

CONSIDERATIONS IN DETERMINING GOVERNMENT FUNCTIONS

EXPANSION OF GOVERNMENTAL RESPONSIBILITIES

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Concepts of the proper functions of government have been profoundly changed during the last few decades. Older shibboleths, which hailed the best government as the one which governed least, are now of little use in evaluating the propriety of new functions. They reflect the rear-guard defenses of dogmatists opposed to the Government's assuming any new functions no matter what the national need for such action.

Adam Smith defined the duties of government as being defense, internal justice, and the erection and maintenance of public institutions and public works, including roads and education. They long served as guides for the students of government. Except for unusual conflicts such as the present dispute over school integration, where people are ready to destroy historic educational institutions to frustrate the application of the Supreme Court orders, few have challenged the above definitions. But we have now gone far beyond this level of thinking. The major issues now center about the question of which positive functions the Government shall assume. Which gaps in our social and economic system and failings in our present operations should be met by assigning them to Government?

DEPRESSION AND WARTIME FUNCTIONS SHRUNKEN

In considering the current status of governmental operations and expenditures, the striking fact is that we have completed what many have characterized as the historic process of divestiture following a sharp upsurge in new governmental functions. During the last 10 years this country saw the Government scrap many functions; these primarily were institutions and organizations developed to solve the problems of the depression and to meet the needs of highly centralized controls during both World War II and the Korean war. As a result of the investigations conducted by the Hoover Commission, and the subsequent activities of the Director of the Bureau of the Budget and officials of the Defense Department, the Government abandoned many so-called commercial activities. The present administration has also been intent on limiting the area of governmental responsibilities, and has liquidated some activities and tried vigorously to limit others. These efforts have aroused considerable opposition in many areas, particularly in the field of power generation and multipurpose river

development. Our Nation has probably arrived at a balance of pressures, with the current functions representing the relatively new, more permanent basic level of governmental functions.

FORMS OF GOVERNMENTAL DISCHARGE OF FUNCTIONS

Recent developments have added new complexities to this problem of distinguishing public from private functions. When the government assumes direct responsibilities in a given area, it no longer automatically means direct operations therein. There is no necessary inference that an operating institution will be erected or that an army of employees will be necessary for the particular function. Governmental policy and interest may be implemented in the above traditional way, or it may be reflected through its program of purchases of goods and services, by the use of its credit position, the transfer of payments, or regulation and control of particular private operations. Many significant recent extensions in government interest in the operation of our private economy have required few additional employees. Moreover, the implementation of our monetary policy has called for little direct use of Federal funds. The assurance of proper minimum wages and working conditions has necessitated few employees or governmental expenses other than those required in the direct administration of the law itself. Economic policy directives are being used to implement government purposes.

The relative importance of these nonoperating governmental functions is well illustrated by the figures on government employment and expenditures. In 1956, 9.7 million persons were in the government service out of a national total of 65.7 million employed persons, or 14 percent. Of the government workers, 4.5 million were with the Federal Government, of which 2.8 million were military and 1.7 million civilian employees, and only one-half million were employed in Federal enterprise; 4.4 million were with State and local services, and one-third of a million were with local and State governmental enterprises.

The wages and salaries for compensating all government employees amounted to \$36 billion, representing only 36 percent of the net government expenditures. Governmental purchases from business amounted to \$40.3 billion, or about 40 percent of the expenditures. Transfer payments in the form of social-insurance benefits, military benefits, and direct relief amounted to \$17.2 billion. Interest payments would increase the above transfer payments by \$5.7 billion, bringing this area to 23 percent of governmental expenditures. These sums, of course, do not include the vast amount of outstanding governmental guaranties supporting private credit. The man-hours of work devoted by private industry to serving the government as purchaser of goods and services and stimulated by government action may far exceed those hired directly by the government (table I).

PRIVATE SOCIETY USES COLLECTIVE INSTITUTIONS AND PRIVATE EXPENDITURES ARE INFLUENCED BY GOVERNMENTAL POLICY

The essential characteristic of a governmental organization is that it is a community institution whose functions are prescribed and funds allotted to it by a governmental body. It is controlled through the

budget. The alternatives in our private economy and society have some similarities. True, the market more or less determines these operations. But we are no longer faced with the simple choice of large government versus the single individual. The latter has found it desirable to organize into voluntary groups which require no governmental authority or support, or to secure sanction from the government for forming such groups. The business corporation, the philanthropic foundation, and many trusts and membership organizations are creatures of the government administered by private authority.

