liberal social security benefits as well as the greater outlays included in the administrative budget were chief causes of the increase.

The *national income accounts budget* is a broad measure relating the Federal Government sector to the consumer, business, state and local government, and international sectors of the national income and product accounts. It reflects the impact of current changes in tax rates and provisions for expenditure by the Government as well as the built-in stabilizing effects of existing laws as applied to changing economic developments.[2]

On the national income accounts basis, the budget has shown a surplus at an average annual rate of about $0.4 billion during the past 18 months. This was less stimulative than in the period 1961–64, when the deficit averaged a rate of $2.5 billion. This measure of Government action, which indicates about the same stance in 1966 as in 1965, is generally thought to be a better indication of the relationship of the Government to total spending than either the administrative or cash budget. The national income accounts budget is designed to include only factors which have a direct impact on the flow of current income. This is accomplished by such devices as excluding transactions in existing assets and accruing tax receipts. The somewhat greater restriction indicated by this budget for 1965 and 1966 than for the preceding 4-year period resulted in large part from the impact on Government tax receipts of the rise in economic activity and incomes—the chief automatic stabilizer. In view of the high level of economic activity and the excessive rate of increase in total spending, the budget appropriately should have registered a large surplus in the last 18 months if it were the act as a restraining force on total spending.

The *high-employment budget* indicates the influence of changes in tax rates and in provisions for Government expenditures upon the national income accounts budget and abstracts from the major built-in stabilizer effects. It is thus a better measure of changes in fiscal policy.

On a high-employment budget basis the Government operated at a surplus of about $0.5 billion annual rate in the 18 months from mid-1965 to the end of 1966. This was the smallest surplus, and therefore the most stimulative, in over a decade. Figures presented in this budget are hypothetical, but relative levels are believed to provide the best single measure of the relative impact on the economy of current Government fiscal actions. The high-employment budget differs from the national income accounts budget primarily by eliminating the effect of changes in economic activity on Government receipts. It measures the impact of changes in tax laws and legal provision for expenditure, at an assumed rate of use of resources, rather than actual tax receipts and expenditures.

Government tax and expenditure policies as measured by the high-employment budget were a substantial drag on total spending in 1960, were moderately and on the whole increasingly stimulative

[2] Differences of opinion exist as to whether it is better to include or exclude the effect of automatic stabilizers in analyzing fiscal policy. There is an extensive literature on the value of the automatic stabilizers. However, since the impact of these stabilizers is chiefly determined by developments in the private sectors, others believe that these movements may be misleading. The differences of opinion are similar to those of deciding whether to use interest rates and free reserves (which are influenced by both the monetary authorities and demands for credit in the rest of the economy) or to use aggregate reserves and money (which are controlled by the monetary authorities) in measuring monetary actions.