

Appendix C

The Nation's Economic Budget

CONTENTS

	Page
C-1. The Nation's Economic Budget, calendar years 1949 and 1950 .	235
C-2. Consumer account, calendar years 1949 and 1950	236
C-3. Business account, calendar years 1949 and 1950	237
C-4. International account, calendar years 1949 and 1950	237
C-5. Government account (Federal, State, and local), calendar years 1949 and 1950	238
C-6. Federal cash receipts from the public other than borrowing, calendar years 1949 and 1950	239
C-7. Federal cash payments to the public by function, calendar years 1949 and 1950	239
C-8. Federal cash payments to the public by type of recipient and transaction, calendar years 1949 and 1950	240

The Nation's Economic Budget

The Nation's Economic Budget provides a comprehensive view of national economic activity by major economic groups. Such a summary is given in table C-1. It shows the total gross national product or expenditure as well as the receipts and expenditures of the major economic groups and the net additions or absorption of saving of these groups for calendar year 1949 and the first and second halves of 1950.

Column 1 indicates the major flow of receipts or income. This column contains not only income arising from current production but also receipts of government transfer payments and interest. The total of incomes from current production, shown in roman type, adjusted for the statistical discrepancy between total receipts and expenditures, gives a total equal to the gross national product. Transfers to individuals, government interest, and net cash loan transfers abroad are not included in this total. Total government cash receipts, which differ from receipts arising from current production by the amount in line 13, are also shown.

In column 2 of this same table are expenditures for current output by the four major economic groups: personal consumption expenditures, gross private domestic investment, net foreign investment, and government expenditures for goods and services. These, shown in roman type, are equal to the gross national product. Total government cash transfer payments are also shown.

Government cash transfers, on the expenditures side in column 1, are shown as receipts by consumers, and by foreign countries and international institutions. The sum of these transfer receipts, however, does not exactly equal government transfer payments. This is due to the use of somewhat different bases for measurement of various components of receipts and payments. For example, government interest payments are recorded on a cash basis; interest receipts in the consumer account are recorded on a net accrual basis and include interest paid by government corporations. The difference resulting from the two methods of estimating is included in the adjustment item (line 20).

Column 3 shows the excess of receipts (+) or expenditures (-) for the various accounts. These items include personal net saving, the government cash surplus or deficit, the excess of international receipts or investment, and the excess of gross investment over business receipts. The total excess of receipts must equal the total excess of expenditures, since national income

and product are conceptually equal. Personal net saving, for example, which is an excess of receipts, must be matched by an excess of investment by business or a government deficit, or both. But the adjustments made in the receipts items (column 1) must also be made in column 3 in order to balance the positive and negative items.

While the summary table on the Nation's Economic Budget gives a comprehensive view of the economy, additional detail is needed for analytical purposes. Such detail is shown in the tables that follow, the "accounts" for the major economic groups. More complete statistics on national income and product and their constituents are published in the "Survey of Current Business," July 1950. Some of this detail can be found in appendix A of this review. Another source of the data relating to the Federal Government is the Budget of the United States. The Council's Review of January 1950, appendix A, contains a more extended discussion of the Nation's Economic Budget.

