

# THE BUDGET IN BRIEF



FISCAL YEAR 1968

## GLOSSARY

*Fiscal year.*—Year running from July 1 to June 30 and designated by the calendar year in which it *ends*.

*New obligational authority.*—Authority provided by the Congress to obligate the Federal Government to pay out money. While usually voted each year, it may become available annually under a permanent law, as with interest on the public debt. *Appropriations* are the most common form of obligational authority.

*Obligations.*—Commitments made by Federal departments and agencies to pay out money—as distinct from the actual payments made for products, services, loans or other purposes. The amounts must be within the maximum amounts provided by Congress.

*Expenditures.*—The actual disbursements or payments. They consist generally of checks issued and cash paid. The transactions of business-type activities which generate their own receipts (such as the Post Office) are normally recorded as *net expenditures*—that is, the excess of disbursements over receipts. If receipts exceed disbursements, the result is shown as a negative expenditure.

*Administrative budget.*—Contains all transactions in funds owned by the Federal Government. This provides the major framework for requesting and approving authority to obligate funds.

*Trust funds.*—Money held by the Federal Government in trust for *specified purposes*, such as social security and highways. Transactions of these funds are not included in the administrative budget.

*Consolidated cash statement.*—Combines transactions of administrative budget accounts with those of the trust funds (less certain internal transactions) to show the flow of cash between the Government and the public. This statement is often referred to as Receipts from and Payments to the Public.

*National income accounts, Federal sector.*—A comprehensive measure which records Federal receipts and expenditures directly affecting the current flow of income and output. Thus, it includes trust funds but excludes transactions of a financial nature.

*Gross national product.*—Total market value of all final goods and services that the Nation produces in a single year.

## FROM THE PRESIDENT'S BUDGET MESSAGE

Our Nation is stronger today than ever before. We need not, indeed we dare not, forsake our basic goals of peace, prosperity, and progress.

- The pursuit of peace is essential for the continued advancement of our Nation and all mankind.
- Prosperity and progress will lead us toward a society where all can share in the bounty of nature and the products of man's ingenuity and creativity.

At various times in the past, democracies have been criticized for their seeming inability to make hard choices—for seeking soft, easy answers to critical problems. This Nation has proven the doubters wrong time and again, and will not fall prey to such weakness now.

We can afford to achieve our goals. Let us not retreat from the task, no matter how demanding it may be.

This budget represents a careful balance of our abundant resources and our awesome responsibilities. As President, I have weighed the alternatives and made the hard choices as best I could.



JANUARY 24, 1967.

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Note.—All years referred to are fiscal years, unless otherwise noted. Details in the tables, text, and charts of this booklet may not add to totals because of rounding.



## 1968 BUDGET SUMMARY

The Federal budget has two purposes:

- Its *individual* programs are designed to provide for the national security, to encourage international cooperation, and to carry on important domestic activities;
- Its *total* expenditures and receipts have an important influence on the growth and stability of the national economy.

Expenditures for national defense will rise sharply in the 1968 budget, as we:

- Support combat operations in Vietnam;
- Maintain and improve the forces needed to deter aggression elsewhere.

The 1968 budget provides assistance to the developing nations of the world, to help them help themselves in building strong and free societies.

The budget also includes selective expansion in a number of domestic programs aimed at meeting the Nation's most urgent social problems. The development of our cities, health, education, and pollution control will receive particular stress. Within these and other programs, the budget emphasizes measures to open up opportunities for the poor.

In its overall expenditures and receipts, the 1968 budget is designed to help the national economy maintain steady growth, while avoiding inflationary pressures. In order to finance the increase in defense expenditures, and to achieve an economic climate in which lower interest rates are possible, the budget proposes tax measures which will increase 1968 revenues by \$5.5 billion.

## ***Program Highlights***

A detailed discussion of the budget programs is presented in Part 2. In summary, funds are provided for:

- Meeting our international commitments and further strengthening our defense forces;
- Improving our education, health care, community development, and transportation;
- Continuing the attack on poverty, and extending it to combat more effectively the problems of the rural poor;
- Restoring our Nation's natural beauty, purifying its air and water, and conserving natural resources;
- Helping States and communities to combat crime; and
- Assisting veterans in easing their adjustment to civilian life.

In the past few years, the Federal Government has undertaken an unprecedented number of forward-looking programs which promise to enrich the quality, the justice, and the opportunity of American society to an extent no one would have dared hope only a few short years ago.

But our responsibilities to the American people are not discharged with the enactment of new programs which meet the needs of the Nation. There exist two other closely related obligations of equal gravity:

*First*, we are obligated to assure effective and economical management of governmental programs—both old and new. *Effective* management of government activities enhances the benefits of those programs. *Economical* management releases resources for the people's use.

*Second*, we are obligated to maintain close and harmonious working relationships with State, county, and local governments—our partners in a new and creative federalism.

—*From the President's budget message,*

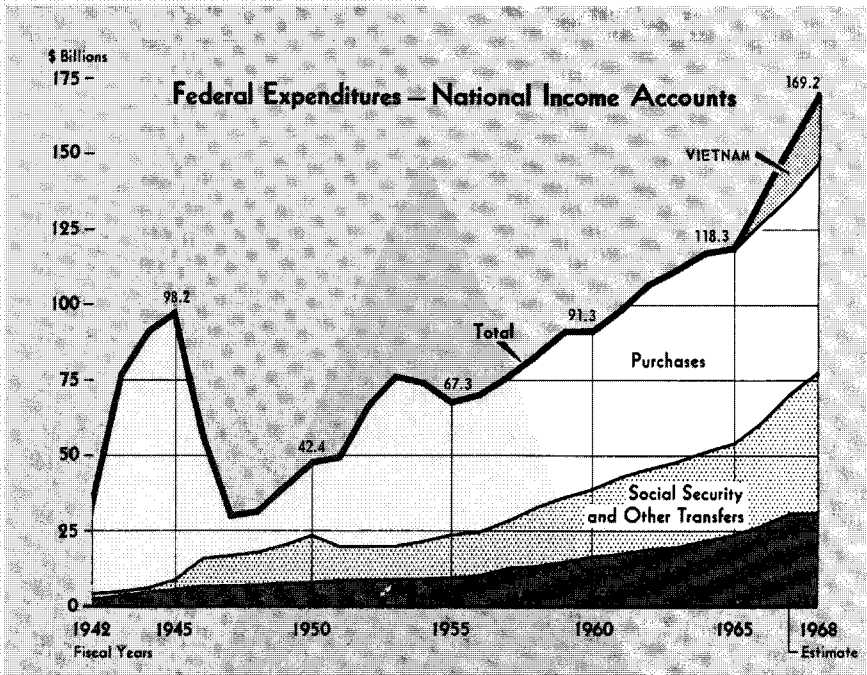
*January 24, 1967.*

# PART 1

## BUDGET POLICY AND THE ECONOMY

There are different ways of measuring Federal budget totals. Each serves a different purpose.

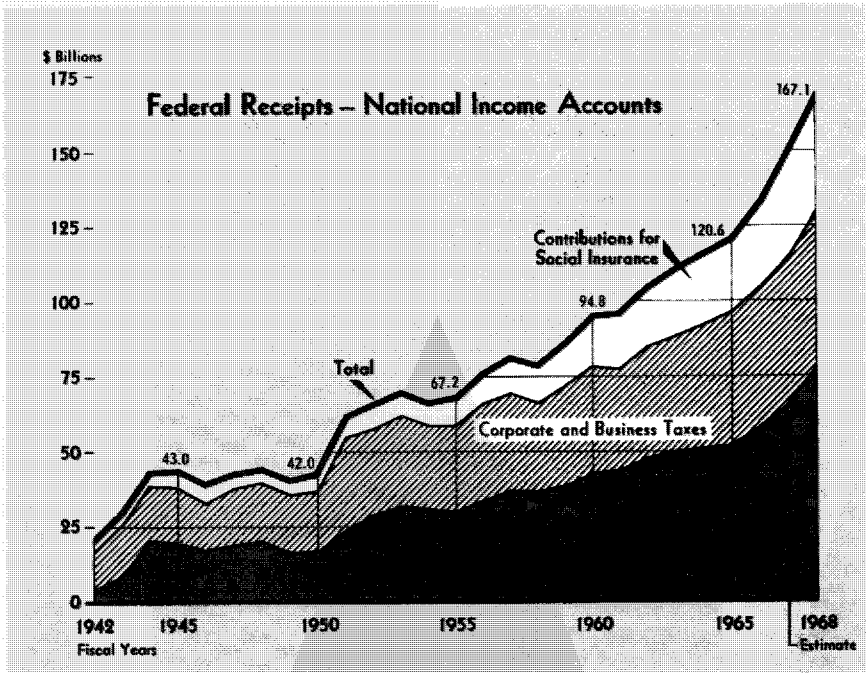
The *national income accounts* (NIA) budget provides the best single measure of the *overall economic impact* of Federal receipts and expenditures on the economy. In this measure the income and outgo of the Federal Government are recorded on the same basis employed by private firms and individuals. Together with data from business and individuals, these budget totals are used to construct the official gross national product and national income statistics—hence the name, “national income accounts budget.” The NIA budget includes all of the income and expenditure transactions of the Federal Government, including the various Federal trust funds, such as social security. But it excludes the lending operations of the Government. Loans,



unlike grants, are repayable. They represent an exchange of assets, not an addition to income.

The *consolidated cash* budget is a comprehensive accounting of the total *cash* transactions of the Federal Government. It includes all of the Federal lending operations. While the NIA budget is the best measure of the economic impact of Federal spending and taxing policies on the economy, the cash budget—including the trust funds—provides the best basis on which to discuss detailed Federal program decisions and descriptions.

The *administrative budget* is the one most referred to in Congressional discussions and in the press. But it is much less comprehensive than the NIA budget or the consolidated cash budget, since it excludes all of the Federal Government's trust funds—which are estimated to have revenues of \$48.1 billion and expenditures of \$44.5 billion in fiscal year 1968.



The 1968 budget proposals will result in an estimated \$169.2 billion of expenditures on a national income accounts basis. Revenues, including the tax proposals, are estimated at \$167.1 billion, with a deficit of \$2.1 billion. This compares with a deficit of \$3.8 billion in 1967 and a surplus of \$300 million in 1966.

# FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS

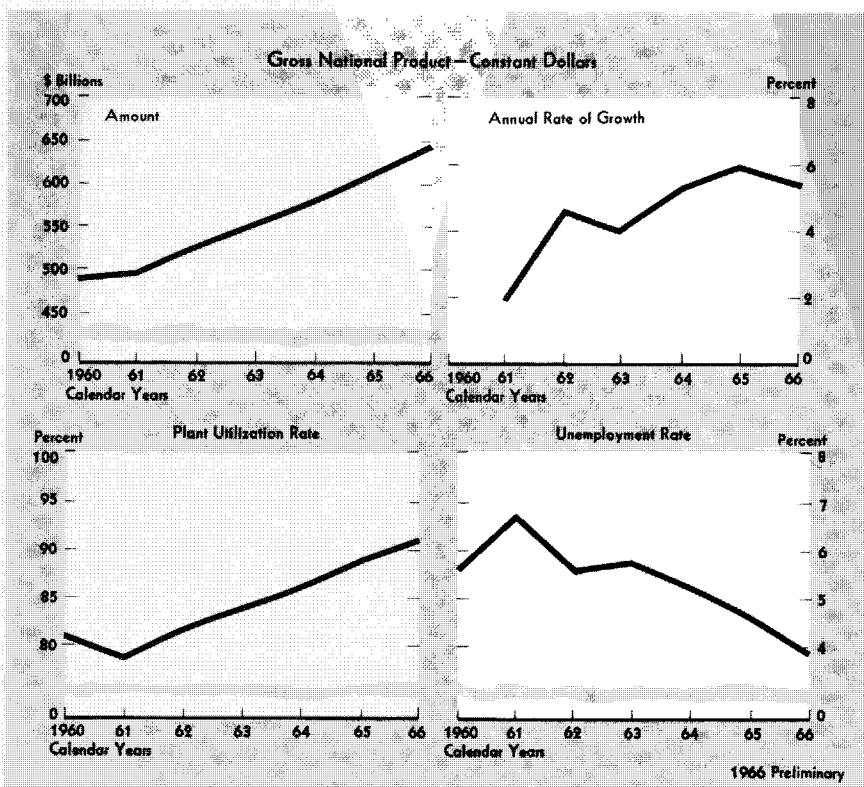
[Fiscal years. In billions]

Description	1966 actual	1967 estimate	1968 estimate
<b>RECEIPTS</b>			
Personal tax and nontax receipts.....	\$57.9	\$65.5	\$76.8
Corporate profits tax accruals.....	30.7	32.3	35.3
Indirect business tax and nontax accruals.....	15.9	16.5	16.9
Contributions for social insurance.....	28.1	35.5	38.1
Total receipts, national income basis.....	132.6	149.8	167.1
<b>EXPENDITURES</b>			
Purchases of goods and services.....	71.7	83.6	91.9
Transfer payments.....	34.3	39.8	46.6
Grants-in-aid to State and local governments.....	12.9	14.8	16.7
Net interest paid.....	9.1	10.0	10.5
Subsidies less current surplus of Government enterprises.....	4.5	5.4	3.5
Total expenditures, national income basis.....	132.3	153.6	169.2
Surplus (+) or deficit (-), national income basis.....	+0.3	-3.8	-2.1

The Federal Government exerts considerable influence on total spending in the economy (primarily through purchases of goods and services, transfer payments, and taxes) and thus on employment, output, and prices. Consequently a major function of the budget is its contribution, through tax and expenditure policies, to the maintenance of high employment and levels of real growth.

In the early part of the 1960's the economy was lagging behind its potential. Unemployment was substantial and much industrial plant capacity was idle. To fill this gap between actual and potential production, the Administration stimulated the economy through an expansionary fiscal policy. This was accomplished primarily through substantial reductions in individual and corporate taxes in 1962, 1964, and 1965. By increasing the purchasing power of consumers and business firms, the tax cuts have fostered a strong and continuing economic expansion, now in its 71st month. The consequences have been striking reductions in unemployment and unused plant capacity. The following chart illustrates the effect of fiscal policy on economic activity in this period.

## Indicators of Economic Growth



The best overall indicator of economic growth is the rise in the real gross national product—the aggregate value of final goods and services produced during the year, adjusted for price changes. The GNP rose by about one-third during the 1960–66 period and the average annual rate of growth was almost 5%. As a result of the increased economic activity, reflected in a rising GNP, more than 7 million new jobs were created, and for 1966 the unemployment rate was below 4% for the first time in 13 years.

As the economy approached high employment levels in late 1965 and 1966, idle capacity was gradually used up. At the same time, defense expenditures were increasing rapidly to meet requirements in Vietnam. While tax reductions had been used in earlier years to stimulate a lagging economy, tax policy last year was employed to restrain pressure on resources and combat inflation. In March 1966,

and again in October, tax measures were enacted to raise Federal revenues and ease inflationary pressures. In addition, fiscal year 1967 expenditures are being deferred or reduced by \$3 billion below levels authorized by the Congress.

Additional tax measures are proposed in the 1968 budget. A 6% surcharge on both individual and corporate tax liabilities is recommended. The proposal exempts individual taxpayers in the first two brackets and would remain in effect for 2 years, or for such period as may be warranted by the unusual expenditures in Vietnam. If the fiscal requirements of the commitments in Vietnam allow, however, an earlier expiration date will be recommended.

