BUDGET POLICY IN A HIGH-EMPLOYMENT ECONOMY

The Federal budget for fiscal 1967,[1] presented to Congress on January 24, provided for substantial increases in both expenditures and revenues during the remainder of fiscal 1966 and for further increases in fiscal 1967. According to the administration's budget plan, the excess of expenditures over revenues (i.e., the deficit) is expected to increase from fiscal 1965 to 1966 and then to decline in fiscal 1967.

This article focuses on the implications of the Federal budget for economic stability in calendar 1966. To assist in the analysis, several alternative measures of budget policy are examined, and some economic principles are reviewed. Prospects for Federal taxes and expenditures may be substantially different now from what they were when the budget was prepared. Nevertheless, it is believed that this article, based on the January budget report, will promote understanding of the budget plan in light of the current economic environment.

MEASURES OF BUDGET POLICY

The fiscal activities of the Federal Government can be summarized in several ways. Some alternative budget concepts and the relationships between them are discussed in the following sections.[2] Table I provides a reconciliation of these budget concepts, with data for fiscal 1965–67 used for illustration.

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[1] The Federal Government's fiscal year runs from July 1 to June 30 and is designated by the calendar year in which it ends.

[2] The term "budget" is used loosely here. There is in fact only one Federal "budget" in the sense of a financial plan, and that is the administrative budget. All other "budgets" discussed here are summary statements of receipts and expenditures classified in various ways for purposes other than administrative planning.