The important fact for our present purpose is that the individual assigns some of his power over personal expenditures to these groups. They spend it for him. For example, instead of granting charitable aid himself, he is likely to give his money to a philanthropic institution. Incidentally, some of these organizations, like the community chests, collect funds on such a wide basis that it is tantamount to a voluntary levy upon the local citizens. Similarly, members pay dues to their unions, and in union shops all must pay, or to membership organizations for the realization of common purposes. Many of these groups operate on the budget rather than the market principle.

If the previous discussion highlights how much less appropriate is the use of the old dichotomy between the public and private economies, so the older contrasts may not be employed for the study of collective versus private expenditure. The latter is now significantly controlled and affected by governmental influences so it is more an instrument of public purpose than a completely independent agent. Personal expenditures are at all times a function of prevailing social patterns; new governmental controls have been developed to further restrict private choices of expenditures.

Besides the basic protective legislation related to cleanliness, pure goods and drugs, labeling, and other similar controls, and taxes on items such as alcoholic beverages, we have seen two major developments affecting private expenditures. The first is represented by the growth of welfare programs. Funds are transferred to people who would otherwise not have been able to purchase specific goods and services or proper amounts of them. Matching this so-called welfare state, which slogan became an issue of national concern some 5 years ago, is the relatively less-trumpeted development, the incentive state. Not only are governmental funds transferred to certain private business in the form of subsidies, and generous sales of government surpluses or properties, but the government has used various financial inducements to stimulate businessmen to engage in specific functions such as housing, construction, research activities, expansion of capacity for the production of vital war materials, and general industrial production. Even the individual has been provided incentives to spend his funds in governmentally approved ways. The Federal income-tax system allows generous exemptions to philanthropic contributions, which have led to the creation of thousands of foundations for the organized expenditure of funds for these purposes. These exemptions, in effect, allow the private administration of publicly taxable funds.

A review of this twofold development involving, on the one hand, the multiplication of the forms of government influence ranging from governmental enterprises to a positive system of economic policy implementation and the appearance of many collective institutions for

the spending of private funds, and, on the other hand, the striking growth in incentives guiding private expenditures and the transfer of purchasing power among private citizens, clearly unfolds the fact that any determination respecting a governmental function and responsibility does not automatically carry with it a decision on the form of governmental intervention in a particular area. The decision as to whether the influence is to be exerted through direction, operation as a public enterprise, or some less direct or completely indirect form of influence, is a moot question. Similarly, the fact that the forms of governmental operation and influence are most diverse, permits it more easily to extend its concern and to condition the behavior of individuals in a wider area of our private society and economy. Since the choice is not merely between governmental and private enterprise, various means can be devised to achieve public purposes. Where particular gaps or failings are recognized in our economic or social structure and performance, the government can intervene or influence the situation without necessarily establishing a public enterprise. The issue as to what is a public function must, therefore, be defined in terms of this concept of the wide range of choice of methods of exerting influence available to governmental authorities.

GOODS ARE NOT INHERENTLY PRIVATE OR PUBLIC

Beyond the areas of governmental responsibility set forth by Adam Smith, distinctions between public and private goods appear quite contrived. Physical characteristics as to divisibility are hardly germane. Many goods and services originally furnished by private enterprises have now become public goods and services. Governments have assumed the operation of services in some communities which remain private in others. Shifts have continued without basically changing the character of the goods or services.

What has happened in such transfers is that the community has determined through its legislative or executive bodies that the methods of distribution and the volume of goods or services, available to the people in a system built on the market principles, are not adequate. The benefits have been deemed so important to the community that the means of producing or distributing particular goods and services have become public. The determination has been made on the basis of the belief that the benefits should be widely shared. In other instances the conversion has been made because of the conviction that a public body might be more economic or might perform services not now considered worthwhile to private interests. Such has been the argument for multipurpose development of river valleys by those who have pressed for public enterprises in these areas. The public bodies have been established for other functions where private resources are considered inadequate or unwilling to take the risk.

In each case, therefore, the shift has occurred from private to public performance, or the particular good or service has been decided to be a public good because the legislative bodies have determined it to be necessary in the public interest. The merits and disadvantages must be argued specifically in terms of the particular project rather than on the basis of general assumptions and the preference for one form of enterprise or another.

