)
Federal-aid highways	2, 991
Refunds of taxes	129
Forest and public lands highways (proposed)	38
Federal National Mortgage Association, net	720
Deposit funds and all other trust funds	998
Total, trust fund expenditures	25, 155

Source: The Budget of the United States, 1962, p. 922.

The next step in obtaining the cash budget totals is to eliminate the double-counting arising from the inclusion of the trust funds and trust enterprise funds. There are three of these types of double-counting: (1) amounts which are shown as conventional budget receipts and also trust fund expenditures (Table 39); (2) amounts shown both as trust fund receipts and as conventional budget expenditures (Table 40); and (3) amounts which are transfers between trust funds and appear as receipts by some and expenditures by others (Table 41).

The third step in deriving the cash budget totals is to add amounts for certain Government-sponsored enterprises. These amounts are indicated in Table 42. However, the amounts added are not the cash receipts and expenditures of these enterprises. Rather, the amounts used are presumed to be indications of the net surplus or deficit of the enterprises and—whether surplus or deficit—they are shown only on the expenditure side of the cash budget. The figures are not the actual surplus or deficit. Instead, the amounts used for the enterprises are their net transactions in their own and U.S. securities. It is assumed, in other words, that Government-sponsored enterprises invest all of their net earnings in U.S. securities and finance all of their deficits by selling their own or U.S. securities from their portfolios. In fact, Government-sponsored enterprises engage in transfers of other types of assets and have varying amounts in retained earnings,[8] so that the investment changes in their own or U.S. securities are not adequate indications of even the surpluses or deficits—much less the cash flows—of the enterprises.[9]

[8] As is evident from an examination of figures on these enterprises appearing occasionally in Treasury Bulletins.

[9] The actual differences between surpluses or deficits and security transfers can be substantial, amounting in some cases to several hundred million dollars in a year for particular enterprises.

TABLE 39.—*Intragovernmental transactions, fiscal year 1962*

[Millions of dollars]

BUDGET RECEIPTS WHICH ARE ALSO TRUST FUND EXPENDITURES	
Dividends, interest, and corporate income tax equivalent: Federal National Mortgage Association secondary market operations	27
Reimbursement for expenses and services:	
District of Columbia	4
Federal disability insurance trust fund	4
OASI	43
Unemployment trust fund	5
Reimbursement for refund of taxes: [1]	
Federal disability insurance trust fund	10
OASI	113
Highway trust fund	129
Unemployment trust fund	4
Interest paid to Treasury by trust funds: Highway trust fund	
Total budget receipts which are also trust fund expenditures	339
BUDGET RECEIPTS WHICH ARE ALSO GOVERNMENT-SPONSORED ENTERPRISE EXPENDITURES	
Franchise taxes:	
Banks for cooperatives	2
Federal intermediate credit banks	1
Total budget receipts which are also Government-sponsored enterprise expenditures	3

[1] These items are treated as offsets to refunds of budget receipts rather than being credited directly as receipts.

Source: "Federal Government Receipts From and Payments to the Public," supporting tables fiscal years 1960–62, Bureau of the Budget, January 1961, p. 2.

TABLE 40.—*Trust fund receipts which are also budget expenditures, fiscal year 1962*

[Millions of dollars]

Interest paid by Treasury to trust funds:	
Federal disability insurance trust fund	68
Federal employees' retirement funds	299
OASI	525
Highway trust fund	2
Judicial survivors annuity fund	([1])
Railroad retirement account	120
Unemployment trust fund	205
Uninvested trust funds	12
Veterans life insurance funds	221
Subtotal, interest paid by Treasury to trust fund	1, 453
Other payments to trust funds:	
District of Columbia:	
Federal payments and loans	66
Grants-in-aid	41
Federal employees' retirement funds:	
Civil service retirement and disability fund [2]	791
Foreign Service retirement and disibility fund	3
Indian tribal funds	5
Judicial survivors annuity fund	1
Unemployment trust fund (including repayable advances)	250
Veterans' life insurance funds	10
Subtotal, other payments to trust funds	1, 167
Deductions from Federal employees' salaries for retirement	([3])
Total, trust fund receipts which are also budget expenditures	3, 414

[1] Less than $500,000.
[2] Includes relatively small amounts of payments by Government-sponsored enterprises and trust funds (other than the District of Columbia).
[3] Includes relatively small amounts of deductions from salaries paid by Government-sponsored enterprises and trust funds (other than the District of Columbia).

Source: "Federal Government Receipts From and Payments to the Public," January 1961, p. 5.

TABLE 41.—*Trust fund receipts which are also trust fund expenditures, fiscal year 1962*

[Millions of dollars]

Transfers and payments between trust funds:	
District of Columbia employees' salary deductions transferred to civil service retirement and disability fund	5
District of Columbia payments to civil service retirement and disability fund	5
Federal disability insurance trust fund payments to Federal old-age and survivors insurance trust fund	1
Federal old-age and survivors insurance trust fund payments to railroad retirement account	318
Railroad retirement account payments to Federal disability insurance trust fund	--
Financial interchange:	
Railroad retirement account payment to unemployment trust fund	110
Unemployment trust fund repayment to railroad retirement account	98
Total, trust fund receipts which are also trust fund expenditures	538

Source: "Federal Government Receipts From and Payments to the Public," supporting tables, fiscal years 1960–62, Bureau of the Budget, January 1961, pp. 3 and 4.

TABLE 42.—*Government-sponsored enterprise expenditures (net), fiscal year 1962*

[Millions of dollars]

Federal Deposit Insurance Corporation: Net investment in U.S. securities (−)	−152
Federal home loan banks:	
Cashing of or investment in (−) U.S. securities	−80
Sales or redemptions (−) of agency obligations	350
Subtotal, estimated net expenditures	270
Banks for cooperatives:	
Net investment in U.S. securities (−)	
Sales of agency obligations	30
Subtotal, estimated net expenditures	30
Federal intermediate credit banks:	
Net investment in U.S. securities (−)	
Sales of agency obligations	173
Subtotal, estimated net expenditures	173
Federal land banks:	
Net investment in U.S. securities (−)	
Sales of obligations	100
Subtotal, estimated net expenditures	100
Other	
Total, estimated expenditures	421
Recapitulation:	
Subtotal: Net investments (−) in U.S. securities	−232
Subtotal: Net redemptions (−) or sales of agency obligations	653
Total	421

Source: "Federal Government Receipts From and Payments to the Public," January 1961, p. 6.

The cash budget attempts to reflect cash transactions. Therefore, since the conventional budget has several variations away from a "checks issued" basis,[10] the last adjustments in deriving the cash budget are to change some noncash items in the conventional budget. These adjustments are shown in Table 43. First, an amount reflecting the net difference between interest accrued on the national debt—as shown in the conventional budget—and interest actually paid is used to adjust the conventional budget totals. Second, an amount equal to the estimated difference between checks issued and checks cashed, a so-called "clearing account adjustment," is used to place the "cash" budget on a checks-cashed basis. Third, certain transactions reflected in the conventional budget on the basis of debt transfers, e.g., notes issued to the International Monetary Fund, are changed so that only transfers of cash are included in the cash budget.

Again, it should be emphasized that all of these adjustments are estimated amounts for a future period.

TABLE 43.—*Accrued interest and other noncash adjustments (net), fiscal year 1962*

[Millions of dollars]

Interest accrued on savings bonds	1,250
Interest paid on savings bonds redeemed (−)	−875
Interest accrued on Treasury bills (net)	-----
Decrease (−) or increase in clearing account for public debt interest checks, coupons, and accruals outstanding (net)	-----
Subtotal, net accrued interest	375
Issuance of Treasury notes for:	
The International Monetary Fund (net)[1]	-----
The International Development Association (net)	-----
Redemption (−) of:	
Armed Forces leave bonds	−2
Adjusted-service bonds	(2)
Decrease (−) or increase in clearing account for outstanding checks, etc. (net)[3]	−59
Total, accrued interest and other noncash adjustments (net)	**314**

[1] Part of the U.S. subscription in 1947 to the International Monetary Fund was in the form of non-interest-bearing notes. A portion of the additional subscription made in 1959 was also in the form of such notes. At the time of issue these notes became part of the public debt, but they were not payments to the public. The subsequent cashing of these notes by the Treasury for the International Monetary Fund, however, does result in a payment to the public (and a decrease in the public debt).

[2] Less than $500,000.

[3] Excludes the change in clearing account for public debt interest checks, coupons, and accruals outstanding (net).

Source: "Federal Government Receipts From and Payments to the Public," supporting tables, fiscal years 1960–62, Bureau of the Budget, January 1961, p. 7.

IV. THE FEDERAL BUDGET IN THE NATIONAL INCOME ACCOUNTS [11]

Each quarter the Department of Commerce issues data concerning the levels of gross national product, national income, and other meas-

[10] See p. 112.

[11] Technically, this should be called the national income and product account for the Federal Government. Generally, it will be referred to in this study as the "Commerce budget," meaning the budget figures for the Federal Government as constructed by the Commerce Department, not the budget for that Department alone.

The general nature of the Commerce budget is described in various Commerce publications. See National Income—A Supplement to the Survey of Current Business, 1954 edition (U.S. Government Printing Office, Washington), "Part II: The Conceptual Framework of National Income Statistics," pp. 27–60, "Part III: Sources and Methods of National Income Estimation," pp. 61–150. U.S. Income and Output—A Supplement to the Survey of Current Business, November 1958, ch. 5. Survey of Current Business, National Income Number, July 1961.

ures of economic activity.[12] Clearly, the economic activities of the Federal Government must be included in these measures. This section indicates how the Commerce Department shows the activities of the Government.[13]

Several general aspects of the Commerce data must be mentioned initially. First, summary figures for the Government sector are released on a quarterly basis. Therefore, evidence is provided regularly concerning the role of Government in the economy and general data are available on either a calendar or fiscal year basis.[14] Second, the material is only actual data; no estimated future amounts are shown. Third, in the Commerce material, emphasis is placed on the use of resources. Hence, the material can be used directly for some economic analysis of budget effects on employment. Fourth, the Commerce Department is interested in measuring aggregate economic activity and therefore the Government data are presented in a manner consistent with the measurement of activity in other sectors of the economy. As a result, the Commerce material indicates the relative position of the Government in the structure of the economy and some of the relationships between the Government and the other sectors. The objective is not primarily to provide information which will be useful in observing the administrative efficiency of Government operations. Incidentally, the same approach is used for State and local government activities, with the result that consistent comparisons can be made between levels of government.

It is also important to recognize that the Commerce Department presents its data on two different levels of aggregation. Specifically with respect to the Federal Government, the Commerce Department first consolidates all of the economic data which are considered relevant in describing the activities of the Government. This consolidated statement is the national income and product account for the Federal sector. Then, the Commerce Department consolidates its accounts for the various sectors in order to obtain general economic aggregates such as gross national product. Hence, the following description of the Commerce data must be divided into two stages: first, an explanation of the Commerce budget, and second, an indication of the items in the Commerce budget which are carried over into the general economic aggregative figures.

For a general discussion of this subject, see Marilyn Young, "A Reconciliation of Alternative Budget Concepts," "Problems in the International Comparison of Economic Accounts—Studies in Income and Wealth," vol. 20, National Bureau of Economic Research, pp. 135-190. See also "Economic Accounting" by John P. Powelson (New York: McGraw-Hill Book Co., Inc., 1955), pp. 317-377, dealing primarily with Government transactions.

For an analysis of the relative applicability of the Commerce and cash budget totals in assessing fiscal policy, see "Federal Receipts and Expenditures—Alternative Measures," Monthly Review, Federal Reserve Bank of Kansas City, August 1961, pp. 3-9.

[12] To be found primarily in the monthly Survey of Current Business.

[13] The Bureau of the Budget now considers the Commerce budget figures sufficiently important so that they have been presented in the most recent Midyear Budget Review and some of the figures will also be presented in the annual budget document in January 1962.

[14] Compare, for example, tables 22 and 29, pp. 17 and 21, Survey of Current Business, National Income Number, July 1961.

Table 44 indicates the Commerce budget for calendar 1960.[15]

Table 44.—*Federal Government receipts and expenditures, calendar year 1960*

[Millions of dollars]

Receipts:	
Personal tax and nontax receipts before refunds	47, 571
Income taxes	45, 718
Estate and gift taxes	1, 781
Other taxes	------
Nontaxes	72
Less: Tax refunds	4, 411
Equals: Personal tax and nontax receipts	43, 160
Corporate profits tax accruals	21, 186
Indirect business tax and nontax accruals before refunds	14, 221
Excise taxes	12, 250
Liquor	3, 177
Tobacco	1, 955
Other	7, 118
Customs duties	1, 081
Capital stock tax	------
Nontaxes	890
Less: Tax refunds	225
Equals: Indirect business tax and nontax accruals	13, 996
Contributions for social insurance	17, 695
Total receipts	96, 037
Expenditures:	
Purchases of goods and services	52, 926
Compensation of employees	21, 612
New construction	3, 665
Other purchases	28, 228
Less: Government sales	579
Transfer payments	23, 745
To persons	22, 191
Foreign (net)	1, 554
Grants-in-aid to State and local governments	6, 128
Net interest paid	7, 046
Interest paid	10, 292
Less: Interest received	3, 246
Subsidies less current surplus of Government enterprises	2, 908
Total expenditures	92, 753
Surplus or deficit (—) on income and product account	3, 284

Source: Survey of Current Business, U.S. Department of Commerce, July 1961, p. 16.

[15] The receipts total for fiscal 1960 was $94.1 billion; the expenditures total for the same period was $91.9 billion. See p. 21, National Income Number, op. cit.

Personal taxes in Table 44 are on the basis of amounts withheld, not amounts paid by employers as in the conventional and cash budget totals. Corporate profits taxes are on an accrual basis.[16] One reason for doing this, aside from any economic logic, is that business records are generally maintained on an accrual basis and the Commerce Department uses data from these records in developing its figures on the private sector as well as on business taxpayments. On the other hand, since most individuals keep records on a cash basis, personal taxes are shown primarily on that basis, with only a minor adjustment for noncorporate businesses that are on an accrual basis. Similarly, indirect business taxes are computed principally on an accrual basis; employees' contributions for social insurance, i.e., employment taxes, are based on cash flows; and employers' contributions are on an accural basis.

The accrual concept is also used in part on the expenditure side of the Commerce budget. For instance, under the heading of "New construction," if some building has occurred during the year for which Federal payments have not yet been made, estimated accrued amounts of increased liabilities would be shown to reflect the value of the resources employed in the construction. In the same way, interest on savings bonds and Treasury bills are shown on an accrual basis. Most other expenditures are shown on the basis of cash flows, although there is a net adjustment for the change in amounts owed by the Government to businesses. Progress and advance payments are included in private inventory accumulation, rather than as Government purchases. Hence, in cases where these payments are used, the Commerce expenditures represent the value of goods delivered, not the cash outflows associated with the goods.[17]

Certain other features of the Commerce budget should also be noted. The items on the expenditure side are divided generally into categories that can be useful for some economic purposes, especially for distinguishing types of Government influence on uses of resources. Some of these categories need clarification, however. "Other purchases" include, for example, loans by the Commodity Credit Corporation, on the grounds that agricultural products are bought by the Government at the time a loan is extended rather than at the later point when the loan is formally liquidated in the Government's books by surrender of the commodities used as collateral. Foreign transfer payments and interest are both shown on a net basis on the expenditure side.

In some instances, the separation between payments to resources for effort expended and transfer payments is awkward. For example, allowances for dependents of individuals in the Armed Forces is considered to be compensation to employees, but retroactive terminal leave payments, bonuses, and other deferred payments to members of the Armed Forces are treated as transfer payments. Treatment of these latter amounts as compensation would require, under accrual accounting, attributing the amounts to earlier years and therefore revising the GNP figures for those years.

Government subsidies are explicitly indicated by the last expenditure item in the Commerce budget. This item also reflects some part

---

16 By contrast, conventional and cash budget receipts are based on records of cash inflows to the Treasury.

17 This leads to some double counting, since business firms do not usually treat progress and advance payments as increased inventory. The Commerce Department tries to adjust for this, but can do so only partially.

of the activities of Government enterprises. These enterprises are essentially considered as similar to private businesses and are consolidated in the business sector rather than being included in the Commerce budget for the Federal sector. However, there are some differences between the treatment of Government enterprises and other businesses. First, the profits of Government enterprises are viewed as negative Government subsidies. Hence, losses by Government enterprises are considered exactly like Federal subsidies.[18] Second, capital formation and inventory increases of these enterprises are treated as "Other purchases" by Government. Third, the profits of the enterprises are computed without consideration for either depreciation or net interest paid. Depreciation is ignored just as depreciation on other Government capital assets is ignored. Net interest paid by Government enterprises is considered like other Federal interest as a transfer payment rather than a return for a service. Most Government enterprises, either wholly owned or sponsored, are treated the same in the Commerce budget.[19]

It is interesting to compare the concepts used in the Commerce budget with those used in the conventional and cash budgets. Table 45 indicates, for the fiscal year 1960, the differences in concepts used in the three sets of budget totals. It is important to note that all three budgets have the same characteristics except insofar as Table 45 shows differences. Table 45 represents, in effect, a checklist of the adjustments necessary to move from one set of totals to another.

TABLE 45.—*Relation of Federal Government receipts and expenditures in the national income accounts to the budget, fiscal year 1960*

[Billions of dollars]

Receipts:	
Budget receipts	77.8
Less:	
Intragovernmental transactions	4.4
Receipts from exercise of monetary authority	.1
Plus: Trust fund receipts	21.8
Equals: Federal receipts from the public (cash receipts)	95.1
Less: Adjustment for agency coverage: District of Columbia revenues	.2
Plus: Adjustments for netting and consolidation:	
Federal Government contributions to:	
Employee retirement funds	.8
Veterans' life insurance funds	.0
Federal Government employee contributions to employee retirement funds	.8
Interest, dividends, and other earnings	−1.4
Plus: Adjustments for timing:	
Excess of taxes included in national income accounts over cash collections:	
Personal	−.4
Corporate profits	.1
Other	.0
Miscellaneous	.4
Less: Adjustments for capital transactions:	
Realization upon loans and investments	.4
Proceeds from sale of Government property	.4
Recoveries and refunds	.1
Equals: Receipts, national income accounts	94.1

[18] For example, the Post Office deficit is included in "Subsidies minus current surplus of Government enterprises" in Table 44.

[19] Federal land banks are not included since no capital stock is currently owned by the Government. The Federal Reserve System is not included as a Government enterprise. On the other hand, Federal home loan banks, banks for cooperatives, and the FDIC are all included in the Commerce budget.

TABLE 45.—*Relation of Federal Government receipts and expenditures in the national income accounts to the budget, fiscal year 1960*—Continued

Expenditures:	
Budget expenditures	76. 5
Less:	
Intragovernmental transactions	4. 4
Accrued interest and other noncash expenditures (net)	. 4
Plus:	
Trust fund expenditures	22. 2
Government-sponsored enterprise expenditures (net)	. 5
Equals: Federal payments to the public (cash expenditures)	94. 3
Less: Adjustment for agency coverage: District of Columbia expenditures	. 3
Plus: Adjustments for netting and consolidation:	
Federal Government contributions to:	
Employee retirement funds	. 8
Veterans' life insurance funds	. 0
Federal Government employee contributions to employee retirement funds	. 8
Interest received and proceeds of Government sales	−1. 0
Plus: Adjustments for timing:	
Accrued interest on saving bonds and treasury bills	. 6
Commodity Credit Corporation guaranteed nonrecourse loans (net change)	−11
Increase in clearing account	−. 4
Miscellaneous	−1. 0
Less: Adjustments for capital transactions:	
Loans and other adjustments:	
Federal National Mortgage Association secondary market operations	1. 0
Other	. 3
Purchase of land and existing assets	. 1
Trust and deposit fund expenditures	. 7
Redemption of International Monetary Fund notes	−. 3
Equals: Expenditures, national income accounts	91. 9

Source: "Survey of Current Business, National Income Number," U.S. Department of Commerce, July 1961, p. 21.

First, in the national income accounts, the District of Columbia is classified as a State government, and therefore is included only in the grants-in-aid figures. (Both the conventional and cash budgets include receipts and expenditures for the District of Columbia in the budget totals.)

Second, while most intragovernmental transactions are excluded in all three sets of budget totals, two types of intragovernmental transactions are included in the Commerce budget. One of these is the Federal contributions to retirement and insurance funds; the other is the personal contributions of individuals to these funds. (Both of these are excluded from the cash budget totals because the amounts are not considered cash flows between the Government and the private sector.[20]) The reason for including the amounts in the Commerce budget is that they represent part of the remuneration attributable to services rendered by individuals to the Government.

Third, the "adjustments for timing" represent essentially an attempt to place at least some receipts and expenditures on an accrual rather than a cash basis, as discussed earlier.

Fourth, "adjustments for capital transactions" are all designed to eliminate financial transactions that are in the conventional and cash

[20] In effect, the cash budget shows less than 100 percent of the nominal salaries, but all of the take-home pay.

budget totals but which are not considered as use of resources or creation of new goods and services. For example, in a transaction involving a transfer of ownership in a piece of land, the dollars exchanged for the land do not reflect any use of resources and no creation of new goods or services.[21] Other examples are purely financial transactions, e.g., loans and loan repayments, and exchanges of secondhand assets. It is important to note in this connection that all purchases by the Government of new capital assets are shown in the Commerce budget as the capital is being produced or acquired, not as it is being used by the Government, since resources are employed at the time the assets are being produced. There is no distinction between purchases of current assets and capital assets in this respect. No depreciation of Government capital assets is shown, because such depreciation would represent a double counting of all capital costs.[22] No imputed values are assigned to the contributions of Government assets, e.g., the value contributed by the Federal highway system, simply because there is no basis for estimating such value; no property of similar type is rented in a marketplace. On the other hand, some imputations are made for wages and salaries paid in kind to Government employees, notably in the armed forces.

