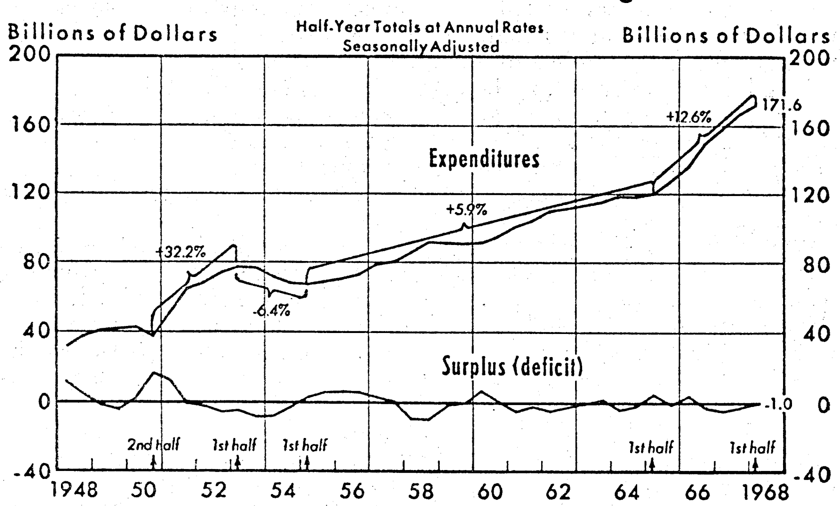
National Income Accounts Budget



Source: U.S. Department of Commerce
Percentages are annual rates of change between periods indicated.
Latest data plotted: 1967 and first half 1968 estimated by Federal Reserve Bank of St. Louis from Fiscal 1968 Budget.

Receipts. Federal NIA receipts are expected to rise less rapidly than expenditures from fiscal 1967 to fiscal 1968, thereby increasing the deficit. Increases in receipts were large in fiscal 1966 and even larger in fiscal 1967. Such increases have resulted primarily because this was a period of rapidly expanding money incomes and inflation. Receipts were also accelerated however, by faster collections and increases in social security tax rates during this period.

NIA receipts are anticipated to increase by $17.3 billion or 11.6 percent in fiscal 1968 over the previous fiscal year. Growth in receipts will result mainly from continued economic expansion but will also reflect the proposed 6-percent surcharge on personal and corporate income effective July 1, 1967, and a scheduled increase in social security tax rates on January 1, 1968.

BUDGET POLICY IN ITS ECONOMIC SETTING

Budget plans for calendar 1967 are predicated on a forecast of sluggish growth in private demand in the first half of the year with a resumption of more rapid growth in the second half. The purpose of this section is to examine Federal budget plans within the economic setting expected in calendar 1967.

An evaluation of the Federal budget plan at this particular time is replete with problems. The Council of Economic Advisers probably has access to more information than anyone else at the time of the budget's preparation. Consequently, this examination of the budget centers more on assumptions than on the internal consistency of the proposed total economic plan.

The economic plan, as presented in the fiscal 1968 budget and the CEA report, is to keep the economy on a full-employment growth path with relative price stability. The budget is presumably designed to provide just the right amount of fiscal stimulus or restraint at the appropriate time. The success of the proposed budget program de-