TABLE C-1.—*The Nation's Economic Budget, calendar years 1949 and 1950*
[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1949			1950, first half			1950, second half ¹		
	Receipts	Expenditures	Excess of receipts (+) or expenditures (-)	Receipts	Expenditures	Excess of receipts (+) or expenditures (-)	Receipts	Expenditures	Excess of receipts (+) or expenditures (-)
CONSUMERS									
1. Disposable income arising from current production.....	171.2			174.2			191.8		
2. <i>Government transfers and net interest payments</i>	<i>16.3</i>			<i>22.3</i>			<i>16.0</i>		
3. <i>Disposable personal income</i>	<i>187.4</i>			<i>196.6</i>			<i>207.6</i>		
4. Personal consumption expenditures.....		178.8			183.8			197.7	
5. <i>Personal net saving (+)</i>			+8.6			+12.7			+10.0
BUSINESS									
6. Retained business receipts from current production.....	30.2			30.1			28.4		
7. Gross private domestic investment.....		33.0			44.3			52.7	
8. <i>Excess of receipts (+) or investment (-)</i>			-2.8			-14.2			-24.3
INTERNATIONAL									
9. <i>U. S. Government cash loan transfers abroad</i>	<i>1.1</i>			<i>-.2</i>			<i>.1</i>		
10. Net foreign investment.....		.4			-1.8			-3.4	
11. <i>Excess of receipts (+) or investment (-)</i>			+7			+1.6			+3.5
GOVERNMENT (Federal, State, and local)									
12. Tax payments or liabilities.....	56.2			62.2			76.2		
13. <i>Adjustment to cash basis</i>	<i>1.4</i>			<i>-3.4</i>			<i>-13.5</i>		
14. <i>Cash receipts from the public</i>	<i>57.6</i>			<i>58.8</i>			<i>62.7</i>		
15. Purchases of goods and services.....		43.3			40.6			43.6	
16. <i>Government transfers</i>		<i>16.9</i>			<i>22.4</i>			<i>16.2</i>	
17. <i>Cash payments to the public</i>		<i>60.2</i>			<i>63.0</i>			<i>59.8</i>	
18. <i>Excess of receipts (+) or payments (-)</i>			-2.5			-4.2			+2.9
ADJUSTMENTS									
19. For receipts relating to gross national product.....	-2.0		-2.0	+4		+4	-5.7		-5.7
20. <i>Other adjustments</i>	<i>-2.0</i>		<i>-2.0</i>	<i>+3.7</i>		<i>+3.7</i>	<i>+13.6</i>		<i>+13.6</i>
21. Gross national product.....	255.6	255.6		266.8	266.8		290.6	290.6	

¹ Estimates based on incomplete data; third quarter profits and all fourth quarter data by Council of Economic Advisers.

NOTE.—Items relating to current production of goods and services are shown in roman type. Transfer payments and receipts and subtotals including them are in italics; they are not included in the gross national product.

Detail will not necessarily add to totals because of rounding.

Sources: Based on the national income and product statistics of the Department of Commerce and on Federal cash receipts from and payments to the public compiled by the Bureau of the Budget. See also footnote 1.

Explanatory notes to table C-1:

Lines 1-5: See table C-2, Consumer account.

Lines 6-8: See table C-3, Business account.

Lines 9-11: See table C-4, International account.

Lines 12-18: See table C-5, Government account.

Line 19: The adjustments bring the estimates on the receipts side into agreement with those on the expenditure side of the accounts. They include the statistical discrepancy less "subsidies less current surplus of government enterprises." The statistical discrepancy represents the difference between the two independent estimates of gross national product: income received from current output and expenditures for this output. "Subsidies less current surplus of government enterprises" are included in national income, but not in the gross national product.

Line 20: Other adjustments are net and are the amount necessary for balancing the excess of receipts (+) and excess of expenditures (-). They are required because some items of government cash payments are either not recorded in private receipts at all (such as purchases of existing assets), or they are recorded in a different time period from that in which payment is made. Government cash receipts also include some items not deducted from private incomes, or deducted in a different period.

TABLE C-2.—Consumer account, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1949	1950		
		Total ¹	First half	Second half ¹
Personal income arising from current production of goods and services:				
Wage and salary receipts and other labor income.....	134.9	145.2	138.3	152.2
Farm proprietors' income.....	13.4	13.0	12.2	13.6
Business and professional income ²	21.0	23.2	21.8	24.6
Dividends.....	7.8	8.9	8.2	9.6
Private interest and rental income.....	12.0	12.4	12.2	12.5
Business transfer payments.....	.7	.7	.7	.7
Total.....	189.9	203.4	193.4	213.2
Plus: Net interest paid by government.....	4.7	4.8	4.7	4.8
Dividend on National Service Life Insurance.....		2.7	5.3	.1
Other government transfers to individuals.....	11.6	11.7	12.3	11.1
Equals: Total personal income.....	206.1	222.4	215.8	229.1
Less: Personal tax and nontax payments.....	18.7	20.4	19.2	21.4
Equals: Disposable personal income.....	187.4	202.1	196.6	207.6
Less: Personal consumption expenditures ³	178.8	190.8	183.8	197.7
Equals: Personal net saving (+).....	+8.6	+11.3	+12.7	+10.0
ADDENDUM				
Personal income arising from current production.....	189.9	203.4	193.4	213.2
Less: Personal tax and nontax payments.....	18.7	20.4	19.2	21.4
Equals: Disposable income arising from current production....	171.2	183.0	174.2	191.8

¹ Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

² Includes adjustment for inventory valuation.