The second stage of Commerce Department consolidation is to combine the Federal sector with all other sectors in order to obtain statistical aggregates for the economy as a whole. The question here is: what part of the Federal budget, as developed by the Commerce Department, should be included in these aggregates? In terms of resource use and goods and services created, the answer for the Federal sector is quite simple: only the first major expenditure item in Table 44, "Purchases of goods and services," is included in GNP. The reason for the exclusion of some of the other expenditure items can be readily understood. Transfer payments and grants-in-aid are essentially transfers of money which, of themselves, do not involve use of resources. The exclusion of interest, however, is somewhat more arbitrary. It is excluded on the grounds that it represents primarily a cost associated with past Government deficits due to wars and other factors and should not be construed as a cost of current output.[23] Finally, the net expenditure for Government enterprises is excluded from the Federal figure in GNP because the enterprises are treated for this purpose as part of the business sector, not the Government sector. Hence, data for Government enterprises are included in GNP in a manner similar to data for other businesses,[24] but do not appear as part of Federal expenditures.

The Commerce Department also derives GNP figures by cumulating all of the incomes generated in the production of goods and services. These incomes could be shown on a gross basis before the payments of taxes to the Federal Government. However, in order to provide more information, the Commerce Department separates

[21] The value of the services rendered in connection with the transfer, e.g., legal fees, salesman's commission, would be included in GNP because resources were used.

[22] Although such double counting does exist in the GNP figures for private capital assets. Moreover, depreciation on Government capital assets would be useful as a measure of the consumption of these assets. See p. 144.

[23] By contrast, interest on business and personal loans is included in GNP on the assumption that it is a cost of current output. For a justification of the Commerce treatment of Government interest, see National Income Supplement, 1954, op. cit., p. 54. For one critique of the treatment, on the grounds that abstention from consumption is a service, the value of which is measured by interest, see J. P. Powelson, "Economic Accounting," op. cit., p. 361.

[24] Except for the differences noted on p. 124.

the gross incomes into two categories: amounts of gross incomes paid in taxes and amounts left after taxes.

V. Other Budget Data

The Federal Reserve System—as part of its general statistics on flows of funds—compiles data on sources and uses of funds in the Federal Government sector.[25] These Federal flows of funds figures are available by calendar quarters and include only actual data. They generally include all Government activities described in chapter four except the exchange stabilization fund and the Federal Reserve System itself.

The basic difference between the Federal Reserve figures and chapter four is that almost all of the Federal Reserve figures are on a net basis. The figures include individual and corporate income taxes, excise and customs receipts, and estate and gift taxes. No miscellaneous receipts are included except fines, penalties, and forfeitures. Receipts also include payments to the Treasury on Federal Reserve notes outstanding. Figures are also available on social insurance programs, including Federal employment taxes and State deposits in unemployment compensation trust funds. Life insurance and retirement programs, including railroad retirement and Government insurance programs, are included in the Federal Reserve data. Amounts of net grants and donations are shown in virtually the same form as they are shown in the national income and product accounts. Government enterprises are indicated on a net basis as they are in the cash budget. There is a net interest amount which is, in effect, net interest paid to the public, including interest on tax refunds and net interest paid to foreigners. Net purchases of goods and services are similar to the amounts shown in the national income accounts. Some imputed amounts are included to reflect the accumulation of equity in retirement funds by individuals. The Federal Reserve figures also show certain net financial transactions including changes in Treasury cash balances, net mortgage acquisitions, net loans extended, and increases in financial assets.

The Census Bureau publishes some Federal receipt and expenditure figures on a basis consistent with its statistics on receipts and expenditures of State and local governments.[26] In general, the Census data for the Federal Government includes all budget receipts and expenditures except those associated with the District of Columbia and unemployment compensation, both of which are considered as State activities. Intragovernmental transactions are, for the most part, treated in the same manner as in the Commerce budget. However, interest on U.S. securities paid to trust funds is included in both expenditures and receipts. Virtually all figures are on a cash basis. All loans are excluded, including CCC loans. The principal advantage of the Census material is that most Government enterprises are shown on a gross basis on both the expenditure and receipt sides of the budget.

---

[25] For the most recent figures, see Federal Reserve Bulletin, August 1961, p. 989. For more basic information on the concepts used, see Flow of Funds in the U.S., 1939-53, Board of Governors of the Federal Reserve System, December 1955, pp. 117-150; and the Federal Reserve Bulletin of August 1959, especially p. 847.

[26] See, for example, "Government Finances in 1960," Bureau of the Census, Department of Commerce, Sept. 19, 1961.

A third—and potentially quite valuable—source of economic budget data for the Federal Government can be found in the annually published hearings of the congressional committees on taxation and appropriations. Here, the individual agencies provide some additional information, especially on costs and services, that is not available in any of the other budget sources. Unfortunately, there is no way to generalize about this material. Different subcommittees request different types of information from the various agencies, and the material from the agencies is not drawn together in meaningful economic categories. The data are useful, however, not only to the extent that they supplement the regular budget data, but also by revealing the types of economic facts which the agencies possess and which could be made available.

A fourth source of budget data is in the various Treasury Department publications which have been described earlier.[27] The point to note here about the Treasury material is that it is almost entirely in the form of bookkeeping accounts on the cash flows of the Government. Account numbers are given to each type of transaction and the data in the accounts are used as the basis for the Treasury summaries which are published. There is no information on the economic effects of Government receipts and expenditures, except insofar as these effects can be deduced from the cash flows.

[27] See p. 39.

CHAPTER EIGHT

ECONOMIC ADEQUACY OF THE PRESENT BUDGET

I. Nature of the Criteria

This chapter is designed to examine the adequacy of the present Federal budget document in indicating the economic impact of Government fiscal actions. The significance of such an examination lies in the fact that the budget is virtually the only source for measuring the fiscal impact of the Government and the budget is extensively used for this purpose. Not only the executive agencies but also the Congress, the press, and the public look to budget data as significant economic indicators. Moreover, all of these users should reasonably expect the budget to contain such material, since it is a logical source, as well as virtually the only source.[1] However, if the budget is to be used in this manner, information must be available on the means of using the budget and the limitations of the material in it. The purpose of this chapter is to provide such information.

In order to demonstrate the economic adequacy of the Federal budget, the following sections indicate the budget data available on various policies recently proposed by Presidents Eisenhower and Kennedy.[2] The Eisenhower proposals are taken directly from the 1962 budget as presented to Congress on January 16, 1961. The Kennedy proposals are drawn from various messages presented by the President to Congress since January 20, 1961. The budget materials used in assessing the economic consequences of these proposals are the materials described in chapter seven.

Chapter six indicated the types of economic questions that could be raised about Government policies and that the budget should reasonably be expected to answer. These questions were arranged under five headings. The present chapter is arranged under the same five headings and similar questions are raised in each section with respect to specific recent policy proposals. The selected policies have been chosen merely to provide examples of the application of budget data and each policy is placed in the section which seems to reflect the predominant economic characteristic of the policy.

No attempt is made in the following sections to assess the policies themselves. Rather, the sections are designed simply to indicate what data are available in the budget by which to judge the economic impact of the policies. To the extent the data are available, references are indicated in footnotes so that assessments of the policies can be made if desired.

---

[1] Some of the material which should be provided in the budget document is publicly available in varying degrees of detail in other sources, especially in committee hearings. Nevertheless, the budget is the appropriate place at which to draw this material together and summarize it.

[2] Because relatively current proposals are discussed in this chapter, there is an additional difficulty in using the budget data: there has been a change in administration and the most recent budget does not include proposals made by the current administration. This difficulty represents a weakness of present budget procedures which exists with every change in administration. However, the difficulty is just one manifestation of a more basic budget weakness: the budget document is only an annual publication and does not indicate changes within a year. In some respects, a change in administration results in more budget information being available than is typical during normal budget years because information is provided by both an outgoing administration and an incoming administration.

II. Efficiency in Obtaining and Using Resources

Requests were made in the 1962 budget for $66 million of new obligational authority in order to initiate new upstream watershed programs, including planning for construction of a number of new projects. The $66 million represented only the initial costs of these programs. For example, of the total amount, $10 million was for the purpose of starting construction on projects that were estimated to cost $70 million to complete.[3] Here is an instance in which some useful economic material was contained in the budget. After a detailed explanation of the procedures used in these types of expenditures, some information was provided on general workloads, on the number of projects, and the timing of them, and the nature of the costs incurred by general categories of resources used. However, this example also indicates a major weakness—at least in terms of economic usefulness—which is common to virtually all budget data: there was a complete absence of information on the returns which might be expected from these projects and no reference to materials that might contain such information. Who would be benefited? What types of benefits would be received? What was the value of these benefits? When would benefits be received? How did the expected benefits compare with the costs described? No attempt was made to provide even general answers to these types of questions.

An increase of $48 million was recommended in the 1962 budget for TVA, and some details were available on how this money was to be spent, although practically no information was available on the returns anticipated from the expenditures.[4] In addition, however, TVA intended to issue $140 million of revenue bonds which were not included in any budget totals.[5] TVA would receive payments from the public for services but these payments were not in the budget totals. It was assumed that $50 million would be paid by TVA to the Treasury as a miscellaneous receipt. Hence, the budget expenditure total was $48 million higher and the receipts total $50 million higher because of anticipated financial transactions between the Government and TVA. The budget total did not reveal the total cash flows between TVA and the public or the total economic impact of new projects to be initiated by TVA.

During 1960, the Congress appropriated $5 million for the joint construction (with Mexico) of a dam on the Rio Grande. The 1962 budget contained a request for $12 million "to finance further work on the dam as soon as technical details relating to its construction are approved by the two Governments."[6] This is all the information that was available in the budget. Initial authorization for construction had apparently been granted without knowledge of the technical details of construction and therefore without adequate cost figures. There is no evidence of why $12 million is now an appropriate figure or what may be done with the $12 million. Yet $12 million is in the appropriation totals.

The Navy shipbuilding program proposed in the 1962 budget included construction of 30 new ships of various types at a total esti-

---

[3] 1962 budget p. M61. See also pp. 353–355.
[4] Ibid., pp. 209–218.
[5] Nor in national debt figures. See ibid., p. M65.
[6] Ibid., p. M63.

mated cost of nearly $2 billion.[7] What was the estimated cost by type of ship? How were the cost estimates derived? How do these costs compare to ships produced in the past? What firms will get the contracts? How will the contracts be let? How many commitments have already been made? Will the contracts require new employment or merely replace old contracts now expiring? When will the contracts be let and how soon can the yards be tooled up? Alternatively, is production already going on? What quality controls are to be enforced? When are deliveries contemplated? How and when will payments be made? No information on any of these issues was to be found in the budget.

Legislation was proposed by President Eisenhower to require States to share a greater part of the costs of farm disaster relief assistance.[8] How much might this proposal reduce Federal costs? Are these lowered costs assumed in the 1962 budget totals? What types of federally employed resources would be released by the proposal? How might individual States be affected? No answers were available in the budget.

In the 1962 budget, legislation was proposed to require fallout shelters in certain new private construction. The only budget information on this proposal was that "upon the enactment of this legislation, supplemental appropriations will be required." [9] There was no information concerning the amounts which the Congress was being asked to commit. How many buildings might be involved in such a program? What would the shelters cost? How many people might be protected by the shelters, and to what degree would the shelters provide protection? None of the answers to these questions were available.

President Eisenhower recommended that the local share of urban renewal project costs should be increased from one-third to one-half.[10] What effects might this proposal have on the amount of urban renewal? What were the relative benefits to the community and to the Nation from such projects? Might local communities divert resources and funds from other worthwhile projects to meet these added costs? How many projects—and what types—were now under consideration? What types of employment were affected by these projects? No answers were available in the budget.

III. Influence on Economic Stability

Shortly after his inauguration, President Kennedy took a series of actions designed to stimulate the economy. These actions included:

1. Expanding the free food distribution program for needy persons (estimated cost in fiscal 1961: $118 million).
2. Making additional housing loans available to low-income farmers (an estimated $50 million).
3. Advancing the payment of $258 million of veterans' life insurance dividends and announcing an extra dividend payment of $230 million.

[7] Ibid., p. 520.
[8] Ibid., p. M60.
[9] Ibid., p. M54.
[10] Ibid., p. M49.

4. Accelerating tax refunds (total amount and timing unknown).[11]
5. Directing Federal agencies to speed procurement and construction already planned under existing programs. (It is estimated that, for fiscal 1961, obligations were $660 million higher because of this action.)
6. Compressing the planned 18-month Post Office construction program into 10 months. (The total cost of this program is estimated at $269 million.)
7. Accelerating payments to farmers for crop storage under price support loans (at least $25 million more was paid out by the end of March 1961).
8. Improving the mechanism of which Federal contracts were channeled to firms in labor surplus areas (costs and results unknown).
9. Expanding the counseling and placement service of the U.S. Employment Service (costs and results unknown).
10. Urging State Governors to speed the spending of $1.1 billion in Federal aid for highways and school construction (results unknown).
11. Introducing a food stamp distribution program (costs and results unknown).
12. Accelerating initial construction of certain Housing and Home Finance Agency projects already approved (costs and results unknown).
13. Expansion of Export-Import Bank coverage of credit and loan guaranties (costs and results unknown).

The significant aspect of these actions, from the standpoint of this study, is that not one of them ever will be examined in any budget document. The actions were all made administratively, without congressional review. In various way, the Government was using budget components to achieve economic goals with no economic analysis publicly available of the possible impact of these funds. Answers were not available for any of the questions asked in chapter six about stabilization policies. In fact, the above list represents one of the few places in which the actions have been publicly indicated.[12]

One reason for this lack of public information on these actions is that the budget is only an annual document, and the budget which covered the last half of 1960 and the first half of 1961 had been released in January 1960, over a year before the actions were taken. Moreover, the actions were designed to have economic impact within very short periods, presumably before the next budget would be presented. In any case, there is rarely any information in a budget about timing of expenditures within fiscal years and many of these actions involved simply accelerating the flow of expenditures. All that will presumably appear in future budgets about these countercyclical policies is the fact that actual expenditures for particular agencies in fiscal 1961 and 1962 were at certain aggregate levels. Also, since the budget is now designed essentially for the benefit of the Appropriations Committees of Congress, and the President had

[11] For a general estimate of the significance of these refunds, see pp. 81 to 82 supra.
[12] For a similar list, see "Program To Restore Momentum to the American Economy," 87th Cong., 1st sess., H. Doc. 81, Feb. 2, 1961.

the power to take these actions without review by the Appropriations Committees, there was no need for the actions to be assessed in any budget.

The President also proposed certain other countercyclical steps that required legislative action. This list of proposed actions is somewhat more difficult to compile because the actions involved other features besides countercyclical effects.[13] However, such a list might include:

1. Temporary extension of unemployment compensation ($498 million in fiscal 1961; $340 million estimated for fiscal 1962.)
2. Aid for schools in federally impacted areas ($23 million more in fiscal 1961).
3. Grants and loans to depressed communities (approximately $400 million over a 2-year period).
4. Aid to dependent children of persons who have exhausted unemployment benefits (estimated $170 million in fiscal 1962).
5. Some acceleration of Federal aid for highway construction (dollar amounts and timing uncertain).
6. Expansion of urban renewal program (dollar amounts and timing uncertain).
7. Construction of some new public housing units (dollar amounts and timing uncertain).

The noteworthy aspect of these proposals in terms of this study is that virtually no information is available about how these policies will influence the budget totals or the economy.[14] Data will presumably appear in the 1963 budget to indicate the actual expenditures which have already been made under these programs and the anticipated expenditures in the fiscal year 1963.[15] But to what extent may these policies stimulate the economy? How much additional employment can be expected from them? What are the income levels of the beneficiaries of the programs? Will there be indirect effects in the form of increased general consumption? When will the economy feel the impact of the programs? Should other estimates in the budget be revised because of these actions? Satisfactory answers to these questions are not obtainable from published budget materials.

IV. Effect on Distribution of Income

The 1962 budget expenditure total included a single figure reflecting the estimated postal deficit for the fiscal year.[16] The deficit amount was based on a whole range of assumptions, none of which were indicated except one: that Congress would enact increases in postal rates. The only information on these proposed increases was that, if adopted, they, along with some unspecified administrative changes, would increase postal receipts by $843.1 million. This amount was approximately one-half the anticipated conventional budget surplus. Who would pay these increases? How much of a decrease in so-called

[13] The very difficulty of compiling a list of policies with countercyclical features indicates one of the basic weaknesses of the budget materials now available on these types of policies.

[14] The information that is available can be found in two published sources: the hearings before the congressional committees (although apparently none of the proposals were considered by Appropriations Committees) and in the 1962 Budget Review. The material is not arranged in either of these sources to give answers to the type of questions raised in chapter VI.

[15] However, even these figures are almost meaningless. For example, the commitments on public housing involve expenditures over at least the next 30 years.

[16] 1962 Budget, pp. 839–850, especially p. 841.

junk mail was assumed in the figure? How much of a switch to telephone service was assumed as a result of the proposed rates? What cost data could be associated with the rate changes for each class of mail? No information was available on any of these questions.

President Kennedy proposed a $10 billion increase in matching grants for construction of nursing homes.[17] This proposal did not appear in the 1962 budget because the annual budget had already been submitted. The 1963 budget will indicate the anticipated expenditures in 1963 from the proposal. But who may benefit from the construction? What States will be interested in participating in the program? What will be the income and age requirements for persons using the facilities? Over what period of time will the homes be constructed? What are the needs for these homes? How are the needs being met presently? What changes will be made for persons using the homes? Answers to these questions should presumably have been available before the funds were granted, but the answers were not provided in any budget materials.

President Eisenhower recommended increases in military retirement pay. The information available included the aggregate amount of estimated increased expenditures for fiscal 1962, and number of estimated retired military personnel in 1961 and 1962.[18] What were the income levels of those now retired? How were these levels assumed to be raised by the proposed expenditures? How many retired officers were now privately employed who might withdraw from the labor force? How did the amounts proposed for retired military personnel compare to amounts contributed by these individuals? How did the proposed amounts compare to retirement payments of civilians? No answers were available to these types of questions in the budget.

It was recommended in the 1962 budget that the tax on aviation gasoline be increased from 2 to 4½ cents per gallon and that a 4½-cent tax rate be applied to jet fuels.[19] The revenues possible from these increases were assumed as part of the budget receipts in 1962. Should it be assumed that these taxes will be passed on in the form of higher fares? If so, how much may these higher fares affect air travel relative to rail and passenger car travel? Who travels by air? How much, for example, may the rate increases lead to increased corporate income tax deductions? How do these tax rates compare to the private benefits derived from Federal expenditures for airways services? No answers were available.

V. Contributions to Ecomomic Growth

President Eisenhower requested authorization to construct a linear electron accelerator at Stanford University. Apparently, this accelerator would represent a major forward step in developing the peaceful uses of atomic energy. Yet, so far as can be determined, the only information on this accelerator in the budget is that it will be 2 miles long.[20] What is the cost? What returns can be expected from it? How does it complement other work in this area? Why should it be

[17] "Health Program." Message from the President of the United States, 87th Cong., 1st sess., H. Doc. 85, Feb. 9, 1961, p. 3.
[18] 1962 budget, p. 483.
[19] Ibid., p. M45.
[20] Ibid., p. M31.

at Stanford? How long will it take to build? Does the technological knowhow to build it now exist? No information was available anywhere in the budget on these questions. There may have been security reasons for not revealing this information, but no indication was given that security issues were involved. Moreover, if security is used as a justification for withholding information from the budget, both the budget and the budget process can become almost meaningless.

The present administration recommended a special investment tax credit to accelerate economic growth through encouraging increased investment in private plant and equipment.[21] This proposal was not in the 1962 budget since the budget had been presented to the Congress earlier. However, the proposal was referred to the House Ways and Means Committee, and extensive descriptive material was provided on the subject.[22] Some appropriate budget data was presented in the statements, although estimates should have been provided on anticipated future revenue losses, amounts of increased plant and equipment expected from the proposal, types of future beneficiaries, and possible effects on costs and prices. The proposal has not yet been enacted. An interesting question is whether the 1963 budget revenue estimates will be based on the assumption that the proposal is enacted. If so, the 1963 budget should also furnish estimates of the effects of the proposal on the economy and on other budget components.

VI. Impact on Private Resources

President Eisenhower proposed increases of more than 20 percent in Government expenditures to replace old privately owned cargo ships with new privately owned ships and for payment of some costs of operating privately owned merchant vessels. In addition, the Government initiated, without amounts even appearing in the budget, a new research and development program for the benefit of private ship operators.[23] What adjustments would have occurred through free market forces if these subsidies had not been proposed? Who will reap the benefits of these subsidies? To what extent will these subsidies affect employment in shipyards, transportation costs of exporters, and the competitive position of U.S. shipowners relative to foreign shipowners? No answers were available in the budget.

In many instances, amounts were requested in the 1962 budget for expenditures that had already been made without legislative review. For example, $936 million was requested—

> to restore, to the extent necessary, the capital impairment of the Commodity Credit Corporation resulting from previous price-support losses, and $1.7 billion to reimburse the Corporation for estimated costs and losses through fiscal year 1961. * * *"[24]

How had this money been spent? Who had benefited from it? What was the gain to the Nation from these amounts? No answers

[21] "Our Federal Tax System," Message from the President of the United States, 87th Cong., 1st sess., Doc. No. 140, pp. 3-6

[22] See "President's Tax Message, Along With Principal Statement, Detailed Explanation, and Supporting Exhibits and Documents," Committee on Ways and Means, Government Printing Office, Washington, May 3, 1961, pp. 3-5, 17-22, 44-50, 93-113.

[23] 1962 budget, p. M45.

[24] Ibid., p. M55.

had presumably been given in earlier budgets because the amounts were unanticipated, and the Congress was being requested in this budget to make up the funds without the information now being provided.

VII. Summary

It is clear from the foregoing that much of the economic information which would be useful in appraising new budget policies is not provided in the budget document. Some of this information can be found in various congressional committee hearings.[25] However, the budget is the document which should presumably draw this material together, indicate the economic interrelationships among the policies, and summarize the total economic impact of all the new proposals taken together. The present budget document does not serve these purposes.

The budget also will be misleading to many—including policy-makers—who attempt to draw conclusions about the economic influence of the Government from the budget totals. The budget totals do not include all of the estimated cash flows either to or from the Government. The budget totals are based on many dissimilar types of estimates, and the relative reliability of these different estimates is not distinguished in deriving the budget totals. The budget totals include items with dissimilar types of economic impacts, and the simple addition of these different items serves to obscure the total impact of the Government. Several different time periods are involved in any set of budget totals. Many proposed Federal actions are not in the budget. Budget decisions on Federal actions are frequently made outside the budget context. The assumptions underlying budget amounts are generally not indicated, although these assumptions could represent important qualifications of the totals.

