two main improvements over the conventional series are the elimination of intragovernmental and non-cash transactions and a more complete coverage of transfer payments through inclusion of the trust funds.

Role of the cash series. It is generally agreed that the series of Federal payments to the public is the most useful available measure of the total flow of money, excluding borrowing, from the Government to the public. Harriss concludes that "For studying the effects of fiscal action on the economy in the short run, the cash figures are most significant." [66]

The difference between the Government's cash position and its budgetary position varies from year to year, the cash position usually appearing more favorable. The gap between the two methods arises largely from the operations of the trust funds. The largest trust funds are social insurance accounts which are currently accumulating reserves to meet future benefit payments and are expected to do so for many years.

The value of the cash payments series in analyzing economic impact is subject to similar limitations as budget expenditures, as pointed out in the official explanation of the cash statement:

> * * * many Government activities besides receipts and expenditures have a bearing on the economy. For example, a rapid expansion in new appropriations and in Government orders could stimulate a rise in business activity long before the authorized funds were paid to the public. Federal guaranties and insurance of private loans may also affect activity in the economy, even though they normally entail relatively small Government expenditures.[67]

FEDERAL PURCHASES OF GOODS AND SERVICES

The Federal Government component of the gross national product is Federal purchases of goods and services.

Coverage. The various agencies of the Federal Government are included in this measure, to the extent that their expenditures are for the acquisition of current output. The current accounts of government enterprises, however, are included in the business sector, and are shown as a deduction from GNP in computing national income.

Only the capital formation of government enterprises is included in government purchases of goods and services. The main reason for this treatment is to avoid classifying current business-type expenses of the Government as final purchases. It is admitted that this is "not more than a convenient means" of disposing of this conceptually indefinite but quantitatively small item in the income accounts. An indication of basic dissatisfaction with this *ad hoc* solution is the Commerce Department's conclusion that if government enterprise operations were to assume greater importance in the United States economy, "it is entirely possible that some modification of their treatment in the national income accounts would be called for." [68]

The definition of government enterprises in the income accounts differs from that used in the other series that have been discussed. Included here as government enterprises are business-type activities whose expenditures are reported gross in the budget document and whose receipts from operations are included on the receipts side. On

[66] Harriss, *op. cit.*, p. 354.
[67] *1962 Budget, op. cit.*, p. 982.
[68] "1954 National Income Supplement," *op. cit.*, p. 49.