

The results are consistently less favorable than the National Income Accounts Budget. I think this is one of the problems. But I am a little dismayed to see, as I note in the January 1967 Budget Message, this comparison between the administrative budget and the NIA budget. It is sort of, frankly, beating a dead horse.

I recall a Presidential budget message just a few years ago saying, in effect, "We are no longer going to emphasize the old-fashioned administrative budget. We are now going to emphasize the comprehensive cash budget, which is the best measure of Federal finance."

Somehow or other we have conveniently forgotten that, and now we measure, compare the NIA budget to the administrative budget. I think the more relevant comparison is to the cash budget.

Personally, I would opt for the cash budget because it is, first of all, more comprehensive. It includes things like the big lending programs we have that don't show up in the NIA budget and, secondly, it is more accurate. It presents a more accurate portrayal of the impact of a defense buildup or of a defense cutback on the economy.

Chairman PROXMIRE. Now, proceed to spell out the speed of the military buildup affecting the economy.

Mr. WEIDENBAUM. If I may, fiscal 1966, as I point out in my formal statement, was a period where Vietnam really took hold in terms of being important as a factor in the budget and in the American economy. That is the second half of calendar 1965, July, 1965, through December, 1965. This was the point where the Federal budget on the NIA basis was running a small deficit, \$1.4 billion.

However, this was the period of tremendous buildup in military orders, military obligations, in the second half of 1965, were running on the average of \$60 billion, which was a \$7 billion increase over just a year prior. Making the adjustment—

Chairman PROXMIRE. That was, or was not, reflected in the NIA budget?

Mr. WEIDENBAUM. It is not reflected in any of the budgets.

Chairman PROXMIRE. But this is the kind of thing that you say in your summary. It isn't reflected in the Government figure, but it is reflected in the action of the private contractors.

On this basis, they go out and hire people, they make commitments on machinery, they buy raw materials, they go through this kind of action which expands the economy.

Mr. WEIDENBAUM. Precisely. It is the private production on Government account that increases the GNP. If you can conceive of several steps, breaking up the GNP into simply private sector and public sector, during the period where the defense contractors are working on Government orders, this shows up in the private sector.

This is value added in terms of the production of aircraft, tanks, ships, and so forth.

Chairman PROXMIRE. Roughly, how did this work in 1966 in terms of the timing? You say late 1965?

Mr. WEIDENBAUM. Yes.

Chairman PROXMIRE. That was the time of the buildup. The Government would increase its orders in September, October, November of 1965, no reflection whatsoever in any current budget, but those orders were obviously immediately escalating the economy.