There is no section in the present budget that concentrates on the factors which will cause changes in the budget.[26] There is no detailed explanation of the reasons for anticipating changes in receipts and expenditures. No analysis is available of the forces which may be operating in the private sector to change the components in the budget, and no analysis is provided on the economic significance to the private sector of discretionary policy changes proposed in the budget.

The budget is only an annual document, prepared and presented at least 6 months before the beginning of the period to which the budget is applicable. Hence, the continual adjustments in estimates of budget components are not revealed until the next annual budget is published.[27] Changes are always occurring in the economy which influence the budget, and decisions are regularly being taken within the Government that influence the economy, yet the budget does not disclose the nature of significance of these forces.

---

[25] Although it is perhaps surprising to note that virtually none of the policies discussed in the preceding sections were examined by the Appropriations Committees of Congress, the policies were studied by the committees that had jurisdiction over the authorizing legislation to the extent such legislation was required

[26] The President's budget message may be intended to serve this purpose, but in fact, it does not do so. These messages include records of past achievements, general goals, and some legislative proposals without budgetary significance. At the same time, the messages typically exclude contemplated administrative changes.

[27] With one exception: the midyear budget review. This document now provides a cursory review of changes resulting from congressional action and more current estimates for a fiscal year. Hence, some annual information is revised semiannually. The midyear review could serve as the first step toward quarterly budget publications.

The budget document almost completely ignores the economic consequences of changes in Government receipts. Legislation on receipts is not referred to the Appropriations Committees of Congress, and the present budget is designed primarily for the use of these committees. Hence, little information is provided on the assumptions underlying revenue estimates, on the changes expected in the economy as a result of fluctuations in receipts, or on the significance of proposed changes in tax laws. The budget reader rarely is provided an opportunity to associate tax policies with expenditure policies in order to judge the combined impact of both together—or to consider the possible substitution of one type of policy for the other as a means of achieving a given objective.

Finally, the present budget is inadequate as an economic document for the paradoxical reason that it is too voluminous. Anyone who attempts to use the tome is immediately engulfed in an overwhelming mass of detail without guidelines to distinguish the economically significant elements from all the rest. The reason for this complexity of detail is that the present budget must serve many purposes and the parts that pertain to these different uses are all heaped together. For example, a preponderant portion of the present budget is devoted to the legislative language of appropriation bills. The authorizing legislation for practically every function of Government is not only cited but quoted in detail. Data are generally presented in terms of unused balances of previous appropriations and requests for new obligational authority, not in terms of the economic significance of the amounts being requested. The result is that probably very few persons besides the budget officers of the executive branch and the members of the Appropriations Committees can know enough about the budget to use it.

CHAPTER NINE

SUGGESTED CHANGES IN THE PRESENT BUDGET

I. Changes in the 1963 Budget

On November 22, 1961, the Bureau of the Budget issued the following press release, quoted here in its entirety:

> The Budget of the United States Government is being redesigned to make it easier to read, use, and understand.
>
> Beginning with the budget for the fiscal year 1963, which the President will send to Congress next January, the budget will be presented in book size. Formerly, the budget document was the size of a metropolitan telephone directory with over 1,000 pages, weighting more than 4 pounds.
>
> Details on Government agency budgets and trust funds will be printed separately in the budget appendix, a volume about the size of previous budgets.
>
> The main budget will contain all the information desired by most users of the document, and only those concerned with extensive details of individual appropriation or trust accounts will need to refer to the appendix.
>
> The budget (book size volume) will be in four parts:
>
> Parts 1 and 2 will cover much the same material as has previously been included in budget messages—summary financial statements, narrative discussion of the President's budget and fiscal proposals, etc.
>
> Part 3, which is new, will present new obligational authority and expenditures by agency and appropriation account with a brief explanation of the change in new obligational authority from the current year to the new budget year. This section will highlight the President's appropriation recommendations, facilitate comparison with appropriation bills and committee reports, and generally serve as a quick and understandable reference point on appropriations and other budget authorizations that require congressional action.
>
> Part 4 will consist of special analyses, such as those on scientific expenditures and on cash receipts and payments, some of which in recent years have been published separately.
>
> The budget appendix will contain proposed appropriation language and detailed schedules for budgetary accounts, trust funds, and personnel compensation, and statements on motor vehicles and aircraft, similar to those published in the 1962 budget and appendix.
>
> The budget for the government of the District of Columbia will continue to be printed in a separate volume.[1]

While further details are not available now on the nature of this change in format, the direction of change clearly presages a significant forward step in improving the quality of the budget as an economic document. Hence, as an introduction to this chapter on possible future changes in the budget, it is important to recognize some of the changes already planned for the 1963 budget and the usefulness of these changes for economic analysis.

First, there will apparently be a separation of items useful to the Appropriations Committees and items useful to the general public. This separation should increase considerably the understanding of the budget and may also serve to emphasize the more important economic aspects of the budget. In addition, the sections of the budget designed for the benefit of the public will be much smaller than the present formidable volume. This change in size alone should significantly increase the usefulness of the budget.

[1] Press release 00–151. Bureau of the Budget, Nov. 22, 1961.

Second, the new part 3 may prove helpful in several ways in measuring the economic impact of the Federal Government. Part 3 will apparently concentrate on the anticipated changes in budget components arising from proposed policies, thereby highlighting the points at which the Government will have its greatest future economic influence on the private sector. Moreover, part 3 will apparently emphasize the new obligational authority required by the proposed policies. Data on new obligational authority facilitate an analysis of the timing of the Government's economic impact, because reactions may begin to occur in the private sector as soon as new obligational authority has been granted by the Congress.[2] For example, the Army may let a contract for production of additional material quite quickly after it receives authority for such a contract. The economic effects of the contract will be felt initially as the contractor obtains the resources and produces the goods, not when the expenditures are made to pay for the completed goods. Part 3 will also be useful to the extent it can key the proposed changes to particular appropriations bills and to committee reports.

Third, the proposed 1963 budget will also have certain special analyses which have been omitted in prior years and which will provide a considerable amount of significant economic data. For example, the 1963 budget will apparently contain special analyses on public works programs, grants-in-aid to States and localities, Federal statistical programs, Federal research and development expenditures, and Government credit programs. Each of these subjects is important in economic analysis of Government actions and the inclusion of these materials in the budget should be quite helpful.

In addition to the changes described in the press release, the 1963 budget will also contain—for the first time in many years—some of the budget data now provided in the Commerce Department's National Income and Product Accounts.[3] This material will be useful because it is designed to reflect the aggregate economic significance of the Federal Government relative to other sectors of the economy. The Commerce data also emphasizes the impact of the Government on economic resources. The National Income and Product Account has some of the same weaknesses inherent in other budget materials, as described in chapter seven, but the account nevertheless contributes to an understanding of the economic role of Government.

II. Further Changes in Future Budgets

The changes being planned for the 1963 budget represent only an initial—albeit a significant—step toward an effective economic budget. Many improvements will still be possible and desirable. The rest of this chapter suggests the directions in which these improvements might be made, based upon the weaknesses of the budget disclosed in the preceding chapters. The following suggestions are arranged generally in order of ease of adoption, beginning with those which seem most feasible. All of the suggestions relate to the economic role of the budget; no attempt has been made to examine the effect of the suggestions on the administrative usefulness of the budget.

[2] Or perhaps even before, to the extent individuals or businesses act on assumptions about the likelihood of the proposed authority being passed by the Congress.

[3] See pp. 120 to 127.

Some of the proposals listed below may be questioned on grounds of feasibility. Proposed changes in existing procedures are always challenged on these grounds. Merely raising the specter of feasibility should not be sufficient justification for rejecting the suggestions. The first question in all cases should be whether the changes are desirable. If that question is answered affirmatively, the second question can then be on the nature of the techniques necessary to achieve the objectives. Consideration has been given to the feasibility of each of the following proposals and some comments are indicated on the ease of adoption.[4] It will presumably be difficult to ignore the fact that all of the suggestions have actually been done in one form or another at some time in the past by individual Government agencies, by independent research groups, or by other countries.

The major practical difficulty is sufficient manpower. However, even with respect to the limited personnel now in the Bureau of the Budget, this difficulty only exists to the extent the assumption is made that every activity now pursued by the Bureau is more important than any of the activities suggested here. Moreover, much of the work implied by the following proposals is already being done by particular agencies of the Government, and the Bureau's task—already performed in part—would be simply to summarize and consolidate. In addition, analysis of the economic impact of the Federal Government may well be a sufficiently important goal to warrant some larger budget appropriations for additional personnel.[5] Finally, consideration might be given to the creation of a nonprofit private research organization, such as is now used so successfully in the Defense Department, to perform some of the analytical work for the Bureau. Alternatively, some work could be subcontracted to existing organizations.[6]

Some of the analysis recommended in the following sections is now being done by the President's Council of Economic Advisers. For example, the Council is preparing quarterly projections of Government expenditures. Regrettably, little of this material will ever be published or provided to the Congress and the public. The impact of the recommendations in this chapter is that such material should be publicly available. Either the budget can be modified to incorporate economic analysis provided by the Council, or the President's Economic Report can include more analysis of budget data; the choice between these alternatives is not too significant. The important point is that economic analysis should be linked to budgetary data and the analytical material should be regularly furnished in published form.

---

[4] These proposals have also been reviewed by a number of individuals who have had experience working in—or with—the Bureau of the Budget and each of the following suggestions has been considered worthy of further development by the Bureau.

[5] In obtaining additional personnel, the Bureau should not be modest. It is probably the best postgraduate school of public finance in the Nation, and provides one of the strongest springboards into both Government service and academic careers that can be obtained anywhere, as is evident from a survey of its graduates.

[6] Related jobs have been done in the past by such groups as the National Planning Association, the Brookings Institution, and the Committee for Economic Development. It is interesting to note that many of the proposals in this chapter have already been adopted by various other countries and that a number of these countries, such as Sweden, Japan, Germany, and Pakistan, now use semiautonomous organizations to do continuing economic research on budget matters. On the general subject of budget projection. and economic analysis in foreign countries, see "Budgetary Projections in the Framework of Economic Projections and their Adaptations," a paper prepared by Gerhard Colm in July 1961, for the Congress of the International Institute of Public Finance in Warsaw.

A. SPECIFIC IMPROVEMENTS

1. Specify economic assumptions

Many economic assumptions are now made in connection with the projections indicated in the budget document. However, these economic assumptions are not explicitly indicated in the budget. In order to make a reasonable appraisal of the realism of the budget figures and of their economic impact, the underlying assumptions should be available. The assumptions should include the anticipated levels of gross national product, prices, employment, personal income, and other economic aggregates. In addition, estimates should be provided in the budget of the various amounts entering into the National Income and Product Account totals maintained by the Commerce Department. It is not clear as yet whether the incorporation of national income data in the 1963 budget will include projections of these amounts for future periods or merely the actual figures available at the time the budget is published.

2. Distinguish types of changes

Each budget contains changes from previous budget amounts. The principal economic importance of each budget lies in the nature of these changes. One of the most useful—and simplest—modifications in the budget document would be to group these changes by types. The categories might include—

(*a*) Changes associated directly with contemplated administrative actions.

(*b*) Changes based directly upon new legislative proposals.

(*c*) Changes caused by reactions in the private sector to the new administrative or legislative programs.

(*d*) Changes resulting from independent forces in the private sector.

(*e*) Changes arising from improved estimates of continuing programs.

(*f*) Changes anticipated from acceleration or reduction in continuing programs.

Such an organization of materials now in the budget would create better understanding of the document and permit it to be used more effectively in analyses of the economic impact of the Government. The arrangement would serve to pinpoint the places where policy decisions must be made. It would also highlight the various types of estimates currently being grouped together in the budget.

3. Incorporate present agency data

Another relatively easy modification in the budget would be simply to consolidate within the document some of the materials on Government economic impact that are now available in the various executive agencies. A portion of this relevant material is now published in such disparate forms as press statements, colloquy in congressional hearings, and agency annual reports. However, much of the data are not publicly available, despite the fact that the agencies obviously prepare economic analyses as part of their program planning. The budget would gain substantially in value if it merely drew together this information and arranged the data into meaningful categories. The Bureau of the Budget would not need to develop the material;

the Bureau would simply have to organize and summarize it. In fact, the Bureau already performs this function to a great extent for the benefit of the President, but the material is not consolidated and published in the budget.

4. Consolidate employment data

The budget now has a substantial amount of information on Federal employment. However, this material is found only in individual appropriation accounts and no attempt is made to aggregate this data or to arrange it into meaningful categories. However, Federal employment is a major influence on total employment in the economy and Federal employment represents one of the major ways in which the Government uses economic resources. Hence, aggregate data on this subject would prove quite useful. Once meaningful categories of Federal employment are established, presumably it would not be difficult for the Bureau of the Budget to draw together and summarize the information now scattered throughout the budget document.

A further development along this same line would be to classify Federal employment by types. A relatively simple step would be to show Federal employment by civil service categories. While this may entail somewhat more work by the Bureau of the Budget, the information is presumably available in each of the agencies and a consolidation of this data would suggest the nature of manpower resources being used by the Federal Government.

5. Provide estimates of obligations to be incurred

As indicated at various points in this study, the major economic impact of many Federal expenditures begins to be felt at the time an obligation is incurred by the Government, not at the time a cash payment is made by the Government. Expenditure data do not reveal either the timing or the nature of changes in obligations incurred.[7] Hence, future budgets should contain estimates on the timing of obligations expected to be incurred under new appropriations.[8] These estimates should be divided by calendar quarters.[9]

These estimates could presumably be obtained quite readily from the individual agencies. The agencies must have such estimates in order to plan their own future programs. In fact, projections on obligations to be incurred are an essential prerequisite to the expenditure estimates and the appropriation requests which now appear in the budget. Explicit publication of these projections would raise the economic value of the budget immensely.

6. Indicate gross impact of new policies on both receipts and expenditures

At present, as indicated in chapter seven, many agencies of Government are included in the budget totals only by a net surplus or deficit figure in the list of expenditures. Yet these agencies introduce and administer Government policies that can influence the economy just as much as—perhaps more than—agencies shown in the budget on a gross basis. If the budget is to indicate the economic impact of pro-

---

[7] See for example M. L. Weidenbaum, "The Timing of the Economic Impact of Government Spending," National Tax Journal, March 1959, pp. 79–85.

[8] The Treasury has recently begun publishing single pages which summarize obligations incurred by agencies during past periods. Such information can be quite useful in measuring the previous economic impact of Government. The suggestion made here is that estimates be available of obligations to be incurred for future periods.

[9] Similar estimates should also be available for transfer payments. For these payments, however, the economic impact probably occurs after the expenditure, i.e., when the individuals receiving the payments use the funds.

posed Government actions, the document should provide information on the specific nature of changes anticipated in both receipts and expenditures. It would be useful, for example, to assess the cost savings anticipated from mechanization in the Post Office Department independent of the revenue increases expected from raises in postal rates. In the current budget materials, these and other new policies in the Post Office Department are all thrown together in computing a single deficit figure, despite the fact that the Department presumably has separate estimates on each of the new policies.

7. Include loan and guarantee programs

At present, a number of loan and guarantee programs are not included in the budget in any form, some are shown only by net borrowings from the Treasury, and others are indicated simply by a net surplus or deficit figure.[10] However, these programs represent a major facet of Federal economic policy and some assessment of their influence should be available in the budget.[11] The significance of these programs lies not merely in their influence on interest rates; the programs are important because they make funds—and resources—available to individuals and groups who would not otherwise have command over the funds. Hence, the programs are similar to transfer payments and other expenditures of the Government. The budget should indicate major changes contemplated in the policies of the agencies administering these programs.

8. Describe contemplated administrative actions

Just as the budget should summarize the proposed economic policies of independent agencies—even though these agencies are using funds previously appropriated—the budget should also summarize the economic actions which the President intends to take administratively. Once funds are appropriated by Congress, the President has wide latitude in the use of the funds, especially the timing of expenditures, and the exercise of this discretionary power can have significant economic repercussions. Information on the use to which this power may be put should be explicitly indicated in the budget even though no additional appropriations are necessary for the actions. Expenditure figures now in the budget are based partially on these anticipated policies, but the budget does not clearly indicate the nature of these policies.

9. Divide data into quarterly periods

Economic consequences can occur quickly. The budget should separate its estimates of economic impact of new policies into calendar quarters, at least for the 18 months or 2 years following the presentation of the budget. Annual data serve to conceal the fluctuations that may occur within shorter time periods. Here again, the task should not be difficult because the agencies presumably already have the estimates arranged by months or quarters.

10. Publish some budget material quarterly

Because economic conditions—and Government policies—are constantly changing, many of the estimates made in annual budgets

[10] The National Income and Product Account data are particularly weak with respect to these programs. The Commerce Department essentially treats loan and guarantee programs as monetary activities involving no use of resources.

[11] For an excellent analysis of the guarantee programs, see Break, op. cit. The same author is currently preparing a similar study for the Brookings Institution on direct lending programs. These two studies indicate the direction of budgetary reform in this area.

become unrealistic and useless, if not actually misleading, soon after they are published. It seems essential that information be available to indicate the changes in Government fiscal data—and in the economic impact of Government—on a reasonably current basis. Current data are provided monthly by the Government for various components in the private economy, e.g., wholesale and retail prices, employment, sales, inventories, and for some Government monetary policies. Similar data should be available on Government fiscal policies.

Probably the most effective way of providing current fiscal data would be to concentrate only on the changes in previous budget estimates and to publish these changes quarterly. The annual budget could still be issued in January, and three subsequent quarterly publications would furnish information on the adjustments in the January figures. Hence, attention would be focused on these economic forces and policies which would be important because they were changing.

11. Identify cost data

There is at the present time amazingly little information in the budget on the actual costs of operation of the Government. While detailed cost analyses may involve considerable effort by some agencies, such information would seem essential in assessing the economic role of the Government. Two particular types of information which should certainly be available are the identification of workloads and the calculation of unit costs. Workload data provide a first approximation of relative efficiency in the use of resources. Unit costs constitute one measure of the nature of Government expenditures and allow comparisons to be made both among the various Government agencies and between the Government and the private sector. Much of the data on workloads and unit costs are presumably available—or could be derived—from internal agency statistics.

12. Distinguish current from capital items

The timing of budget components involves another aspect besides those mentioned above: frequently the service derived from a Government expenditure is not obtained at the time the expenditure is made or the time the resources are employed. For example, a dam may be planned during one period, appropriations may be enacted at other times, construction may occur during a subsequent period, expenditures may be made concurrently with or after construction, and the services from the dam are presumably rendered during the years after completion. Each of these stages has economic importance, and the budget should permit a reader to distinguish between these stages.[12] In particular, the budget should provide—in addition to present data—some forecasts of the value of services to be obtained from proposed capital outlays and the timing of these future services. To the extent possible, background data should also be available on actual use of existing Government assets.[13]

---

[12] A first step toward such a division is already available in the budget document. See, for example, 1962 budget, Special Analysis D, "Investment, Operating, and Other Budget Expenditures," pp. 997–1007. This special analysis divides expenditures between those yielding benefits primarily in a current year and those yielding benefits primarily in later periods. Data are not generally available, however, on either planned capital outlays or the timing of future benefits.

[13] Neither of these recommendations involve distinguishing a capital budget from a current budget. The capital budget concept varies both in theory and in practice. Information on the use of capital budgets in foreign countries and in States is provided in the appendix to this study. In general, capital budgets involve associating capital expenditures with debt financing. All that is being suggested here is that the Federal budget include information on anticipated future returns from the Government capital outlays and on the actual services obtained from existing capital assets.

Data on anticipated returns from proposed capital expenditures should include estimates of (1) the extent to which future costs of the Federal Government may be reduced by the expenditures; (2) the private benefits derived directly from the outlays, including the benefits obtained by State and local governments, as well as by private businesses and individuals; and (3) the possible changes in general economic activity that may result from the expenditures. These estimates should show the particular time periods in which the benefits are anticipated.

Some of these types of estimates are now made by the agencies planning capital outlays, but practically none of the data is available in the budget. In other cases, agencies will need to make estimates that have not been made before in order to provide the information for the budget. While the development of these estimates will involve some additional work by the agencies, the information obtained from the estimates seems sufficiently important for both decisionmaking and economic analysis to justify the added costs of preparing the estimates.

13. Estimate benefits from nonphysical capital outlays

Many expenditures by the Government do not involve construction or purchase of physical capital but nevertheless may provide economic returns in future periods. If proposals are made for expenditures of this type, e.g., increased educational grants to States or new research programs, the budget should contain estimates of the expected returns from these proposals, just as in the case of contemplated capital acquisitions. All of the comments made in the preceding sections seem equally applicable here. Estimates of returns from "social investments" are undoubtedly more difficult to develop—and may involve longer time periods—but the estimates are no less essential in considering the appropriateness of new proposals or the economic consequences of the proposals.

14. Relate capital returns to capital costs

The budget should provide some means of comparing the returns from proposed capital projects to the costs of these projects. Some material now available in support of the budget document furnishes this type of comparison for certain expenditures, e.g., for projects of the Corps of Engineers and the Bureau of Public Roads, and the techniques have been further developed in other places.[14] It seems appropriate for the budget to provide comparable benefit-cost analyses for all proposed capital outlays, including both physical and social investments.

The first step would be to indicate in the budget the total contemplated costs of particular projects, not merely the anticipated costs within the forthcoming year. A second, and more difficult, step would be to estimate any indirect costs in the private sector associated with the project. These cost estimates could then be related to the benefit data described in the earlier sections of this chapter. The estimates of benefits should include the indirect benefits both to individuals, to businesses, and to the Nation as a whole, as well as the direct returns in the form of lower costs or greater revenues to the Government.

[14] See, for example, Otto Eckstein, "Water-resource Development; the Economics of Project Evaluation," Harvard University Press, 1958; and John V. Krutilla and Otto Eckstein, "Multi-purpose River Development; Studies in Applied Economic Analysis," Johns Hopkins Press, 1958.