## THE BUDGET IN PERSPECTIVE

To meet the continuing needs of our citizens, the Federal Government provides a wide range of *public services*—from national defense to finding new sources of food and fuels. The pattern and quantity of public services provided at any given time are strongly influenced by changes in social and economic conditions.

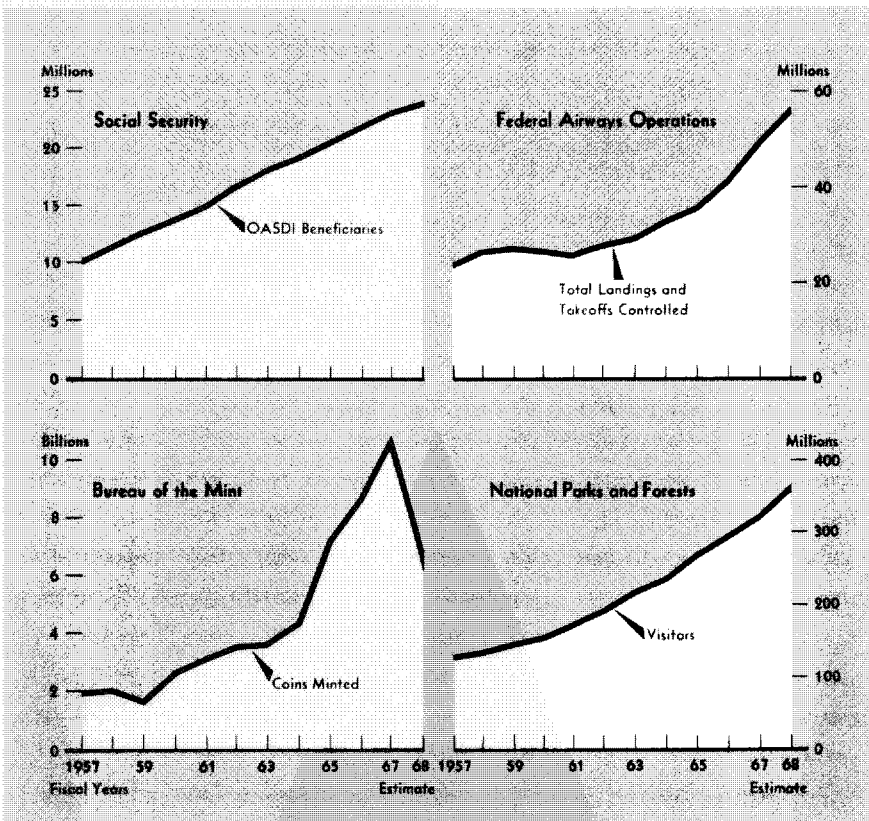
### ***Growing Public Responsibilities***

The pace of growth and change in recent years has led to expanding requirements for services from the Federal Government, and for Federal assistance to State and local governments to help them meet the needs of their citizens.

Over the last decade alone, the Nation's population increased by more than 27 million. Changes in the age distribution and location of our people increase public service demands over and above what this total growth alone would require. First, population has increased markedly in *age groups under 18 or 65 and over which have greater need* for such public services as education or social security. These groups have increased by 20% over the past 10 years and now constitute 45% of our population. Second, the number of *people of all ages living in urban areas* has increased in this same decade more than 25%, and now makes up more than 70% of the population.

The *quantitative* changes outlined above explain only part of the reason for growing Federal responsibilities. Our society has changed *qualitatively*, as well. The standard of living has risen dramatically. One measure of this increase is *real disposable income per capita*, which is simply the amount of money available for private spending after adjustment for taxes, price increases, and population growth. Using this measure, the Nation's standard of living rose nearly 30% over the past decade. As our level of living increases we not only desire better private goods and services, but we demand and can afford better *public services* as well.

### Selected Program Trends





In recent years, the American economy has performed superbly. Since 1963, our Nation's output has risen at an average rate of 5.5% a year. 5.3 million more people are employed and 1.2 million fewer unemployed. Industrial capacity has grown by 18%, and far less of it is idle than was the case 3 years ago.

—From the President's budget message,  
January 24, 1967.

The growing workloads of Federal agencies stem directly from these steadily increasing requirements for more and better public services. For example, between 1958 and 1968:

- The number of active urban renewal projects will have risen by over 250%.
- Visitors to our national parks will have increased 150%.
- The number of occupied federally assisted public housing units will have grown by nearly 70%.
- Enrollees in vocational education programs will have increased by almost 80%.
- The volume of mail delivered will have risen by nearly 40%.
- The number of passports issued will have increased 175%.
- The number of Federal grants and loans to college students will increase more than four-fold, to 2.2 million.

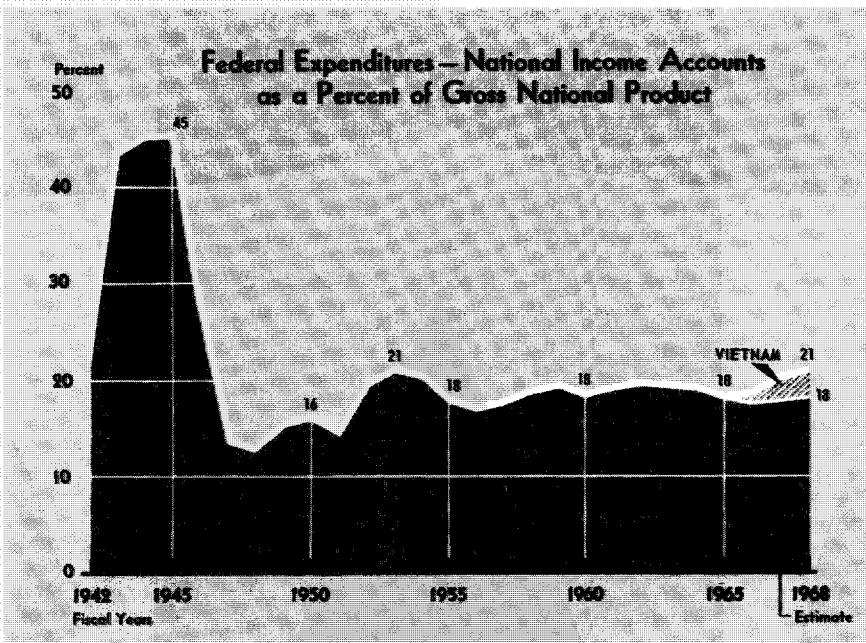
Also, the 1968 budget includes many programs which did not exist in 1958. For instance, by 1968:

- Medicare will cover over 40% of the medical costs incurred by 20 million aged people.
- The education of 8½ million disadvantaged school children will be strengthened.
- The number of medical schools improved or constructed with Federal support will total 71.
- Federal funds will have assisted in making about 117,000 low and moderate income housing units available under private sponsorship.

## Public Use of the Nation's Output and Labor Force

The reasons for growth in Federal spending are clear. The relative size of the increase, however, requires some comparisons to place it in proper perspective. The national economy and State and local government activities serve as useful measuring rods since they are subject to demands similar to those affecting the Federal Government.

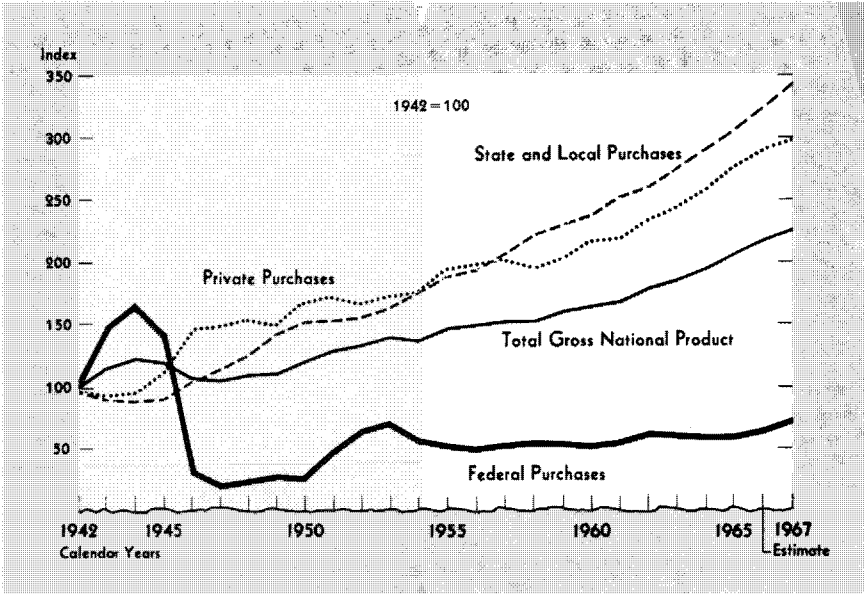
For more than a decade, Federal expenditures (NIA basis) have constituted a remarkably stable proportion of gross national product (GNP)—approximately one-fifth. Considering only the administrative budget, which excludes the rapidly growing trust funds, the ratio of Federal spending to GNP will be under 17% in 1968. Excluding special spending for Vietnam operations, Federal expenditures drop to about 14% of GNP in 1968—the lowest in recent years.



State and local governments, in trying to meet their rapidly growing responsibilities, will have increased their purchases of current output by two-thirds in the past 10 years—much more rapidly than the

Federal Government. A part of this increase has been financed by Federal grant-in-aid programs. Private spending will have increased by about 50% during the period. The accompanying chart shows the relative growth in spending by the major sectors of the economy since 1942. (The amounts are in *real* terms, which means that the effects of price increases have been removed.)

**The Nation's Real Output: Public and Private Demand**



The same trends are evident for Government employment. While Federal civilian employment will increase 22% from 1958-1968, State and local governments will find it necessary to increase employment by more than 70%. Federal employment, therefore, is a declining portion of all governmental civilian employment, 23% estimated for 1968, compared to 29% in 1958.

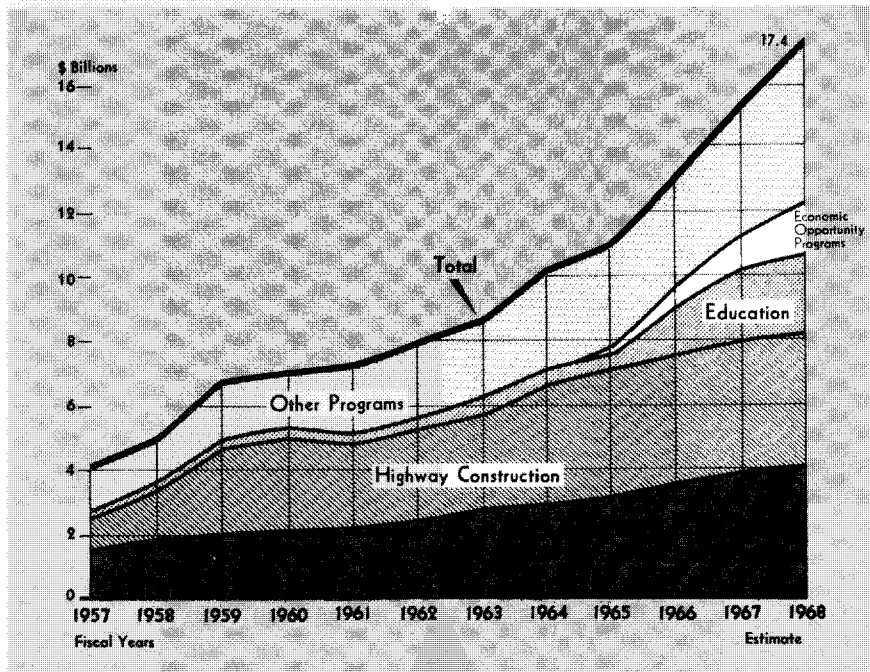
### ***Aid to State and Local Governments***

The growing strain on State and local government resources creates an additional responsibility for the Federal Government—to assist these governments in meeting the burgeoning needs of the people. Federal expenditures to aid State and local governments (including

shared revenue, as well as grants) will have grown from about \$4.9 billion in 1958 to an estimated \$17.4 billion in 1968—an increase of 255%. These aids cover a wide variety of activities ranging from airport construction to urban renewal. In 1968, about half of the funds will be spent for highways and public assistance.

## Federal Aid to State and Local Governments

*Budget and Trust Fund Expenditures*

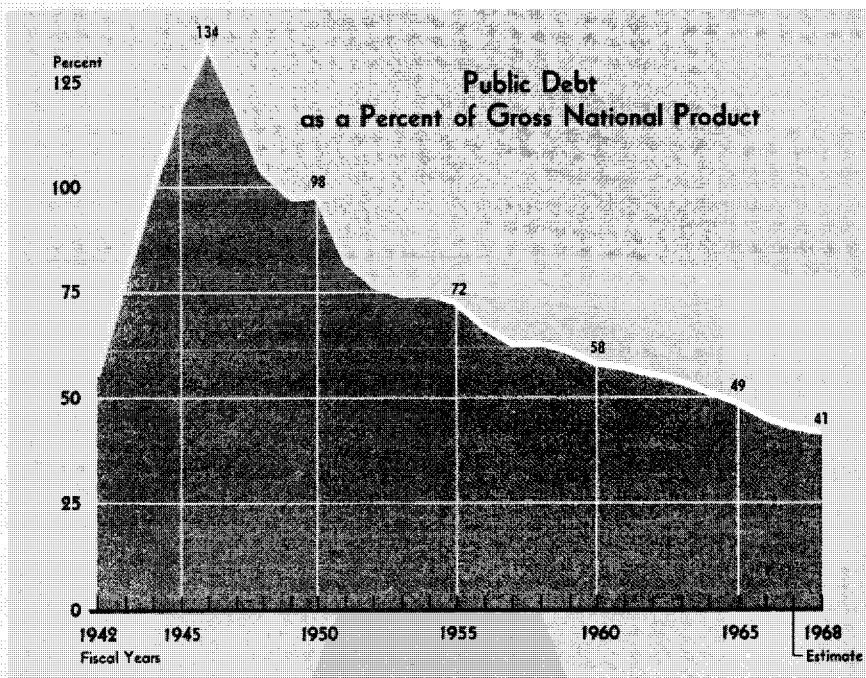


As a proportion of total Federal cash payments to the public, these grant-in-aid expenditures rose from 6% in 1958 to about 10% currently. Federal funds have also become an important source of revenue for State and local governments, constituting about 15% of total State-local general revenue in recent years. Many of the newer Federal programs—in health, education, housing, and community development—involve the Federal Government in cooperative ventures with State and local governments in communities across the Nation. Federal expenditures for these purposes insure that many essential public needs are met at the local level, thus maintaining a workable cooperative federalism.

