

A complicating factor in the analysis is the role of unexpended balances of authorizations available to Federal agencies.⁵² Unless these balances are rescinded or put in reserve, the agencies can continue to use the unobligated portions of these balances to place new orders and let contracts in the absence of any current grant of new obligational authority. Approximately 52 percent of the balances carried into the fiscal year 1962 were unobligated, primarily representing available authorizations to expend from debt receipts.⁵³

CHANGES IN RATES AND LEVELS

There are a number of situations in which the placement of new orders *per se* may not have any significant effect on economic activity or an effect different from that postulated above.

"Followon" orders, extending and maintaining existing production levels, tend to result in continued stability rather than in any net increment in total demand.

In these instances, we may be approaching some variant of the acceleration principle. The placing of additional government orders with business firms and the subsequent production and delivery to the Government may not have a particularly stimulating effect on business investment or on the economy generally when the net result is to maintain a fairly constant level of government procurement.

TABLE 8.—*Illustration of achieving a higher level of Government spending*

	Stage of spending process	Consumer expenditures	Business inventory accumulation	Government purchases	GNP
Period 1.....	Authorization of program A.....	+10	+5		+15
	Contracts for program A.....		+5		
Period 2.....	Authorization of program B.....	+10	+5		+20
	Production A.....	+35	+45		
Period 3.....	Contracts B.....		+5		+100
	Authorization C.....	+10	+5		
	Payment A.....	+10	-50	+50	+110
Period 4.....	Production B.....	+35	+45		
	Contracts C.....		+5		+110
	Authorization D.....	+10	+5		
	Payment B.....	+10	-50	+50	+110
Period 5, etc.....	Production C.....	+35	+45		
	Contracts D.....		+5		+110
	Authorization E.....	+10	+5		

NOTE.—In this illustration, once the new level of Government spending has been achieved, payments (expenditures) are an adequate indicator of the impact of Government spending.

Table 8 shows a typical four-stage reaction to a new government spending program, with favorable advance repercussions, necessary private investment, and indirect effects on consumer expenditure. To this extent, it is consistent with the earlier discussions, such as that relating to table 5. However, it is assumed that "followon" orders are placed which maintain the level of private production achieved with the original orders. The levels achieved during period 4 (when payment is made on the first series of contracts) are merely maintained in period 5 and beyond.

Finally, the permanency of the change in the amount of government procurement is important. When businessmen and consumers believe

⁵² Cf. Gilbert and Paradiso, on the private sector: " * * * The significance of an increase or decline in new orders depends largely upon the condition of unfilled order backlogs * * * " Milton Gilbert and Louis Paradiso, "National Income and other Business Indicators" (in Philip M. Hauser and William R. Leonard, *Government Statistics for Business Use*, New York, John Wiley & Sons, 1946) p. 46.

⁵³ 1962 Budget, op. cit., p. 17.