The same approach needs also to be taken in connection with the proposals for establishing new public interest and concern in one or another area of our social and economic structure. The issue is primarily whether the currently available goods or services meet the public needs. Are the effects compatible with the public interest? Do the market influences assure an adequate total supply of goods and services? Are they being distributed among the population in proper amounts? Are prices compatible with the public interest? Are the types of goods and services needed in the society being produced and offered? Are we getting a desirable pattern of use of resources and manpower? Is economic power being adequately diffused?

A negative answer to these inquiries does not necessarily mean, as we have indicated, that the only alternative is government enterprise. The gaps and failings in our structure may be overcome by other means which will serve the stated tests. Distress in some of our cities or the shortage of economic opportunities in underdeveloped areas can be overcome frequently, not by wholesale introduction of public goods and enterprises, but by the completion of several public works which would open up the areas to private development, as the TVA did for its region and the St. Lawrence Waterway is likely to do for the Northern States of our country. We have learned from our economic aid to underdeveloped countries that a few strategic public works which would not be undertaken by private capital can often generate extensive industrial development. So we find that the provision in the housing laws for the absorption of losses in land purchase by local communities and the Federal Government has stimulated urban redevelopment in many cities which had suffered from the heavy hand of blight. Government guaranties on home loans have stimulated our entire home construction industry. Similarly, the modernization of the current building codes would so reduce costs as to open up vast opportunities for new construction.

The basic challenge is, therefore, not to distinguish between public and private goods but to determine the effectiveness of the operation of the private society and economy and to seek methods of correcting whatever the shortcomings may be, whether they be omissions or imperfections.

GOVERNMENT HAS POSITIVE FUNCTIONS IN HELPING SOCIETY REALIZE ITS GOALS

Having accepted the primary governmental functions set forth in the earliest writings on political economy, governments for many decades operated within this range of responsibilities. Their activities expanded primarily as populations grew, as the land area of the nation was extended, as wealth increased and industrialization created new demands. However, the functions remained narrowly circumscribed. Government expenditures before the Civil War represented about 1.5 percent of the national income. Military engagements not only raised the immediate costs of government but significantly raised them in the years following the war, as many costs persisted. Between the Civil War and World War I government expenditures were higher and represented about 2.7 percent of the gross national product; the percentage would be higher if calculated in

terms of national income. After World War I the rate rose to about 3.1 percent.

The major rise in the level of Government expenditures grew out of the crash of 1929 and the subsequent depression. The concepts of Government's responsibilities were drastically altered. The *laissez-faire* philosophy of the previous century and a half was replaced by a new vision of Government as being a positive force responsible for closing the gaps in the private economy and mitigating or correcting its failings. The individual person was no longer to be abandoned to his fate. His difficulties were no longer regarded as personal weaknesses for which he was to do penance by continued misery. They were often the result of social forces over which he had no control. As a member of society, he was entitled to a minimum of benefits which would enable him to take advantage of opportunities for self-support when they arose. The Government was responsible for the direction of the economy so that its efforts would supplement and reinforce those of private industry in providing employment opportunities and productive economic activity for the people.

The recognition of these positive responsibilities led to a new series of governmental programs. Some were directed at failings. Others were intended to initiate activities and services which were not being provided by the private economy. The programs were directed at the most diverse facets of the economy. Some were designed to stimulate business. The Government entered upon large construction projects and embarked upon providing new services such as research, theater, music, and art. The private and public relief systems were modernized and the old poor-law concepts swept aside. Assistance to the unemployed became a public function. New codes were drafted for industry to provide guides for its conduct and minimum terms of employment. Other institutions like the banks, stock market, and commodity exchanges were rehabilitated. Tremendous projects such as TVA were initiated to strengthen the economy of entire regions. Social insurance systems started major public schemes of aid to individuals. Conservation programs were executed to develop and preserve our natural resources.

These programs affirmed Government's positive economic and social responsibilities. It could not stand idly by while the country went to rack and ruin. Businessmen, bankers, farmers, and workers demanded action. It had to take steps both to rehabilitate the country and mitigate the suffering of the people and stop the loss and waste of national resources and wealth.

Governmental expenditures for these purposes are no longer considered unproductive. It is now generally believed that governmental expenditures during periods of less than full employment are highly productive and lead to the utilization of resources and manpower which would otherwise remain idle. The older economic theories which assumed stability with minor variations and couldn't conceive of major depressions had provided no alternative but to wait for recovery while the patient's economic blood was let. Such views are too brash for the current era in which there is an open conflict between economic systems on their comparative ability to provide employment and promote economic well-being.