## Public Debt

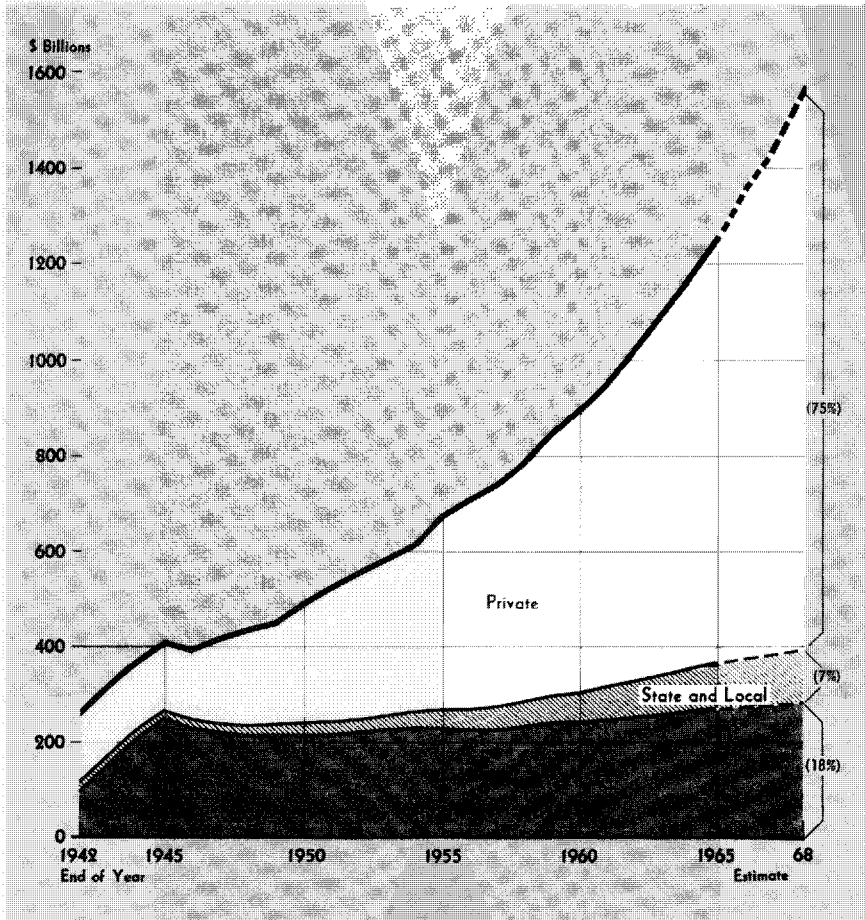
The public debt of the Federal Government was incurred primarily in World War II. About two-thirds of the present debt level was incurred in the 8-year period from 1939 to 1947. In 1939, the debt was \$45.9 billion. By 1947, it had risen almost sixfold to \$258.4 billion. At the end of 1967, it is expected to be \$327.3 billion.

While the debt is estimated to increase \$8.1 billion in 1968, to \$335.4 billion, it will continue to decline in relation to the size of our economy. As a percentage of the gross national product, the public debt has declined sharply since 1947—from 118% to about 41% in 1968. As the economy continues to expand, the public debt becomes a continually smaller proportion of gross national product.



Moreover, net Federal debt will have grown much more slowly than other kinds of net debt. Since 1947, the national debt will have grown less than 30%, while private debt will rise about 550% and the debt of State and local governments about 700%.

## Net Public and Private Debt



## Investment

In assessing financial position, it is important to consider assets as well as liabilities. While the Federal Government does not budget separately for capital investments and current operating expenses, data are made available in the budget to identify expenditures which are of an *investment* nature. These expenditures add to our supply of assets and produce benefits which extend over many years. Examples are the construction of highways and other public works, loans to finance housing, and grants to build hospitals. In 1968, net Federal

investment expenditures, other than for defense and space, will total \$9.7 billion. This total would be substantially higher were it not for the sale of about \$5.3 billion of financial assets, as a result of increased efforts to substitute private credit for Federal lending programs wherever appropriate.

Outlays for *other developmental purposes* are also grouped and shown separately, since they yield benefits of increased productivity over many years. Research, education, training and health programs tend to raise national productivity, and are as truly an investment from the Nation's standpoint as outlays for plant and equipment. These developmental outlays will total \$8.5 billion in 1968, an increase of \$1.2 billion over the prior year.

These expenditures for investment and for other developmental purposes in 1968 will constitute 11% of total Federal payments and about 20% of outlays excluding defense and space.

Our agenda must give high priority to a stronger and more effective federal system of government in the United States. To meet urgent and growing needs, the Federal Government is providing a wide range of programs to assist State and local governments. Now the chief task is to manage these programs efficiently at every level of government to assure the most effective public services.

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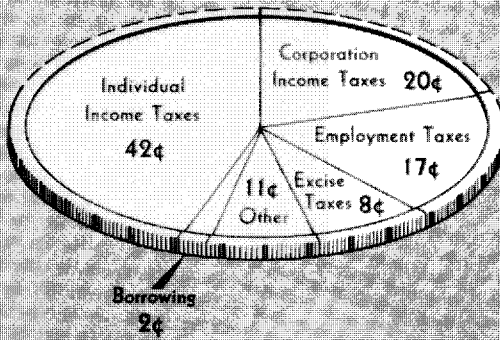
. . . Federalism is not a one-sided partnership, and the States and local governments do not exist simply to carry out programs on behalf of the National Government. When we lose sight of these facts the federal system suffers, governments work at cross purposes, and the programs fail to achieve their objectives. Our task now is to improve Federal programs and administration, while we do more to help State and local governments strengthen their machinery for planning and management.

—*From the President's budget message,*  
*January 24, 1967.*

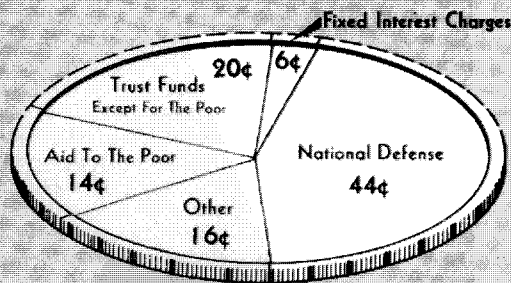
# THE GOVERNMENT DOLLAR

Administrative Budget and Trust Funds

Where it comes from . . .



Where it goes . . .



Fiscal Year 1968 Estimate



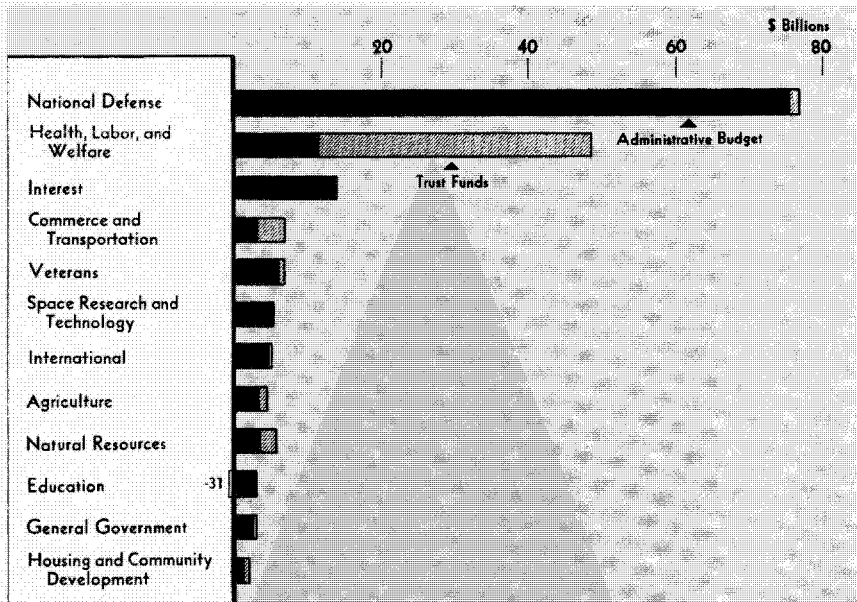
## PART 2

# THE BUDGET PROGRAM BY FUNCTION

The expenditures of the Federal Government are grouped into 12 functional categories according to the general purpose served. The chart below <sup>1</sup> indicates the estimated scale of each of these functions.

In addition, the budget includes special allowances estimated at \$2.2 billion in 1968. These allowances cover unforeseen contingencies, proposals for which estimates of cost are not yet possible, and matters which are still under study, for which specific proposals may be made later. Examples include pay raises for military and civilian employees, a prototype civil supersonic transport and a nuclear space rocket.

**1968 Expenditures by Function**



<sup>1</sup>The figures in this section do not add to the net total of Federal payments to the public, largely because some transactions which take place wholly between one Government agency and another have not been eliminated, as they have been in calculating the totals.

## NATIONAL DEFENSE

**1968 Expenditures** { **Administrative Budget.. \$75.5 Billion**  
                           { **Trust Funds..... \$1.4 Billion**

This Nation is confronted with two fundamental defense tasks. We must maintain and continue to improve the powerful strategic and conventional war forces needed to meet all forms of threat to our Nation's security. At the same time, we must provide all the forces and equipment needed to preserve the independence of South Vietnam. Funds are requested in the 1968 budget—including a supplemental request for the current year—to enable us to meet these requirements.

Expenditures for national defense in 1968 are estimated to increase by \$5.5 billion over 1967, and \$18.4 billion above 1966. Savings from vigorous cost-reduction efforts and the prompt retirement of obsolete weapon systems and unneeded installations are helping to hold total expenditures to the lowest level consistent with our objectives.

Aside from the special costs of our operations in Vietnam, regular Department of Defense payments will rise from \$47.5 billion in 1967 to \$50.4 billion in 1968.

### ESTIMATED DEPARTMENT OF DEFENSE SPECIAL EXPENDITURES FOR SUPPORT OF VIETNAM OPERATIONS

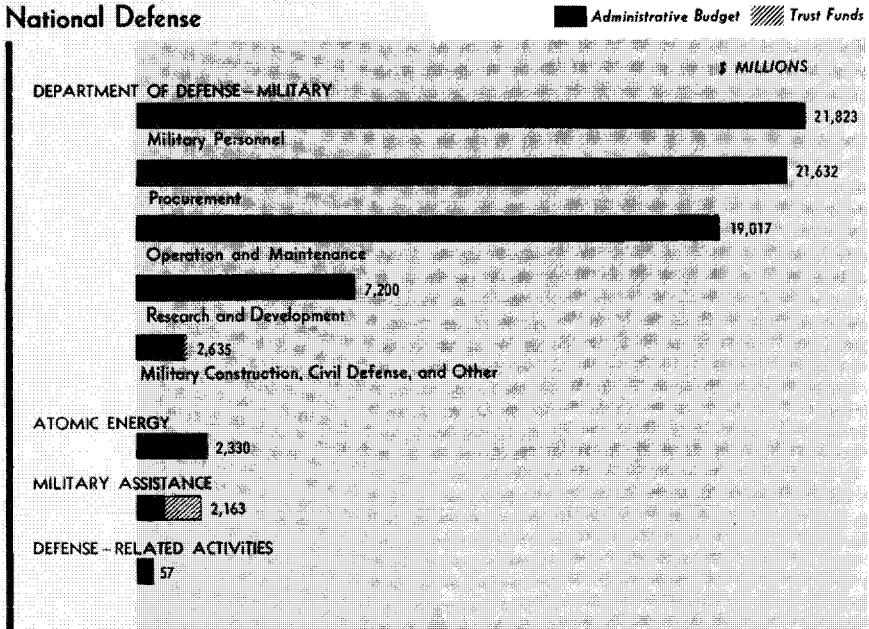
[In millions]

Fiscal year	Expenditures	Expenditures excluding Vietnam
1965 .....	\$103	\$46,070
1966 .....	5,812	48,597
1967 .....	19,419	47,531
1968 .....	21,900	50,400

## Department of Defense—Military

As shown in the accompanying chart, expenditures by the Department of Defense are made for the pay of military personnel, purchase of weapons and equipment, operation and maintenance of equipment and facilities, research and development, civil defense, and the construction of needed facilities.

### National Defense



For purposes of planning, however, the Department of Defense has found it useful to consider its financial needs another way—in terms of major programs. Each program groups all forces, regardless of military service, according to major military mission. The table on page 22 is a brief summary of the forces now planned for each program for the end of fiscal year 1968.

*Strategic forces.*—The first purpose of our strategic forces is to deter military aggression against this Nation and its allies. Should deterrence fail, our combined strategic offensive and defensive forces have the additional function of limiting damage to ourselves and our allies. This is accomplished by striking the aggressor's remaining strategic offensive forces and reducing the impact of the attack through warning, interception, and civil defense programs.

To increase the ability of these forces to survive an attack, and to increase their capacity to penetrate an aggressor's defenses, the 1968 budget provides for (1) procurement of the Minuteman III missile and the FB-111 strategic bomber, (2) procurement of components for the new Poseidon submarine-launched missile, (3) improved penetration and payload capabilities for our present strategic missiles, and (4) increased ability to direct these forces in the event of attack.

#### SUMMARY OF ACTIVE FORCES

Description	June 30, 1966 (actual)	June 30, 1968 (estimate)
<b>SELECTED FORCES BY PROGRAM</b>		
<b>Strategic Forces:</b>		
Intercontinental ballistic missile squadrons.....	23	26
Polaris submarines/missiles (in commission).....	37/592	41/656
Strategic bomber wings.....	15	13
Manned fighter interceptor squadrons.....	33	26
<b>General Purpose Forces:</b>		
Army divisions.....	17	17
Warships (in commission).....	373	370
Amphibious assault ships (in commission).....	159	158
Marine Corps divisions/aircraft wings.....	4/3	4/3
Air Force tactical forces squadrons.....	130	135
<b>Airlift and Sealift Forces:</b>		
Aircraft squadrons.....	58	53
Troopships, cargo ships, and tankers.....	121	124
<b>SELECTED DEPARTMENTWIDE TOTALS</b>		
Active aircraft (all programs).....	30, 554	34, 468
Commissioned ships in fleet (all programs).....	909	938
<b>Military personnel (in thousands):</b>		
Army.....	1, 199	1, 520
Navy.....	745	762
Marine Corps.....	262	295
Air Force.....	886	887
Total, Department of Defense.....	3, 092	3, 464

*General-purpose forces.*—Our ground, sea, and air forces must be sufficiently strong and flexible to respond to conventional, limited, and guerrilla wars. The 1968 program provides funds to support Vietnam operations without reducing our ability to react appropriately to other contingencies. Improvements include: (1) increases in

helicopter forces, (2) further gains in land force firepower, (3) a ship construction and conversion program amounting to 44 ships, and (4) additional purchases of modern tactical aircraft.

*Specialized activities.*—Included in the 1968 budget are funds for intelligence activities, command and communications functions, refined aerial mapping, weather forecasting, and aerospace rescue-recovery techniques.

*Airlift-sealift forces.*—These forces include the ships and planes required to move our military forces rapidly and to support them in combat. This ability can significantly reduce the duration and destructiveness of a conflict. Procurement of the new C-5A transport aircraft—which should be able to do the work of four of our largest existing transports—will increase in 1968. Funds are also provided for five of a new class of fast-deployment logistic ships. These ships represent a new concept in ship construction and enable more efficient operation than existing ships.

*National Guard and reserve forces.*—Defense planning requires highly trained reserve units which can be mobilized and deployed quickly in an emergency. To achieve improved combat readiness, a selected reserve force has been created which will be more fully equipped, manned, and trained.

*Research and development.*—Our vigorous military research and development efforts are reflected in two categories. The costs for new weapons systems and techniques are included in the research and development program until these systems are procured for operational use. At that time, they are shifted to the appropriate mission-oriented program, where further development may continue if needed. The 1968 budget emphasizes projects designed to meet needs in Southeast Asia and continues development of strategic and conventional systems, such as antisubmarine warfare, tactical operations, electronic warfare, and command and control. Other projects under development include the manned orbiting laboratory (MOL), satellite communications, navigation systems, nuclear test detection, and systems to provide early warning of missile launches.

*Logistics, personnel support, and administration.*—These defensewide support activities include supply and maintenance, training, family housing, and general medical services. They also provide the funds for the support of allies such as Vietnam and Thailand, which are not supported through the regular military assistance program.

### ***Military Assistance***

The loss of freedom anywhere is a vital concern to all free peoples. The United States continues to provide assistance to nations unable to support adequate military forces by themselves. Since its inception in 1950, however, this program has changed in character and scope. Now that many of our allies have become able to support their own forces, emphasis has shifted to improving the internal security forces of less prosperous nations faced with the threat of subversion.

