the private sector have risen from 31 percent of total Federal purchases in 1929 to 61 percent in 1959.

Economic literature abounds with references to government spending and its effects. Yet a full understanding of the governmental spending *process* often appears to be lacking. For example, Samuelson, in a knowledgeable article on fiscal policy, explains that the Congress does not legislate revenues, but tax rates. He then goes on to state that the Congress "legislates government expenditures." [2] As will be pointed out, Federal agencies and private business firms, rather than the Congress, exercise the controlling influence over the rate of government expenditures in a given period. The congressional action merely makes available funds which can be spent over an extended period.

Villard, in his important work on the contribution of government activity to income, decried as too lagging a definition of government expenditures which "would not count funds as 'spent' by the Government until the funds had been received as income by the factors of production involved in making the output bought by the Government." [3] As will be demonstrated, these payments to factors usually *precede* rather than *follow* the actual government expenditures. Such a series would be a leading, rather than a lagging, indicator.

This study is rooted in an examination, theoretical as well as historical, of the entire Federal spending process and of the effects on the economy of the different phases of this process under varying circumstances. Such examination reveals the possibility of important economic impact during each of the phases of the process. It is also demonstrated that the timing and magnitude of the economic impact may vary according to the type of government outlay and the state of the private sectors of the economy.

A subsequent examination of the generally used measures of government spending reveals that they do not cover the economic impact of all of the major phases of the process, but only one—the completion stage represented by disbursements or deliveries. The study goes on to examine the potential availability of measures of other major phases of the government spending process and finds the most important and remediable shortcoming to be in the commitment stage. An attempt is made to construct a series on Federal commitments. The concluding section of the study is devoted to a discussion of the importance to economic analysis of the understanding of the operations of the government spending process generally and of the uses and limitations of this new series on spending specifically.

Because this study gives primary attention to developments and practices during the last two decades, military spending often dominates the discussion.[4]

Defense preparation and war periods have usually been the time when the Government exercises a strategic if not the dominant role in influencing the course of economic activity. It is at such times that there are large and abrupt changes in the rates of government spending. Moreover, armament programs particularly generate Govern-

[2] Paul A. Samuelson, "The Simple Mathematics of Income Determination" (In *Income, Employment and Public Policy*, essays in honor of Alvin H. Hansen, New York, W. W. Norton, 1948), p. 143.

[3] "According to this definition, the Government would not have 'spent' all the money used to buy a battleship until part of the sum involved had been received by the iron miners who dug the ore from which was made the steel from which the battleship was built." Henry H. Villard, *Deficit Spending and the National Income*, New York, Farrar & Rinehart, 1941, p. 201.

[4] "* * * spending for national security * * * except for brief interludes; has been the dominant type of Federal spending throughout our history." James A. Maxwell, *Fiscal Policy, Its Techniques and Institutional Setting*, New York, Henry Holt, 1955, p. 106. *Cf.* U.S. Department of Commerce, *Historical Statistics of the United States*, Washington, GPO, 1949, pp. 299–301.