THE ECONOMIC IMPACT OF THE GOVERNMENT SPENDING PROCESS*

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SUMMARY

An examination of the major phases of the Federal Government spending process reveals that the economic impact of government spending may occur during any of the phases of the process, but often prior to the actual governmental disbursements.

These phases are (1) granting of financial authorizations by the Congress; (2) placing of contracts with business firms; (3) production of goods and services; and (4) delivery of the items to the Government and payment therefore.

Under certain circumstances, the effects of the announcement of newly granted obligational authority may cause an increase in private spending in advance of the placement of contracts or of the expenditure of funds. More usually, economic activity will be affected soon after contracts or orders are let with private producers. The private contractor undertaking to fill the order will, at the time the order is placed (or perhaps even before, if intent to place the order has been expressed to him), begin to acquire the resources needed for its completion. It is, therefore, at the order stage that the governmental procurement action will have its initial and often major impact on the markets for labor, raw materials, and financial resources; a stage often several years before the procurement transaction is recorded as a government purchase or payment.

*Reprinted from *The Business Review*, The University of Houston, vol. 8, spring, 1960.

This study is based on a doctoral dissertation prepared at Princeton University. Portions have appeared in the following journals and the editors have kindly consented to the use of some of the material: *Accounting Review*, *American Jouranl of Economics and Sociology*, *Federal Accountant*, *National Tax Journal*, and *Public Finance*.

The writer wishes to express his deep appreciation to Profs. Paul J. Strayer and Lester V. Chandler of the Department of Economics of Princeton University for their advice and guidance in the course of the study. The writer is also indebted to his former colleagues at the U.S. Bureau of the Budget for encouragement and much necessary information.