### ***Atomic Energy***

The Atomic Energy Commission is responsible for developing and manufacturing nuclear weapons, pursuing other military uses for nuclear energy, adapting atomic energy to peaceful uses, and conducting basic research. Expenditures in 1968 will rise by \$60 million to \$2.3 billion, as a result of increases in the weapons program, civilian power reactor development, and basic research in the physical and biomedical sciences. These increases are partially offset by a decline in the procurement of uranium and in the production of special nuclear materials.

Development efforts will be intensified on the “fast breeder” civilian power reactor, which would produce more fissionable fuel than it consumes. The program for basic research in the physical sciences will be marked by initiation of the design of a 200-billion electron volt accelerator which will be used by scientists to study the basic structure of matter.

### ***Defense-Related Services***

These programs include the Selective Service System, the strategic and critical materials stockpile, the expansion of defense production, and various other emergency preparedness programs outside the Department of Defense and the Atomic Energy Commission.

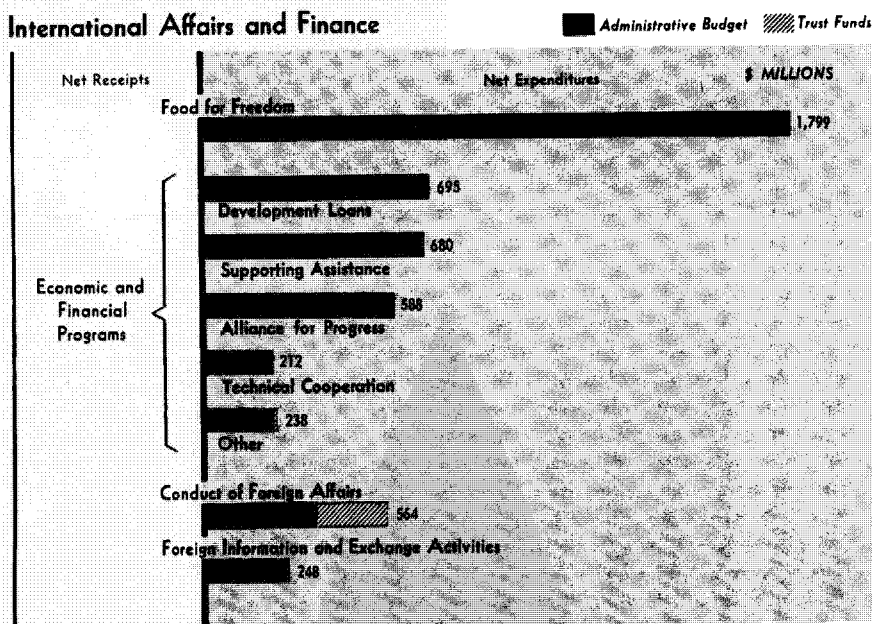
## INTERNATIONAL AFFAIRS AND FINANCE

1968 Expenditures { Administrative Budget.. \$4.8 Billion  
Trust Funds..... \$0.2 Billion

U.S. leadership in the world community requires that our international policies and programs be responsive to political and economic change. Our efforts to promote world peace, prosperity, and stability—the primary aims of our international programs—are essential to the security and welfare of America.

The United States pursues these objectives in a variety of ways—through discussions and negotiations with other nations, participation in international organizations such as the United Nations, programs of economic assistance to developing nations, and worldwide information and exchange activities.

### International Affairs and Finance



### Economic and Financial Programs

Economic assistance programs are based on the logic that peace and security throughout the world are served by the strong social and economic development and stability of the developing countries. The basic approach is one of supplementing local resources in support of self-help efforts—through long-term development loans and technical

and supporting assistance. In 1968 our economic aid programs will require greater evidence and assurance from developing nations that they are taking the difficult steps to stimulate and sustain economic growth and social progress.

Two-thirds of 1% of our national income is devoted to foreign aid, including shipments of food, about the same as the average of all the developed countries of the free world.

More than 85% of AID expenditures in 1968 will be for purchases of U.S. goods and services, compared with 42% in 1960. This will minimize the effect of assistance programs on the U.S. balance of payments, and will promote the long-term growth of U.S. exports by stimulating new trade patterns and opportunities. Excluding Vietnam, about 65% of our economic assistance is in the form of long term, dollar repayable, development loans.

*Alliance for Progress.*—The Alliance encourages the economic and social reforms needed to promote orderly economic and political development in Latin America. Our development loans and technical assistance grants are related to progress in undertaking necessary reforms. Increased emphasis will be given to programs in agriculture and education.

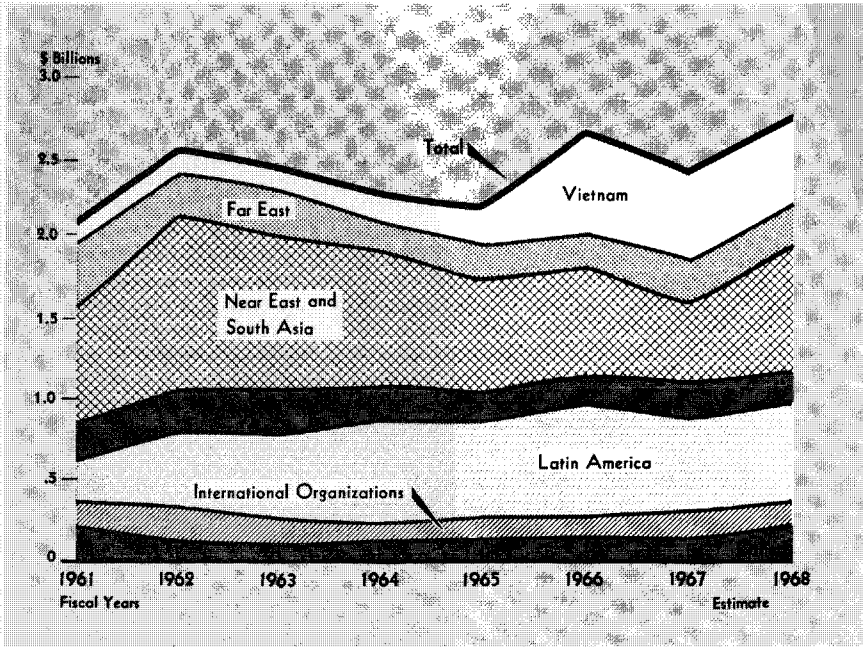
*Development loans and technical cooperation.*—These programs provide economic assistance to underdeveloped nations in areas of the world other than Latin America. Concentrated in key countries and supplemented by local resources, development loans support critical development activities ranging from schools, fertilizer plants and transportation facilities to farm credit and imports of parts and materials to stimulate private production. The United States also pays part of the costs of technical advisors whose experience and skills are needed in solving the complex problems of economic and social development.

*Supporting assistance.*—These loans and grants provide commodities, equipment, and technical advice to countries facing immediate threats to their stability and security. In 1968, Vietnam will receive three-fourths of this type of assistance, which will increasingly emphasize construction projects in that strife-torn country.

The accompanying chart shows program trends by region, summarizing the individual country programs which are the basic AID programing units:



## Agency for International Development — Program Trends



Note: Because aid was suspended to India and Pakistan in 1966 during the Kashmir crisis, \$320 million shown in 1966 is being used to support the 1967 program. As a result, the effective program levels in 1967 and 1968 are about the same, at \$2.7 billion.

*Other programs.*—Several other programs give additional support to U.S. development efforts:

- The Peace Corps will continue to grow and will be active in an estimated 60 countries in 1968. Program emphasis will shift towards the critical areas of agriculture and community development.
- The United States will also continue to share the cost of supporting the United Nations and over 60 other international organizations of which this Nation is a member.
- The Export-Import Bank will aid in expanding U.S. exports by insuring, financing and guaranteeing export loans.
- In 1968, legislation will be sought to enable us to join in making an additional contribution to the Inter-American Development Bank (IDB), and, pending successful completion of negotiations, to the International Development Association (IDA). These agencies provide greatly needed financial resources to the less developed nations.

## ***Food for Freedom***

With large U.S. surplus food stocks eliminated, and the world food problem undiminished, legislation in 1966 provided several major new directions in the Food for Freedom program. To meet the goal of greatly increased food production in the developing nations, self-help will be emphasized and food aid and economic assistance to agriculture will be closely linked in the larger War on Hunger.

Despite the efforts to increase food production in the developing countries, these measures cannot be expected to offset, in the short run, increased demand resulting from rapid population growth. Accordingly, increased shipments of U.S. agricultural commodities will help fill the gap. Expenditures will rise to an estimated \$1.8 billion in 1968.

## ***Foreign Information and Exchange Activities***

The Department of State and the U.S. Information Agency conduct various programs aimed at improving the world's understanding of our Nation and our foreign policy. Motion pictures, radio and television broadcasts, and cultural and educational exchange activities are some of the techniques used. USIA activities are to be increased in Southeast Asia and Latin America.

# **SPACE RESEARCH AND TECHNOLOGY**

## **1968 Administrative Budget Expenditures . . \$5.3 Billion**

The primary objectives of the programs of the National Aeronautics and Space Administration (NASA) are to extend our ability to operate in space and to use that capability for the benefit of mankind. The achievement of the manned lunar landing by 1970 will demonstrate clearly our position as a leading space-faring nation. This budget marks the beginning of a new manned space flight program which will extend our space capabilities even beyond the manned lunar landing.

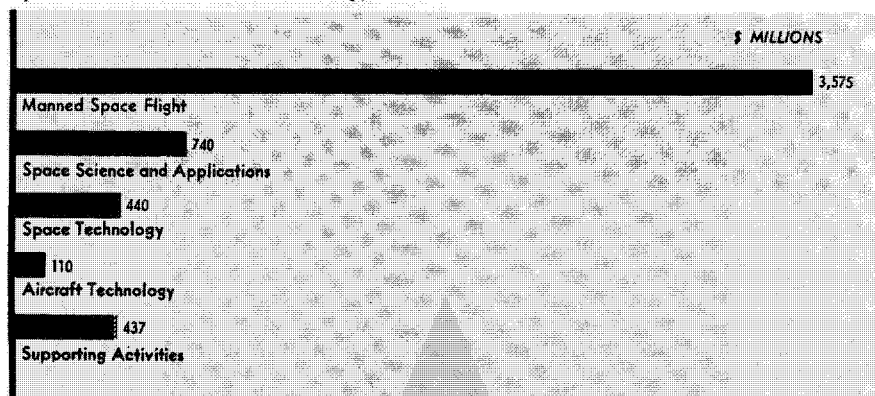
Because the major systems for the lunar landing program are progressing beyond the most costly phase of development, expenditures are estimated to decline \$300 million from the 1967 level.

*Manned space flight.*—As part of the manned lunar landing program, earth orbital flight tests of the manned Apollo spacecraft using the Uprated Saturn I launch vehicle will begin in 1967. First flight tests of the large Saturn V launch vehicle will occur near the end of fiscal 1967, with manned flights planned before the end of fiscal 1968.

In 1968, a new program will be started to extend man's ability to operate in space and, at the same time, to conduct scientific experiments. In the early portion of this program, space vehicles developed for the manned lunar landing will be used, followed by more advanced systems for later use. Manned flights in earth orbit of one year's duration and manned exploration missions of up to 14 days on the surface of the moon are planned.

### Space Research and Technology

■ Administrative Budget    ▨ Trust Funds



*Space science and applications.*—In preparation for the first manned lunar landing, unmanned exploration of the moon will continue in 1968 with Surveyor and Orbiter spacecraft. Full-scale development of the Voyager system for the unmanned exploration of the near planets, Mars and Venus, will begin in 1968. Funds are also requested to initiate development of the Mariner spacecraft to take measurements of the atmosphere of Mars in 1971, two years before the first Voyager mission. Improvements in space communications and weather prediction technology will also be pursued, using Applications Technology Satellites and Nimbus weather observatories.

*Space technology.*—Advancements in space systems technology will be pursued, primarily in the fields of rocket propulsion, spacecraft electric power, space vehicle systems, human factors, and electronics.

*Aircraft technology.*—Continued research in aeronautics—ranging from helicopters to supersonic transports—is being pursued in 1968 for application to both civil and military aircraft.

*Supporting activities.*—The operation of NASA's worldwide tracking and data acquisition networks will be stepped up in 1968 to support the manned Apollo program. Grants for university research and facilities will be reduced in 1968.

## AGRICULTURE AND AGRICULTURAL RESOURCES

1968 Expenditures	{ Administrative Budget . . .	\$3.2 Billion
	{ Trust Funds . . . . .	\$1.2 Billion

Stocks of agricultural commodities are considerably different today than in previous years. Wheat and feed-grain stocks are no longer in excess, taking into account domestic and foreign requirements. As a result, the Secretary of Agriculture has eased acreage restrictions on wheat and feed grains. Expenditures for agricultural programs are expected to remain at about the same level in 1968 as in 1967.

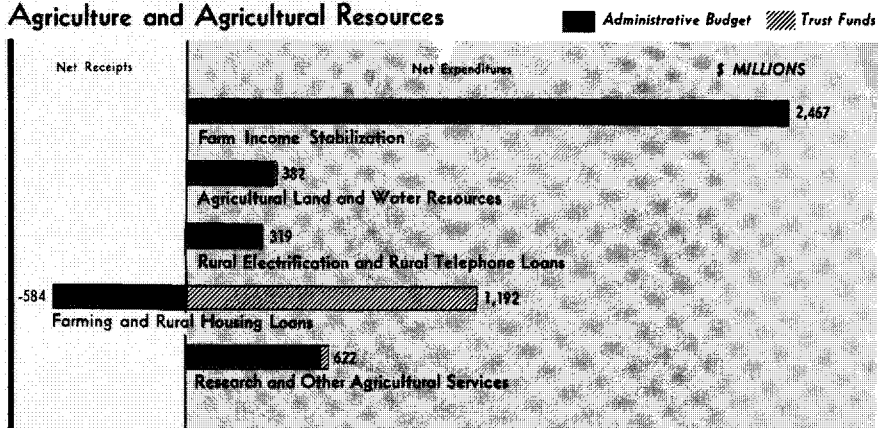
The Department of Agriculture is playing a major role in helping rural people improve their living standards. To this end, the Department will work with State and Federal agencies and with local groups to assure that rural communities make the best use of all existing governmental programs.

*Farm income stabilization.*—Expenditures in 1968 for farm income stabilization are estimated at \$2.5 billion, \$99 million above the 1967 level. Increased expenditures resulting from lower commodity sales will be largely offset by reduced payments to farmers for diverting farm acreage, and by an anticipated increase in the holding of price support loans by commercial banks.

*Financing farming and rural housing.*—The Farmers Home Administration makes direct Federal loans and insures private loans to meet the special credit needs associated with farming, housing con-

struction, and community development. This agency is providing increased assistance through grants and loans for planning and construction of sewers and for water purification and distribution facilities. Without these improved community services, rural areas cannot expect to grow or prosper.

## Agriculture and Agricultural Resources



*Agricultural land and water resources.*—The Government now provides technical and financial assistance to farmers for undertaking selected conservation practices on their farms. There are also underway pilot projects designed to help local communities plan and implement projects to promote orderly improvement, conservation, and utilization of their natural resources.

*Financing electrification and telephones.*—The Rural Electrification Administration makes low-interest loans to furnish and improve electric and telephone services in rural areas. Legislation is being proposed to provide new sources of private financing to meet the growing capital needs of REA borrowers.

*Research and other agricultural services.*—Greater emphasis will be given in 1968 to agricultural research which enhances consumer nutrition and health, improves community services and environment, and raises the level of living of rural people. Funds are also provided for plant and animal inspection and quarantine and for control of animal diseases and plant pests. Legislation is being recommended to strengthen the Federal meat inspection service.

