

Where a Federal agency, to enable it to increase its staff, is granted a supplemental appropriation, or a regular appropriation larger than it received for the previous year, it can begin to hire new personnel as soon as it receives an apportionment of funds. Funds are obligated as the personal services are rendered. Limited by an initial administrative lag, usually of one to two weeks, the funds are expended as biweekly payments for services as they are rendered. Hence, the lag between obligations and expenditures is at a minimum. From the viewpoint of economic activity, the payments to factors (government employees) are recorded as government purchases of goods and services when the services are rendered and when payments are made. There is no time lag involved for intersector transfers as is the case for goods and services which the Government buys from private business firms.

However, even Government programs which are basically administrative in nature involve the purchase of supplies and other goods and transportation and other services from the private sector. The actual purchasing patterns of Federal Government agencies are characteristic of this "mixed" case. It is essentially a question of degree. In the case of the General Accounting Office, about 97 percent of the outlays for a given year were wage payments to government employees. The General Services Administration, in contrast, spent about 80 percent of its funds on supplies and materials produced in the private sector and only seven percent on wage payments to its own employees. Most government agencies fall somewhere between these two extremes.⁴⁰

In the important case of government programs involving the procurement of heavy equipment, the bulk of the production is usually carried on in the private sector. Moreover, it is precisely these programs which involve long production lead times and the consequent buildup of private inventories on government account. Military and foreign aid programs are the most important representatives of this group and it is in these areas where abrupt and large shifts in magnitude and timing are most common.

Other types of government spending programs. Many government spending programs are not for current output and do not directly enter into gross national product, although they may be part of other national income accounts. In addition to purchases of goods and services, government spending may go for the following: transfer, interest, and subsidy payments which do not constitute a government demand for output but are income to the receivers; grants-in-aid to State and local governments which primarily affect economic activity as they are utilized by the non-Federal governmental units and then would be included as purchases of goods and services, transfer payments, etc.; intragovernmental transactions which are purely internal transfers of funds and do not directly affect the public or the economy generally; and purchases of "used" assets such as land and second-hand equipment and loans to private recipients, which are on capital account for both the spender and the receiver.

The timing of the economic effects of these types of government spending programs, may differ from that of purchases of goods and services.

⁴⁰ U.S. Bureau of the Budget, *Summary of Obligations by Object*, 1954.