Still new tests for Government to meet were born during the war. The failings of the past had created a longing for the Government to

assume more positive functions. Moreover, the stupendous achievements recorded by Government as a wartime planner and guide for the economy reaffirmed the public's belief that this instrument could also solve the maladies and defects of a peacetime society and economy. The new responsibilities assigned to the Government were no longer limited to those of aiding in the recovery of a society and economy in complete distress. Its obligations are more continuous and positive. These new tests were formally developed and articulated as American policy in the Employment Act of 1946. It declares that it is—

The continuing policy and responsibility of the Federal Government to use all practicable means * * * to coordinate and utilize all of its plans, functions, and resources, for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare conditions under which there will be useful employment opportunities including self-employment, for those able, willing, and seeking to work, and to promote maximum employment production and purchasing power.

The Federal Government has sought to implement these broad directives. During the last decade we have enjoyed an unusual era of economic growth and high employment. During the last year we faced problems of stabilizing our price structure to prevent the inflationary forces from weakening the foundations of our economy. People who closed their minds to direct controls and considered only indirect monetary techniques for restraining price rises, raised the question of the possible conflict between full employment and price stability.

Both goals, we contend, are compatible. The present administration has failed to choose procedures for effecting stability which are themselves consonant with the maintenance of full employment and balanced growth. The monetary controls which we have employed originate from an outgrown economic philosophy derived from a time when people and government suffered and tolerated the sharp swings of the business cycle. These theorists and practitioners are imprisoned by their conceptions and assumptions which are out of tune with an economy in which full employment and balanced growth are essential goals and cannot be subordinated to a third goal such as price stability. Policies must be devised to realize concurrently these three objectives of full employment, growth, and stability.

The concept of full employment provides us with a measure of the degree of underutilization of our manpower. It supplies a measure of the upper limits of economic activity and social well-being which we can attain with our material resources and capital.

We have also accepted economic growth as an essential objective. It responds to the underlying yearning for progress in an optimistic western society. The channel to progress is through economic expansion. The Government's responsibility is to facilitate this process. Besides helping to maintain a climate conducive to full employment it must help dormant and declining areas and industries find the formula for their rejuvenation. Where the latter fails, new designs must be evolved for the distressed areas. Help can be furnished them through technical assistance and finance as we have done

through our foreign-aid programs. This is the objective of the area assistance bill now before Congress.

Stable growth means not only that prices remain relatively stable but also that the growth process is balanced. It is the unevenness in the rate of expansion and the accumulation of demand in specific sectors which currently create the environment for inflation in our economy. The excessive demands on structural steel and other key commodities necessary for the expansion of our capital goods industries sparked much of our current inflationary price movement. The Government's responsibility is to restrain unjustified price increases and to help balance demand through appeals and controls and possibly to build new capacity to meet these rising economic needs where private industry proceeds at too slow a pace. Economic balance demands careful appraisal of our areas of growth and our physical and human resources. Economic balance also calls for an appropriate pattern of large and small businesses.

One other function of government is to help translate economic growth into rising living standards. In our economy we boast that such has happened; and indeed the facts support this conclusion. "People's capitalism" is the phrase coined to describe our system as contrasted with others. Certainly we can boast, in the words of a recent panel group sponsored by the Advertising Council, of enjoying a "rising dynamic way of life and the broad distribution of the benefits of the economy among the people through a high standard of living for the bulk of the population" (The American Round Table, sponsored by Yale University and the Advertising Council, Discussions on People's Capitalism at Yale University, New Haven, Conn., November 16 and 17, 1956, Advertising Council, 1957, p. 13).

These criteria may be differently defined. But in my concept it would include the realization of constantly rising living standards; higher level minimum wages for the entire work population; equal pay for men and women; collective bargaining as the practice of industrial relations; shorter working hours; longer productive work lives; adequate educational and training facilities for youths, adults, and older persons; adequate social insurance and assistance to provide basic economic security; adequate hospital and medical care; sufficient number and high standards of housing; local cultural and recreational facilities and vast opportunities for personal development. These social goods and resources often have to be supported by some level of government. The essential test is whether the needs and aspirations of the American people are being fulfilled under existing arrangements. Where they are not, it is the responsibility of the Government to take positive steps to insure their fulfillment. The form of operation is a later question to be faced.