## NATURAL RESOURCES

1968 Expenditures { Administrative Budget.. \$3.5 Billion  
                          { Trust Funds..... \$0.1 Billion

Intelligent conservation and development of our natural resources is essential to the Nation's long-run growth. To help assure continued economic growth, the use and development of such resources as water, forests, and minerals must be carefully planned. Federal activities in this area are coordinated with similar programs of States, local governments, and private interests.

*Land, water, and power resources.*—These programs, which account for two-thirds of all expenditures for natural resources, provide for the efficient development and use of the Nation's water resources. They include flood control, irrigation, watershed protection, navigation, and related water projects. Many of these projects are multiple-purpose projects, providing electric power, water supply, water quality, fish and wildlife, and recreation benefits as well as serving other project purposes. In addition, Federal grants are made to assist municipalities in the construction of waste treatment plants.

Because water problems are becoming increasingly critical in various parts of the country, legislation is proposed to establish a National Water Commission to assess the problems and to outline actions to achieve the most efficient use of our water resources. Newly coordinated water pollution control programs are being reoriented toward attacking the problems of pollution in entire river basins. The Office of Saline Water will intensify its research and development work on desalting water for municipal and industrial uses.

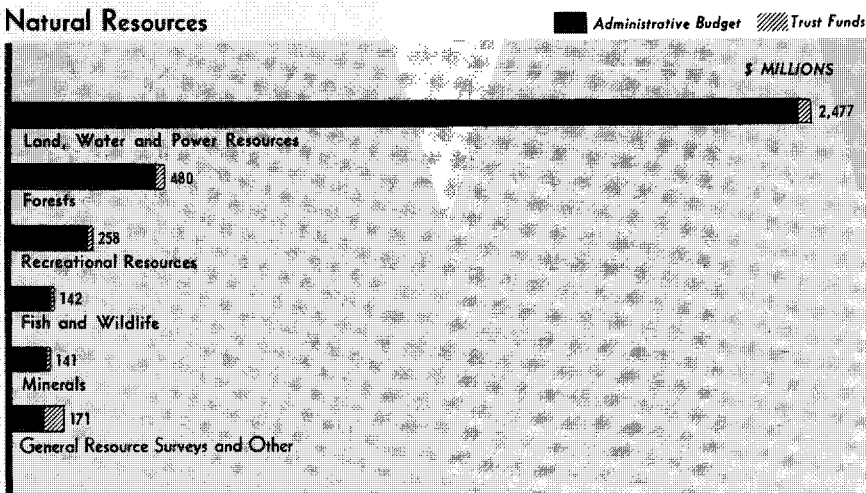
Upon approval of a license by the Atomic Energy Commission, the TVA will carry forward construction of the Brown's Ferry Nuclear Power Plant, estimated to be in commercial operation by October 1970.

Programs of the Bureau of Indian Affairs will improve the economic and social conditions of 380,000 American Indians. Emphasis will be placed on needed school construction for Indian children. Other programs will provide for irrigation and roads on Indian reservations, and for expansion of industrial activities and housing facilities.

*Forest resources.*—National forest lands are a major source of the timber used by American industry. Harvested timber from the 154 national forests will make up about one-fourth of the total timber

consumed by American industry in 1968. These forests also provide recreational opportunities for a large segment of our population.

### Natural Resources



**Recreation.**—Because of increases in population and income, more people are spending more leisure time out of doors in recreational activities. The Bureau of Outdoor Recreation helps coordinate activities designed to meet the growing needs for outdoor recreation. In 1968, this Bureau expects to complete the first Nationwide Outdoor Recreation Plan as a general guide for all outdoor recreational programs in the country. The Land and Water Conservation Fund is used to make grants to States for recreation purposes as well as to acquire new Federal recreation areas.

The annual number of visitors to Federal recreation areas is increasing rapidly, as shown in the following figures.

#### VISITORS TO FEDERAL RECREATION AREAS

[Calendar years. In millions]

Agency	1960 actual	1966 actual	1967 estimate	1968 estimate
National Park Service.....	72	135	147	160
Bureau of Reclamation.....	24	39	43	45
Sport Fisheries and Wildlife.....	11	17	19	21
Forest Service.....	82	160	173	199
Tennessee Valley Authority.....	42	63	65	67
Corps of Engineers—Civil.....	109	190	201	226

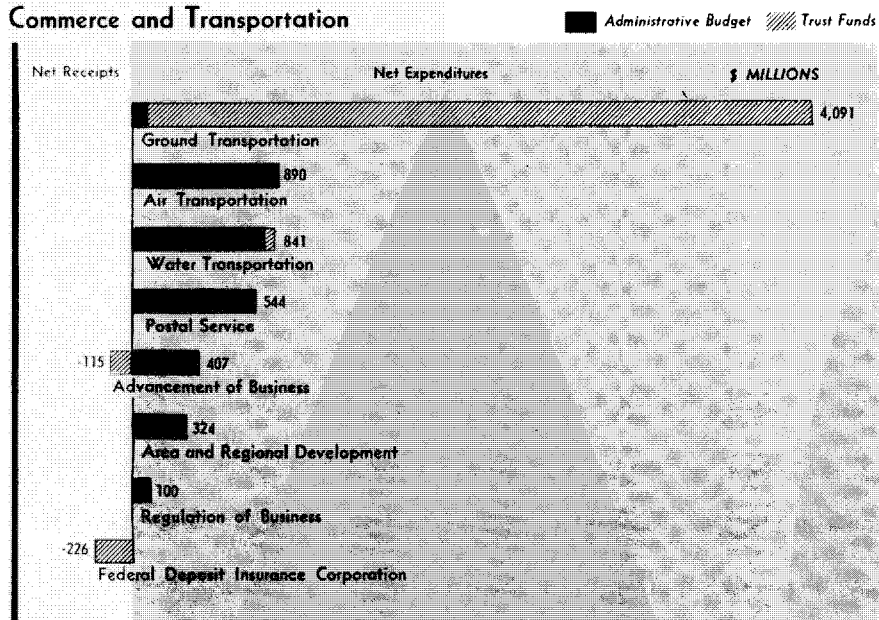
*Minerals, fish, wildlife, and other.*—The Bureau of Mines will initiate a new research program directed toward major improvements in tunneling technology. If successful, this effort will be of major benefit to mining, urban transportation, water supply, and other public services. The Bureau of Sport Fisheries and Wildlife will operate 90 fish hatcheries and 312 wildlife refuges in 1968. Substantial assistance to the commercial fishing industry will be continued.

## COMMERCE AND TRANSPORTATION

1968 Expenditures | Administrative Budget.. \$3.1 Billion  
 | Trust Funds..... \$3.7 Billion

The Federal Government contributes to the Nation's economic development by investing in facilities and services which add to present economic strength and lay the foundation for future growth. Programs to assist business, improve transportation and communications services, develop depressed areas, and assure effective competition and fair business practices will be strengthened in 1968. More than half of the total payments for these programs will be devoted to highway construction.

### Commerce and Transportation





## **Transportation**

Continued economic advance and increased population mobility bring growing demands for a safe and efficient national transportation network. Consolidation of related Federal transportation programs in the new Department of Transportation should help to meet these needs and lead to better use of the taxpayer's money by (1) permitting improved planning of transportation programs, and (2) providing leadership in technological and economic research in transportation.

The budget proposes transportation user charges to help meet rising highway and airway costs and inland waterway costs now borne predominantly by the general taxpayer rather than by those benefited directly by the Federal services.

*Air transportation.*—Expenditures by the Federal Aviation Administration for the operation of the airways will continue to rise with the improvement of traffic control services, construction of facilities, and modernization of equipment to meet the needs of growing air traffic. Air traffic control in congested, multi-airport localities will be aided through new automated equipment.

*Water transportation.*—Both operating and construction subsidies are paid to strengthen and maintain the competitiveness of our ocean shipping industry. Funds will be provided for the construction of 13 new vessels as part of the continuing program for modernization of the subsidized fleet. Vessels now under construction will have significantly increased cargo capacity.

*Ground transportation.*—Federal expenditures for highway programs are expected to increase by \$61 million in 1968 to \$4.1 billion. Nearly three-fourths of this total is for the 90% Federal share of the annual cost of constructing the 41,000-mile Interstate Highway System, now more than half completed. Most of the remaining expenditures in 1968 are for the primary and secondary road programs. Highway construction expenditures are financed primarily from highway user charges, such as receipts from taxes on gasoline, which are deposited in the highway trust fund.

Legislation is again being proposed to transfer financing of forest highways and public lands highways to the highway trust fund so that costs will be borne by highway users rather than by the general taxpayer. Legislation is also being proposed to establish a Beauty-Safety Trust Fund to finance the highway beautification and safety programs. Research will continue in 1968 on railroad technology and new systems for high speed ground transportation.

### ***Postal Services***

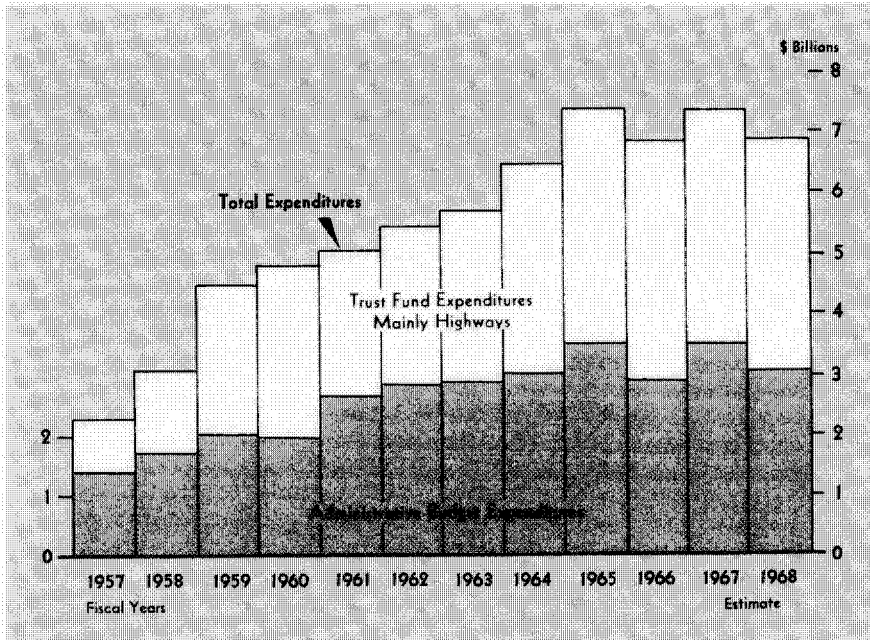
Costs for postal services are estimated to rise from \$6.4 billion in 1967 to \$6.8 billion in 1968. About 90% of the cost incurred will be covered by receipts from operations, leaving an estimated \$618 million postal deficit excluding the costs of providing public services. As private salaries continue to rise, additional costs will also be incurred to pay higher salaries to postal employees. To provide improved services, to cover proposed pay increases for postal workers and largely offset the remaining postal deficit, legislation is sought to raise postal rates.

### ***Advancement of Business***

The Federal Government provides many services valuable to American business. These include census and economic data, information about advanced technology, and marketing services overseas. Various Federal programs aiding business also provide important benefits to individual citizens and consumers. For example, the Commerce Department provides detailed weather forecasts and flood warning services. Through promotion of new technologies, it aids in the solution of basic social problems as well as aiding general economic growth.

The Small Business Administration (SBA) provides loans and other aids to credit-worthy small businesses which are unable to obtain funds elsewhere on reasonable terms. In 1968, emphasis will be on aiding very small firms through special economic opportunity loans, with over 5,200 receiving help. The agency's business lending program will be substantially enlarged through participation with private lenders and guarantees of bank loans. Loan repayments and sales to the public of shares in a pool of SBA loans will largely offset the \$648 million in expenditures planned for SBA programs.

## Commerce and Transportation



### Area and Regional Development

Progress is being made in the redevelopment of America's depressed areas. The number of areas which have severe unemployment has decreased from 748 in calendar 1962 to 555 in calendar 1965. In 1968, emphasis will be placed on coordinated efforts for district and regional planning activities.

## HOUSING AND COMMUNITY DEVELOPMENT

1968 Expenditures { Administrative Budget.. \$1.0 Billion  
 { Trust Funds..... \$1.0 Billion

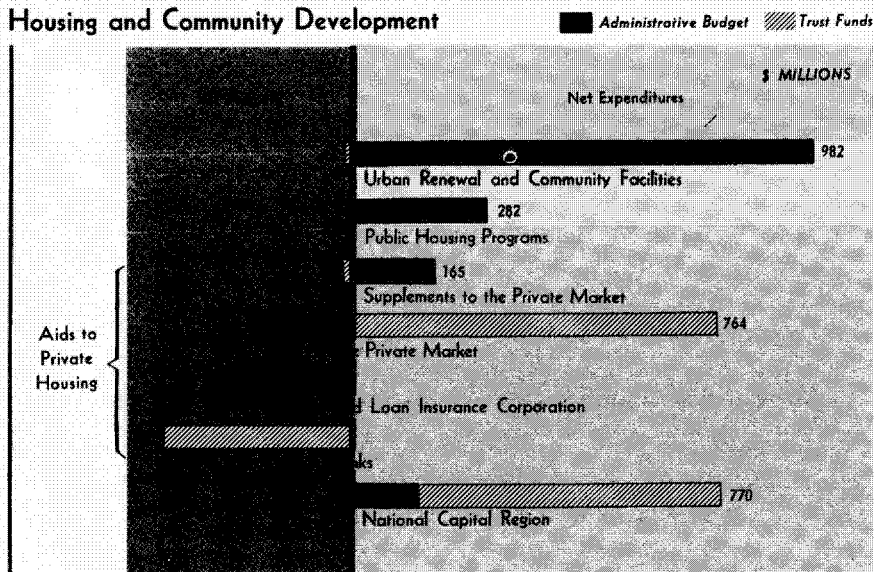
In 1968, increasing emphasis will be placed on strengthening and coordinating programs to upgrade our urban areas—areas which contain more than 70% of our population. Federal assistance also contributes to the ability of families to acquire suitable housing and improve their living conditions. These goals are pursued using grants, loans, purchases of mortgages, and insurance of private loans and savings and loan accounts.

## Urban Renewal and Community Facilities

Federal urban development programs help stimulate well-planned local efforts to improve our communities and to halt urban blight. The new Model Cities program is designed to show how the coordinated use of Federal, State, local, and private resources can transform urban areas beset by physical and social decay into model neighborhoods.

Increasing emphasis will be placed on using urban renewal in programs to provide standard housing for low-income families, and on rehabilitating rather than demolishing and rebuilding the blighted areas. Grants will also be made to help cities finance mass transportation facilities, encourage comprehensive metropolitan-wide planning, aid in the preservation of urban open space, and provide assistance for basic water and sewer facilities. Aid for the construction of neighborhood facilities in city core areas will help bring needed comprehensive social services to low-income neighborhoods.

### Housing and Community Development



### Public Housing Programs

The Federal Government, through its low-rent public housing program, assists local housing authorities in providing apartments for low-income families whose members are elderly, dispossessed, or living in substandard housing. Total expenditures for all public housing programs are expected to rise to \$282 million in 1968.

## ***Private Housing Programs***

*Supplements to the private market.*—Government grants and low interest rate loans assist low and moderate income families, unable to afford adequate housing without assistance, to live in decent private housing.

