

Federal and non-Federal sources, the word "expenditures" was used generically, rather than with the special connotation that is given in Federal budgetary accounts—where "expenditures" differ from "obligations" and other concepts in terms of the step, the point in its consummation, at which a transaction is measured. The Budget in Brief for fiscal 1967 defines these terms as follows:

Obligations.—Commitments made to pay out money—as distinct from the actual *payment* for the product or service. They must be made within the amount authorized by Congress and are incurred, for example, when personnel earn salaries, purchasing contracts are made, or loan agreements are signed.

Expenditures.—Consist generally of checks issued and cash paid. The transactions of business-type activities which generate their own receipts (such as the Post Office) are normally recorded as *net expenditures*—that is, disbursements less receipts. If receipts exceed disbursements, the result is shown as a negative expenditure.

The accounting relationship of obligations to expenditures is illustrated in the Budget of the U.S. Government, fiscal year 1967—Appendix, p. 7.

Some respondents to the committee inquiry found it easier to report Federal Government obligations than expenditures for their programs. Committee staff tried to have the data adjusted to an expenditure basis for all programs, so they would be homogeneous and could be summed without confusion. Where the agency could not report expenditures, a note indicates that the amounts represent obligations. In some instances, both expenditures and obligations are reported for the totals but the subdivision into economic categories is available only for obligations.

Reports for Government enterprises presented special problems. In the national income accounts, capital formation of the enterprises (including both fixed capital formation and inventory change) is classified as a Government purchase of goods and services. Profits (or current surplus) are treated as a nonfactor charge against the value of output.² The profits are calculated without deduction of net interest paid or depreciation. This procedure serves to consolidate the surplus or deficit of Government enterprises with that of general Government. Net interest paid plus capital formation less the current surplus of Government enterprises measures the net excess of their expenditures over their receipts.³

Efforts to apply uniformly the approach of the national income accounts to Government enterprises were not successful. Many respondents contended that this type of analysis obscured the nature of their programs. They preferred to report *gross expenditures* as a measure of the magnitude of their programs. A result is that the responses for Government enterprises show each enterprise on the

² The reference to a "nonfactor charge" signifies a transaction that is not a payment for a "factor" of production. The concept of factor cost is explained in the following excerpts from Office of Business Economics, "National Income: A Supplement to the Survey of Current Business, 1954 edition" (1954), pp. 39-40:

"Underlying the definition of 'national income' in terms of factor cost is the general idea that the output of the Nation is the result of the services rendered by agents of production who cooperate in the production of that output. These agents of production are the labor and capital, the entrepreneurial ability and natural resources which are used in the production process. It is the services of these agents or factors as valued in the market by their earnings for which a quantification is sought in the national income, to the extent permitted by the data available as statistical raw material.

"It is hardly necessary to stress the importance in studies of resource allocation of such a measure of the services rendered by productive agents. * * *

"It must be recognized, of course, that the concept of factors of production is not given precisely in economic theory but must, to some extent, be formulated with reference to the problem at hand. * * *

"In spite of * * * limitations and difficulties, the idea of factor costs has always been of fundamental importance in economic analysis, and national income defined as an aggregate of factor earnings is the only general measure by which the idea can be quantified."

³ For a more complete discussion, see *ibid.*, p. 49.