One awkward problem involves the nature of the comparison between the costs and returns. The awkwardness is caused by the difference in timing of the costs and the benefits. Costs precede benefits and are easier to forecast. Also, the benefits to be received in the long run should perhaps be given less weight than the benefits to be obtained in the short run or the costs incurred in the short run. However, any selection of relative weights for benefits and costs in different time periods will be arbitrary, even though such a selection is essential in deciding upon the appropriateness of a project. In any case, some comparison of benefits and costs for proposed capital outlays should be in the budget, and the choice of weights for various time periods should be explicitly indicated.

As with most of the other suggestions in this chapter, much of the analyses necessary to implement this recommendation are already available in the various agencies of the Government, and one function of the Bureau of the Budget should be to draw these analyses together in the budget document. In some instances, comparisons of costs and benefits for new policies are not now being prepared, but such comparisons would seem to be sufficiently useful to warrant the expenditures necessary for their preparation.

B. GENERAL DIRECTION OF IMPROVEMENTS

1. *Extend the budgetary time horizon*

The budget should provide information on the future implications of budget policies being proposed currently, not merely the consequences for the current year. As another congressional subcommittee report put it:

> We need to know where the cost of present plans and activities may take us, not simply through the next fiscal year, but for several years ahead.
>
> A 12-month budget reveals only the tip of the fiscal iceberg. * * * Cost estimates, to be meaningful, must be based on the full expected lifetime of programs.
>
> Longer term budgetary projections do not imply a change in the present system of presenting a budget to the Congress each year, and voting appropriations on an annual basis. Nor is the aim to make in 1962 decisions that can only be made in 1966. It is to take greater account of the consequences in 1966 of the budgetary decisions which must be made in 1962.[15]

Some forward budgetary projections are already underway. The Bureau of the Budget under the previous administration published, as one of its final products, a pioneering 10-year projection of the Federal budget for the period 1960–70, with alternative estimates of Government expenditures under various assumptions.[16] Similar types of projections are to be made by the Bureau in the future. The Department of Defense is developing procedures so that, beginning in the fiscal year 1963, it will have at all times an up-to-date set of projections of requirements and tentatively approved programs, with dollar magnitudes, extending at least 5 years into the future.[17] The Department is also developing systems analyses so that it can relate assumptions and implications of various specific programs to

---

[15] "Organizing for National Security," op. cit., pp. 4–5.

[16] "Special Study: Ten-Year Projection of Federal Budget Expenditures," Bureau of the Budget, Jan. 18, 1961.

[17] For a description of these procedures, see testimony by Charles J. Hitch, Assistant Secretary and Comptroller, Department of Defense, hearings before the Subcommittee on National Policy Machinery, op. cit., pp. 1004–1055.

alternative longrun plans and objectives.[18] The Social Security Administration makes forecasts of changes in trust fund amounts and the economic significance of these changes.[19]

These impressive individual examples are exceptional, however. In general, very little advance forecasting of the implications of current budget policies is done in the Federal Government at present, even though such advance planning has long been practiced in private industry. The budget, by concentrating almost exclusively on a single fiscal year, tends to force agencies to conform by devoting their resources to the analysis of appropriations necessary for the same period.[20] In part, the problem is a shortage of personnel trained to make forecasts. But if the Government is to attract and encourage this type of personnel, the budget must be in a form which can utilize their products.

The budget should be reconstructed in such a way that, in the case of each new policy, the document will provide estimates on the overall future significance of the policy.[21] If additional costs in later years are implied by actions taken now, those additional costs should be estimated now.[22] Similarly, if greater benefits are expected in later years from expenditures to be made now, information on these returns should be available. On the receipts side, projections of revenue are necessary for several years into the future, based upon estimates of changes in various major economic factors. Such projections are essential in order to assess current tax and expenditure policies. More importantly, the projections will assist in setting budgetary goals and in indicating the means of achieving the goals.

Extension of the budgetary horizon will permit various other types of budgetary reform. The budget will be able to present "program packages" in which each particular Government program, even though it involves a number of different types of expenditures over several years, can be examined as an entity and in its entirety. In a similar manner, the budget could draw together various programs which are handled by different agencies but which are closely related. Combination of items over broader time periods will also permit more effective measurement of the performance of the Government in particular areas.

2. Indicate the nature of alternative policies

In general, the budget should provide material by which alternatives can be measured and choices made between alternatives. This is, in essence, the function of the budget. Many of the specific suggestions mentioned above will help in weighing particular alternatives. For example, the generalized use of benefit-cost relationships will serve to

---

18 While as yet relatively little information has been provided by the Defense Department on this subject, some indication of the nature of the changes can be obtained from various publications of the Rand Corp., of Santa Monica, Calif. See especially, David Novick, "New Tools for Planners and Programers," Rand Corp., Feb. 14, 1961, and the original work by the same author, "Efficiency and Economy in Government Through New Budgeting and Accounting Procedures," Rand Corp., February 1954.

19 For example, see "Economic Assumptions Underlying the Medium-Range Projections of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 1966–75," by Moses Lukaczer, U.S. Department of Health, Education, and Welfare, August 1961.

20 For one of the best descriptions of the problems involved in estimating expenditures and interpreting existing estimates, see Samuel M. Cohn, "Problems in Estimating Federal Government Expenditures," Journal of the American Statistical Association, December 1959, pp. 717–729.

21 Compare M. L. Weidenbaum, "The Expenditure of Federal Funds," Federal Accountant, September 1960, pp. 7–16.

22 For an elaboration of this point, see Gerhard Colm, "The Federal Budget and the National Economy," National Planning Association, 1955, pp. 30–32.

distinguish among various groups of Government expenditures those which will provide the greatest returns relative to resources used. Systems analysis can indicate the interrelationships between alternative budget policies and the probabilities of relative benefits for each category of expenditures. Unit cost data can measure the relative outlays for alternative policies and allow cost comparisons between these policies. Analyses of economic impact from various revenue proposals provide a basis for assessing the gains and losses to the economy from these proposals.

In general, there is very little information available at the present time in the budget on alternative policies and the reasons for choosing among these alternative policies. Moreover, there is very little information available that can be used to assess alternative policies. If there is one general theme which should underlie reform of the budget document, that theme would be the provision of information necessary to make choices among alternative budgetary policies. The specific suggestions mentioned earlier in this chapter and the purport of this entire study is that more information for the measurement of alternatives should be provided in the budget document.

III. Summary

Some progress is being made toward attaining a more useful economic budget. This progress marks the way for further advances in the future. This chapter has described several of the further improvements that are feasible and desirable. A number of these changes can apparently be achieved quite readily. Others will take more time and effort and probably additional personnel. However, the changes seem sufficiently important that they warrant consideration now. In many instances, the transition to new forms and new types of analyses may be facilitated by adoption of new accounting and estimating procedures. The Government has not yet entered the "era of the computer" and such techniques as systems analysis—now being absorbed so rapidly into private business practices—have hardly even been contemplated for Government.

This chapter has not attempted to indicate all of the desirable modifications in the budget. The intent of this study was rather to draw together available budgetary materials, to show how they could be used for economic analyses, and to suggest the direction of changes which would improve the usefulness of the budget for economic purposes. Adoption of suggestions made in this chapter would represent a major advance in the effectiveness of the budget and would at the same time provide a basis for further reexamination and further improvement of the document. This study has served its purpose if it has increased the economic usefulness of the present budget and stimulated the search for improvements.

APPENDIX

USE OF CAPITAL BUDGETING TECHNIQUES BY FOREIGN AND STATE GOVERNMENTS

I. INTRODUCTION

One proposal which is frequently discussed in connection with the Federal budget is the division of the budget into two parts: a current budget and a capital budget. The present study has taken no position on this proposal. However, it seems appropriate, because of the attention given to the capital budget idea, to include in a study of the Federal budget available materials on the operation of capital budgets in various foreign countries and in various States. This material has not previously been readily available, and its collection in one place may be useful to those interested in either supporting or opposing the capital budget approach for the Federal Government. The purpose of this appendix, therefore, is merely to make information available concerning the operation of various capital budgets. No attempt is made to appraise the advantages and disadvantages of these budgets for either economic or administrative purposes.

Detailed information on the operations of capital budgets in foreign countries is apparently available in English in only one source. In 1956, Messrs. Richard Goode and Eugene A. Birnbaum produced a staff paper for the International Monetary Fund on "Government Capital Budgets."[1] This paper did not contain information on the detailed operations of capital budgeting in particular foreign countries. However, as part of the preparation of this staff paper, the authors collected a substantial amount of data on capital budgets in certain foreign countries. This material was reproduced in mimeographed form but has not been widely circulated. The following section on capital budgets in foreign countries simply reproduces the appropriate sections of that mimeographed material, with the consent of the author and the International Monetary Fund.

Information on State capital budgets has apparently never been assembled and published in summary form. Therefore, for purposes of this appendix, letters were sent out to finance officers of a number of States which were believed to make use of capital budget procedures. The last section in this appendix represents a summary of the replies obtained from these finance officers. There may be other States which make use of similar techniques, but information has not been obtained on their procedures.

[1] IMF Staff Papers, February 1956, pp. 23–46.

77316—62——11

II. Capital Budgeting in Foreign Countries

A. SWEDEN [2]

The Swedish Government maintains separate current and capital budgets. The system reveals changes in the Government's net asset position, with allowance for accrued depreciation and writeoffs of nonremunerative investments. A change in the net asset position is equal to the difference between revenue and expenditure on current account, which is considered the budgetary surplus or deficit proper. Only "revenue-producing" or "profitable" investments are considered as assets; general road construction expenditure, for example, is classified as a current, rather than capital, transaction.

In the early 1930's the policy of the Government was to budget for an annual balance between current-account receipts and expenditures. Borrowing was permissible only for financing an enterprise which through its operations would return revenue sufficient to meet interest and amortization charges on the borrowed funds. In the 1937 budget reform the policy of annually balancing the current budget was modified to that of balancing the current budget over the business cycle, thus permitting borrowing to cover a current deficit during depression and budgeting for a current surplus during a boom period. However, since 1944–45, major attention has shifted to consideration of the impact on the economy of the financial transactions of the Government as a whole, i.e., on current and capital budgets combined. The new principle has not so far brought about changes in the budgetary structure although supplementary statements on general government financial developments have been compiled and published in annual reports of the Business Cycle Institute.

1. *Structure of Government accounts*

The Swedish budget presents the transactions of the central government administrative accounts proper on a gross basis and the transactions of commercial-type public undertakings and capital funds on a net basis; social security accounts such as old-age pensions and unemployment health insurance funds are not consolidated. Public undertakings and funds (including real estate funds whose earnings are primarily based on rental charges to other government agencies) are maintained as independent accounting entities with separate budgets consisting of operating and capital accounts.

a. Current budget of the Government.—Government current expenditures, which amounted to 7.65 billion kronor in 1952–53, are divided into two main groups: (*a*) expenditures proper (7.00 billion kronor in 1952–53) and (*b*) expenditures for capital funds (0.65 billion kronor.)[3] The first group consists of administrative expenditures, subsidies and other transfer payments, and real investments in road construction and other non-revenue-producing items. Expenditure includes intragovernmental tranfer items such as rentals paid to Government building funds for occupying Government-owned buildings [4] and payments to the post office fund for handling official mail. Expenditures for non-revenue-producing capital items are not distinguished from

[2] The material for this section has been drawn largely from United Nations, Department of Economic Affairs, "Budgetary Structure and Classification of Government Accounts," (ST/ECA/8, Feb. 15, 1951), pp. 68–81.

[3] Riksgaldskontoret, Budgetaret 1953–54, p. 59

[4] The current practice is to set rentals at 4 percent of property valuations which are subject to change.

current items nor are contributions to funds (such as social security funds) distinguished from transactions with the public.

The second main group of current-account expenditures, expenditures for capital funds, is divided into the following subheadings: Civil aviation fund, interest on the national debt (net of small revenues of the National Debt Office), and appropriations for "writeoffs" of two types, viz. "appropriations for writing off unproductive expenditure in the capital budget" and "appropriations for writing off unsettled losses on capital funds."

The entry for civil aviation fund refers to the fund's current deficit; a current surplus (profit) would be carried on the revenue side of the Government's current budget.

The writeoff appropriations appear as expenditures in the current budget of the Government and as capital budget receipts in the separate accounts of the individual undertakings and funds.

The first type of writeoff, which is taken immediately on the acquisition of certain assets, is intended to cover the nonremunerative part of expenditure in the capital budgets of undertakings and funds. As ordinarily calculated, the writeoff represents a proportion of the cost of the asset equal to the difference between the anticipated yield and the prevailing interest rate (up to now—4 percent per annum). In the case of Government loans, if any portion of the loan which has previously been written off as unproductive is subsequently recovered, a capital gain is recorded in the separate capital budgets of the undertakings and funds. In the case of buildings erected by the general real estate fund and the defense real estate fund, an immediate writeoff which generally amounts to 25 percent of total construction costs is charged to the Government current budget; but for certain types of buildings, such as schools, hospitals, and prisons, the immediate writeoff charged to the Government current budget is 50 percent. For both types of buildings, the remaining cost is charged as current account expenditure in the individual operating accounts of the capital funds at normal depreciation allowances of 1¼ percent per annum.

The second type of appropriation for writeoffs refers to various capital valuation adjustments such as losses on assets which have been entered on the balance sheet but which later prove unremunerative. This heading also includes depreciation allowances on plants necessitated by defense requirements in World War II and also writeoffs on certain postwar loans to foreign governments.

The Government current budget does not provide for annual depreciation allowances on (revenue-producing) capital assets. Such provision is made (for normal depreciation allowances) in the individual budgets of the various Government undertakings and funds (as current expenditures in their operating budgets and as capital receipts in their capital budgets). These allowances, however, indirectly affect the Government's current budget inasmuch as the net profits of enterprises, which are calculated net of depreciation, appear there as current revenue (or losses, as current expenditure.)

Government current revenues, like expenditures, are divided into two main groups: (*a*) revenue proper (7.34 billion kronor in 1952–53) and (*b*) (net) revenue from capital funds (0.46 billion kronor in 1952–53).[5]

[5] Ibid.

Revenue proper comprises receipts from taxation, duties, transfers from old-age pension funds, etc. Proceeds from sales of assets and repayments on previously extended Government loans are not included in the current budget.

Revenue from capital funds represents the surpluses on the operating (current) accounts of the various Government undertakings and funds which are calculated after allowing for depreciation in accordance with commercial accounting principles. Charges to Government agencies for services performed by other Government undertakings and funds (e.g., rental on office buildings) enter into the operating surpluses. Inasmuch as the full amount of charges for such services is included in the expenditures listed in the Government current budget, the intragovernmental transfers cancel out in the calculation of the aggregate deficit or surplus of the current budget.[6]

The annual surplus or deficit of the Government current budget is recorded in the "budget equalization fund." This is a purely bookkeeping device for accumulating current surpluses or deficits over the years and is supposed to be balanced over the business cycle. In fact, a surplus is available to the National Debt Office for retiring debt (or meeting the financial requirements of the capital budget), whereas a deficit would be financed by the borrowing operations of the National Debt Office.

b. Capital budget of the Government.—The Government's capital budget is a summary statement based upon the various capital budget accounts of Government undertakings and funds. The total of capital budget expenditure entries in 1952–53 amounted to 1.02 billion kronor which compares with 7.65 billion current expenditure.[7] As previously indicated, each undertaking or fund maintains its own budget accounts which are divided between a current (or operations) budget and a capital budget, in accordance with commercial accounting principles. The current budgets show on the receipts side receipts from operations including those arising from services provided to other Government agencies, and show on the expenditure side operations expenses and provision for depreciation. The capital budgets show as receipts transfers of depreciation allowances from the undertakings' current budget expenditure and transfers from the Government's current budget (viz "Appropriations for Writing Off Unproductive Expenditure in the Capital Budget" and "Appropriations for Writing Off Unsettled Losses on Capital Funds"). In addition, the receipts of the capital budgets of undertakings and funds include proceeds from sales of assets and repayments of the principal portion of loans (interest receipts being included in the current budget). The capital budgets' expenditures account for both real and financial investments, including the total cost of non-revenue-producing or only partially revenue-producing assets. A surplus on current account of an undertaking would be transferred to the Government current budget as a revenue item; a surplus on capital account would be made available to the National Debt Office to retire Government debt or to finance the requirements of other budgets. A deficit on capital account of an undertaking represents the "investment authorization."

---

[6] However, transfers from current to capital account are not canceled out in the calculation of the current account deficit.

[7] Ibid., p. 60.

The Government's capital budget expenditure is a listing of investment authorizations (deficits on capital accounts) for each undertaking and fund. The receipts side of the Government capital budget shows the finance of the investment authorizations, i.e., net borrowing. A difference between the net borrowing and the sum of the capital expenditure items represents the change during the period of "unspent balances of appropriations" which are carried over from year to year.

As a result of the inclusion of writeoffs, depreciation allowances, and other capital receipts (other than borrowings) on the receipts side of the capital budgets of undertakings and funds, the net investment authorization carried over to the Government capital budget represents the amount of net capital formation of revenue-producing assets financed by borrowing.[8]

Since expenditures of the Government capital budget (investments) are financed by net borrowings there is no effect on the Government's net asset position.

2. National Debt Office

The financial administration of the Government is divided between the Treasury and the National Debt Office. The general administration of funds is handled by the Treasury through its checking account at the Bank of Sweden. Borrowing transactions, however, are administered by the National Debt Office which is directly responsible to Parliament. Parliament decides upon the purpose and extent of borrowings primarily by enacting the investment authorization of the Government capital budget.

The Government accounts are set up in such a way as not to include fixed sinking fund provisions or similar charges. Rather, debt is redeemed by the National Debt Office only when total requirements for finance are less than funds available for this purpose.

REFERENCES

United Nations, Department of Economic Affairs, "Budgetary Structure and Classification of Government Accounts," (ST/ECA/8, February 15, 1951).
Riksgladskontoret, "Budgetaret," 1953/54.
National Tax Association, National Tax Journal, "The Dividend Budget in Scandinavian Practice" by Fritz Morstein Marx, volume VIII, No. 2, June 1955, pp. 186–200.
United Nations, Department of Economic Affairs, "Sweden: Public Finance Data 1937–1948" (E/CN./8/31/Annex 4, November 9, 1948).
United Nations, Department of Economic Affairs, "Sweden: Public Finance Data 1937–1950" (E/CN./8/31/Annex 4/Add. 1, May 6, 1949).

B. NETHERLANDS

The "Memorandum on the Condition of the Netherlands State's Finances," published annually in separate Dutch and English editions, brings together in summary form the various budget documents of Netherlands Government departments which are presented to Parliament in separate bills. The summary is often referred to as the state budget. The memorandum also provides reclassifications of budgetary data for various types of economic analyses such as an adaptation of Government accounts to the principles of national income accounting and a statement of cash income and outgo.

---

[8] Including the portion of non-revenue-producing assets as capital formation only to the extent it is not offset by corresponding writeoffs.

1. Structure of the state budget

Government bookkeeping is conducted in accordance with a full-fledged system of current and capital accounting. In addition, a "state balance sheet," is published annually in the memorandum.

The state budget is divided into four accounts (or "services"): (1) the "Ordinary Service," (2) "Extraordinary Service I," (3) the "Agricultural Equalization Fund," and (4) "Extraordinary Service II." Transactions on "Ordinary Service" are often described as "current revenue and expenditure," and "Extraordinary Service I" represents "terminable" revenue and expenditure. The "Agricultural Equalization Fund" is a special account to subsidize and to control the distribution of agricultural commodities; its transactions are published in the memorandum on a net basis, i.e., only the deficit for the year is given without details of gross revenue and expenditure. The combined accounts of the "Ordinary Service," "Extraordinary Service I," and "Agricultural Equalization Fund," is sometimes called the current budget. The "Extraordinary Service II" represents the "capital account" or "capital budget." Table 1 shows the amounts of revenue, expenditure, and the resulting surplus or deficit. charged to the various accounts of the state budget in three selected years; it indicates also the proportion (in percent) of aggregate budget revenue and expenditure represented by the separate account totals.

2. Coverage of the budget accounts

The memorandum does not specify detailed criteria for the division of Government transactions into current, terminable, and capital accounts. Some flexibility seems to have obtained in this respect, and some items appear to have been reclassified in recent years.

TABLE 1.—*Major components of state budget—Netherlands, 1950, 1952, and 1955* [1]

[Money amounts in millions of guilders]

Item	1950		1952		1955	
	Amount	Percent	Amount	Percent	Amount	Percent
Ordinary service:						
Revenue	4,431	83	5,447	82	5,376	89
Expenditure	2,897	58	3,720	67	4,678	71
Surplus	1,534		1,727		698	
Extraordinary service I ("terminable" items):						
Revenue	495	9	926	14	205	3
Expenditure	856	17	587	10	847	13
Deficit (−)	361		339		−642	
Agricultural equalization fund deficit [2]	223	4	67	1	64	1
Extraordinary service II (capital account):						
Revenue	436	8	275	4	434	7
Expenditure	982	20	1,214	22	994	15
Defict (−)	−546		−939		−560	
Aggregate state budget:						
Revenue	5,362	100	6,648	100	6,015	100
Expenditure [2]	4,958	100	5,588	100	6,583	100
Deficit (−)	404		1,060		−568	

[1] Figures for 1950 are final accounts; for 1952, probable results; for 1955, budget estimates.
[2] The deficit of the agricultural equalization fund is accounted for as a component of aggregate expenditure.

Source: Memorandum on the Condition of the Netherlands State's Finances.

Extraordinary service I was originally intended to cover only terminable expenditure, other than capital expenditure, arising out of the Second World War and the occupation. The practice arose, however, or assigning to the account other revenue and expenditure of a temporary nature, but this was not done consistently. Beginning with the 1955 budget, the terminable account was "purified" and restricted to items directly related to the war and occupation and to the devastating floods of 1953. The authorities intend to abolish the terminable account "when the * * * consequences of war, occupation and floods of the State budget have ceased." [9]

According to the memorandum for the 1950 budget, extraordinary service II (capital account) "* * * is chargeable [with] the expenditure incurred on behalf of investments in new assets insofar as such expenditure represents a real addition to the State's assets, and the furnishing of capital." [10] The items charged to the capital account represent transactions in both real and financial assets. The largest items of capital expenditure in 1954 were national debt (redemptions on long-term domestic and foreign debt) 44 percent; defense, 23 percent; public works, 9 percent; transport, 8 percent; and industry and trade, 6 percent. These items comprise some 90 percent of total capital account expenditure. The revenue side of the capital account includes mainly redemptions receivable on loans previously extended by the Government, depreciation contribution from the current account, and "revenue accruing from monetary system." [11] Other capital revenue items of smaller magnitude are contributions made by "lower public bodies" and others toward the finance of State projects, and the sale of natural gas.