The rent supplement program is the newest effort to increase the supply of housing for low-income families. Under this program, the Government agrees to pay nonprofit and limited dividend private housing sponsors the difference between 25% of the income of a low-income family and the total rent for the apartment it occupies. In 1968, as housing projects are completed and occupied, payments are estimated to rise to \$5 million. The Federal National Mortgage Association (FNMA) helps the supply of private housing for moderate income families by buying mortgages with 3% interest rates.

*Support of private market.*—To improve housing conditions and to broaden homeownership, the Federal Housing Administration insures certain housing loans against loss—thus encouraging lenders to make loans with the smaller down payments and longer terms that more people can afford.

The FNMA also supports the private market by buying and selling federally insured or guaranteed mortgages, thus making funds available for housing when they are most needed. Further support of the private housing market is furnished by the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Banks by insuring accounts in savings and loan institutions or making advances to them when money for mortgages is tight. These institutions make most of their loans for housing purposes.

## ***National Capital Region***

The District of Columbia government provides both State and municipal government services in the National Capital city. As the major landholder, enterprise and employer in the District, the Federal Government has a special responsibility to bear its fair share of the costs of these services, and to provide long-term loans for needed capital improvements. In 1968, legislation will again be proposed to grant home rule to the 800,000 residents of the District of Columbia.

## HEALTH, LABOR, AND WELFARE

1968 Expenditures	{	Administrative Budget..	\$11.3 Billion
		Trust Funds.....	\$37.1 Billion

Through social security and other Federal programs, older Americans receive retirement income, hospital insurance, and other health benefits. Families are protected against the possible loss of income that would result from the unemployment, disability, or death of the wage earner. Other programs promote the well-being of the American people through health research and care, manpower training, vocational rehabilitation, and the Nation's attack on poverty. Payments for these purposes will increase by \$7.1 billion over 1967. About 75% of the total is self-financed through trust funds.

*Social insurance and public welfare.*—In 1968, an estimated \$30.5 billion in benefits will be provided to the retired, the disabled, or their survivors under the self-financed insurance and retirement programs which cover almost all of the Nation's workers and their families. The old-age, survivors, and disability insurance trust funds are the largest and will pay out approximately \$27 billion in benefits. Railroad and Federal employees will receive benefits from special trust funds amounting to \$3.5 billion.

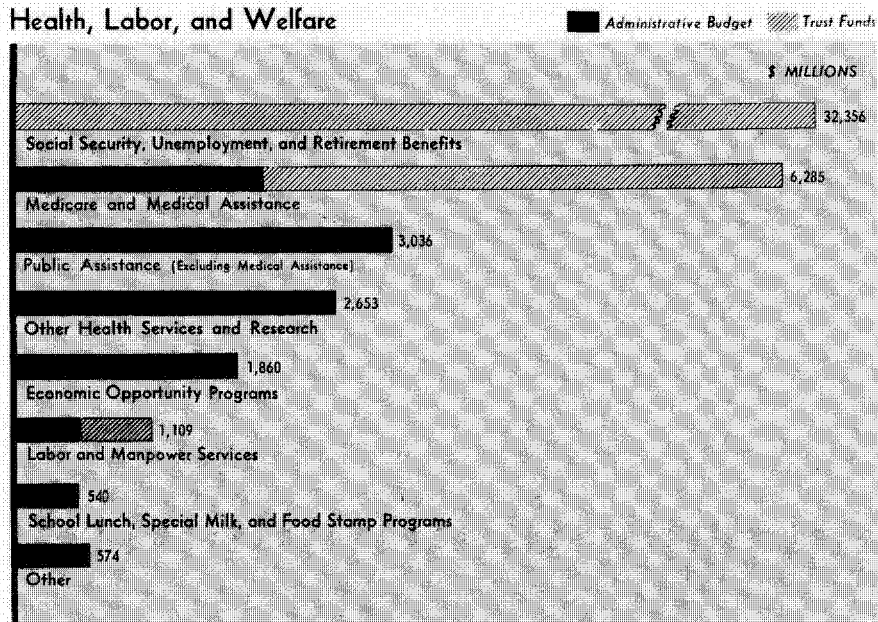
The average payment under social security is still so low that the income of about one-third of the recipients remains below the poverty level even after the benefits are counted. Legislation will be proposed to provide an overall increase of 20% in benefits effective June 1, 1967, with a larger percentage increase for those now receiving the lowest benefits and those with many years of coverage under the system.

Grants to States for public assistance in 1968 will help meet the most basic needs—food, clothing, and shelter—of more than 7.4 million of our poorest citizens, including more than 3.5 million dependent children. Serious gaps in coverage exist in these programs, and for many who are helped, even their limited needs are not met. Corrective legislation will be proposed to raise the general level of welfare payments and provide incentives and training to equip recipients for regular employment.

*Economic opportunity programs.*—For the past 2 years, the Office of Economic Opportunity has been spearheading a concerted effort to combat poverty and eliminate its causes. In 1968, estimated

expenditures of \$1.9 billion will be made to help break the vicious cycle whereby one generation's poverty, ignorance, and disease breed the same conditions for the next.

## Health, Labor, and Welfare



The organizations and methods used in this attack on poverty are flexible and varied. *Community action* programs will coordinate and focus local leadership and resources in about 1,100 urban and rural communities in 1968. They will cover areas containing 70% of the Nation's 31 million poor and provide direct services to 6½ million persons. These programs provide health services, employment and counseling, education, training, and other services in impoverished areas. Increased funds in 1968 will go largely to rural communities to help the 43% of the Nation's poor who reside in rural America, and will restore the recent reductions in programs in larger cities.

*Project Head Start* will provide preschool classes for over 735,000 underprivileged children, giving them the special attention they need to enable them to progress in the regular school environment. The budget also includes a new program in the primary grades to sustain the gains made in preschool classes. There will be an average of 38,000 youths enrolled in *Job Corps* programs during fiscal 1968. A total of \$649 million will be made available for other *work*

*and training programs* in 1968 to provide disadvantaged job seekers with work experience, training, and supporting services to enable them to obtain and hold suitable employment. Of this total, \$321 million will be for youths in the *Neighborhood Youth Corps*, \$70 million principally for public assistance recipients, and the balance mainly for adult job seekers residing in urban ghetto areas. *Other programs* include aid to migrant farmworkers, loans to rural families, and services to the poor by *Volunteers in Service to America (VISTA)*.

Benefits and services, including education, health, and cash payments, which help overcome poverty of the more than 31 million poor people, are provided by 10 agencies. In fiscal 1968, they will devote \$25.6 billion to help the poor, 16% more than in the current year and more than 2½ times the level in 1960.

***Labor and manpower.***—The Federal Government plays an important role in our economy by providing workers with financial assistance when they are unemployed, and by helping those with outmoded or minimal skills to acquire new skills and find new jobs. These programs also help meet the demand for essential skills required for an expanding economy.

Under the Manpower Development and Training Act of 1962 about 613,000 unemployed workers have been enrolled in training programs which help equip them to meet up-to-date job requirements. In 1968, training will be approved for 280,000 persons with efforts to be concentrated on disadvantaged workers who have little or no skills.

The 2,000 local offices of the Federal-State employment service help to match the abilities of workers with the needs of employers. Grants to State employment agencies in 1968 will continue to be used for improving employment services for disadvantaged youths and will broaden the special services to include adults.

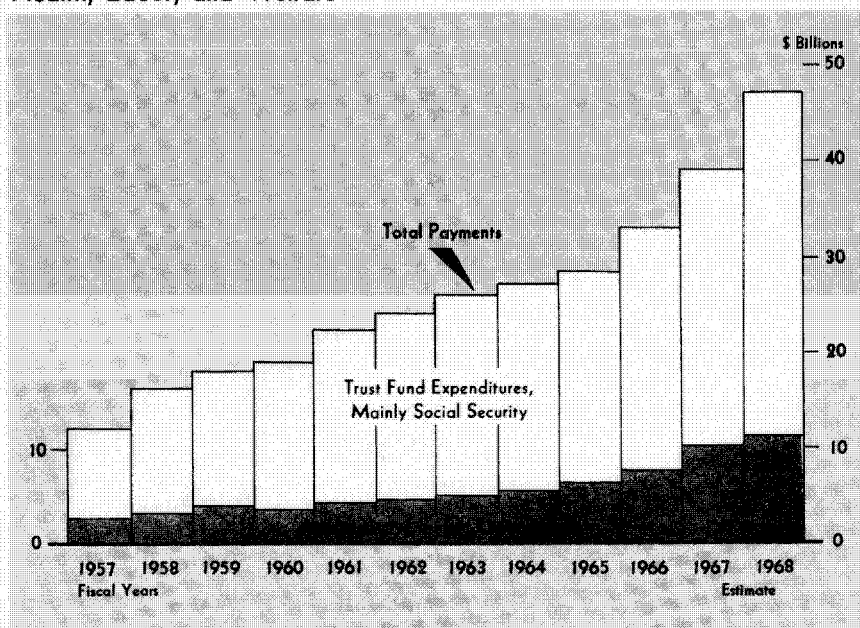
***Health services and research.***—In 1968, an estimated \$8.0 billion, \$1.2 billion more than in 1967, will be spent by the Federal Government to improve the health of our people. This rise reflects the Government's developing role in: (1) bringing quality medical care, particularly to aged and indigent people; (2) increasing the Nation's supply of hospitals, medical schools, doctors, and other health resources; (3) supporting biomedical research and



its applications; and (4) reducing or preventing health hazards in our food, drugs, air and water.

Two programs of major significance were recently enacted: Medicare, which provides hospital and medical insurance for the aged and Medicaid, which is designed to remove the financial barriers to quality medical care for indigent people. In 1968, estimated expenditures for Medicare will be \$4.2 billion from trust funds financed by special taxes. Under Medicaid, Federal outlays in 1968 will be approximately \$1.1 billion. Child health programs will be expanded further as an increasing portion of their cost is borne through Medicaid. Legislation will be proposed to improve the availability and quality of health care to children, including dental care.

### Health, Labor, and Welfare



Federal programs to help provide medical care are most effective if they are accompanied by—or help increase—the manpower and other resources to supply the facilities and services being purchased. Federal hospital construction programs have made a significant contribution toward helping provide needed hospital and long-term care facilities. To increase the supply of health personnel the Federal Government will provide direct support to 16,400 medical students,

5,900 dental students, 28,000 nursing students, and 1,200 students in other health professions.

The total national investment in biomedical research, public and private, is expected to grow to \$2.5 billion in 1968. This investment, almost 65% of which is financed by the Federal Government, will support about 65,000 senior research investigators at 2,000 academic and research institutions.

The rapid expansion of Federal efforts to control air pollution and other environmental hazards will continue in 1968. Programs will expand for improving laboratory diagnostic services. The Food and Drug Administration will triple its research on dangerous drug abuse and also will increase enforcement of laws against illegal traffic in these drugs.

*Other welfare services.*—In 1968, the Federal-State vocational rehabilitation program will restore an estimated 218,000 disabled individuals to employability. The school lunch program will reach 20 million children, with more emphasis on improving the nutrition of needy children. Breakfasts are now provided in low-income area schools. The food stamp program will be expanded so that more low-income families will be able to improve their diets. Legislation will be proposed to provide for a youth development program to combat juvenile delinquency and improve the effectiveness of community services provided for youth.

## EDUCATION

### 1968 Administrative Budget Expenditures . . \$2.8 Billion

Investment in education is essential for the social and economic progress of our Nation. The best possible education should be provided so every citizen can develop fully his capabilities for employment and for participation in community and cultural life. Legislation passed in the 89th Congress has greatly expanded the Federal contribution toward realizing these objectives.

Total assistance for major education programs, excluding sales of financial assets, will rise to \$4.5 billion in 1968—63% above the 1966 level. Particular attention in the coming year will be placed on promoting innovation and increasing the effectiveness of programs serving the disadvantaged.

*Assistance for elementary and secondary education.*—In 1968 \$1.1 billion will be spent for special grants to low-income areas authorized by the Elementary and Secondary Education Act of 1965—an increase of \$59 million over 1967. This program will provide improved educational opportunities for 8.5 million disadvantaged children. These efforts are annually reaching an increasing number of communities and children:

	1966 actual	1967 estimate	1968 estimate
Number of school districts aided . . . . .	17,481	18,694	19,940
Number of children aided (in thousands) . . . . .	7,000	7,500	8,500

Special efforts will be made in 1968 to establish close ties between this program and the preschool Head Start program and other community action programs of the Office of Economic Opportunity. Legislation is recommended to help States and localities develop comprehensive planning for education, to broaden teacher training programs, to strengthen the education of handicapped children, and to extend the Teacher Corps.

Estimated expenditures of \$21 million in 1968 will permit the Teacher Corps to reach a strength of 5,950 by the end of the year. Through this program, experienced teachers and interns are made available to serve, upon request, in schools with concentrations of children from low-income families.

Another \$142 million will be spent for supplementary educational centers and other efforts to demonstrate new and better methods of instruction, curricular materials, and school organization. There will also be expenditures of \$221 million in grants for schoolbooks and equipment, counseling programs, and for strengthening State educational agencies. In 1968, Federal assistance to school districts with concentrations of Federal employees will total \$422 million, the same as in 1967.

Through a number of programs, the Government is expanding its efforts to train teachers for elementary and secondary education and for college-level instruction. In 1968, teacher training programs of the Office of Education and the National Science Foundation will provide full- or part-time training for 123,000 teachers, 21,000 more than in 1967.

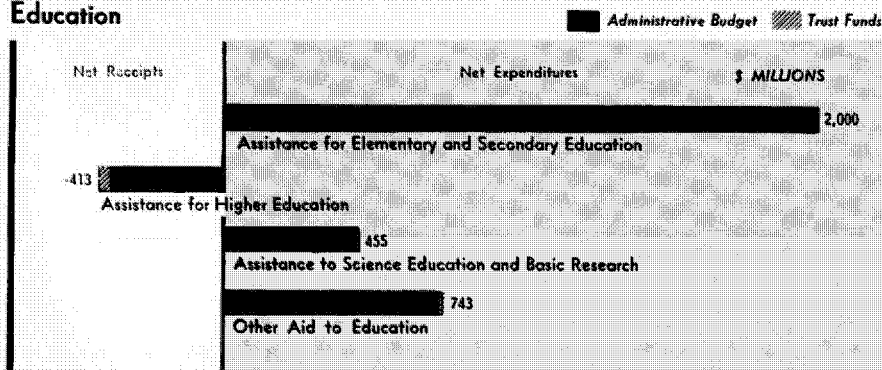
*Assistance for higher education.*—Recent legislation has provided unprecedented Federal aid for college and graduate students.

Substantially increased support will be provided by the Office of Education and the Veterans Administration for college students.

	1966 actual	1967 estimate	1968 estimate
Total aid provided or guaranteed (in millions)	\$448	\$1,229	\$1,537
Total number of grants and loans (in thousands)	846	1,782	2,176

Support will be given to an estimated 900 colleges for construction of academic facilities. An estimated \$310 million will be spent for facility loans and grants in 1968. In addition, \$300 million will be committed for college housing loans. This amount will support the planning and construction of living space and related facilities for 50,000 college students. However, sale of shares in pools of college housing, academic facility and student loans is expected to more than offset expenditures for higher education by \$413 million.

## Education



*Assistance to science education and basic research.*—The National Science Foundation continues to perform a vital role in furthering science education and basic research. Nearly half of the \$60 million increase in 1968 will be used for basic research support. The remainder will be used for strengthening secondary and undergraduate science education and for building additional research and training capability at the graduate level.

*Other aids to education.*—Other programs include education of Indians, vocational education, educational television, adult basic education, aid for libraries, educational research, and the new center for international education. Legislation is proposed to strengthen vocational education, educational television, and to broaden educational and training opportunities for students planning public service careers, and to upgrade the skills of present public employees.

