

I would think that the accruals, although more significant than the expenditures, may be more difficult to forecast than the expenditure because the Government, after all, controls its expenditures and can have a plan and can, therefore, forecast when it is going to put the money out more accurately than it can forecast the progress of work being done by its contractors.

I am not very sympathetic with all the emphasis the report puts on short-term, on quarterly estimates of all these magnitudes and of frequent revisions of the estimates. I do not think that we really can or should make fiscal decisions on the basis of what is going to happen next quarter and on the basis of rather small variations in our estimates of what is going to happen next quarter. I think we should make them at most on an annual basis, and we would be well served if we had good annual estimates of the future.

Representative RUMSFELD. Then you agree with Mr. Capron's view as to projecting future Federal expenditures and other financial activity.

Mr. STEIN. Yes. Of course. Many of the errors in forecasting the budget arise from errors in forecasting the economy. And these should not apply at least to nearly the same extent to forecasts of the budget as it would be the high employment. I think that is one reason, one advantage of looking at the high employment budget. It is both more relevant and easier to forecast.

Representative RUMSFELD. I am surprised to hear you say that forecasts are really not very useful except on an annual basis. It seems to me, recognizing the fallibility of human beings and the changing situations, that all of us have to deal with the best information we have at any given time. And when I am talking about reporting, I am essentially talking about reporting to the Congress. The Congress is involved in these decisions. It seems to me that the Congress definitely should have the best information that is available to the executive branch at any given time, specifically on a quarterly basis.

Mr. STEIN. I do not think you are going to make any decisions on a quarterly basis. I do not think you are going to make a decision to raise taxes for the next quarter and reduce them for the following quarter. If you make a decision about taxes, you will make it at least for a year. And I do not know of any case where you have made it for as short a period as a year. Your decisions about expenditures as you control them through the appropriation process are decisions that at least have to do with the level of expenditures in the following year.

I do not think you can adjust budget policy for these short fluctuations.

Now, I think that it is important for people making economic policy to have a view of the economic prospect by quarters ahead of them. I think this kind of information would be very helpful to the Federal Reserve, for example.

I think it would have been helpful for the Federal Reserve in the summer of 1965 to have had a better view than they did of the speed with which the Vietnam escalation was going to proceed, and that they might have reacted to that more promptly than they did. It seems to me unlikely that Congress could have reacted to it. I think——

Congressman RUMSFELD. You talk of short fluctuations and minor variations. There have been some rather dramatic fluctuations and