In American society, we have placed a strong emphasis on efficient execution. If early solutions do not meet this test, we shall evolve the proper ones through debate and effort. As an example, we are now trying assiduously to evolve a system of medical care which will satisfy our population. We have relied on private systems. Their defects have been manifoldly revealed. Improvements are being made in response to the strong criticism and the appearance of new competitive services. This two-fold process will continue, we hope, to shape our institutions to serve us better.

The conservation and development of our resources has been a long established goal for American government. Similarly, we must list a sound agricultural economy as a primary objective for our Federal agencies. National security and the appropriate forms of foreign aid to protect ourselves and stimulate and assist the development of independent, viable, and growing nations are part of our current international policy. Traditionally our governments concern themselves with the promotion of an adequate transportation system both for military and commercial purposes. Research and scientific development are new responsibilities which technology makes necessary, because private endeavors have been limited and must be stimulated, and many pioneering efforts require huge financial outlays and entail great risks. Adequate statistical services are vital to a properly functioning industrial society and must be supplied primarily by the Government. Finally, no government can neglect promoting an adequate urban plan for its population.

CONCLUSION

These, then, are some of the positive functions of government. They are a far cry from the modest list of governmental responsibilities recognized before 1929. The Government has an obligation to help realize these new objectives. It cannot sit back prayerfully and hope that these ends will be realized. It must determine whether the state of well-being conforms to these purposes. If there are gaps in our private society and economy, and if the performances do not meet the tests, it has an obligation to intervene and help the citizenry realize these ends for which the society has been created.

TABLE I.—*Government expenditures, 1956*

[Millions of dollars]

	Total	Federal	State and local
Total.....	\$104, 218	\$72, 012	\$35, 483
Purchase of goods and services.....	80, 227	47, 199	33, 028
Compensation of employees.....	36, 068	18, 798	17, 270
Net purchases from business.....	40, 245	24, 487	15, 758
New construction.....	12, 818	2, 774	10, 044
Other.....	27, 542	21, 828	5, 714
Less domestic sales of surplus consumption goods.....	115	115	-----
Net purchases from abroad.....	3, 914	3, 914	-----
Transfer payments.....	17, 150	13, 491	3, 659
Grants-in-aid to State and local governments.....	-----	3, 277	-----
Net interest paid.....	5, 739	5, 198	541
Subsidies less current surplus of Government enterprises.....	4, 592	2, 847	1, 745

Source: Survey of Current Business.

APPENDIX

FEDERAL CASH PAYMENTS AND CREDIT GUARANTIES BY TYPES OF RECIPIENTS

There are no data available which provide a convenient and explicit summary of cash payments, loans, investments, subsidies, and transfer payments to individuals not in the Government's employ. Special analysis D of the budget provides some data on this subject by noting the beneficiary of the expenditures, which is, in some cases, a private individual. In the latter instances, the data has been ab-

stracted, but this material does not provide a full listing of the data, particularly in such areas as public works, military procurement, and expenditures for developmental purposes.

Tabulations are available for the calendar years 1951-52 appearing in the report of the Council of Economic Advisors, which provide a better insight into the allocation of funds by type of recipient. We would recommend that the Joint Economic Committee request the Bureau of the Budget to develop a current supplementary table which explicitly sets forth the Federal Government's expenditures by type of recipient and which would proceed beyond the classifications shown in the attached table. The exhibit would clearly arrange the expenditures to indicate which are made through procurement or contract with private persons or bodies.

Because we believe such tabulations are desirable and would throw light on the extent to which the Federal Government now depends upon such private persons and bodies for the services and goods it uses or furnishes to the American people, we are attaching the table for the calendar years 1951-52.

