

This production on Government order will be recorded in the national income accounts as increases in gross private domestic investment (change in business inventories). This private production on Government account does not appear in any of the generally used measures of Government spending.

Only as production is completed and as finished items are delivered to the Government will the transaction appear as a Government purchase. The delivery will be treated simultaneously as a decrease in gross private domestic investment; no net effect will occur in the level of gross national product at this point. The contribution will have been made earlier, during the production period prior to the actual government expenditures. Indeed, the governmental expenditure may coincide in time with a reduction in governmental impact on total demand.

However, the mere granting of appropriations and the placement of contracts may have little effect on the level of production when resources are fully employed. Also, to the extent that government orders can be filled out of existing inventories, the effect on production may not occur until the depleted inventories are restocked. Despite these and other complications, the primary impact of government procurement on the level of economic activity usually occurs in advance of the actual government expenditure.

Government spending for other than the acquisition of goods and services may approximate more closely, or even lead, the economic impact. This ordinarily would be true for transfer and interest payments and grants to State and local governments where the contribution to economic output would be made as the funds are respent. This would also hold for lending programs, except where production is begun on the basis of the Government's commitment to lend at a later date. Purchases of existing assets merely add to the liquidity of the recipients, unless the proceeds are used to purchase or finance current output.

The generally used measures of Federal spending cover only the completion phase of the spending process, represented by disbursements or by deliveries. Measures of some of the other stages of the process can be obtained or prepared. Data on budget authorizations granted by the Congress can be secured annually from the budget document. Information on contracts led and other "obligations" incurred by Federal agencies is gathered for internal budgetary purposes. There are no current data of production on government account since reports on inventories do not reveal the amounts relating to government orders.

Measures of the early stages of the government spending process can be used for many purposes of economic analysis. They are lead series which quickly register changes in demand and indicate future trends in governmental disbursements. They can also be used to evaluate developments in the economy during periods when changes in government purchasing exercise an important role.

The possibility of economic effects occurring during the various phases of the government spending process necessitates taking measurements of the spending stream at earlier points than merely at the completion stage. What is needed is not a single measure of Federal spending but a tool kit of series, each of which is useful for certain purposes.