Capital account revenue does not include proceeds of loans. According to law, proceeds of loans, both long term and short term, are not considered as a revenue item on any account of the state budget. On the other hand, as pointed out above, capital account expenditure includes redemption of long-term domestic and foreign debt. Hence gross proceeds of long- and short-term loans net of short-term debt redemptions are considered as budget financing items. Debt interest and flotation expenses are regarded as current and terminable account expenditure.

3. Financing of the capital account deficit

According to early postwar issues of the memorandum it seems clear that the authorities considered it appropriate to finance a capital account deficit by borrowing. Prior to the publication of the memorandum on the 1952 draft budget, the presentation of budget accounts placed emphasis on the individual account totals of revenue, expenditure, and surplus or deficit; data on the overall results of all the budgetary accounts were not presented. Apparently the Government was concerned mainly with the problem of balancing only the current, terminable, and agricultural equalization fund accounts leaving a capital account deficit to be financed by borrowing. For ex-

[9] Memorandum for 1955, p. 7.
[10] Memorandum for 1950, p. 8.
[11] According to the memorandum on the 1955 budget, p. 22: "The revenue accruing from monetary system is made up of the proceeds from metal obtained by demonetization, from the redemption, the drawing and the sale of Government stock, purchase for the 'fund made up of net profit gained from monetization for account of the state,' and from the coins delivered by the state mint. As against the first two items there are equal amounts of expenditure on account of withdrawn coins intended for demonetization."

ample the memorandum for the 1950 draft budget states "For the first time after the war it will be possible now to finance the entire budget service—*of course, with the exception of the capital service*—out of current revenues." [12]

Beginning with the 1952 draft budget,[13] however, the emphasis was abruptly shifted from consideration of individual account totals and deficits to consideration of revenue, expenditure, and surplus or deficit of the aggregate budget accounts. The memorandum for the 1952 draft budget contains a special article (on p. 2) called, "The Financing of the Deficit of Extraordinary Service II" which signals this official change of emphasis. Highlights of the article are as follows:

> Contrary to what was usual practice in the last few years, the * * * summary statement also gives figures of the aggregate service. In the past the undersigned has on several occasions pointed out that there were reasons for keeping the figures of extraordinary service II (capital service) separate from the other figures, as it is permissible in principle—barring other contravening factors—for the deficit of that service to be convered by loans. As a matter of fact, this opinion was based on the assumption that it was actually possible to provide cover by so doing. Now that the present circumstances make it necessary to reserve the capital market largely for the requirements of the lower public bodies and private enterprise, the undersigned feels that it is not only justified but even necessary that part of the deficit of extraordinary service II should be financed out of the revenue of ordinary service.
>
> Covering part of the deficit of extraordinary service II, out of the revenue of ordinary service is also important in view of the debt position, since a surplus of ordinary service and extraordinary service I results in a corresponding reduction of the moneys to be borrowed for financing the deficit of the capital service. Bearing in mind the high amount of the present national debt, therefore, this financing method—leading to improvement of the debt position—is to be considered advisable in every respect.
>
> Another reason for being strongly in favor of adopting the suggested method of financing capital expenditure lies in the fact that a very considerable part of this expenditure refers to military investments, which are essentially of an unproductive nature.
>
> Finally it must be noted that by covering part of the expenditure of extraordinary service II out of current receipts, expression is given to the fact that * * * the budgetary policy under the prevailing circumstances aims at preventing an inflationary trend and is thus made of service in the endeavor to achieve equilibrium in the balance of payments. It is particularly this latter most inportant aspect of the budget now submitted which the undersigned [sic] be allowed to draw special attention to.

Following the above quoted discussion the memorandum focuses attention on the method of financing the aggregate service and concludes with the following statement (which is to be contrasted with the statement quoted above from the 1950 draft budget memorandum): "The balance of the deficit of the aggregate service *will have to be covered by loans.*" [14]

4. State balance sheet

The first complete balance sheet statement of Government assets and liabilities referred to December 31, 1947, and was published in the memorandum on the draft budget for 1949. The balance sheet contains historical figures and its reference date lags 2 years behind

---

[12] P. 2; emphasis supplied.
[13] At which time there was a change in Finance Ministers.
[14] Memorandum for 1952 budget, p. 3; emphasis supplied

the date of the budget presentation of the memorandum. A condensed version of the balance sheet for December 31, 1952, and 1953 appears in table 2.

5. Relationships between budget accounts and state balance sheet

The change in the net liabilities position of the Government during 1953 is indicated as an improvement of 832 million guilders (change in "balance"—item 11), i.e., the excess of liabilities over assets decreased from 6,407 million guilders at the close of 1952 to 5,575 million guilders at the close of 1953. This compares with a surplus on current account, terminable account, and agricultural equalization fund combined of only 489 million guilders, a difference of 343 million guilders. Since expenditure on capital account does not affect the net asset/liability position of the state,[15] it is immediately evident that a change in the balance sheet net position results from not only the surplus or deficit of the current account (inclusive of terminable and agricultural equalization fund accounts) but also must be affected by other factors. The Netherlands Government budget accounts therefore deviate from ordinary commercial accounting techniques since according to the latter a transaction on (profit and loss) current account must be associated with a change in the net asset-liability position of a firm (i.e., a change of its "net worth").

The reasons for discrepancies between the Government's net balance sheet position and the corresponding current (including terminable, etc.) account surplus or deficit are analyzed in detail in the memorandum. They may be summarized as follows: (1) The balance sheet from time to time reflects a Government assumption of debt which is not associated with a cash receipt; e.g., war and flood damage liabilities; (2) certain expenses charged to current and terminable accounts are reflected as balance sheet items (e.g., terminable expenditure on war and flood damage reduces the entry for total outstanding liabilities on these accounts contained in the balance sheet); (3) revised estimates (or final results) of current (including terminable, etc.) account can be expected to differ from prior balance sheet estimates; (4) payments into the local currency counterpart fund account at the national bank are recorded as an increase in assets while they are not counted as Government revenue; by the same token Government (terminable) revenue includes counterpart fund releases which, accordingly, reduce Government assets.

---

[15] Capital account expenditure for the acquisition of new assets or for debt redemption is accompanied by an increase of liabilities (e.g., borrowings) or a decrease of assets (e.g., cash) and hence does not affect the net position of the balance sheet.

TABLE 2.—*Condensed state balance sheet: Netherlands, Dec. 31, 1952 and 1953*

[Millions of guilders]

	Dec. 31			Dec. 31	
	1952	1953		1952	1953
ASSETS			LIABILITIES		
1. Cash in hand and at banks, etc.	1,360	1,167	12. Short-term debts payable	9,527	8,752
2. Short-term outstandings	5,325	4,806	13. Flood damage liabilities	--------	648
3. Long-term outstandings	1,330	1,340	14. War damage liabilities	2,728	2,365
4. Reparation claims	([1])	([1])	15. Debt to Government funds	249	323
5. Participations in IMF and IBRD	2,090	2,090	16. Netherlands Bank account reichsmark assets	1,300	700
6. Immovables and movables	7,371	7,874	17. Liabilities account Bretton Woods	1,977	1,794
7. State enterprises and shares in undertakings	4,091	4,080	18. Long-term debts payable	11,342	11,590
8. Assets of social insurance funds, etc.	([1])	([1])	19. Social insurance funds, etc.	([1])	([1])
9. Miscellaneous assets	2,177	1,850	20. Miscellaneous liabilities	3,028	2,610
10. Total assets	23,744	23,207	Total	30,151	28,782
11. Balance (excess of liabilities)	6,407	5,575			
Total	30,151	28,782			

[1] For reference purposes only.

Source: Memorandum for 1955 budget, p. 25.

EXPLANATION OF CERTAIN ITEMS

Item 2: Short-term outstandings refer for the most part to tax receivables, i.e., taxes assignable to the fiscal year ended as indicated but not yet recorded as received. (The tax books for a given fiscal year remain open for various periods after the end of a fiscal year depending on the nature of the tax. For example, income and property tax books remain open for an additional 1 year whereas the corporation tax record is closed after only an additional 6 months. Taxes received over the entire period are credited to the fiscal year in which the claims have arisen.) Also included in this item is the balance of the local currency counterpart fund account at the Netherlands Bank.

Item 3: This item refers to loans extended by the government, e.g., it includes a credit to Indonesia.

Items 5 and 17: The asset entry represents the Netherlands total subscriptions to the IMF and IBRD. The liability entry covers non-interest-bearing guilder notes held by IMF and IBRD plus the unpaid capital subscription to IBRD.

Item 6: The assets represented here refer to physical assets (e.g., buildings) held directly by the Government ministries, departments, etc., not including enterprises. Valuations are expressed in terms of current replacement costs and refer to net investments, i.e., gross investments minus depreciation allowances. A change in this item resulting from price fluctuations is not reflected in the "Balance" (item 11) since a corresponding amount is also included in item 20, "Miscellaneous liabilities" under the subheading (not shown here), "Reserve for Value Fluctuations."

Item 7: Includes railways, airline, postal services, state mines, central bank, etc.

Items 9 and 20: The largest components of these entries presumably refer to contracts for public works in progress.

Item 12: Refers to Treasury bills and currency notes in circulation, short-term foreign debts, and other short-term Government liabilities. It also includes payments not yet effected by the close of the year chargeable to that year.

Item 15: The entries are composed almost entirely of "balances of Government funds"; these are primarily deposits of Government pension funds which are advanced to the Government prior to the issuance of new long-term securities. At such time as securities are subsequently issued, these deposits are wiped off the books to the extent they are reinvested in the securities.

Item 16: Represents the Government's liability to the Netherlands Bank arising out of the wartime accumulation of export surpluses to Germany.

Item 18: Comprised of funded internal debt, foreign (long-term) debt, and a minor entry for "Sundry long-term debts payable."

6. *"State's Cash Position"*

The memorandum on the draft budget for 1952 for the first time contained a presentation of Government transactions on a cash accounting basis. The introductory note accompanying the data indicated—

* * * that the national budget is not in all respects adequate to give a complete insight into * * * the central authorities' revenue and expenditure in a certain calendaryear.[16]

[16] Memorandum for 1952 budget, p. 18.

The differences between the cash-account and budget-account data stem primarily from the accrual accounting techniques of budget accounting whereby the budget for a given fiscal year remains open for an additional year [17] and from the inclusion of items such as depreciation allowances in budget accounts. Another consideration, mentioned above, is that budgetary data do not indicate proceeds of short-term and long-term borrowing or short-term debt redemptions. Various issues of the memorandum point out that the budgetary deficit data do not indicate the financial requirements of the State and refer to the cash account data for such information.

REFERENCES

Department of Finance, "Memorandum on the Condition of the Netherlands State's Finances" (Dutch and English editions, 1949–55).

Banque Nationale De Belgique, "Bulletin d'Information et de Documentation," "Les budgets belge ed neerlandais, 1946–55," (30th year, vol. I, Nos. 3 and 4, March and April 1955).

Handelingen der Staaten-Generaal, "Rijksbegroting Voor het dienstjaar 1955," (No. 3700, session 1954–55).

C. ECUADOR

The organic budget law of Ecuador was adopted in 1951. In its preparation the Government had the technical advice of United Nations experts. Provision is made for an operations budget, a capital budget, and annexed budgets of state enterprises. It appears that several features of the system were modeled after Scandinavian practices.

The operations budget includes on the receipts side (1) taxes, (2) fees and charges for services that are not organized as state enterprises, (3) net profits of state enterprises, (4) patrimonial revenues, and (5) miscellaneous items. The law specifies that proceeds of borrowing and withdrawals from reserve funds may not be included in receipts of the operations budget. On the expenditure side, the operations budget includes (1) ordinary current expenditures, (2) contributions to state enterprises to cover deficits; (3) transfers (devolutions) to autonomous entities, (4) service of the public debt,[18] and (5) contribution to the capital budget.

Capital budget receipts include (1) contribution from the operations budget, (2) obligatory contributions from state enterprises to cover depreciation and the rental value of public buildings occupied by the enterprises, (3) proceeds of loans, (4) proceeds of sale of capital assets, (5) withdrawals from the treasury reserve fund, and (6) surpluses of capital budgets of earlier years. Certain taxes have also been assigned to the capital budget. These include the tax on international telecommunications, a portion of import duties, the school stamp tax, and the tax on gasoline. Capital expenditures include (1) investments in real property, (2) contributions to the capital of state enterprises, (3) capital contributions to autonomous entities, (4) other capital investments, and (5) special amortization of the public debt.

The law specifies in detail the contribution from the operations budget to the capital budget. It is to consist of not less than the

[17] Memorandum for 1953 budget, p. 8 the "overlap" is said to have shown considerable discrepancies in crtain years.

[18] Apparently both interest and "regular" amortization.

sum of the following: (*a*) 30 percent of receipts from state property such as forests and other natural resources; (*b*) 30 percent of expenditures for roads, waterways, ports, airports, irrigation canals, aqueducts, electric plants and lines, telecommunications, and industrial establishments; (*c*) 50 percent of expenditures for school buildings, scientific centers, hospitals, and residential housing; (*d*) 100 percent of other investments in buildings and other real estate; and (*e*) as regards other capital expenditures, except special debt amortization, an amount necessary to make the annual yield after 3 years at least 6 percent on investments of capital funds (i.e., receipts of the capital budget other than the contributions from the operations budget) but in no case less than 30 percent of these expenditures.

Thus expenditures assigned to the capital budget are not limited to self-liquidating projects, but provision is made for financing a portion of the cost of projects that are not self-liquidating by means of transfers from the operations budget. The cost of certain buildings for the Ministry of National Defense is included in the capital budget.

Capital budget receipts and expenditures for 1952 and 1953 are summarized in table 3. In both years approximately one-half of capital budget receipts consisted of the contribution from the operations budget plus taxes assigned to the capital budget. The bulk of the remaining finance was obtained in the form of loans and other credits, of which a large fraction was supplied by the central bank. Expenditures in the capital budget appear to have amounted to 11 percent and 9 percent of total Central Government expenditures in 1952 and 1953, respectively.[19]

The scheduled contributions from the operations budget to the capital budget were not in practice carried out during the first 2 years. The actual contributions amounted to only 49 percent of the original estimate in 1952 and to 53 percent in 1953. The United Nations Technical Assistance Mission has recommended that the contribution from the operations budget to the capital budget should equal a variable percentage of ordinary receipts rather than the amounts provided by the existing statutory formula. In supporting this modification, the experts point out that the rigidity of the present arrangement may impose an intolerable strain on the operations budget in bad times, especially in view of the fact that borrowing to finance expenditures in the operations budget is not legally permissible.[20]

REFERENCES

Organic budget law: Decree No. 538, March 16, 1951, Registro Oficial No. 769, March 21, 1951. Reprinted in Boletin del Banco Central del Ecuador, Nos. 284–285, March and April 1951, pp. 32–45.

"Proyecto de Ley de Presupuesto General del Estado," 1955.

Ministro del Tesoro, "Informe a la Nacion," 1954, pp. 257–278. A study by United Nations experts.

E. Riofrio Villagomez, "Manual de Ciencia de Hacienda," vol. I, 4th ed. (Quito: Casa de la Cultura Ecuatoriana, 1951), pp. 251–263.

---

[19] Based on tentative figures for total Central Government expenditures (exclusive of debt retirement) of S/. 667 million in 1952 and S/. 856 million in 1953 (Banco Central del Ecuador).

[20] Ministro del Tesoro, "Informe a la Nacion," 1954, p. 258.

TABLE 3.—*Capital Budget of Central Government: Ecuador, 1952 and 1953*

[Amount in millions of sucres]

	1952		1953	
	Amount	Percent of total	Amount	Percent of total
RECEIPTS				
Contributions from operations budget	30.4	39	19.1	20
Contribution from state enterprises	.2		.2	
Proceeds of borrowing and other credits	37.8	48	42.1	45
Taxes	6.0	8	28.3	30
Sale of property	.1		.1	
Carryover from prior years	4.5	5	4.5	5
Total	78.9	100	94.1	100
EXPENDITURES				
Investment in buildings, etc	54.0	71	50.6	64
Contributions to capital budgets of state enterprises	6.7	9	3.3	4
Contributions to capital budgets of autonomous entities	15.1	20	24.8	31
Total	75.8	100	78.8	100

Sources: "Proyecto de Ley de Presupuesto General del Estado," 1955, Annex No. 6; Ministro del Tesoro, "Informe a la Nacion," 1954, p. 259.

D. UNION OF SOUTH AFRICA

The Constitution of the Union of South Africa provides for the establishment of two Government funds: the consolidated revenue fund and the railways and harbors fund. The revenues of the railways and harbors fund are derived from the administration of railways (including the South African Airways) and harbors; all other Union Government revenues are credited to the consolidated revenue fund. The finance accounts of the funds are maintained on a completely separate basis; financial statements of budget estimates and transactions are published in separate documents. The budget estimates for the railways and harbors fund are presented to Parliament with a covering speech of the Minister of Transport while those of the consolidated revenue fund are presented with a covering speech by the Minister of Finance.

The Government has also instituted the Public Debt Commissioners which receive trust moneys (e.g., social security funds) for investment and management.[21] The Commissioners administer the "general sinking fund," created in 1926 for the purpose of extinguishing the "nonproductive debt of the Union, including the cost of public works and buildings." The sinking fund receives from the revenue account of the consolidated revenue fund a fixed annual appropriation plus compound interest on accumulated appropriations. As originally set, the annual contributions to the sinking fund were sufficient to redeem the then existing nonproductive debt in 40 years. Future unproductive debt, it was thought, could be met from the proceeds of certain mining leases, appropriated annually to the loan account of the con-

[21] For the most part trust moneys received by the Commissioners represent intragovernmental account transfer payments, having already been reported as revenue of the consolidated revenue fund or railways and harbors fund. However, the Commissioners also administer some trust moneys paid in by noncentral government authorities such as provincial government administrations. At the end of the fiscal year 1954–55, the Public Debt Commissioners held £SA430 million of Union Government internal debt out of a total of £SA870 million; the Commissioners' holdings for social security funds were £SA410 million and for sinking funds £SA20 million (South African Reserve Bank, Quarterly Bulletin of Statistics, No. 36, June 1955, p. 23).

solidated revenue fund, which were deemed "* * * more than sufficient to cover the outlay on ordinary capital expenditure." This expectation was not realized because of the increase of unproductive debt due to World War II; however, the eventual liquidation of unproductive debt continues to be an objective of Government policy.[22]

1. Structure of accounts

a. Consolidated revenue fund (*Treasury accounts*).—The transactions of the consolidated revenue fund are divided between a revenue account and a loan account. Revenue account receipts include all taxes (including social security taxes), fees, and net operating revenues of Government enterprises such as the post, telegraph, and telephone services, which are designated as ordinary revenue. (Certain revenues, however, are credited directly to loan account, e.g., the major part of death duty taxes and the export duty on diamonds.) Expenditure on revenue account is deemed to be "ordinary expenditure from revenue," the great bulk of which consists of wages, salaries, and allowances paid out by the various Government ministries and departments. Revenue account expenditure also includes various subsidies, expendituref or the maintenance and repair of Government properties, purchase of stores and equipment, contributions to provincial administrations for purposes other than meeting their capital expenditure requirements, interest payments and flotation expenses on debts having a currency of less than 5 years, and annual appropriations to the Public Debt Commissioners. Occasionally the revenue account expenditure is also charged with an appropriation to the loan account; such charges, however, are not related to considerations of depreciation allowances.

The loan account is credited with receipts derived from Government borrowings, sale of Government fixed property, contributions from revenue account, and such other moneys as Parliament may direct, such as the revenue account surplus. Loan account expenditure represents the redemption of public debt (81 percent of the total in 1953–54) and the acquisition of real and financial assets. The loan account is also charged with flotation expenses on loans having a currency of more than 5 years.[23]

Loan account total receipts and expenditures were nearly twice as large as corresponding revenue account totals in 1953–54. However, of proceeds of loans and debt redemption payments are eliminated from loan account, the revenue account receipts were over four times greater than those of loan account while revenue account expenditure was somewhat more than twice as large.

b. Railways and harbors fund.—According to section 127 of the Union Constitution:

> The railways, ports, and harbors shall be administered on business principles * * * so far as may be, the total earnings shall not be more than are sufficient to meet the necessary outlays for working, maintenance, betterment, depreciation and the payment of interest due on capital * * *.[24]

All profits earned remain to the credit of the railways and harbors fund and are not paid to the Treasury.

---

[22] Official Year Book of the Union of South Africa, 1952–53 (No. 27), p. 596.
[23] This item generally amounts to less than 1 percent of total loan account expenditure.
[24] Year Book, op. cit., p. 525.

Transactions of the fund are reported on a revenue account and a capital account "* * * and the funds to meet capital expenditure are, in the main, provided by the Treasury from the proceeds of loans raised by way of loan to the administration at rates of interest corresponding to those paid by the treasury." [25] Unexpended loan balances are returned to the Treasury.

2. Financial relations between the Union and provincial governments

For some years after the inception of the Union, the provinces were financed entirely by grants from the Union exchequer and all outstanding liabilities of the provinces were assumed by the Union. This arrangement has since been amended so that at the present time the Provinces are empowered to raise their own taxes; Union Government subsidies, however, continue to account for approximately 40 to 50 percent of total provincial revenues. The provincial authorities still do not have independent access to the money and capital market for loanable funds. They depend on the Union Government Treasury (consolidated revenue fund-loan account) for all loan requirements.

In 1945 an amendment to the Financial Relations Act of 1913 was passed whereby—

> * * * capital expenditure in connection with services controlled by the provincial administrations was covered by the general expenditure of the Union Government.

The act provided that the expenditure accounts of each province are to be classified under two heads: "normal or recurrent expenditure" and "capital or nonrecurrent expenditure." The latter consists of—

> * * * expenditure (whether directly or by loan to local bodies) upon the erection, construction, acquisition, extension, or improvement of any buildings, bridge, port, or upon any work or undertaking of a permanent nature * * * but not upon construction of a road unless authorized by the Treasury * * *.