## VETERANS BENEFITS AND SERVICES

1968 Expenditures	{	Administrative Budget..	\$6.1 Billion
		Trust Funds.....	\$0.6 Billion

The Federal Government provides special benefits and services for the veterans of the Nation's wars or their survivors. Most of this assistance consists of compensation, pensions, and medical care for disabled veterans. Expenditures for these programs, including the new "GI bill," will rise in 1968, largely reflecting a growth in numbers of younger veterans seeking education and of older veterans and survivors seeking health and income benefits. Legislation in 1968 will increase educational allowances and extend the educational training time under the new "GI bill." Other legislative proposals will extend to those facing the hazards of current military service an increased amount of insurance protection and all compensation, pension, and medical benefits accorded to veterans of earlier wars.

*Service-connected compensation.*—Compensation payments are made to veterans who are physically disabled as a direct result of military service. In 1968, payments of \$2.4 billion will be made to approximately 2.4 million veterans or their survivors.

*Non-service-connected pensions.*—Income supplements are made to veterans with demonstrated financial need or their survivors for disability or death from causes not related to military service. In 1968, payments estimated at \$2 billion will be made to 2.2 million recipients.

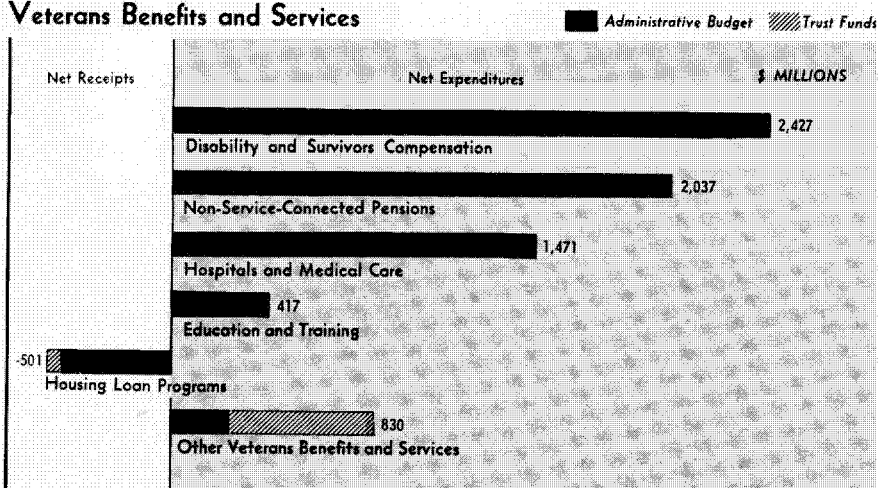
*Readjustment benefits.*—The Government provides educational and housing assistance to recently discharged servicemen to ease their readjustment to civilian life. Under the new "GI bill," which became effective June 1, 1966, all types of education and training assistance are available to approximately 4.5 million recently discharged veterans. Benefits are also available for the education and training of war orphans and children of totally disabled veterans, and for the vocational rehabilitation of disabled veterans. The number of war orphans or dependent children receiving education and training is estimated at 15,700 in 1968.

In addition to educational benefits, the Veterans Administration will guarantee 195,000 housing loans for eligible veterans, and make over 12,000 direct loans to veterans in rural areas and relatively small communities where private credit is not generally available. In 1968, the

demand for both home mortgage guarantees and direct loans is not expected to differ greatly from 1967, but there will be a substantial change in applicants as demand of post-Korean veterans increases and eligibility of World War II veterans nears termination. While accommodating slightly rising program levels, net budget receipts of \$459 million are estimated in 1968, in contrast to net budget expenditures of \$144 million in 1967, reflecting planned increases in the sale of loans and shares in a pool of loans owned by the Federal Government.

*Hospitals and medical care.*—Federal expenditures for hospital and medical care of veterans are estimated at \$1.5 billion in 1968. This amount—which covers medical services, administration, medical research, and construction of new medical facilities—is \$82 million higher than in 1967. This increase will largely be used to provide for new medical services including construction and modernization of facilities, to further improve nurse staffing, and to expand the research and training program. VA facilities will provide medical care for about 805,000 patients during 1968.

### Veterans Benefits and Services



*Other benefits and services.*—The National Service and U.S. Government life insurance trust funds finance about 4.9 million life insurance policies, primarily for veterans of World Wars I and II. Recently enacted legislation provides commercial insurance coverage of up to \$10,000 for each serviceman on active duty—the Government pays only the extra-hazard cost of this insurance. Legislation will be proposed to increase this coverage.

## GENERAL GOVERNMENT

1968 Administrative Budget Expenditures . . \$2.8 Billion

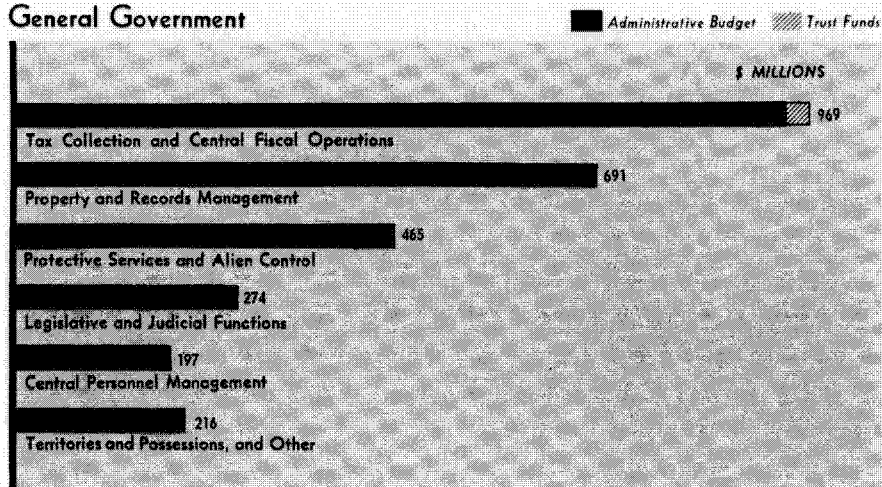
Expenditures for general government provide for Government-wide service activities, for executive direction and financial management, for programs of law enforcement and criminal justice, and for the costs of the Congress and the Federal court system. In 1968, these expenses of the Federal Government will require an estimated \$56 million more than in 1967.

*Tax collection and central fiscal operations.*—Expenditures for the Internal Revenue Service are estimated to be \$681 million in 1968. This increase of \$26 million over the previous year roughly parallels the growth in the number of taxpayer returns.

In 1968 the IRS will be able to use its master file system for taxpayer information on a nationwide basis. Also in 1968, centralized filing of returns at computer centers will begin in several parts of the country. This program is expected to produce significant improvements in tax administration.

*General property and records management.*—The General Services Administration is proceeding with its programs to provide more modern and improved facilities for Government operations throughout the United States. Efforts also will be made to increase the efficiency—while lowering the costs—of procurement, maintenance, and use of automatic data processing equipment by Federal agencies.

### General Government



*Protective services and alien control.*—With the recommendation of legislation to strengthen the Nation's attack on crime, expenditures for the Department of Justice will increase as a first step toward providing major Federal assistance to State and local programs for law enforcement and administration of justice.

*Civil rights.*—Increases have been provided to expand activities which seek to secure the civil rights of individuals and minority groups. Legislative proposals will be made to strengthen further the guarantee of equal protection to all under the law.

*Central personnel management.*—These expenditures include the administrative costs of the Civil Service Commission. They also include the costs of accident compensation and the employer portion of health benefits for Federal employees.

## INTEREST

### 1968 Administrative Budget Expenditures . . \$14.2 Billion

Interest payments on the public debt will increase substantially in 1967 and again in 1968. These increases reflect both higher interest rates and the higher level of the outstanding public debt, primarily the former. Of total interest expenditures, \$3.0 billion will be paid to the Federal trust funds and agencies which have their reserves invested in U.S. securities.

The table below shows the estimated ownership of the public debt as of June 30, 1966.

#### OWNERSHIP OF THE PUBLIC DEBT

Description	Amount in billions	Percentage of total
Individuals . . . . .	\$74.3	23.2
Federal trust funds and agencies . . . . .	66.7	20.8
Commercial banks . . . . .	54.5	17.0
Federal reserve banks . . . . .	42.2	13.2
State and local governments . . . . .	23.9	7.5
Corporations . . . . .	14.4	4.5
Foreign and international . . . . .	15.4	4.8
Other . . . . .	29.1	9.1
Total . . . . .	320.4	100.0



## PART 3

# THE BUDGET PROCESS

Crucial to understanding budget policy—which involves determining the level and composition of expenditures needed to achieve national goals—is some knowledge of the administrative and legislative process through which expenditures and taxes are determined.

### THE FEDERAL BUDGET CYCLE

Budgeting is a continuous process, but the “budget cycle” has four identifiable phases: (1) executive formulation and submission, (2) congressional appropriation, (3) budget execution and control, and (4) audit.

*Executive formulation and submission.*—Each January, the President submits his budget proposals to the Congress. The budget incorporates Presidential review and decisions on a wide range of diverse issues. Its submission culminates many months of planning and analysis throughout the executive branch. For example, formulation of the 1968 budget, which covers the fiscal year beginning July 1, 1967, and ending June 30, 1968, began in March 1966. Ten months later, in January 1967, the budget was sent to Congress—6 months before the beginning of the new fiscal year. (When the fiscal year comes to a close, over 2 years will have elapsed since the start of the budget cycle.)

During the period of executive formulation, a continuous exchange of information and decisions occurs among the President, the Bureau of the Budget, and the various Government agencies. Each agency makes early plans giving particular attention to important modifications and innovations in its programs. These are reviewed by the agency and the Bureau of the Budget in the spring, 15 months preceding the budget year. The preliminary agency plans and goals are then presented to the President. On the basis of this information, together with projections of the economic outlook and revenue esti-

mates, the President and his advisers establish tentative budget policy guidelines on expenditures and revenues. These guidelines are then given to the agencies as planning figures for the preparation of the final budget review in the fall. Throughout the fall and early winter, individual agency budgets are reviewed in detail. At the same time, overall fiscal policy problems—relating to *total* budget receipts and expenditures—are considered. The January budget submission reflects final Presidential decisions on both individual programs and budgetary totals.

*Congressional appropriation.*—Congressional review and enactment starts when the budget is sent to Congress. The actual amounts to be spent are determined by *both* Houses of Congress and sent to the President for signature in the form of appropriation bills. In some cases the Congress must first *authorize* the programs and their spending limits before any appropriations may be made.

The budget requests are considered first in the House of Representatives: The Ways and Means Committee reviews all proposals for new revenue measures; the Appropriations Committee, through its 12 subcommittees, studies in detail the proposals for new obligational authority. The two committees then recommend actions to be taken by the House of Representatives. As parts of the budget are approved by the House, they are forwarded to the Senate, where a similar process is followed. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) meets to resolve the issues. The conference report is returned to both Houses for approval and then is transmitted to the President for his signature, or veto.

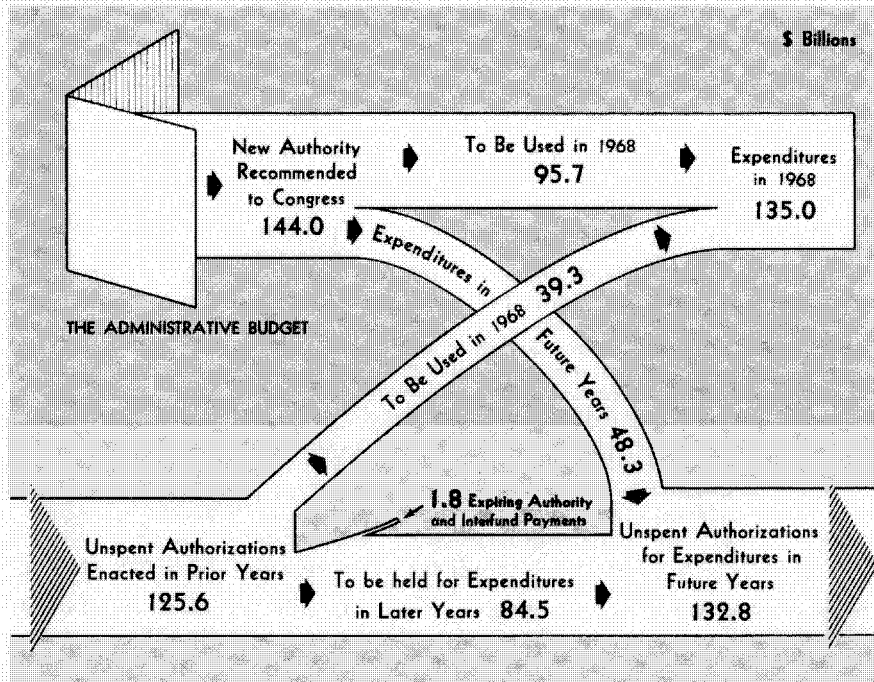
*Budget execution and control.*—Once approved, the budget becomes the basis for the program of each agency during the fiscal year. It is the responsibility of the President and the officials to whom appropriations are made to see that the laws are faithfully executed, that appropriation limits are observed, that costs are minimized, and that the Government get the greatest possible value for each dollar it spends.

However, not all the funds approved by Congress in one year will be spent in that year. The funds authorized for some programs (such

as the building of highways or other major construction items) will be spent over a period of several years. Therefore, when the Congress reduces or increases the amount of new obligational authority requested by the President for a given year, it does not necessarily alter expenditures *in that year* by the same amount. Such a change may affect expenditures over a period of several years.

The relationship between new obligational authority and expenditures estimated for 1968 is illustrated in the following chart.

**1968 Administrative Budget – Relation of Authorizations to Expenditures**



**Audit.**—Audit is the final step in the budget process. The individual agencies are responsible for assuring that the obligations that they incur, and the resulting expenditures, are legal with respect to the authorizing and appropriations legislation. The Congress receives independent checks through the General Accounting Office (GAO), headed by the Comptroller General. The GAO also plays an important role in supervising the accounting systems used by the agencies, and in reviewing how the agencies spend the funds appropriated by the Congress.

## ECONOMIC ASPECTS OF THE BUDGET PROCESS

In providing services through its budget, the Government makes economic decisions very similar to those made by private citizens and business firms. Whether public or private, all economic activity must answer two basic questions: First, what goods and services shall be produced; second, how can such goods and services be produced most efficiently. In the private sector of the economy these decisions are resolved through the market process. In the public sector, decisions as to what the Government does and how it does them are answered through the budget process.

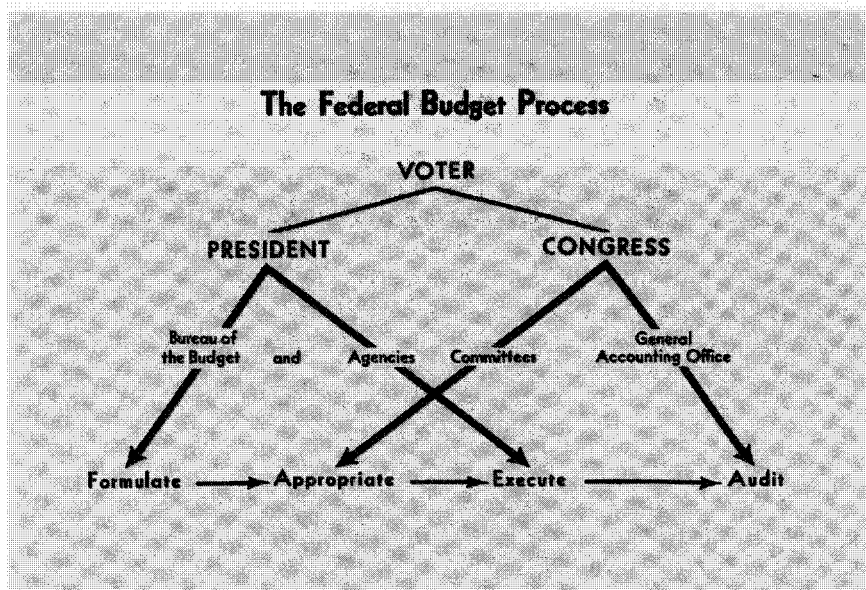
In the private sector of the economy, the question of *what* is to be produced is answered by the consumer. He goes into the market and "votes" his dollars. His willingness to pay for commodities brings forth production. If enough of an item is not available immediately, the price will rise, encouraging increased production. The process of "voting" dollars, carried out by every consumer, determines what kinds of goods and services will show up in the market.

