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A REVIEW OF FEDERAL EXPENDITURES AND RECEIPTS

A view of the new Federal budget as it appears in the Federal sector of the national income accounts (NIA) will be presented in an article that will be published in the February issue of the Survey of Current Business.

The Survey of Current Business is the monthly magazine published by the Office of Business Economics of the U. S. Department of Commerce.

Major findings of the article -- "Federal Programs for Fiscal 1972" -- include:

- Federal receipts in fiscal 1972 are projected to total nearly \$226 billion on the NIA basis, an advance of about \$26 billion over the current estimate for fiscal 1971. The projected 1972 increase rests almost entirely on the rapid acceleration of economic activity assumed in the budget. Higher incomes account for \$24-3/4 billion of the 1972 increase, while the net effect of tax changes is to add only \$1-1/4 billion.
- Federal expenditures on the NIA basis are projected to increase about \$15 billion in fiscal 1972, compared with a \$17 billion advance forecast for the current fiscal year. Defense purchases are to be basically unchanged in 1972, following an estimated \$4-1/2 billion decline in 1971. Nondefense purchases, grants, and transfer payments in total are forecast to increase by about \$17-2/3 billion in the next fiscal year as compared to \$19-1/3 billion in 1971. Subsidies less the current surplus of government enterprises and interest are estimated to decline in total by about \$2-1/3 billion in 1972 after increasing by \$2-1/4 billion in the current year.

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- On the NIA basis, the budget deficit is estimated to be \$4-1/4 billion in fiscal 1972 and \$15 billion in the current fiscal year, a substantial shift from the surplus of over \$3/4 billion in fiscal 1970

In presenting the new budget, the administration formally adopted for the first time the principle that the ceiling on Federal spending should be the revenues that would be generated under conditions of full employment. In fiscal 1972, the unified budget shows a \$ .1 billion surplus at full employment and an actual deficit of \$11.6 billion.

Use of the actual budget to judge the impact of fiscal policy can be misleading because its surplus or deficit reflects the economy's influence on the budget as well as the influence of the budget on the economy. For example, the Government might be taking restrictive fiscal actions but a weakening of the economy could cause the actual deficit to rise, falsely suggesting expansionary policies. On the other hand, a booming economy could lead to a rise in the surplus at a time when tax rates are reduced and expenditure policies become more expansionary. For a better idea about the impact of fiscal policy, the full-employment surplus has been calculated. Since receipts -- and certain expenditures -- are estimated on the basis of a "fully-employed" economy, the effects that changing levels of economic activity have on the budget have been eliminated.

When NIA data are calculated on the assumption of full employment in calendar 1971, the full-employment surplus is little changed from 1970. This is in contrast to last year, when a shift toward a more expansionary fiscal policy resulted in a \$5 billion decline in the surplus.

Federal receipts and expenditures as measured in the national income accounts (NIA) by OBE differ in several respects from the unified budget. They are integrated conceptually and statistically with the rest of the national income and product accounts. Unlike the unified budget, the NIA statement excludes financial transactions, such as loans; it also records several categories for receipts and expenditures on a timing basis that is different from the unified budget.

The Survey is available from field offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9, including weekly supplements; single copy, \$1.