

CASH BUDGET

The consolidated cash budget is a summary statement of cash flow between the Federal Government and other sectors of the economy. Included are activities of the regular Government agencies found in the administrative budget plus the activities of trust funds and Government-sponsored agencies. Because activities of some agencies (e.g., the post office) are recorded on a net basis, the full magnitude of cash flows between the Federal Government and other sectors of the economy is not measured by the cash budget.

The cash surplus or deficit serves as a measure of the direct impact of Federal Government spending and taxation on the financial assets of the private sector of the economy (including State and local governments). Surpluses or deficits in this budget indicate changes in the public debt and/or changes in the Treasury's cash balance.

NATIONAL INCOME ACCOUNTS BUDGET

Federal Government activities in the national income accounts are restricted to receipts and expenditures which reflect the direct impact of Federal spending and tax programs on the flow of current income and output. This measure is obtained by making two major adjustments in the cash budget.

First, capital transactions adjustments exclude expenditures on existing assets and loans (or loan repayments). Second, timing adjustments are made. Expenditures are recorded when delivery is made to the Government (whereas the cash budget records spending at the time of payment). Tax receipts are recorded when the tax liability is incurred (whereas the cash budget records them when collected).

HIGH-EMPLOYMENT BUDGET

The high-employment budget is an estimate of expenditures and revenues in the Federal sector of the national income accounts for a level of high employment.³ It is an attempt to correct the distortion introduced by the impact of the economy itself (through the effect of changing levels of economic activity on Government expenditures and tax receipts) on the realized surplus or deficit. The smaller the surplus or greater the deficit in this budget, the more stimulative is the impact of Federal fiscal activities and the less is the dependence on private demand to maintain high employment.

NEW OBLIGATIONAL AUTHORITY

In evaluating the impact of the Federal Government on the economy, another measure of particular importance is "new obligatory authority." This is legislation by Congress permitting a Government agency or department to commit or obligate the Government to certain expenditures. Congress does not vote on expenditures; it determines new obligatory authority. Before funds can be spent, an agency must submit and have approved by the Bureau of the

³ The President's Council of Economic Advisers defines a high-employment level of economic activity as that level associated with a 4 per cent unemployment rate. The high-employment budget could be computed for other budget concepts, but, for an analysis of the economic impact of the budget, the national income accounts basis seems most appropriate. For a description of techniques and procedures for calculating high-employment budget estimates, see Nancy H. Teeters, "Estimates of the Full-Employment Surplus, 1955-1964," *The Review of Economics and Statistics*, XLVII (August 1965), 309-321.