

TABLE A1.—Category correspondence

Industry name	Budget categories ¹	Standard industrial classification
Aircraft-missiles.....	(Aircraft..... (Missiles.....	Aircraft and parts (372). Ordnance and accessories (19).
Ships.....	(Ships.....	Shipbuilding and repairing (3731).

¹ These budget categories are the titles used in the most recent issues of the "Monthly Report on Status of Funds by Functional Title." Earlier years titles were somewhat different.

Work on missiles is divided between the aircraft and parts industry and the ordnance and accessories industry. It was not possible to include the entire ordnance budget classification, since in most recent years ordnance has been part of "ordnance, vehicles, and related equipment." Using this category would make it necessary to include the motor vehicles and parts industry employment category to pick up the vehicles component of the budget category, but this would involve including the civilian component of the industry as well. In this case, of course, the civilian component would dominate the data.

(2) EMPLOYMENT, HOURS, AND EARNINGS

These data were obtained from "Employment and Earnings, 1909-1961" [21] and current issues of the same publication. The variables are not seasonally adjusted.

(3) BUDGET

The budget amounts are taken from the U.S. budget for various years. Generally, the correspondence between the Department of Defense categories used in this study and the budget categories is easily established. An exception is the case of the Army budget, which for several years used the category "Ammunition and Guided Missiles." The portion included in missiles was taken to be the percentage of obligations for missiles and ammunition going to missiles for the year in question applied to the total budgeted amount for missiles and ammunition.

(4) EXPENDITURES, OBLIGATIONS, UNOBLIGATED BALANCES AND UNPAID OBLIGATIONS

The main source for these variables is the Department of Defense monthly release, "Monthly Report on Status of Funds by Functional Title." Amounts taken are those for "Military Functions."

(A) The amounts shown for expenditures are net of receipts from other government agencies (Mutual Defense, NASA, etc.) for whose account the Defense Department placed contracts.⁹ In an effort to arrive at a gross expenditures amount, which more accurately reflects payments to industry, a correction was added to expenditures. This correction was obtained by taking, for each year, outstanding obligations at the beginning of the year plus current obligations minus net expenditures. The resulting figure is compared with outstanding obligations at the beginning of the next year, and the difference is assumed to be the amount by which gross expenditures have been misstated. One-twelfth of the difference is added to each month. This correction was not possible for procurement in 1954 and research and development in 1960.

(B) Obligations data are taken directly as published from the Status of Funds Report.

(C) Status of Funds reports unobligated balances at the beginning of the year. This is diminished monthly by current obligations and then replenished by the annual appropriations. This latter amount is added in the month that the appropriations bill is reported out of the Joint Conference.¹⁰ Appropriations are derived by deducting end-of-fiscal-year uncommitted obligations from uncommitted obligations for the beginning of the next fiscal year. These estimates will include some minor accounting adjustments in addition to appropriations.

⁹ Thanks to Mr. Sheldon Taylor of the Department of Defense for explaining the intricacies of their account procedures.

¹⁰ Although the appropriations bills do not become law until signed by the President, I assume that the "announcement" effect operates at the time the bill is reported out of the Joint Conference for two reasons: first, the signing of the bill follows by a few days, so that it does not make very much difference; second, it is extremely unlikely that the bill will be vetoed, so that the bill's being reported out of the Joint Conference is tantamount to approval of the appropriations.