

sectors of the economy. Primary differences between the cash budget and the national income accounts budget are (1) on the expenditure side, spending is recorded when delivery is made to the Government, and purchases and sales of existing real and financial assets are excluded, and (2) on the receipts side, taxes are in large measure recorded when the tax liability is incurred.

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.⁴ 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

Another measure of particular importance in evaluating the impact of the Federal Government on the economy is "new obligational 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 obligational authority. Before funds can be spent, an agency must submit and have approved by the Bureau of the Budget an apportionment request. This determines the rate at which obligational authority can be used. An agency usually incurs obligations, i.e., commits itself to pay out money, after apportionment by the Bureau of the Budget.

⁴ The President's Council of Economic Advisers defines a high-employment level of economic activity as that level associated with a 4-percent 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), pp. 309-321.