"Normal or recurrent expenditure" covers all other items including interest and sinking fund payments to meet loans previously received from the Treasury on account of capital or nonrecurrent expenditure, maintenance, and the cost of construction of roads except when the Treasury authorizes the construction of a particular road to be regarded as capital or nonrecurrent expenditure.[26]

Grants or advances from the Treasury to the Provinces are recorded in Union Government revenue or loan accounts according to the purpose for which they are intended and they are similarly divided between the capital accounts and revenue accounts of the provinces.

3. Official policy on the balanced budget and capital expenditure

An important objective of government policy has been to "balance the budget," i.e., the revenue account of the consolidated revenue fund. According to a speech of the Minister of Finance:

> The question whether a country's budget balances is one of the first tests of economic soundness which an observer applies. And quite rightly too * * *.[27]

The loan account is regarded as a means of increasing the growth of capital formation. Its expenditure is traditionally "* * * restricted to expenditure which has created capital assets, and does not include any war expenditure." [28] Loan account expenditure is regarded as

[25] Ibid., p. 595.
[26] Ibid.
[27] Budget Statements, 1949–50, p. 2.
[28] Budget Statements, 1947–48, p. 13.

having very high priority in the disposition of Government revenues. For example the Minister of Finance stated in his speech to Parliament of August 9, 1948:

> The accounts for the past year ended with a surplus on revenue account of £8,900,000. It has always been my view that such surpluses should only under compelling stress be used for current expenditure. That condition does not exist now, and I therefore propose that the surplus be transferred to the loan account, which, as I shall explain later, requires all the resources which can be placed at its disposal.[29]

Current expenditure is regarded as a cost to be borne by current economic activity whereas capital expenditure is regarded, presumably, as a cost to be borne over a period of years:

> If the Treasury has a deficit on its expenditure for recurrent services—for the services which must be paid for by the year's work—then we are living on our capital. If the Treasury has a surplus, we are improving our estate.[30]

Loan account expenditure has also been regarded as a stabilizing factor:

> We have * * * to contend with violently unstable natural conditions. We have to fight nature most of the time, and nature seldom fights on our side. The only way to balance this instability of nature in the long run is to introduce the stabilizing factor of heavy capital investment.[31]

Capital expenditure has also been considered a check to inflation:

> * * * the greatest contribution that the Government can make to check inflation is to see that expenditure is confined as far as possible to works which contribute directly or indirectly to increased production.[32]

4. Financing of capital investment

Expenditure on loan account is financed by the revenue account surplus for the previous year, investments of the Public Debt Commissioners, certain taxes and fees paid directly to loan account (e.g., a part of death and export duties, repayments on loans previously extended by the Government, etc.), and contributions from the revenue account. In the event these sources of revenue provide insufficient coverage for loan account expenditure, the balance, according to a speech of the Minister of Finance, can be found in only four additional ways:

> The first is by creating bank credit, particularly by the sale of Treasury bills to the reserve bank. The second is foreign loans. The third is the borrowing of savings in the local market and the fourth is an increase in taxation with the object of making a greater contribution to the loan account from current revenue.[33]

Various speeches of the Minister of Finance stress the importance of analyzing the inflationary character of the various methods of finance, expecially those of more recent years (e.g., pertaining to the 1953–54 budget). The Government indicates its policy has been to finance loan account requirements in as noninflationary a way as possible. This has involved an analysis of the loan requirements of all governmental entities including the local authorities (municipalities and autonomous official enterprises). According to the Finance Minister's speech for the 1953–54 budget—

---

[29] Budget Statements, 1948–49, p. 14.
[30] Budget Statements, 1949–50, pp. 1–2; emphasis supplied.
[31] Budget Statements, 1950–51, p. 4.
[32] Budget Statements, 1951–52, p. 25.
[33] Budget Statements, 1953–54, p. 2.

* * * the Government itself has borrowed very little money locally by means of public loan issues * * * with the object of enabling local authorities to find the necessary funds in the internal capital market * * *.[34] But the Government will not be able to continue doing so and will be obliged to demand its rightful portion of the savings of the public. Local authorities will therefore have to bear in mind that smaller loan funds will be available to them and they will therefore either have to curtail their loan program or, in the same way as the Government, finance a much greater proportion of their capital works from current revenue. That is applicable not only to local authorities but also to provincial administrations, and the time has arrived when even * * * the railways will have to provide a greater proportion of their own capitalrequi rements by deliberately budgeting for surpluses.[35]

In view of the need to find a method for financing capital expenditure by noninflationary borrowings, the Finance Minister introduced a "simplified" system of compulsory saving in the 1953–54 budget.[36] The new system consisted of an additional levy on income of persons and companies which differed from the usual income tax by the fact that it was treated as a government debt insofar as it was to be redeemed after 5 years with interest at 4 percent per annum. The loan levy was abolished by the 1954–55 budget.

5. Revenue account and loan account relationships

It has been increasingly evident that the Government has come to consider its financial requirements on the basis of expenditures on both revenue and loan account combined, rather than on the basis of the separate accounts. According to the 1954–55 budget speech of the Minister of Finance (pp. 12–13):

The Government has been criticized in certain quarters for taxing the people in order to finance the loan program and, as there appears to be some misconception of the relationship between the revenue and loan accounts, I wish to add a few words on the question.

The first point * * * is that there is no hard and fast rule which could be applied under all circumstances in regard to the sources from which the loan program should be financed. The customary practice that we have followed in the past to include practically all capital works in the loan vote and to finance those works largely by the raising of loans, originated at a time when the capacity of the public to pay taxes was severely limited by the relatively primitive stage of development of our economy. The tendency all over the world has been to finance an increasing proportion of the state's expenditure on capital works from current revenue in accordance with the stage of development reached by the economy of the country in question. In the case of highly industrialized countries such as the United Kingdom and the United States, this tendency has culminated in the complete elimination of the distinction between expenditure on capital and revenue accounts. For the purposes of budgeting, their expenditure on both capital and revenue services is met from current revenue. In the event of a deficit the shortfall is borrowed and if there is a surplus such surplus is used to reduce public debt.

I do not wish to suggest that we should entirely discontinue the practice of distinguishing between expenditure on capital work and ordinary expenditure on revenue account. But I do maintain that our economy has reached a degree of maturity that calls for a revision of our traditional attitude in regard to the financing of the loan account.

In deciding upon the extent to which expenditure on the loan account should be defrayed from current revenue we should be guided by two factors, namely:

(*a*) The volume of voluntary private savings available for investment in state capital works; and

(*b*) The degree of inflationary pressures present in our economy.

---

[34] Ibid., p. 3.

[35] Ibid., however, the Government once again returned to its policy of not borrowing from the capital market for the 1954–55 financial year by increasing the contribution of revenue to loan account finance.

[36] This was a second attempt at compulsory saving. The first lasted from 1942 to 1946 and "* * * the amount collected from that source was small in comparison with the annoyance it caused * * *" (ibid., p. 6).

In interpreting South African budget figures, it should be remembered that current account expenditures include an annual appropriation for amortization of debt and that certain tax revenue is assigned directly to the capital account. When the current account is exactly in balance, there will be an overall deficit when capital expenditures exclusive of debt retirement exceed the sum of these two items and an overall surplus when the reverse is true.[37]

REFERENCES

Bureau of Census and Statistics, "Official Year Book of the Union of South Africa," Nos. 26 and 27, 1950 and 1952–53.
Control and Audit Office, "Report of the Controller and Auditor-General," 1953–54.
"Budget Statements," 1947–48—1954–55.
"Budget Speeches," 1955–56.
South African Railways and Harbors, "Report of the General Manager of Railways and Harbours, 1953–54."
"Estimates of the Expenditure To Be Defrayed From Revenue Funds."
"Estimates of the Expenditure To Be Defrayed from Loan Funds."
Finance Department, "White Paper in Connection with the Budget Statement," 1949–50—1952–53.
"Moody's Governments," 1954.

E. INDIA

The capital budget of the Government of India was first introduced with the budget for 1946–47. According to the accompanying speech of the Finance Minister, the capital budget was intended as a first step toward the ultimate development of a national investment budget to be presented each year along with the annual budget. The Finance Department was considering the—

> * * * planning of investment, both public and private, with a view to securing the fullest and most advantageous utilization of the economic resources of the country in the interests of planned capital development.[38]

Further, according to the Finance Minister's speech—

> Even if it serves no other purpose, it will at least permit of a proper presentation of our transactions of a capital nature and focus attention on the productive and deadweight indebtedness of the Government, and on the expenditure of loan moneys on productive and unproductive schemes.

The so-called capital budget was thereupon added to the "Explanatory Memorandum on the Budget for 1946–47" and it has continued to be published annually as a separate section of the memorandum.

1. Relationship between the capital budget and the general budget

The capital budget, as now published in the "Explanatory Memorandum," comprises essentially all items presented in the general budget statements listed outside the revenue account.[39] The accounting method is the same for both the general budget statements and the capital budget statement, viz, primarily cash accounting, i.e., cash accounting in the sense that the difference between total receipts and

[37] Overall deficit and surplus are here defined to equal the change in Government debt and cash balnaces. See p. 21 above.

[38] "Speech by the Honorable Finance Member on Introducing the Budget Proposals for 1946–47", p. 13. The speech also indicated that the feasibility of setting up a national Investment Board was being considered.

[39] From the period covered by the budget for 1946-47 through the budget for 1952–53, the general budget accounts showed a further distinction of transactions outside revenue account into 2 accounts: The capital account (equal capital budget except for differences of netting) and all other transactions; namely, "Miscellaneous deposits and advances," "Remittances," "Transfer of cash between England and India." This distinction is no longer made and the capital budget now presumably comprises all transactions not covered by the revenue account.

total disbursements listed on all accounts of the general budget (revenue account and transactions outside revenue account) is equal to the change during the period in total Government cash balances at banks and depositories. However, not all receipts and disbursements listed in the general budget represent cash transactions with the public. A considerable amount of bookkeeping transactions is interspersed with cash transactions which tends to inflate total receipts and payments.[40] On the other hand the accounting of some cash transactions is such as to deflate total receipts and payments as for example when various cash receipts are reported as negative disbursements and vice versa.[41]

A criterion for allocating transactions between the revenue account and the capital budget does not appear to be firmly drawn; however, a criterion of sorts does seem to exist. First, all items allocated to the capital budget appear to represent transactions associated with the acquisition or disposition of newly created or already existing physical or financial assets. On the other hand, it is clear that not all transactions associated with such assets are allocated to the capital budget; for example, the revenue account shows as a disbursement: "Construction of irrigation works financed from ordinary revenues." This item immediately suggests a second point, viz, that the capital budget includes only those items of investment expenditure which the Government plans to finance through borrowings or similar operations.[42] Lastly, it may be helpful to mention that such concepts as the self-liquidating or revenue-producing nature of an expenditure do not appear to govern the allocation of transactions between the revenue account and the capital budget.

The various items of capital budget disbursements are listed under three principal headings: (1) capital outlay (which includes an amount of defense expenditure and also grants to states and other authorities), (2) the discharge of "permanent debt" (redemptions of other types of debt such as Treasury bills, savings certificates, etc., are accounted for net on the receipts side of the account), and (3) Government loans and advances to state governments and others.

The receipts of the capital budget comprise primarily net proceeds of borrowing (including borrowing to meet a revenue account deficit), net deposits received from Government enterprises and funds (set aside as depreciation and other reserves), net deposits of other governmental authorities and private businesses arising from the government's rôle as a banker, recoveries of principal on loans previously extended to state governments and others, and receipts arising from the annual issuance of one-rupee notes to the reserve bank. All receipts of the capital budget become immediately available for General Government finance irrespective of the fact that some receipts represent amounts supposedly set aside as depreciation or other reserves (of railways, for example). No provision is made for depreciation allowances on Government assets other than those of state enterprises.

[40] E.g., the revenue account reports as expenditure an annual fixed "appropriation for reduction or avoidance of debt" which is simultaneously reported as a capital budget receipt.

[41] E.g., see discussion below on the deduction of a portion of railway profits from (revenue account) expenditure on public debt service (debt interest payments).

[42] This point is in a sense a tautology since all expenditures of the Government are listed either as on revenue account or as outside revenue account. But all expenditures listed on revenue account are said to be "expenditure met by revenue"; hence all expenditures outside revenue account are, ipso facto, met by borrowing or similar operations.

The deficit or surplus of the capital budget is simply the difference between all capital budget receipts and disbursements, including debt transactions. Therefore, when the revenue account is in balance, a capital budget deficit would equal the decrease in Government cash balances during the period and a capital budget surplus would indicate an increase in cash balances.[43]

2. Role of Government railways and other enterprises

The transactions of Government railways with the public enter into the accounts of the General Government budget in various ways. One portion of the railway cash surplus is credited as a receipt to the revenue account; a second portion (presumably regarded as interest receipts on Government investments in railway capital) is accounted for as a deduction from total Government expenditure on debt service (interest payments) reported as expenditure on revenue account; and third, the remaining portion of the railway surplus is appropriated to the railway depreciation and reserve funds that are listed outside the revenue account. Furthermore railway capital outlay is recorded gross as an expenditure in the capital budget of the Government. Hence the cash transactions on current and capital account of Government railways are completely integrated within the General Government budget accounts.[44]

In addition to the recording of railway transactions with the public in the general budget accounts of the Government as described above, a separate railway budget is also prepared annually showing the gross current and capital transactions of the railways with the public and the resulting railway surplus. The railway budget shows clearly how the gross operating surplus is allocated between the "dividend to general revenues" and the appropriation to depreciation, reserves, and other funds. It may be of interest to note that the figure entered in the railways budget as "dividend to general revenues" differs from the corresponding figure entered as the "contribution from railways" in the revenue account of the General Government budget by the amount of the deduction from interest expenditures (public debt service) met by revenue, mentioned above.

The general budget accounts treatment of enterprises other than the railways appears as a rule to be similar to the treatment of railway accounts, i.e., net receipts (gross receipts minus working expenses) are recorded on revenue account and, in the case of irrigation, posts and telegraphs, etc., an amount of receipts is also applied as a deduction from expenditure (met by revenue) on public debt interest. Furthermore, as in the case of railways, capital outlays on such enterprises are also included (presumably gross) in capital account expenditure.

---

[43] According to the Introductory Notes" on the capital budget published on p. 61 of the "Explanatory Memorandum" for 1955–56, however, a deficit of the capital budget * * * has to be made good from revenue [i.e., a revenue account surplus], the accumulated cash balances, and if neither is available, by the sale of ad hoc Treasury bills to the reserve bank. Conversely any surplus of capital receipts over disbursements is available for covering a revenue deficit or for augmenting the cash balances of Government."

It is not immediately apparent how the sale of ad hoc Treasury bills would be available for financing a capital budget deficit since receipts of the capital budget presumably account for all (net) Treasury bill proceeds. Perhaps the quotation used to be true some years ago who transactions outside revenue account were further subdivided between a capital account and all other; the "all other" group could have included proceeds from the sale of ad hoc Treasury bills excluded from "ordinary" Treasury bill proceeds listed on the receipts side of the capital account. Since this distinction between capital account and all other is no longer made it would appear that a capital budget deficit can be financed only by a revenue account surplus and/or a decrease in Government cash balances.

[44] Railway current account being recorded net while the capital account is reported gross.

REFERENCES

Ministry of Finance, "Budget 1945–46—1955–56."
Ministry of Finance, "Explanatory Memorandum on the Budget of the Central Government, 1947–48—1955–56."
Ministry of Finance, "Budget * * * Finance Minister's Speech, 1947–48—1955–56."
B. R. Misra, "Indian Federal Finance" (revised edition), Orient Longmans Ltd., May 1954.
R. N. Poduval, "Finance of the Government of India (Since 1935)," (Delhi, Premier Publishing Co., 1951).
United Nations, Department of Economic Affairs, "Public Finance Surveys: India," (ST/ECA/Ser. B/2, Dec. 14, 1951); this study was prepared by Mrs. Ursula K. Hicks as a consultant.
United Nations, ECOSOC, "Deficit Finance: Concept and Limits," (ECAFE/I & T/Fed. 2/17, Oct. 20, 1954); this study was prepared by Mr. A. K. Ghosh, Ministry of Finance, Government of India.

F. UNITED KINGDOM

The two principal official sources of United Kingdom Government finance statistics are the "Finance Accounts," published in early summer, which reports actual receipts into and payments out of the Exchequer for previous financial years, and the "Financial Statement," which reports budget estimates for the coming year as well as actuals for previous years. The Financial Statement is appended to the "Financial and Economic Statement" (budget speech) of the Chancellor of the Exchequer delivered in April before Parliament; it is usually understood as the "Budget."

Detailed tables published in the "Financial Statement" and "Finance Accounts" on "Exchequer Receipts and Issues" show a separation of items between an "ordinary" account and all other. In addition, the budget contains a summary table entitled, until recently, the "Conventional Form of Accounts," [45] which separates items into those appearing "above the line" and those "below the line." The totals of above-the-line items agree with corresponding total "ordinary" revenue and expenditure.[46] Hence the so-called "above-the-line surplus" (or deficit) corresponds to the surplus (or deficit) of the ordinary budget (or account).

Ordinary budget expenditure is accounted for under two main heads: "Consolidated Fund Services" and "Supply Services." Charges to consolidated fund services are authorized by Parliament in acts which are not limited to any particular financial year; the items include public debt service (consisting of interest,[47] debt management expenses, and relatively small sinking fund charges), expenses connected with the royal household, payments to the Northern Ireland Exchequer (mostly earmarked taxes), and annuities, salaries, et cetera, of various high officials, et cetera. Charges to the supply services are voted annually by Parliament in an appropriation act;[48] they consist of such items as votes for the army, navy, and air force,

[45] Beginning with the statement for 1955–56, the title of the account was changed to "Outturn and 1955–56 Estimates."
[46] The totals of ordinary revenue and expenditure published in the "Finance Accounts" differ from those published in the "Financial Statement" (budget): the difference is due entirely to the reporting of post office and other "self-balancing" items gross in the former, whereas they are reported net in the latter.
[47] Not including amounts paid out for debt interest below the line.
[48] The act is voted usually in August for the financial year that already had begun the previous April 1. However, a vote on account is passed for supply services prior to the beginning of the financial year which covers the intervening period.

and general governmental functions. The budget statement of supply services also includes the net Exchequer issues to or receipts from Government enterprises such as the post, telegraph, and telephone services.

Items reported in the Government accounts refer to transactions of the Exchequer and include transactions with Government departments as well as transactions with the public. However, except during the war period when Government departments were allowed to hold over unusually large working balances, the transactions reported on Exchequer account closely approximate actual transactions between the Government and the public.[49] Following 1947–48, both ordinary revenue and expenditure are inflated equally, by the inclusion in expenditure of the minor amounts issued to departments but unexpended, which are subsequently returned to the Exchequer near the close of the financial year under the receipt heading "miscellaneous."

1. Conventional presentation of accounts and the "alternative classification"

In the conventional presentation of Exchequer accounts, "above-the-line" items consist predominantly of current or revenue account items and "below-the-line" payments consist mainly of capital outlays. A number of large items, however, do not conform to this principle, and the separation does not appear to have been designed with a view to capital budgeting. A footnote to a table in the "Financial Statement" identifies payments recorded below the line as "payments for which the Treasury has power to borrow" and receipts below the line as "receipts applicable by various statutes to debt interest which otherwise would be paid out of revenue" and "receipts applicable to debt redemptions." The original intent, therefore, seems to have been to show separately "extraordinary" or "special" expenditure items and their corresponding means of finance rather than to distinguish between revenue and capital accounts. Receipts reported below-the-line amounted to approximately 3 percent of total Exchequer receipts (excluding proceeds of borrowing) during the period 1947 through 1954, while below-the-line payments averaged some 14 percent of total Exchequer issues (excluding debt redemptions).[50]

The presentation of Exchequer accounts has been the subject of much comment and debate by private economists[51] and Government officials,[52] especially since the first budget speech of Sir Stafford Cripps, when Chancellor of the Exchequer, on the proposed budget for 1948–49.[53] In this speech the Chancellor took account of the various criticisms that had been directed at the conventional presenta-

[49] The accumulation by Government offices of unusually large wartime cash balances was terminated in fiscal 1947–48 when a sum of £112 million was returned to the Exchequer as a receipt on ordinary account. Hence in that year the Government above-the-line surplus was inflated, whereas in the previous war period, the above-the-line deficit was inflated.

[50] The ratios of below-the-line receipts and payments to total receipts and total payments are as follows (in percent of corresponding totals):

	1947–48	1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55
Receipts	2	2	2	2	2	3	4	4
Payments	18	14	14	14	13	13	12	14

[51] E.g. J. R. Hicks, "The Problem of Budgetary Reform" (Oxford at the Clarendon Press, 1948).

[52] E.g. Committee on the Form of Government Accounts, "Final Report" (Cmd. 7969, June 1950).

[53] See the House of Commons, Parliamentary Debates (Hansard), "Financial and Economic Statement," Apr. 6, 1948.

tion of Exchequer accounts. He referred to the criticism that the conventional presentation—

* * * does not divide capital items on the one side from revenue items on the other * * * capital payments were being charged to the revenue account, so that the real surplus available for tax reduction was larger than appeared in the budget.

On the other hand—

* * * payments which should be charged to revenue account were being met by borrowing, and * * * capital receipts were being credited to the revenue account, with the result that the surplus shown in the budget was greater than the true surplus of the year.[54]

The important point was held to be—

* * * whether there will be sufficient money available in the budget surplus, taken together with savings, to finance the nation's investment program.

Accordingly, it was necessary to examine—

* * * what is the true surplus or deficit on the transactions of the Government of a revenue character. To the extent of such surplus or deficit, there will be a considerably less or greater need to have recourse to our savings in order to finance our investment program.[55]

To this end, the "Financial Statement" for 1948–49 contained for the first time an "alternative classification" of Exchequer transactions covering only the closed accounts for the previous fiscal year (1947–48); in subsequent issues of the "Statement" data on budget estimates for the coming year were added. Since the "alternative classification" was regarded as only an experiment, the "Statement" continued to publish also the standard "Conventional form of accounts" table of the above-the-line and below-the-line accounts.

