

1965 to \$126 billion in 1966, an 18 percent growth. Compared to this \$19.4 billion rise, budget receipts are projected to go from \$93.1 billion to \$100 billion during this same period—an increase of only \$6.9 billion. As shown in table 1, the bigger increase in revenues will occur in fiscal 1967, when the expansion in new funding will have dampened down.

TABLE 1.—*Selected measures of Federal finance*

[In billions]

	Fiscal years—		
	1965	1966	1967
New obligational authority.....	\$106.6	\$126.6	\$121.9
Budget receipts.....	93.1	100.0	111.0

Source: 1967 *Budget*, pp. 11, 16.TABLE 2.—*Selected measures of military finance*

[In billions]

	Fiscal years—		
	1965	1966	1967
New obligational authority.....	\$50.5	\$63.3	\$59.9
Obligations incurred.....	50.2	63.7	62.8
Expenditures.....	47.4	54.2	58.3

Source: U.S. Department of Defense, *FAD-524*, Jan. 24, 1966.

An examination of the available measures of the military budget is quite revealing. As shown in table 2, the entire current expansion in new obligational authority and obligations to be incurred for the Department of Defense is scheduled for fiscal 1966; in fact, declines are projected for 1967. In contrast, the expenditure rise is slower in 1966 and continues to 1967. It would appear, on the basis of the published materials, that the major expansion in Federal programs will occur during the present year and that fiscal restraint will not take hold until next year.

SUMMARY

Given the nature of the military and political assumptions underlying the 1967 budget, an evaluation of its economic impact is hazardous. Nevertheless, it would appear, on the basis of the justifications and explanations accompanying the document, that the current, immediate inflationary potential—during the fiscal year 1966—has been virtually ignored. The fiscal policy sketched out for 1967 may be adequate, assuming no Vietnam supplemental in the 1968 budget, but this writer has the uneasy feeling that the inflationary experience that accompanied the first year of the Korean expansion may be repeated at the present time, although on a reduced scale. Hence, once again, failure to focus on the full range of measurements available of the economic impact of the government spending process may result in inappropriate fiscal policies being adopted.