³ For detail, see appendix table A-2.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-3.—Business account, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or investment	1949	1950		
		Total ¹	First half	Second half ¹
Corporate profits before tax.....	27.6	40.2	33.3	47.0
Less: Corporate tax liability.....	10.6	18.3	13.6	23.0
Dividend payments.....	7.8	8.9	8.2	9.6
Equals: Corporate undistributed profits.....	9.2	13.0	11.6	14.4
Plus: Capital consumption allowances ²	18.8	20.9	20.1	21.7
Corporate inventory valuation adjustment ³	2.2	-4.7	-1.6	-7.7
Equals: Retained business receipts from current production.....	30.2	29.2	30.1	28.4
Less: Gross private domestic investment ⁴	33.0	48.5	44.3	52.7
Construction.....	17.3	21.7	20.6	22.8
Residential (nonfarm).....	8.3	12.4	11.6	13.2
Other private construction.....	9.0	9.3	9.0	9.6
Producers' durable equipment.....	19.5	24.5	21.1	27.9
Change in inventories.....	-3.7	2.4	2.7	2.0
Equals: Excess of receipts (+) or investment (-).....	-2.8	-19.3	-14.2	-24.3

¹ Estimates based on incomplete data; third quarter profits and all of fourth quarter data by Council of Economic Advisers. Corporate tax liability for second half includes an estimate for the effect of the excess profits tax.

² Includes capital consumption allowances on noncorporate capital, including residences.

³ The adjustment measures the excess of the value of the change in the volume of nonfarm business inventories, valued at average prices during the period, over the change in the book value of nonfarm inventories.

⁴ For additional detail, see appendix table A-3.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-4.—International account, calendar years 1949 and 1950

[Billions of dollars, annual rates]

Receipts or investment	1949	1950		
		Total ¹	First half	Second half ¹
U. S. Government cash long-term loans (net) ²	0.9	0.2	0.3	0.1
Plus: Cash payments to International Monetary Fund and International Bank ³.....	.2	-.3	-.5	.....
Equals: U. S. Government cash transfers on loans (receipts).....	1.1	-.1	-.2	.1
Surplus of exports of goods and services.....	6.2	1.8	3.0	.6
Less: Net unilateral transfers ⁴				
Government ⁵	5.3	4.0	4.3	3.6
Private.....	.5	.4	.4	.4
Equals: Net foreign investment.....	.4	-2.6	-1.8	-3.4
Excess of receipts (+) or investment (-).....	+7	+2.5	+1.6	+3.5

¹ Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

² Includes only cash withdrawals under loan agreements. Does not include noncash transactions such as lend-lease and surplus property credits.

³ Cash payments on subscriptions. In the first half of 1950 the International Monetary Fund returned over 500 million dollars of cash (annual rate) to the U. S. Treasury in exchange for United States notes.

⁴ Net unilateral transfers are included with government or private expenditures for goods and services. For example, remittances (gifts) made by American citizens to relatives or charitable groups abroad are included with consumer expenditures. Government aid in the form of grants is included in government purchases of goods and services. Thus, net unilateral transfers must be deducted from the export surplus to avoid double counting.

⁵ Unilateral aid included in appendix table C-8 is on a Daily Treasury Statement basis and is gross.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-5.—Government account (Federal, State, and local), calendar years 1949 and 1950¹

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1949	1950		
		Total ²	First half	Second half ³
Receipts:				
Tax and nontax payments or liabilities: ⁴				
Federal.....	39.2	50.1	43.7	56.4
State and local.....	17.0	19.1	18.4	19.8
Total.....	56.2	69.2	62.2	76.2
Adjustment to cash basis:				
Noncash receipts ⁵	-1.8	-1.2	-1.3	-1.2
Excess of cash receipts over tax liabilities or payments ⁶	+3.2	-7.2	-2.1	-12.3
Cash receipts from the public.....	57.6	60.8	58.8	62.7
Expenditures:				
Purchases of goods and services:				
Federal.....	25.3	22.7	21.8	23.6
State and local.....	18.0	19.4	18.8	20.0
Total.....	43.3	42.1	40.6	43.6
Other government payments:				
Transfers to individuals.....	11.6	14.4	17.6	11.2
Cash interest payments to the public ⁷	4.3	4.2	4.2	4.1
Loans to foreign governments and subscriptions to International Bank and International Monetary Fund ⁷	1.1	-.1	-.2	.1
All other ⁸.....		.8	.8	.8
Total.....	16.9	19.3	22.4	16.2
Cash payments to the public.....	60.2	61.4	63.0	59.8
Cash surplus (+) or deficit (-).....	-2.5	-.6	-4.2	+2.9
ADDENDUM				
Federal:				
Cash receipts.....	41.3	42.4	41.1	43.8
Cash payments.....	42.6	41.9	44.0	39.9
Surplus (+) or deficit (-).....	-1.3	+.5	-2.9	+3.9
State and local:				
Cash receipts.....	16.3	18.4	17.7	18.9
Cash payments.....	17.5	19.5	19.0	19.9
Surplus (+) or deficit (-).....	-1.3	-1.1	-1.3	-1.0