*Federal cash payments to the public by type of recipient and transactions,
calendar years 1951-52*

[Billions of dollars]

Cash payments	1951			1952, 1st half ¹
	Total	1st half	2d half	
Direct cash payments for goods and services, excluding payments for military services: ²				
Payments to individuals for services rendered:				
Civilian wages and salaries (excluding Post Office):				
Federal ³	3.0	1.5	1.5	1.6
Grants- and loans-in-aid for performance of specified services, net ⁴	.9	.4	.4	.5
Total.....	3.8	1.9	1.9	2.1
Payments to business for goods and services:				
Public works:				
Federal.....	2.1	.9	1.1	1.3
Grants-in-aid and loans for public works.....	.8	.3	.5	.3
Other goods and services ⁵	.9	.4	.6	.4
Payments to foreign countries and international institutions for goods and services.....	.1	(⁶)	(⁶)	(⁶)
Total.....	3.8	1.6	2.2	2.0
Direct cash payments for goods and services—payments for military services: ⁷				
Military personnel.....	9.7	4.4	5.3	5.7
Major procurement and production.....	7.5	2.8	4.7	6.5
Military public works.....	1.2	.3	.9	1.1
Stockpiling of strategic and critical materials.....	.7	.4	.3	.5
Operation and maintenance of equipment, research and development, reserve forces, and other.....	10.7	4.3	6.3	7.1
Total.....	29.8	12.2	17.5	20.9
Loans and transfer payments to individuals:				
Social insurance and public assistance:				
Federal employers' retirement benefit payments.....	.3	.1	.1	.2
Old-age and disability benefit payments.....	2.2	1.1	1.1	1.2
Unemployment insurance benefit payments.....	.9	.5	.4	.6
Grants-in-aid for public assistance.....	1.2	.6	.6	.6
Readjustment benefits, pensions, and other payments to veterans ⁸	5.2	2.6	2.7	2.3
Loans to homeowners, net.....	.1	(⁶)	.1	(⁶)
Interest ⁹	1.1	.6	.5	.6
Other ¹⁰	-1.1	-2	(⁶)	-2
Total.....	11.0	5.4	5.6	5.2

See footnotes at end of table.

*Federal cash payments to the public by type of recipient and transactions,
calendar years 1951-52—Continued*

[Billions of dollars]

Cash payments	1951			1952, 1st half ¹
	Total	1st half	2d half	
Loans, investments, subsidies, and other transfers to business and agriculture:				
Farmers:				
Price support, net (including supply program).....	— .4	— .4	— .1	— .2
International Wheat Agreement.....	.2	.1	.1	.1
Other loans and direct subsidies to farmers.....	.8	.4	.3	.5
Business:				
Home mortgage purchases from financial institutions....	.5	.2	.3	.2
Loans, net.....	(⁶)	(⁶)	(⁶)	(⁶)
Direct subsidy payments.....	(⁶)	(⁶)	(⁶)	(⁶)
Subsidy arising from the postal deficit.....	.7	.4	.3	.4
Interest ⁹	3.1	1.5	1.6	1.4
Total.....	4.8	2.3	2.5	2.4
Loans and transfer payments to foreign countries and international institutions:				
Unilateral transfers:				
Military aid.....	1.6	.7	1.0	1.4
Economic aid.....	2.9	1.6	1.3	1.2
Loans.....	.3	.2	.1	.1
Subscriptions to the International Bank and Monetary Fund (net cash withdrawals).....	(⁶)	(⁶)	(⁶)	(⁶)
Total.....	4.7	2.4	2.4	2.7
Clearing account for outstanding checks and telegraphic reports.....	+ .1	(⁶)	+ .1	+ .3
Total Federal cash payments to the public.....	58.0	25.7	32.3	35.6

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, $\frac{1}{3}$ 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. This residual is subject to a high margin of error, since many of the detailed expenditure figures are estimated from records maintained on different bases. Conceptually, it includes purchases of supplies and equipment, payments for transportation, communication, and various contractual services.

⁶ Less than \$50,000,000.

⁷ Excludes retired pay and redemption of Armed Forces leave bonds which are included below as payments to veterans. Also excludes payroll deductions for civilian employees' retirement.

⁸ Includes cashing of terminal-leave bonds retired pay of military personnel, and national service and government life insurance refunds and benefits in addition to veterans' pensions and readjustment benefits. Includes only $\frac{1}{3}$ of payments for veterans' tuition, books, and supplies.

⁹ Includes a small amount of interest on tax refunds in addition to interest on tax refunds in addition to interest on the public debt. Interest paid to business includes about \$100,000,000 of interest paid each year by the Federal Government to State and local governments. (Interest in appendix table A-2—Consumer account—is net and is on an accrual rather than a cash basis; it includes interest paid by State and local Government corporations.)

¹⁰ Represents transactions in deposit funds (including partially owned Government corporations) and in trust funds not specified elsewhere.

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

Source: Bureau of the Budget.