Proponents of the change claim the practical value of not increasing the Federal component of GNP simply because the government borrows funds to finance its operations and, in the opposite instance, of not decreasing Federal purchases of goods and services whenever the Government retires debt (and hence reduces the volume of its interest payments).[74]

Types of payments included. Federal purchases of goods and services consist of the output of the Federal Government sector and that part of the output of the private sectors that is purchased by the Government. The output of the government sector is measured by the wages and salaries of general government employees plus certain supplements paid by the Government as employer. The category of general government employees includes both military and civilian personnel but excludes the employees of government enterprises, whose current transactions are covered in the business sector. Supplements to wages and salaries cover such items as the Government's contributions to the retirement funds for its employees.

A number of significant types of government spending are not included in Federal purchases of goods and services. Some of them, however, are included in other parts of the national income accounts. For example, grants-in-aid to State and local governments are included with the outlays of those lesser jurisdictions; transfer and interest payments are included in personal income; and subsidies (including the current deficit of government enterprises) is an adjustment item used in computing national income from GNP. A total of Federal expenditures "on income and product account" can be built up using all of these components of government spending. (See table 10.) Although such a tabulation may be helpful for certain limited purposes, it is not as generally used a measure of government spending as are Federal purchases of goods and services.

TABLE 10.—*Federal expenditures on income and product account, fiscal year 1960*

[In billions]

Description	*Amount*
Purchases of goods and services	$54.0
Transfer payments	21.9
Interest	6.1
Subsidies plus the current deficit of government enterprises	3.5
Grants-in-aid to state and local governments	6.5
Federal expenditures	92.0

Source: U.S. Congress, Joint Economic Committee, *Hearings on January 1959 Economic Report of the President*, Washington, Government Printing Office, 1959, p. 148.

There are other types of Federal spending which do not appear in any of the income accounts, such as transfers of funds between different government agencies, financial exchanges, and purchases of existing assets. An exception to this treatment is the price support loans made by the Commodity Credit Corporation. These are counted as purchases for inventory under the assumption that the loans are a preliminary step to the subsequent purchase.

Role of the series on Federal purchases of goods and services. The value of this series is derived primarily from its being a component of GNP. As used in analyses showing what constitutes the composition of demand for the final output of the economy, Federal purchases

[74] Gilbert and others, *op. cit.*, pp. 192–193.