¹ This table reconciles cash receipts and payments to the public with estimates of government receipts and expenditures included in the national income and product accounts. Cash receipts or payments represent the consolidated cash accounts of the Federal Government, including the trust funds, and State-local governments. All intragovernmental transactions are excluded. The receipts of government corporations and the Post Office are offset against expenditures and the net expenditure included as a cash payment. Grants-in-aid to State and local governments are included as a cash payment of the Federal Government and not included as either a receipt or payment of the States or localities.

² Estimates based on incomplete data.

³ Personal and indirect business tax payments, corporation tax liabilities, and contributions for social insurance. Estimate for second half of year includes an estimate for the effect of the excess profits tax.

⁴ Consists of deductions from government employees' salaries for retirement funds, and government contributions to retirement funds, National Service Life Insurance and U. S. Government life insurance funds.

⁵ Includes excess of corporation tax receipts over liabilities and excess of personal tax receipts over payments. Cash receipts also include some items of miscellaneous receipts not included in tax and nontax payments, such as receipts from sales of surplus property.

⁶ Does not agree with net interest paid by government (appendix table C-2) which is on a net accrual basis and includes interest paid by government corporations.

⁷ See appendix table C-4, International account.

⁸ Includes all other cash payments less noncash payments for goods and services. Other cash payments include net payments by government corporations (except capital formation), net prepayments, and the excess of checks paid over checks issued. Noncash purchases of goods and services include deductions from government employees' salaries for retirement funds and the government contribution to such funds.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-6.—Federal cash receipts from the public other than borrowing, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Cash receipts	1949	1950		
		Total ¹	First half	Second half ¹
Direct taxes on individuals.....	18.4	19.3	18.4	20.1
Direct taxes on corporations.....	12.0	9.9	9.9	9.9
Employment taxes.....	2.5	3.4	3.4	3.4
Excises and customs.....	7.9	8.6	8.2	9.0
Surplus property receipts.....	.5	.2	.3	.1
Deposits by States, unemployment insurance.....	1.0	1.2	1.1	1.3
Veterans' life insurance premiums.....	.4	.5	.5	.5
Other.....	1.4	1.5	1.4	1.6
Less: Refunds of receipts.....	-2.8	-2.2	-2.2	-2.2
Total Federal cash receipts from the public.....	41.3	42.4	41.1	43.8

¹ Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-7.—Federal cash payments to the public by function, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Function	1949	1950		
		Total ¹	First half	Second half ¹
Military services.....	12.9	13.7	11.9	15.4
International security and foreign relations.....	6.0	4.1	4.4	3.9
Veterans' services and benefits.....	7.1	8.9	11.8	6.1
Social security, welfare, and health.....	2.7	3.3	3.1	3.5
Agriculture and agricultural resources.....	3.0	1.3	2.4	.2
Interest.....	4.3	4.1	4.2	4.1
Other.....	7.1	6.9	7.2	6.6
Deductions from Federal employees' salaries for retirement.....	-.3	-.4	-.4	-.4
Clearing account for outstanding checks and telegraphic reports.....	-.2	-.1	-.7	.5
Total Federal cash payments to the public.....	42.6	41.9	44.0	39.9

