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FEDERAL RECEIPTS RISE SHARPLY, REDUCE GOVERNMENT DEFICIT  
IN THE FIRST QUARTER OF 1971

Rapid gains in economic activity, spurred by the recovery from the auto strike, helped to increase Federal Government receipts and reduce the Federal deficit in the first quarter of 1971, as measured in the national income accounts (NIA), the Commerce Department's Office of Business Economics announced today.

The first quarter deficit was \$13-1/4 billion, at a seasonally adjusted annual rate, nearly \$5 billion smaller than the \$18 billion deficit of the fourth quarter of 1970, but still somewhat larger than the third quarter deficit of \$11-3/4 billion.

Receipts in the first quarter amounted to \$200-3/4 billion at an annual rate, up \$9 billion from the fourth--the largest rise in 2 years. This was a marked change from the \$3-1/4 billion decline recorded in the fourth quarter when the economy was depressed by the General Motors Corp. strike. The first quarter rebound in profits and auto sales had a significant effect in raising corporate tax liabilities \$3-1/2 billion and indirect business taxes \$1 billion, compared with declines in both of these items in the prior quarter. The increase in corporate taxes occurred despite elimination of the 2-1/2 percent surcharge, which had raised liabilities nearly \$1 billion during calendar 1970. Changes in tax rates also affected the other NIA receipt categories, but their effect on total receipts was largely offsetting. Social insurance contributions rose \$5 billion, reflecting a \$3-1/2 billion increase resulting from higher OASDHI rates; personal tax payments fell \$1/2 billion, despite higher incomes, because of a \$3 billion tax cut due to various changes provided for by the Tax Reform Act of 1969.

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First quarter expenditures amounted to over \$214 billion, up \$4-1/4 billion at an annual rate. The increase centered in transfer payments (up \$3 billion) and grants-in-aid (up \$1-1/2 billion). Programs benefiting retirees, veterans and welfare recipients all showed increases. Purchases of goods and services rose only slightly, despite a \$2-1/4 billion Federal pay raise, largely because of sharply reduced military spending. Defense purchases, excluding the impact of the pay raise, fell nearly \$2-1/2 billion at annual rates. Net interest paid also declined, falling \$1/2 billion from the fourth quarter level.

#### Larger deficit likely

Another deficit, probably larger than in the first quarter, will be recorded in the current quarter. Expenditures will advance rapidly, paced by a 10 percent increase in Social Security benefits payable in June retroactive to January 1. Further growth in other transfer payments and grants-in-aid is expected to more than offset a decline in defense spending. Higher postal rates effective in mid-May will partially offset these increases. Receipts will also rise, but probably at a slower pace than expenditures.

The NIA statement of Government receipts and expenditures calculated by OBE differs in several respects from the unified budget, and is integrated conceptually and statistically with the rest of the national income and product accounts. Unlike the unified budget, it excludes financial transactions, such as loans; it also records several categories of receipts and expenditures on a timing basis that is different from the budget. It is published quarterly at a seasonally adjusted annual rate.

Additional data appear in the Survey of Current Business, the monthly magazine published by the Office of Business Economics.

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.

FEDERAL GOVERNMENT RECEIPTS AND EXPENDITURES  
(Billions of dollars)

	1968	1969	1970	1970				1971
				I	II	III	IV	I <sup>1/</sup>
				Seasonally adjusted at annual rates				
<b>Federal Government receipts . . . . .</b>	175.4	200.6	194.8	195.9	196.7	194.9	191.7	200.8
Personal tax and nontax receipts . . . . .	79.3	95.9	91.6	93.4	93.5	89.4	90.3	89.8
Corporate profits tax accruals . . . . .	37.5	39.2	34.3	34.8	34.9	35.7	32.0	35.5
Indirect business tax and nontax accruals . .	18.0	19.1	19.6	19.3	19.4	20.1	19.5	20.6
Contributions for social insurance . . . . .	40.7	46.5	49.3	48.4	48.9	49.7	49.9	54.9
<b>Federal Government expenditures . . . . .</b>	181.6	191.3	206.3	197.7	210.9	206.7	209.9	214.2
Purchases of goods and services . . . . .	99.5	101.3	99.7	102.3	99.7	98.6	98.2	98.4
National defense . . . . .	78.0	78.8	76.6	79.3	76.8	75.8	74.6	74.0
Other . . . . .	21.5	22.6	23.1	23.0	22.9	22.9	23.5	24.5
Transfer payments . . . . .	47.8	52.1	62.0	55.3	64.4	62.9	65.4	68.4
To persons . . . . .	45.7	50.0	60.0	53.4	62.4	61.0	63.4	66.3
To foreigners (net) . . . . .	2.1	2.1	2.0	1.9	2.0	1.9	2.0	2.1
Grants-in-aid to State and local governments	18.4	20.2	24.5	23.0	25.1	24.4	25.6	27.1
Net interest paid . . . . .	11.8	13.1	14.5	14.3	14.3	14.8	14.7	14.2
Subsidies less current surplus of government enterprises . . . . .	4.1	4.6	5.6	5.3	5.3	5.6	6.0	6.0
Less: Wage accruals less disbursements . . . . .	.0	.0	.0	2.5	-2.1	-.4	.0	.0
Surplus or deficit (-), national income and product accounts . . . . .	-6.2	9.3	-11.5	-1.7	-14.2	-11.8	-18.1	-13.3

Source: U.S. Department of Commerce, Office of Business Economics.

<sup>1/</sup> First quarter 1971 corporate profits tax accruals and related total are preliminary and subject to revision next month.