

Mr. WEIDENBAUM. I have to say not quite.

Chairman PROXMIRE. All right.

Mr. WEIDENBAUM. For two reasons: first of all, it excludes all of the lending transactions of the Federal Government, which are very large and very important. These are included in the cash budget. They are not included in the National Income Accounts Budget.

I feel the second drawback to the National Income Accounts Budget is its accrual on the revenue side, and that is, it records the payment of corporate taxes when the liability accrues to the companies, not when the cash is received at a later point by the Treasury. However, it shifts gears on the expenditure side. It doesn't reflect the receipt of the Government payment by a Government contractor on an accrual basis, which would precede the actual cash flow, but it reflects this payment on a delivery basis, which is after the cash flow, because of the tremendous amount of progress payments.

So you have a measure which during the period of a military buildup shows receipts on a leading basis, so to speak. It records the receipts before they are in the Treasury, and it doesn't record the expenditures until some time after they have left the Treasury. Inevitably during this kind of period, this budget, which overestimates, so to speak, receipts and underestimates expenditures, will show a far more favorable situation than the underlying relationship between the budget and the economy. In my formal paper—

Chairman PROXMIRE. Let me just ask you on this point—what is your answer? What should we be looking at? Is the cash budget a better basis?

Mr. WEIDENBAUM. For this purpose, I do think the cash budget is better.

Chairman PROXMIRE. For measuring the impact in a period of rapid war buildup, you would rely more on a cash budget?

Mr. WEIDENBAUM. Yes, sir.

Chairman PROXMIRE. What did the cash budget show in 1966?

Mr. WEIDENBAUM. I must say I don't have the figures with me.

Chairman PROXMIRE. Did they show a deficit?

Mr. WEIDENBAUM. While I am looking for the figures, may I point out that in my formal paper, I have made an adjustment of the National Income Accounts Budget to cover this contingency. In other words, I have adjusted the National Income Accounts Budget for the fact that deliveries lag behind expenditures. In other words, I adjust the expenditures on a National Income Account Budget so that they are consistent with the revenues.

In doing that, I don't show a surplus in 1966. I show a Federal deficit in 1966.

Chairman PROXMIRE. That is simply adjustment in the NIA budget you show a deficit.

Mr. WEIDENBAUM. Yes, that is in the NIA budget. I have now the comparisons between cash budget and National Income Accounts Budget. In the second half of 1965, the cash budget showed a much bigger deficit than the National Income Accounts Budget. In the first half of 1966, it showed a much smaller surplus than the National Income Budget. In the second half of 1966, it showed a much bigger deficit.