Originally the alternative classification showed a separation of items into two accounts entitled "Revenue Items" and "Capital, etc., Items"; the latter heading was subsequently modified to "Loans and Other Non-Revenue Items" (the accounting principles, however, apparently were the same as when first introduced). The alternative presentation of accounts was, in effect, only a reclassification of Exchequer transactions but designed to show "the true revenue surplus * * *" whichwould enable a comparison of "* * * the inflationary or disinflationary, power of the * * * budgets." [56]

On balance, the reclassification resulted in a net shift to the capital account of items reported above-the-line in the conventional presentation; the ratios of capital account receipts and payments to corresponding totals are some 2 percentage points higher than the ratios given above of below-the-line items to corresponding totals.[57]

[54] Ibid., col. 57. The speech also touched upon the subject of nonrecurrent items. The Chancellor held that such transactions "* * * are no less real because they are nonrecurrent. Moreover, there is no clear frontier between entirely nonrecurrent items and those which may take some years to decline to nothing."

[55] Ibid., col. 58. Certain phrases have been underlined to emphasize that the adjectives "true" or "real" modifying deficit or surplus are meant in the quoted passages to indicate the deficit or surplus on revenue account, only, not to be confused with concepts of the overall (or cash) deficit—the deficit financed by borrowing and/or other means of deficit financing.

[56] Ibid., Apr. 6, 1949, col. 2082.

[57] The ratios of capital account receipts and payments to total receipts and total payments are as follows (in percent of corresponding totals):

	1947–48	1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55
Receipts	13	7	4	5	5	3	4	--------
Payments	22	16	16	14	21	17	15	--------

The unusually high receipts ratio in fiscal 1947 is due to the return of wartime working cash balances to the Exchequer mentioned previously.

The relationships between the conventional and alternative presentations of Exchequer accounts can be seen in the tables following: Part I shows the conventional arrangement of items while part II shows the adjustments necessary to change the conventional presentation of above-the-line and below-the-line totals to the corresponding alternative classification of revenue account and capital account totals.

TABLE 4.—*Reconciliation of "Conventional form of accounts" and the "Alternative classification" of Exchequer accounts: United Kingdom, 1947–48*

[Millions of pounds]

PART I: PRESENTATION OF THE CONVENTIONAL FORM OF ACCOUNTS

ABOVE THE LINE

Revenue		*Expenditure*	
Inland revenue	1,799	Interest on debt	503
Customs and excise	1,421	Sinking fund	22
Motor duties	49	Northern Ireland	24
		Miscellaneous	7
Total tax revenue	3,269		
Surplus stores	197	Total consolidated fund services	556
Trading services	101	Supply:	
Broadcast licenses	11	Defense	854
Crown lands	1	Civil	1,769
Sundry loans	23	Tax collection	30
Miscellaneous	243		
		Total supply	2,653
Total revenue	3,845	Total expenditure	3,209
		Surplus	636
		Total	3,845

BELOW THE LINE

Receipts		*Payments*	
Interest outside budget	9	Interest outside budget	9
Housing receipts from votes	12	Postwar credits	56
Coal	1	Excess profits tax refunds	28
Gifts from Australia and New Zealand	30	War damage	280
Local authorities	1	Coal	28
Cotton	8	Housing	62
		Local authorities	226
Total receipts	61	Cotton	14
Net sum borrowed or met from surplus	650	Oversea resources development	8
Total	711	Total payments	711
Total receipts	3,906	Total payments	3,920

PART II: DERIVATION OF "ALTERNATIVE CLASSIFICATION" FROM THE "CONVENTIONAL FORM OF ACCOUNTS"

A. Revenue account:		
1. Total revenue above the line (as in pt. I)		3,845
2. Deduct surplus stores	197	
3. Deduct trading services	101	
4. Deduct sundry loans (principal portion)	12	
5. Deduct miscellaneous, vote of credit balances	112	
6. Deduct miscellaneous, other	73	
Total		−495
Add (from below the line):		
7. Interest outside budget	9	
8. Housing receipts from votes	12	
9. Gifts from Australia and New Zealand	30	
Total		51
10. Equals total revenue (alternative classification)		3,401
11. Total expenditure above the line (as in pt. I)		3,209
12. Deduct sinking fund	22	
13. Deduct total supply, capital items	55	
14. Deduct total supply, loans to allies, etc	16	
15. Deduct total supply, rise in stocks of food, etc	33	
16. Deduct total supply, Argentine agreement adjustment	85	
Total		−211
Add (from below the line):		
17. Interest outside budget	9	
18. Postwar credits	56	
Total		65
19. Equals total expenditure (alternative classification)		3,063
20. (10)–(19) Revenue account surplus		338

TABLE 4.—*Reconciliation of "Conventional form of accounts" and the "Alternative classification" of Exchequer accounts: United Kingdom, 1947–48*—Continued

PART II: DERIVATION OF "ALTERNATIVE CLASSIFICATION" FROM THE "CONVENTIONAL FORM OF ACCOUNTS—Continued

B. Capital account:		
21. Total receipts below the line (as in pt. I)		61
22. Deduct interest outside budget	9	
23. Deduct housing receipts from votes	12	
24. Deduct gifts from Australia and New Zealand	30	
Total		−51
Add (from above the line):		
25. Surplus stores	197	
26. Trading services	101	
27. Sundry loans (principal portion)	12	
28. Miscellaneous, vote of credit balances	112	
29. Miscellaneous, other	73	
Total		495
30. Equals total capital receipts (alternative classification)		505
31. Total payments below the line (as in pt. I)		711
32. Deduct interest outside budget	9	
33. Deduct postwar credits	56	
Total		−65
Add (from above the line):		
34. Sinking fund	22	
35. Total supply, capital items	55	
36. Total supply, loans to allies, etc	16	
37. Total supply, rise in stocks of food, etc	33	
38. Total supply, Argentine agreement adjustment	85	
Total		211
39. Equals total capital payments (alternative classification)		857
40. (30)–(39) Capital account deficit (−)		−352

Source: Derived from "Financial Statement," 1948–49.

It is immediately evident that the principal feature of the alternative classification is the reclassification of items to produce a revenue account and a capital account. The capital account includes both physical and financial items. The capital account does not classify proceeds of borrowing as receipts and similarly does not classify debt redemption payments as expenditure. For 1947–48, for example, a deficit on capital account is plainly shown in the published alternative classification table to be financed out of the revenue account surplus and/or by net borrowing.[58]

The alternative classification of United Kingdom Government accounts appears to have been designed primarily to facilitate economic analysis rather than for administrative purposes. It involved only a reclassification of predominantly cash accounts and was not accompanied by the introduction of accrual accounts for depreciation allowances, etc. In the immediate postwar period, which was characterized by inflation and balance-of-payments problems, there was great interest in improved statistics on national savings and investment. The alternative classification was intended to measure Government savings and investment.

The economic survey white papers, which beginning with 1947 have been published annually, present national income and expenditure data in such a way as to show the national investment account and the means of finance. In connection with the analysis, various tables

[58] Theoretically, of course, a deficit may also be financed by withdrawals from Government cash balances (cash on hand and on deposit at banks and depositaries). However, in the British system cash balances are not allowed to accumulate or to decumulate except within very narrow margins (e.g., an excess of receipts from the public would be applied to debt redemption).

on Government revenue account and capital account transactions are also shown in detail. With a few exceptions, the same principles seem to have been applied in the separation of Government accounts between current and capital items for purposes of national income statistics and in the alternative classification. The exceptions, however, may involve significant monetary magnitudes. For instance, for 1947 the national income white paper included on revenue account sums paid out as war damage payments and excess profits tax refunds, whereas the alternative classification reckoned these items on capital account; the sum of the two items amounted to £308 million in the financial year 1947–48.[59]

2. Role of Government enterprises and funds

Both the alternative classification and the national income accounts record as a receipt on revenue account the net surplus of Government agencies such as the P.T. & T. services; the national income revenue account treats the P.T. & T. surplus as an indirect tax. The conventional accounts include the P.T. & T. surplus above the line.

The treatment of the national insurance funds appears to be the same in both the conventional and alternative classifications. These funds are not integrated with Exchequer accounts. The funds invest their accumulated resources in Exchequer debt obligations. An excess of receipts over operating expenses and benefit payments of the insurance funds appears as gross Exchequer borrowing, and an excess of expenses and payments as gross Exchequer debt redemption. Government contributions to the funds are accounted for as Exchequer expenditure even though such payments merely reflect the transfer of funds from one Government account to another. However, in the national income combined statement of the public authorities sector such intragovernmental transactions are canceled out and only transactions with the public are reported.

3. Recent discontinuance of alternative classification

In his budget speech for 1955–56, Chancellor of the Exchequer Butler announced the discontinuance of the alternative classification of Government accounts. He said:

"I should, incidentally, call the committee's attention to a small change which I have made in this year's financial statement. I am sure that members will approve of anything done to reduce the volume of Government accounts without stinting the supply of useful information. My predecessor, the late Sir Stafford Cripps, introduced the alternative classification in 1948 as an experiment and with the object of stimulating discussion on the presentation of Government accounts. Since then, other and better methods of economic analysis have been developed in the annual publications of national income and expenditure. I have, therefore, decided that it will simplify our accounting and avoid confusion if the alternative classification is eliminated altogether from this year's financial statement." [60]

Accordingly, the 1955–56 budget returns to the practice of reporting Government accounts only in accordance with the traditional presentation of above-the-line and below-the-line categories.

---

[59] The figure is taken from the "Presentation of the conventional form of accounts" table shown above.
[60] Hansard, Apr. 19, 1955, col. 41.

REFERENCES

Treasury Department:
Financial Statement 1948/49–1955/56 (April 1948–April 1955).
Finance Accounts of the United Kingdom, 1949/50–1953/54 (June 1950–June 1954).
National Income and Expenditure of the United Kingdom, 1947–54 (White Papers, April 1948–March 1955).
Prime Minister, Economic Survey for 1947–55 (White Papers, February 1947–March 1955).
House of Commons, Parliamentary Debates (Hansard), "Financial and Economic Statement" (1947–55).
Committee on the Form of Government Accounts, Final Report (Cmd. 7969), June 1950.
J. R. Hicks, "The Problem of Budgetary Reform" (Oxford at the Clarendon Press), 1948.
Ursula K. Hicks, "British Public Finances, 1880–1952" (Oxford University Press), 1954.

G. CANADA

Canadian Government transactions are divided between "budgetary" and "nonbudgetary" accounts. Budgetary accounts comprise transactions of both a current account and physical capital account nature; nonbudgetary accounts represent transactions of a financial capital nature. In the fiscal year ended March 31, 1954, nonbudgetary revenues amounted to some 15 percent of total Government revenues while nonbudgetary payments were some 9 percent of total expenditure.[61]

In addition to detailed statements concerning budgetary and nonbudgetary transactions, the Public Accounts of Canada also contain a detailed statement of assets and liabilities and a statement showing the budgetary and nonbudgetary surplus or deficit reclassified to a cash accounting basis.

1. *Coverage of budgetary and nonbudgetary accounts*

Budgetary revenues are divided into two main types, viz, "ordinary revenue" and "special receipts and credits." Ordinary revenue represents the bulk of budgetary account receipts and is subdivided between "tax revenue" and "nontax revenues"; the latter includes post office receipts (gross except for minor deductions), interest and profits received on Government holdings of "active assets" (explained below), and various sundry items such as fees, licenses, and refunds. The "special receipts and credits" entries are small relative to total budgetary revenues; they comprise receipts and credits from suspense accounts, proceeds from the sale of "nonactive" assets (explained below), writeups of active assets, etc.

Budgetary expenditures include military and defense, public debt interest, debt flotation expenses (see below), subsidies, public works, contributions to pension and similar trust accounts, veterans affairs, post office expenditure, police, etc. Provision is also charged to expenditure for possible losses on the ultimate realization of active assets.

---

61 Based on the following figures (in millions of Canadian dollars):

Revenue, total	5,165	Expenditure, total	4,793
Budgetary	4,396	Budgetary	4,350
Nonbudgetary	768	Nonbudgetary	443

Data include some purely bookkeeping items but do not include public debt transactions. Source: Department of Finance, Public Accounts of Canada, 1954.

The nonbudgetary items refer to transactions which directly effect increases or decreases in the Government's statement of assets and liabilities. Nonbudgetary receipts are mainly comprised of repayments received on the principal portion of previously extended loans, investments, and working capital advances to the national railways, agricultural price support account, the exchange fund, foreign governments, Provincial and municipal governments, etc. The remaining items of nonbudgetary receipts are recorded net of corresponding expenditure; e.g., net insurance, annuity, and pension account receipts (including transfer receipts from Government statutory contributions and interest charged to budgetary expenditure), net increases in public debt interest accruals and other accrual accounts, and net increases in various reserve funds and special accounts. Nonbudgetary expenditures are composed of new loans, investments, and working capital advances; the net decrease in various reserve and other funds (such as the reserve fund for losses in the ultimate realization of active assets); and the cash outlay for that portion of loan flotation costs to be amortized (explained in next section).

2. Accounting basis

For the most part the Government accounts are maintained on a cash basis. However, the budgetary accounts include as expenditures some accrued items. These items enter the nonbudgetary accounts as receipts when accrued and as expenditures when the transactions to which they refer are consummated. For example, beginning 1951–52, budgetary expenditures for interest on public debt have been charged month by month as interest accrued rather than when due and payable. No comparable adjustment is made in the treatment of interest receivable, however—

> * * * as it was not considered appropriate to accrue interest receivable which might or might not be received or to take it into account in determining the revenues for the year before it was actually received.[62]

Other examples of accrual accounting are:

(1) Discounts and other loan flotation expenses are ordinarily not charged to budgetary expenditure in the year of actual cash payment; rather they are set up as deferred charges on the statement of assets and liabilities and are amortized or written off to budgetary expenditures over the period of the loan.

(2) For a period of 30 days subsequent to a fiscal year, payments for the discharge of contractual obligations and accounts payable are charged to the budgetary accounts of the year to which they are applicable rather than to the year in which payment is effected.

(3) Losses on the ultimate realization of active assets are not generally charged to the budget of the year in which the loss is sustained; rather an annual provision is charged to budgetary expenditure out of which the ultimate loss may be charged.

The accounting practice is officially characterized as "conservative" inasmuch as various liabilities are charged to expenditure prior to cash disbursement while no accrued items are accounted for as revenue until such time as they are collected.[63] While such accrual items are charged to expenditure, it may be noted that the accounts do not accord similar treatment to Government physical (as opposed to

[62] Ibid., p. 20.
[63] Ibid.

financial) investment; expenditure for buildings, public works, inventories, etc., are charged in full to budgetary expenditure in the year of construction or purchase.

3. Government balance sheet

Section 64 of the Financial Administration Act prescribes that the Public Accounts of Canada shall include a statement—

> * * * of such assets and liabilities of Canada as in the opinion of the Minister are required to show the financial position of Canada as at the termination of the fiscal year.[64]

The assets and liabilities listed on the balance sheet are set out to disclose the amount of the so-called net debt. In 1920 the practice was begun of determining the net debt by offsett ng against the gross liabilities items designated as "active" assets. The Minister of Finance gave the following explanation of assets in his budget speech of May 18, 1920:

> Assets which are not readily convertible, as the specie reserve is convertible, or are not interest producing, are not such assets as ought to be deducted from the gross debt. They are inactive, they are items of such a character as might well be placed in a suspense account. At any rate, whatever may be their future value, however great it may be, they are not assets of such a character as to directly reduce the gross debt any more than the other capital accounts of the country ought to be deducted from it.[65]

With certain exceptions, taxes or other revenues receivable, asset accruals, inventories, buildings, public works, etc., are not recorded as active assets. However, in a special attached schedule to the balance sheet which pertains to the "net debt" (i.e., the net balance of total liabilities minus total active assets) a listing is given of non-active assets which are valued at their original cost without depreciation adjustments. The official explanation of the purpose is as follows:

> The aim is not to give an estimate of the present values of capital assets (which would entail accounting and bookkeeping costs far outweighing any practical advantages to be derived therefrom); instead the purpose is to maintain an historical record of capital outlay on the basis of original cost and to explain in some measure how the net debt of Canada was incurred.[66]

Moreover the capital items listed represent only those designated as capital in annual appropriation acts—

> * * * (and departmental practices vary in this regard) they are not an all-inclusive listing of capital expenditure.[67]

The liabilities of the Government shown in the balance sheet include—

(1) Outstanding unmatured funded debt;

(2) The floating debt, including miscellaneous accounts payable (checks issued in April pertaining to the previous fiscal year);

(3) Various trust funds deposited for certain purposes with the Government;

(4) Amounts credited to annuity, insurance, and pension accounts, etc.;

(5) Deferred credits and sundry suspense accounts;

[64] The Revised Statutes of Canada, 1952, vol. III (Ottawa, 1952), p. 2885.
[65] Cited in the Public Accounts, op. cit., p. 51.
[66] Ibid., p. 52.
[67] Ibid.

(6) Provincial debt accounts—settlements arising out of agreements at the time of confederation.

The active assets shown in the balance sheet include—

(1) Cash and deposit balances;

(2) Advances to the exchange fund for financing operations in gold and foreign exchange;

(3) Government securities held in the securities investment account;

(4) Loans, investments, and working capital advances;

(5) Sinking funds;

(6) Deferred charges, including loan flotation costs in process of being amortized over the life of the loan;

(7) Sundry suspense accounts.

The change from period to period of the net debt position as shown in the balance sheet corresponds identically with the surplus or deficit on budgetary accounts. Other transactions in active assets or liabilities (i.e., nonbudgetary transactions) either represent merely a change in the composition of one side of the balance sheet or affect both sides equally. For example, a nonbudgetary investment would increase the outstanding total of investments listed in the balance sheet; the finance of this purchase would be accounted for as an increased liability or decrease in cash.

The maintenance of the accounting identity of the budgetary surplus or deficit, on the one hand, and the change in the net debt position, on the other, also explains why a noncash transaction such as the assumption of the outstanding debt of Newfoundland in 1949 was recorded as an expenditure in the 1949 budgetary accounts.

4. Relationship between Government policies and the accounting system

It appears, from an inspection of the budget speeches delivered by various Ministers of Finance over the past decade, that the divided accounting techniques employed in maintaining the accounts of the Government play only an insignificant role, at most, in determining Government policy decisions. There is no indication that it has been considered especially appropriate to borrow to cover capital or nonbudgetary expenditures. Rather, it seems that the need for borrowing has been related to the financial requirements of the budgetary and nonbudgetary accounts taken together, and to the inflationary consequences of the overall Government deficit. In fact, there has been much official comment about the need to adjust the budgetary and nonbudgetary accounts to a consolidated cash accounting basis—

> * * * in order to judge the effects of our budget policy upon the income and expenditure of the nation * * * [68]—

Thus it would appear that the determination of Government policy has proceeded much as would be expected with a unified budget.

The technique of creating special accounts or other devices for capital development or other purposes (except for social insurance and similar purposes) was explicitly rejected in a Finance Minister's speech:

> We could announce, with appropriate fanfare, the creation of a national development fund or a national welfare fund—and put into it several hundreds of millions of this year's revenues and provide that the fund was to be used under some specified circumstances in the future. This would, of course, be simply

[68] Budget Speech, May 18, 1948, p. 4.

bookkeeping; it would alter nothing in reality; it would simply complicate a situation that is more easily understood as it is now. Bookkeeping funds for meeting future liabilities have their place—but only, I think, for meeting contractual liabilities incurred now to be paid in the future, like insurance or pension or annuity liabilities. As a means for transferring revenues from one year to meet expenditures in another they are unnecessary, if Parliament and the public can appreciate the relatively simple reasons for budgeting for surpluses in good years and for deficits in poor years. I believe that the simple and straightforward presentation of the budget problem is the best one, and that honorable members of this house and others outside will support the policy I propose on its merits without the support of artificial devices.[69]

Throughout the budget speeches of the Finance Ministers there can be found various passages dealing with the magnitude of Government transactions as a whole, rather than to considerations normally associated with concepts of a divided budget. In this respect it would appear that the budget is officially viewed in much the same way as is the U.S. budget. Although Canada, unlike the United States, does publish an official Government balance sheet, the tables on capital investment in both countries appear to be regarded primarily as a source of statistical information rather than an important basis of financial policy. In both countries transactions of social security, pension, and other trust accounts are kept separate from the budget accounts.

5. *Role of Government enterprises ("crown corporations")*

Although the Central Government accounts proper do not separate current and (physical) capital budgets, a thoroughgoing system of current-capital budgeting, including regular provision for depreciation allowances, is practiced by Government "crown corporations." The Financial Administration Act defines a crown corporation as—

* * * a corporation that is ultimately accountabl,e through a minister, to Parliament for the conduct of its affairs * * *.

Three types of crown corporations are distinguished:

(*a*) The "departmental corporation * * * responsible for administrative, supervisory, or regulatory services of a governmental nature";

(*b*) The "agency corporation * * * responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction, or disposal activities";

(*c*) The "proprietary corporation * * * responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public, and * * * ordinarily required to conduct its operations without appropriations."[70]

The following listed corporations are selected from appended schedules to the Financial Administration Act to indicate some examples of the corporations covered by the three designated types:

(*a*) Departmental corporations:
- Agricultural Prices Support Board.
- Atomic Energy Control Board.
- Canadian Maritime Commission.
- Dominion Coal Board.
- National Research Council.
- Unemployment Insurance Commission.

[69] Ibid., p. 11.
[70] Revised Statutes, op. cit., pp. 2888–2889.

(*b*) Agency corporations:
- Canadian Sugar Stabilization Corporation, Ltd.
- Commodity Prices Stabilization Corporation, Ltd.
- Crown Assets Disposal Corporation.
- National Harbours Board.

(*c*) Proprietary corporations:
- Canadian Broadcasting Corporation.
- Canadian Farm Loan Board.
- Canadian Overseas Telecommunication Corporation.
- Central Mortgage and Housing Corporation.
- National Railways.
- Trans-Canada Air Lines.

It may be noted that the Post Office Department is not considered to be a crown corporation; it is instead regarded as a regular department of the Government and its transactions are consolidated gross (approximately) in the budgetary accounts.

