changes in governmental spending patterns are the decisive factors in the economy. Gerhard Colm, who has prepared many studies and forecasts of economic conditions, has pointed out that economic forecasting is safest to the extent that it can be based on decisions which have already been made and that studies of "what is in store" in the government sector can be among the most important building blocks for constructing an economic forecast.[110]

Series on new obligational authority and obligations incurred might well be added to the "leading" series of statistical indicators used by the National Bureau of Economic Research. It has been pointed out that the existing National Bureau series, limited to measures of the private sector, can be misleading when the important developments in the economy are in the government sector. Lempert has demonstrated that the National Bureau's lead series indicated a slowing in the rate of economic activity throughout the calendar year 1950, despite the tremendous expansive influence of the Korean mobilization during the second half of the year.[111]

The obligation series may also be helpful in preparing interindustry models where obligations for long leadtime programs are taken into account in the calculation of the "bills of goods" for consumer expenditures, private producers' durables, and business inventories.[112]

FORMULATING AND EVALUATING GOVERNMENTAL ECONOMIC POLICIES

Attention to the early phases of the government spending process can be useful in formulating public policy by indicating the initial effects on the economy of governmental action and where that action would lead over time. Kenneth Roose, in his analysis of the 1937–38 cycle, claimed that because such knowledge was not available most policy makers and economists were not aware that the net effect of governmental action throughout 1937 was deflationary.

Roose points out that "Thus there must be a continual awareness of the extent to which the government is acting in its role of tax collector and public disburser to depress or to stimulate the level of income and production." [113]

Expenditure policy. The knowledge of the lags in and the nature of the government spending process is of particular importance in gauging a proposed spending program for countercyclical purposes. For example, if a $5 billion decline in GNP (annual rate) has been experienced in period 1 and a $10 billion decline is being assumed in period 2, it may be of little avail (aside from effects on expectations) in countering the immediate recessionary tendencies to embark upon a large construction program for which contracts could not be let until period 3 and production gotten underway until period 4. In such case, recourse to actions which involve shorter "leadtime" may be more appropriate. A step up could be ordered in the rate of production of equipment previously contracted for. With programs of military defense, foreign aid, stockpiling, and atomic development

[110] Gerhard Colm, *The Economic Outlook for 1955*, abstract of an address before the Conference on the Economic Outlook, University of Michigan, Ann Arbor, Nov. 12, 1954, p. 2.

[111] Leonard H. Lempert, "Current Implications of the 21 Statistical Indicators," *Illinois Business Review*, December 1956, p. 6.

[112] Irving H. Licht, "Government" (in conference on Research in Income and Wealth, *Input-Output Analysis, Technical Supplement*, New York, National Bureau of Economic Research, 1954), p. 2–13.

[113] Kenneth D. Roose, *The Economics of Recession and Revival, an Interpretation of 1937–1938*, New Haven, Yale University Press, 1954, p. 257.