¹ Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE C-8.—Federal cash payments to the public by type of recipient and transaction, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Cash payments	1949	1950		
		Total ¹	First half	Second half ¹
Direct cash payments for goods and services, excluding military services: ²				
Payments to individuals for services rendered:				
Civilian wages and salaries (excluding Post Office):				
Federal ³	2.5	2.6	2.7	2.6
Grants- and loans-in-aid for performance of specified services, net ⁴.....	.8	.6	.6	.6
Total.....	3.3	3.2	3.3	3.2
Payment to business for goods and services:				
Public works:				
Federal.....	1.5	1.7	1.7	1.7
Grants-in-aid and loans for public works.....	.4	.6	.6	.6
Other goods and services ⁵	1.0	1.0	.9	1.2
Payments to foreign countries and international institutions for goods and services.....	.1	.1	.1	.1
Total.....	3.0	3.4	3.3	3.6
Loans and transfer payments to individuals:				
Social insurance and public assistance:				
Federal employees' retirement benefit payments.....	.2	.3	.3	.3
Old-age and disability benefit payments.....	1.0	1.3	1.1	1.5
Unemployment insurance benefit payments.....	1.9	1.6	2.2	.9
Grants-in-aid for public assistance.....	1.1	1.2	1.1	1.2
Readjustment benefits, pensions, and other payments to veterans ⁶	5.5	7.9	10.5	5.3
Loans to home owners, net.....	-.2	-.2	-.3	-.1
Interest ⁷	1.3	1.2	1.2	1.2
Other.....	.5	.3	.3	.3
Total.....	11.3	13.5	16.4	10.6
Loans, investments, subsidies and other transfers to business and agriculture:				
Farmers:				
Price support, net (including supply program).....	1.9	.....	1.0	-1.0
International Wheat Agreement.....	(⁸) .6	.1	.1	.1
Other loans and direct subsidies to farmers.....	.6	.7	.8	.6
Business:				
Home mortgage purchases from financial institutions.....	.6	.4	.4	.4
Loans, net.....	.2	.2	.2	.1
Direct subsidy payments.....	(⁸) .6	(⁸) .6	(⁸) .6	(⁸) .5
Subsidy arising from the postal deficit.....	.6	.6	.6	.5
Interest ⁷	3.0	2.9	3.0	2.9
Total.....	6.9	4.8	6.1	3.6
Loans and transfer payments to foreign countries and international institutions:				
European Recovery Program loans and grants.....	4.1	2.8	3.3	2.4
Other loans (net withdrawals).....	(⁸) 1.5	(⁸) 1.2	.1	(⁸) 1.2
Other grants ⁹	1.5	1.2	1.3	1.2
Subscriptions to the International Bank and Monetary Fund (net cash withdrawals).....	.2	-.3	-.5	.....
Total.....	5.8	3.9	4.2	3.6
Military services—cash payments for goods and services.....	12.5	13.1	11.4	14.8
Clearing account for outstanding checks and telegraphic reports.....	-.2	-.1	-.7	.5
Total Federal cash payments to the public.....	42.6	41.9	44.0	39.9

See footnotes on following page.

¹ Estimates based on incomplete data.

² Differs from the national income concept of "government purchases of goods and services" by excluding, in addition to military services, farm price support expenditures and unilateral aid to foreign countries. Grants to States and localities for public works, here included as a Federal expenditure, would be included in the national income accounts as a State and local expenditure. There are other less significant differences between the two concepts.

³ Excludes payroll deductions for Federal employees' retirement.

⁴ Includes all grants-in-aid and loans to public bodies for purposes other than public works and public assistance. Includes, in addition, one-third of Federal expenditures for veterans' tuition, books, and supplies.

⁵ This figure is obtained as a residual by deducting all other expenditures from total cash payments to the public. Owing to the fact that data are incomplete for calendar year 1950, the residual is subject to a high margin of error.

⁶ Includes cashing of terminal-leave bonds, mustering-out pay, and National Service and Government life insurance refunds and benefits in addition to veterans' pensions and readjustment benefits. Includes only one-third of payments for veterans' tuition, books, and supplies.

⁷ Includes a small amount of interest on tax refunds in addition to interest on the public debt. In addition, it includes payment of about 150 million dollars to business and about 50 million dollars to individuals in 1949 resulting from a nonrecurring change in the method of reporting interest payments. Interest paid to business includes over 100 million dollars of interest paid each year by the Federal Government to State and local governments. Interest in appendix table C-2 is net, and is on an accrual rather than a cash basis; it includes interest paid by State and local governments and by government corporations.

⁸ Less than 50 million dollars.

⁹ Includes expenditures for Mutual Defense Assistance Program.

NOTE.—Detail will not necessarily add to totals because of rounding.