Agency and proprietary corporations annually submit to the appropriate minister various financial statements showing their budget transactions and also statements of assets and liabilities drawn up in accordance with commercial accounting principles. Volume II of the "Public Accounts of Canada" presents the financial statements of agency, proprietary, and other corporations (e.g., Bank of Canada) on an unconsolidated, agency-by-agency basis.

Profits of crown corporations and any moneys administered by them, which are considered by the Minister of Finance and the minister to which the corporation is accountable as in excess of the amount needed for purposes of the corporation, may be directed to be paid to the Government and credited as a nontax budgetary revenue. Government loans to the corporations and their corresponding repayment are accounted for as nonbudgetary items while grants to them are recorded as budgetary expenditure. Interest received on previous Government loans to the corporations is recorded as a nontax budgetary revenue.

Until the 1952–53 fiscal year, crown corporations were not subject to the corporation income tax. Beginning in that year, however, the corporate income tax was extended to cover the income of proprietary crown corporations. The effect accountingwise was merely to increase budgetary tax revenue at the expense of nontax revenue. According to the Finance Minister's speech of April 8, 1952:

> One desirable result of this proposed action will be to make the financial statements of these crown companies more comparable with private industry, and make it easier to assess the relative efficiency of their operations.[71]

REFERENCES

Department of Finance, "Public Accounts of Canada" (1951–54).
Department of Finance, budget speech (1946–55).
"The Revised Statutes of Canada, 1952," vol. III (Ottawa, 1952).
Bureau of Statistics, "The Canada Yearbook," 1951–54.

III. Capital Budget Procedures in Certain States

A. CONNECTICUT

The format of the Connecticut budget is described in some detail in the State's general statutes. Section 4–73 of the general statutes

[71] Op. cit., p. 10.

spells out the requirements for the Governor's recommendations for appropriations including capital outlay, and section 4–78 further elaborates on the capital outlay requirements of the budget.

The general statutes also define the terms "capital budget," "capital outlay," and "fixed assets." These definitions are as follows:

> "Capital budget" means that portion of the budget which deals with the estimates of proposed expenditures for land, nonstructural improvements to land, structural replacements, and major improvements and the means of financing them.
>
> "Capital outlay" means expenditures which result in the acquisition of additions to fixed assets.
>
> "Fixed assets" means assets of a permanent character having a continuing value, such as land, buildings, machinery and furniture, and other equipment.

There is a section in the operating budget for agencies titled "Capital Outlay." This includes both equipment and capital projects to be financed from current appropriations. In addition, there is a listing of capital projects to be financed from bond proceeds.

The director of the budget has various duties in Connecticut, and these are set forth in section 4–70 of the general statutes. The final sentence of this section places a responsiblity upon the director of the budget to consider and devise ways and means whereby comprehensive plans and designs to meet the needs of the several departments and institutions with respect to physical plant and equipment and whereby financial plans and programs for capital expenditures involved may be made in advance. The director of the budget also is required by statute to include capital budget as well as operating budget recommendations to the Governor in the tentative budget which precedes the formulation by the Governor of the official budget presented to the general assembly.

However, Connecticut also has by statute a State building program commission. Section 4–139 of the general statutes spells out the powers and duties of the commission. The commission, by statute, is supposed to make a full report of its activities and submit recommendations based upon its findings, together with drafts of proposed legislation, to the general assembly. In practice, the commission also makes its recommendations to the Governor, and these recommendations have served as the basis for capital expenditure planning in the State.

There has been over a period of years a general association of capital projects with bond financing. The State building program commission consistently has attempted to tailor its recommendations for capital needs to what it believes will be the limit of acceptable bond authorization.

Source: Information abstracted from letter received from Fred A. Schuckman, director of the budget, department of finance and control, Hartford, Conn.

B. MARYLAND

In addition to the regular operating budget the items of which are financed out of current revenues, Maryland annually prepares a capital budget covering expenditures for lasting physical assets. The general assembly is empowered to borrow money on the credit of the State, and by custom Maryland finances its capital outlays through the issuance of bonds.

While the State constitution does not restrict the power of the general assembly to borrow money for State purposes, it does require that the law authorizing the creation of State debt must provide for annual tax collections sufficient to pay interest when due and to discharge the principal within 15 years from the time the debt is contracted (refer Maryland constitution, art. 3, sec. 34). Also by custom the State property tax is the single source of revenue used to provide necessary funds for the payment of interest and principal on construction loans. Details of accounting for the various loan acts are handled through an annuity bond fund account.

The capital budget does not include highway construction projects. Highway projects financed by bonds are treated separately from other capital outlays because of two reasons: (1) The State roads commission is empowered to issue highway construction bonds, and (2) such bonds are serviced by specifically dedicated taxes; i.e., the various highway-user levies. Accountingwise these revenues are handled in various special fund accounts.

In Maryland, the State planning department (which by law is designated as one of the Governor's principal staff agencies) is responsible for the preparation of the annual capital budget. This is prepared for the Governor for his submittal to the general assembly. While the operating and capital budgets are formulated separately, there is a high degree of coordination with the department of budget and procurement in the preparation of the latter. The need and desirability for a close working relationship stem from the fact that (1) the operation of new improvements requires additional staffing, equipment and supplies, and maintenance which will affect all future operating budgets, and (2) debt service requirements on the capital budget become a charge against the operating budget of many future years.

Preparation of the capital budget begins a year prior to the fiscal year for which it is to become effective. The planning department issues forms and instructions to all the operating agencies, on which forms they submit their various project requests. The requests are evaluated by the staff, departmental hearings are held, and finally recommendations are made to the Governor.

In the definition of capital items there are difficulties encountered in certain areas. Technically, a true capital outlay is considered to be a "value increasing" expenditure, but this is not always readily determinable. As a guiding principle, the expected life of an improvement serves as a basis for determining a proper capital improvement, and since 1954 the general assembly has provided in each annual General Construction Loan Act that—

> a capital improvement is an improvement, the useful life of which shall at least be equal to the life of the bonds or Certificates of Indebtedness by which it is financed.

In further elaboration of this definition, the State planning department has prepared planning instruction No. 2, "Capital improvement defined," as a guide to projects and items that qualify and do not qualify as capital improvements.

Source: Information abstracted from letter received from Mr. Norman Hebden, chief, capital improvement programs, planning department, State Office Building, Baltimore, Md.

C. MICHIGAN

Michigan segregates completely operating and capital items. For several years this has been carried to the extent of publishing a separate capital outlay budget and a relatively unique capital outlay budget supplement which contains descriptions and scale drawings of capital projects. Michigan also publishes a semiannual report of the status of major capital outlay projects and a statement of long-range capital outlay needs. Legislative appropriations for capital projects traditionally have been considered and enacted apart from operating funds.

In Michigan, a capital project is defined as simply the acquisition of, the addition to, or the replacement of a fixed asset. Nonroutine special maintenance of fixed assets is also considered a capital project if the legislature appropriates especially for such maintenance.

For other than the general fund, there are a number of revenue sources which are restricted to a greater or lesser degree for capital projects. For example, the State aviation fuel tax is restricted for airport improvement and development; and the motor fuel tax is restricted to highway construction. Generally speaking, when an agency has certain revenue sources restricted for its operation, i.e., where the revenue yield is spent solely for a given agency's operation, the capital program developed by that agency is financed from such restricted revenue sources and not paid for from general fund revenue.

Source: Information abstracted from letter received from Mr. Ira Polley, controller, department of administration, Lansing 13, Mich.

D. MINNESOTA

In Minnesota accounting practice, capital items are classified under "Acquisition of property" and are defined as properties having continuing value, such as land, buildings, machinery, furniture, other equipment, and road and bridge construction.

Generally, individual items of property costing in excess of $25 and having a useful life of more than 2 years are charged to the classification "Acquisition of property."

The biennial budget which is submitted by each of the various State departments to the department of administration, budget division, classifies capital items on a three-digit basis. Furniture, furnishings, and fixtures, for example, are classified as follows:

531 Furniture (tables, desks, chairs, beds, etc.).
532 Office machines and equipment.
533 Kitchen and dining room equipment.
534 Rugs, draperies, etc.
535 Bedding, table linen, etc.
539 Other furniture, furnishings, and fixtures.

A copy of each departments' biennial budget as submitted to the department of administration is delivered by the budget division to both the house and senate finance committees of the legislature ~~shortly after the Governor's proposed biennial budget is submitted.~~ However, the latter document usually sets forth the total expenditures for each appropriation account only and, generally speaking, does not show figures for acquisition of property identifiable as such except in the following cases:

(1) Appropriations recommended for capital items exclusively, such as recommended appropriations to State institutions for special equipment;

(2) Expenditures recommended for highway construction; and

(3) Appropriations recommended for new construction, and betterment of buildings and other structures, the cost of which is financed from the proceeds of certificates of indebtedness which, together with interest thereon, are paid from taxes levied on the taxable real and personal property of the State.

The recommended appropriations in (3) above are set forth by individual project and amount in the Governor's proposed biennial budget. Minnesota has a legislative building commission which is charged by law with making a continuing study and investigation of the building needs of the State government and with making a report and recommendations to the legislature concerning such needs. The legislative building commission's report is separate from the Governor's proposed biennial budget.

Net taxes on aviation gasoline, airline flight property, and aircraft registration are transferred to the State airports fund from which operating costs of the department of aeronautics are appropriated. The amount remaining is transferred to the aeronautics fund which is used to retire principal and interest on certificates of indebtedness issued for airport construction. Proceeds from taxes on gasoline used on public roads and taxes on the registration of motor vehicles are placed in the highway user tax distribution fund and distributed: 9 percent to municipalities, 29 percent to counties, and 62 percent to the State trunk highway fund. From this latter fund are paid the costs of operating the department of highways, the cost of highway and bridge construction not financed from bond issues, and the principal and interest on bonds issued for highway and bridge construction.

Source: Information abstracted from letter received from Mr. William E. Stevenson, commissioner of administration, department of administration, St. Paul. Minn.

E. NORTH CAROLINA

Subject to minor exceptions, any repair or alteration project costing $10,000 or more must be included in the capital improvements budget request by State agencies. All new construction of whatever cost must be included in the capital improvements budget request.

Capital improvements projects must be authorized by the North Carolina General Assembly. The financing of such projects are authorized at the same time. Such financing may be by direct appropriations of State funds, by legislative bond issue (limited), or by bond issue subject to authorization by vote of the people.

Except for use in financing of certain previously authorized bond issues, no earmarking of taxes for financing of capital improvements is done. To cite a particular case, an additional 1-cent tax per gallon of gasoline was authorized in 1949 to support a $200 million secondary road bond issue.

Source: Information abstracted from letter received from Mr. D. S. Coltrane, director, department of administration, Raleigh, N.C.

F. OREGON

The Oregon Revised Statutes defines the category of capital item expenditures as:

> Capital outlay, which includes all expenditures for land and its improvements, including buildings and structures and major alterations and additions thereto, including salaries and wages in connection therewith; and the first cost of motor vehicles, domestic animals, machinery apparatus, equipment, and furniture including major alterations and additions thereto, which will have a useful life of service substantially longer than 2 years; but expenditures for any of the capital outlays enumerated in this paragraph which do not exceed $10 shall not be deemed capital outlay.

Neither taxes nor bond issues are specifically identified for capital expenditures with the exception of State highway bonds and higher education building bonds.

Source: Information abstracted from letter received from Mr. Leon D. Margosian, acting director, management, department of finance and administration, Salem, Oreg.

BIBLIOGRAPHY

Books

Blough, Roy. *The Federal Taxing Process.* Prentice-Hall, 1952, Pt. 2.

Bollinger, Lynn L. *Financing Defense Orders,* McGraw-Hill 1941.

Break, George F. *The Economic Impact of Federal Loan Insurance,* National Planning Association, 1961.

Burkhead, Jesse. *Government Budgeting.* John Wiley & Sons, 1956.

Colm, Gerhard. *Essays in Public Finance and Fiscal Policy.* Oxford University Press, 1955.

———. *The Federal Budget and the National Economy.* National Planning Association, 1955.

Crockett, Joseph P. *The Federal Tax System of the United States.* Columbia University Press, 1955.

Eckstein, Otto. *Water-resource Development: the Economics of Project Evaluation,* Harvard University Press, 1958.

Eckstein, Otto and Krutilla, John V. *Multi-purpose River Development: Studies in Applied Economic Analysis.* Johns Hopkins Press, 1958.

Hicks, J. R. *The Problem of Budgetary Reform.* Clarendon Press, 1948.

Hicks, Ursula K. *British Public Finances, 1880–1952.* Oxford University Press, 1954.

Misra, B. R. *Indian Federal Finance* (rev. ed.), Orient Longmans Ltd., May 1954.

Musgrave, Professor Richard A. *The Theory of Public Finance.* McGraw-Hill Book Co., 1959.

Novick, David. *New Tools for Planners and Programers.* Rand Corporation, Feb. 14, 1961.

———. *Efficiency and Economy in Government Through New Budgeting and Accounting Procedures,* Rand Corporation, February 1954.

Poduval, R. N. *Finance of the Government of India (Since 1935).* Premier Publishing Company, 1951.

Powelson, John P. *Economic Accounting.* McGraw-Hill Book Company, Inc.

Smithies, Arthur. *The Budgetry Process in the United States.* McGraw-Hill Book Co., 1955.

Villagomez, E. Riofrio. *Manual de Ciencia de Hacienda,* Vol. I. 4th ed. Casa de la Cultura Ecuatoriana, 1951.

Wallace, Robert A. *Congrssional Control of Federal Spending.* Wayne State University Press, 1960.

Walter, Francis. *Miracle of World War II, How American Industry Made Victory Possible,* Macmillan, 1956.

Weidenbaum, Murray L. *Government Spending: Process and Measurement.* A doctoral dissertation for Princeton University published by the Boeing Airplane Co., 1958.

Williams, J. D. *The Impounding of Funds by the Bureau of the Budget.* Inter-University Case Program, CIP Case Series No. 28, University of Alabama Press, 1955.

Articles

Cohn, Samuel M. "Problems in Estimating Federal Government Expenditures," *Journal of the American Statistical Association,* December 1959.

Colm, Gerhard. "Budgetary Projections in the Framework of Economic Projections and Their Adaptations," a paper prepared for the Congress of the International Institute of Public Finance in Warsaw, July 1961.

Copeland, Morris A. "The Defense Effort and the National Income Response Pattern," *Journal of Political Economy,* June 1942, p. 416.

Curtis, Carl T. "The Procedure for Enacting a Revenue Bill." *Nebraska Law Review,* May 1952, pp. 552–558.

"Federal Receipts and Expenditures—Alternative Measures," *Monthly Review,* Federal Reserve Bank of Kansas City, August 1961, pp. 3–9.

March, Michael S. "A Comment on Budgetary Improvement in the National Government," *National Tax Journal,* June 1952, p. 173.

Ratchford, C. U. "Some Constitutional Aspects of Federal Expenditures," *Journal of Finance*, December 1955, p. 460.
"The Treasury's Deposit Balances and the Banking System," *Monthly Review*, Federal Reserve Bank of New York, April 1958.
Weidenbaum, M. L. "The Expenditure of Federal Funds," *Federal Accountant*, September 1960, pp. 7–16.
———. "The Economic Impact of the Government Spending Process." *Business Review of the University of Houston*, spring 1961, pp. 4–47.
———. "The Timing of the Economic Impact of Government Spending," *National Tax Journal*, March 1959, pp. 79–85.
Young, Marilyn. "A Reconciliation of Alternative Budget Concepts," *Problems in the International Comparison of Economic Accounts—Studies in Income and Wealth*, Vol. 20, National Bureau of Economic Research, pp. 135–190.

PUBLIC DOCUMENTS

Annual Report, Commissioner of Internal Revenue, 1960.
Annual Report of the Director of the Mint, June 30, 1960.
Annual Report of the Postmaster General, 1960.
Banque Nationale De Belgique, *Bulletin d'Information et de Documentation*, "Les budgets belge ed neerlandais, 1946–55," (30th year, Vol. I, Nos. 3 and 4, March and April 1955).
Birnbaum, Eugene A. and Goode, Richard. "Government Capital Budgets," a staff paper for the International Monetary Fund, 1956.
Bureau of the Budget, "Federal Government Receipts From and Payments to the Public," January 1961.
Bureau of the Budget, *The 1962 Budget Review*.
———. Budget Circular No. A–34.
The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1962.
Canadian Bureau of Statistics, *The Canada Yearbook*, 1951–54.
Constitution, Jefferson's Manual, and Rules of the House of Representatives, H. Doc. No. 766, 80th Cong., 2d sess., Government Printing Office, 1949, rule 21, clause 2.
Department of Commerce. National Income—A Supplement to the Survey of Current Business, 1954 edition, U.S. Government Printing Office, "Part II: The Conceptual Framework of National Income Statistics," "Part III: Sources and Methods of National Income Estimation."
———. U.S. Income and Output—A Supplement to the Survey of Current Business, November 1958, Ch. 5.
———. Survey of Current Business, National Income Number, July 1961.
Department of Defense, Armed Services Procurement Regulations, 1955 edition, Government Printing Office, 1955.
Department of Finance, Public Accounts of Canada, 1954.
———. Budget Speech (1946–55).
"Federal Revenue System: Facts and Problems, 1961." Materials assembled by the committee staff for the Joint Economic Committee.
Federal Reserve System. *Federal Reserve Bulletin*, August 1961.
———. "Flow of Funds in the U.S., 1939–53." Board of Governors of the Federal Reserve System, December 1955.
———. Annual Report, 1960.
Galbraith, J. K., assisted by G. G. Johnson, Jr. *The Economic Effects of the Federal Public Works Expenditures, 1933–38*, National Resources Planning Board, Government Printing Office, 1940.
"Health Program," Message from the President of the United States, 87th Cong., 1st sess., H. Doc. 85, Feb. 9, 1961.
Hearings before the Subcommittee on National Policy Machinery, 87th Cong. 1st sess., Pt. VIII, Aug. 1, 1961.
Hearings before the Subcommittee on Defense Procurement of the Joint Economic Commitee, 87th Cong., 1st sess. June 12, 1961.
ICA Counterpart Funds and ICA Foreign Currency Accounts, Rept. No. W131.
Industrial College of the Armed Forces, *Purchase and Procurement Planning*, Government Printing Office, 1950.
International Cooperation Administration, "Counterpart Funds, and ICA Foreign Currency Accounts."
Lukaczer, Moses. "Economic Assumptions Underlying the Medium-Range Projections of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 1966–75," U.S. Department of Health, Education, and Welfare, August 1961.

"Military Prime Contract Awards and Subcontract Payments," Office of the Secretary of Defense, July 1960–June 1961.
National Tax Association, National Tax Journal, *The Dividend Budget in Scandinavian Practice*, by Fritz Morstein Marx, Vol. VIII, No. 2, June 1955.
Official Year Book of the Union of South Africa, 1952–53 (No. 27).
"Organizing for National Security," a study submitted to the Committee on Government Organization by its Subcommittee on National Policy Machinery, 87th Cong., 1st sess.
"Our Federal Tax System," Message from the President of the United States, 87th Cong., 1st sess., Doc. No. 150.
"President's Tax Message, Along with Principal Statement, Detailed Explanation and Supporting Exhibits and Documents," Committee on Ways and Means, Government Printing Office, May 3, 1961.
"Program to Restore Momentum to the American Economy," 87th Cong., 1st sess., H. Doc. 81, Feb. 2, 1961.
The Renegotiation Board, *5th Annual Report*, 1960.
Report of Financial Conditions and Operations of the Commodity Credit Corporation, Department of Agriculture, Commodity Credit Corporation. 1960 monthly issues.
The Revised Statutes of Canada, 1952, Vol. III (Ottawa, 1952).
Semiannual Reports for June 30, 1960, and Dec. 31, 1960, of the Federal National Mortgage Association.
Senate Manual Containing the Standing Rules, Orders, Laws and Resolutions Affecting the Business of the U.S. Senate, S. Doc. No. 11, 81st Cong., 1st sess., Government Printing Office, 1949, rule XVI, clause 2.
South African Railways and Harbors, "Report of the General Manager or Railways and Harbours, 1953–54."
———. "Estimates of the Expenditure to be Defrayed from Revenue Funds."
———. "Estimates of the Expenditure to be Defrayed from Loan Funds."
South African Finance Department, "White Paper in Connection with the Budget Statement," 1949–50—1952–53.
"Special Study: Ten-Year Projection of Federal Budget Expenditures," Bureau of the Budget, Jan. 18, 1961.
Staff report titled "Ninety-three Lots of Bids Involving Identical Bids Reported by the Federal Procurement Agencies in the Years 1955–60," Joint Economic Committee, August 1961.
"Subsidy and Subsidylike Programs of the U.S. Government," Joint Economic Committee, 86th Cong., 2d sess., 1960.
Tennessee Valley Authority, *Financial Statements*, 1960.
Testimony by Charles J. Hitch, Assistant Secretary of Defense, *January 1961 Economic Report of the President and the Economic Situation and Outlook, Hearings Before the Joint Economic Committee*, April 10, 1961.
Treasury Department. Annual Reports of the Secretary.
———. Combined Statement of Receipts, Expenditures and Balances of the United States Government for the Fiscal Year Ended June 30, 1960.
———. Daily Treasury Statements.
———. Monthly Statement of Receipts and Expenditures of the United States Government.
———. "Receipt, Appropriation, and Other Fund Account Symbols and Titles," fiscal year 1961.
———. Treasury Bulletins.
United Nations, Department of Economic Affairs, *Budgetary Structure and Classification of Government Accounts*, (ST/ECA/8, February 15, 1951).
United Nations, Department of Economic Affairs, *Public Finance Surveys: India*. (ST/ECA/Ser. B/2, Dec. 14, 1951); this study was prepared by Mrs. Ursula K. Hicks as a consultant.
United Nations, ECOSOC, *Deficit Finance: Concept and Limits*. (ECAFE/I & T/Fed. 2/17, Oct. 20, 1954); this study was prepared by Mr. A. K. Ghosh, Ministry of Finance, Government of India.
United Nations, Department of Economic Affairs, *Sweden: Public Finance Data ~~1937–1948~~* ~~(E/CN./8/31 Annex 4, November 9, 1948).~~
United Nations, Department of Economic Affairs, *Sweden: Public Finance Data 1937–1950*, (E/CN./8/31/ Annex 4/Add. 1, May 6, 1949).

○