The question of efficiency—*how* do we get the most product out of any given amount of resources—is also answered by the market process. A major advantage of the market process is the automatic way in which this question is answered. When the required conditions are met, the market process assures efficient production through competition.

Some goods and services, by their very nature, cannot be produced in the private sector of the economy. This distinction can be made clear by comparing one commodity—such as bread—with a public service—such as national defense. When the consumer wants a loaf of bread he enters the market and makes the purchase. He eats the bread and enjoys its benefits as an individual consumer. However, if he is concerned with national defense, the process is altogether different. The benefit he gets from maintaining the Army, Navy, and Air Force is enjoyed equally by everyone. Therefore, since public goods and services cannot be produced and consumed on an individual basis, the market process of organizing resources must give way to the budget process. However, the budget process must also provide answers to the basic economic questions of *what objectives* to seek—the program problem—and *how to achieve those objectives efficiently*—the efficiency problem.

*The program problem.*—One purpose of the budget process, therefore, is to find the mixture of objectives which contributes the most to the general welfare. For instance, a government might use all its resources for a recreation program: this would probably result in an excellent recreational facility. Or, it might concentrate exclusively on highways and provide a superb network of roads. In the first instance, the government would have provided a fine place to go but no way to get there. In the second case, the government would have provided an excellent way to get there but no place to go. It is clear in this example that some *combination* of recreational facilities and highways would result in a greater benefit than would concentrating solely on either one program. While the conclusion is easily drawn from this simple example, the problem becomes very complicated when dealing with the full list of goods and services provided by all units of government.

As the accompanying diagram illustrates, the citizen in a democracy stands at the center of the budget process. Operating through the executive branch and the Congress, he influences the expenditure plan at each step in the process:



The question of what goods and services to include in the budget is answered during the *formulation* stage of the budget process. The President includes in his budget the public services which he believes the Nation requires and is willing to pay for.

The President's budget is sent to the Congress for consideration. The individual Congressman has been elected by his constituents because of his views and opinions on public issues. Because of the differences in its membership, on geographic as well as other grounds, the Congress forms its collective decisions through the give and take of individual opinions about national needs and priorities for meeting them. In this way, the program content of the budget benefits from the system of checks and balances.

*The efficiency problem.*—The budget process also must assure that Government services will be produced efficiently. The executive budget was itself a major step towards the goal of efficiency. Prior to the Budget and Accounting Act of 1921, departmental budgets were presented piecemeal, making an overview impossible. Over the years, additional techniques have been developed to assure efficiency in Government services. One useful technique is found in benefit-cost studies. Using this method, projects are considered only after weighing their full benefits and their costs. Program budgeting—another recent development—organizes information to measure Government services in terms of the things accomplished, rather than by its components. Most recently, these and other similar techniques have been organized into a unified approach, called the Planning-Programing-Budgeting system.

## PLANNING-PROGRAMING-BUDGETING

The Planning-Programing-Budgeting (PPB) system of the Federal Government represents a major advance in the application of economic analysis to Government decisionmaking. It serves to help find the most desirable combinations of services and goods to be provided with Federal dollars and the most efficient ways of providing them.

The system involves the development, annual refinement, and updating of specific working plans for each agency. The plans are based on systematic analysis of the costs and benefits of the proposed programs.

PPB is designed to help appraise needs and analyze objectives clearly and explicitly, and to evaluate alternative means of attaining those objectives. The system thus displays for high-level decision-makers a specific statement of objective—such as the reduction of the

high school dropout rate by one-half over a 5-year period, a proposed plan of work to accomplish the objective, an outline of alternative plans, and an analysis of the full costs and probable effectiveness of the proposed plan as against the alternatives. The system provides both a basis for decisions between competing program proposals and a standard for the later measurement of actual performance.

PPB involves little that is new in concept. What it does seek is hard and specific analysis of Federal programs on a more comprehensive and intensive basis than ever before. The scale of this work, its requirements for better data, and more sophisticated analytic techniques mean that its full effects have not been felt in this first year of operation. Even on the basis of first analyses, however, a number of agencies have modified existing programs, and some have designed new and more effective methods of operation.

## COST REDUCTION

Significant cost savings are being made by individual agencies. Concentration on cost-saving actions will be continued and intensified in the coming years.

The Secretary of Defense reported that in fiscal year 1966 his department had realized savings of \$4.5 billion from the cost reduction program that has been underway for the past several years. By practicing economy and finding more efficient ways of getting work done, the civilian agencies saved \$1.7 billion during fiscal year 1966.

. . . We will continue to offset a significant part of increased costs of important new programs by increasing efficiency throughout the Federal Government. Savings from this source have been substantial during the past year under our drive for cost reduction. I have made it clear to the heads of all Departments and Agencies that they are to continue their emphasis on cost reduction in the coming year.

—*From the President's budget message,*  
*January 24, 1967.*

## PART 4

# MEASURES OF FEDERAL FINANCES

Federal financial activities are studied for many different purposes. No single measure serves all purposes equally well. In the budget, Government income and spending are discussed in terms of the "administrative budget," the "trust funds," the "statement of cash receipts from and payments to the public," and the "Federal sector of the national income accounts."

To gain an understanding of the differences in these concepts, it is helpful to begin with the three basic sets of accounts used by the Government. The first covers administrative budget funds; the second covers trust funds; and the third covers the Federal Government in the national income accounts. Together they comprise the financial records of the Government, recording in detail the expenditures of each agency and the revenues of the Government. They are indispensable tools for the proper management of Federal finances.

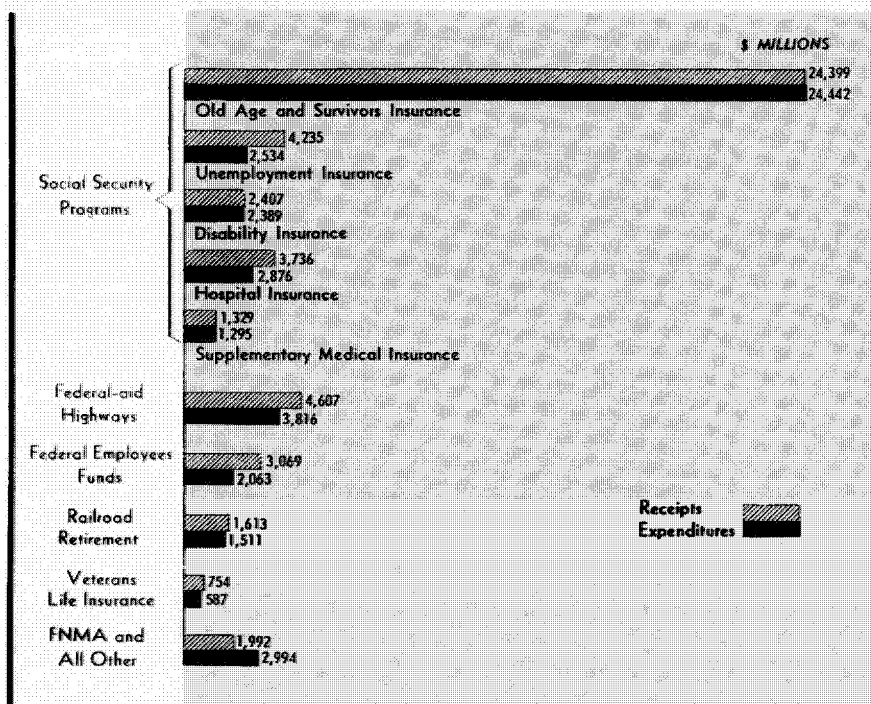
*Administrative budget accounts* include the receipts and expenditures of the Government available for general purposes. Administrative budget funds are the property of the Federal Government—owned just as land and equipment are owned. Included are the transactions of Government-owned enterprises of a business nature, such as the Post Office, the Export-Import Bank, and the Federal Housing Administration.

The administrative budget is the oldest and most widely known measure of our Federal finances. It is mainly within the framework of this budget that Congress evaluates requests for funds and grants the authority for Government agencies to carry out the President's program. The administrative budget is generally used for control, administration, and execution of programs financed with funds owned by the Government.



*Trust funds* are created when Congress designates certain receipts to be set aside—in trust—for specified payments or programs. They are also created, occasionally, when an activity is financed partly by the Federal Government and partly by someone else. Trust fund expenditures may be made only to finance the programs for which they are designated.

### Trust Fund Estimates for 1968



Most trust funds finance activities such as social security (old-age survivors, disability, and hospital insurance for the aged), unemployment insurance, Federal employees' retirement, and veterans' life insurance. Trust funds also finance the Federal-aid highway program and that portion of the Federal National Mortgage Association (FNMA) which is partially owned by private stockholders. In addition, the net expenditures of five Government sponsored enterprises (mainly lending) are included in the trust accounts.

Receipts of the trust funds come from sources related to their activities. For example, employers and employees covered by social security pay the taxes to finance the social security trust expenditures;

taxes related to highway use—such as those on gasoline—provide the receipts for the highway trust funds. In addition, the trust funds invest reserve funds in U.S. bonds and receive interest on these and other guaranteed investments. The chart on page 59 lists the major trust funds along with their estimated receipts and expenditures for 1968.

### SUMMARY OF FEDERAL RECEIPTS AND PAYMENTS

[Fiscal years. In billions]

Description	1966 actual	1967 estimate	1968 estimate
<b>FEDERAL RECEIPTS</b>			
Administrative budget receipts.....	\$104.7	\$117.0	\$126.9
Trust fund receipts.....	34.9	44.9	48.1
Deduct: Intragovernmental transactions and other adjustments.....	5.1	7.2	7.0
<b>Total, cash receipts from the public.....</b>	<b>134.5</b>	<b>154.7</b>	<b>168.1</b>
Deduct: Loans, differences in coverage, and other adjustments.....	.7	1.0	1.4
Add: Cash to accrual basis.....	-1.2	-3.9	.4
<b>National income accounts receipts—Federal sector.....</b>	<b>132.6</b>	<b>149.8</b>	<b>167.1</b>
<b>FEDERAL PAYMENTS</b>			
Administrative budget expenditures.....	107.0	126.7	135.0
Trust fund expenditures.....	34.9	40.9	44.5
Deduct: Intragovernmental transactions and other adjustments (net).....	4.0	6.8	7.1
<b>Total, cash payments to the public.....</b>	<b>137.8</b>	<b>160.9</b>	<b>172.4</b>
Deduct: Loans, differences in coverage, and other adjustments.....	5.2	7.5	3.6
Add: Cash to accrual basis.....	-.3	.2	.4
<b>National income accounts expenditures—Federal sector.....</b>	<b>132.3</b>	<b>153.6</b>	<b>169.2</b>
<b>EXCESS OF RECEIPTS (+) OR PAYMENTS (-)</b>			
Administrative budget.....	-2.3	-9.7	-8.1
Receipts from and payments to the public.....	-3.3	-6.2	-4.3
National income accounts—Federal sector.....	+3	-3.8	-2.1

*Federal receipts from and payments to the public.*—Basically, this statement of cash flow between the Federal Government and the public (often called the consolidated cash statement) represents a consolidation of the administrative budget with the trust funds. Payments between the administrative budget and the trust funds—such as interest payments to trust funds on their investments in U.S. securities—are eliminated from the statement, since they are payments from one Government agency to another and they do not involve a flow of money between the Government and the public.

The statement of receipts from and payments to the public is much more inclusive than the administrative budget alone, and it is the best measure of the cash flows and borrowing requirements of the Federal Government.

*The Federal sector in the national income accounts* is the measure of Federal receipts and expenditures which best indicates the economic impact of the Federal Government. This is so because this measure records only those receipts and expenditures which *directly* affect the *current* flow of income and output. Like the cash budget it includes the trust funds; however, it excludes lending and other financial transactions.

Expenditures in the Federal sector of the national income accounts are divided into five basic components that indicate the economic nature of transactions. As the table on page 62 shows, the largest item is *purchases of goods and services*, representing the amount of our gross national product which is used directly by the Government for public purposes. This category includes such items as military procurement, new Government buildings, and the services of military and civilian employees.

The second category, *transfer payments*, covers Federal payments for which no current services are rendered—unemployment and social security benefits (including hospital care for the aged), veterans' pensions, and similar programs. Transfer payments do not represent Government use of resources, but rather the channeling of purchasing power to others.

*Grants-in-aid to State and local governments* also represent a transfer of funds. In this case, however, the transfer is to another level of

government which may then spend the funds in some other way—for example, by purchasing goods and services (such as constructing highways) or by making further transfer payments to individuals (such as public assistance payments).

### NATIONAL INCOME ACCOUNT EXPENDITURES—FEDERAL SECTOR

[Fiscal years. In billions]

Description	1966 actual	1967 estimate	1968 estimate
Purchases of goods and services .....	\$71.7	\$83.6	\$91.9
Transfer payments .....	34.3	39.8	46.6
Grants-in-aid to State and local governments .....	12.9	14.8	16.7
Net interest paid .....	9.1	10.0	10.5
Subsidies less current surplus of Government enterprises .....	4.5	5.4	3.5
<b>Total national income account expenditures— Federal sector .....</b>	<b>132.3</b>	<b>153.6</b>	<b>169.2</b>

*Net interest* consists of interest paid by the Federal Government less interest received on Government loans to others.

*Subsidies less current surplus of Government enterprises* includes Federal aid to business and agriculture and the net surplus or deficit of Government business-type activities, such as the Post Office and Tennessee Valley Authority.

The Federal sector account, as part of the Nation's economic accounts which measure total national income and output, is particularly valuable in analyzing the impact of Federal activities on the Nation's economy. The national income accounts (NIA) are designed to record the market value of the current output of the Nation's economy. The Federal sector of these accounts follows this design. The NIA measure of Federal finances is more comprehensive than the administrative budget because it includes the trust funds such as social security and highways. And, unlike the consolidated cash budget, it includes only transactions which directly affect current output and income.

A series of adjustments is necessary in moving from the administrative, to cash, to NIA concepts. The table which follows, "Derivation of the Federal Sector in the National Income Accounts," shows the adjustments in some detail for fiscal year 1968. These adjustments can be grouped together as to type.

**DERIVATION OF EXPENDITURES IN THE FEDERAL SECTOR—  
NATIONAL INCOME ACCOUNTS, FISCAL YEAR 1968**

[In billions of dollars]

Description	Administrative budget	Trust funds	Intragovernmental and other adjustments	Consolidated cash	Adjustments			Federal sector national income accounts	
					Less		Plus		
					Loans and financial transactions	Items classified in other sectors	Timing Federal retirement funds All other		
<b>EXPENDITURES</b>									
National defense.....	75.5	1.4	—*	76.8	—	1.4	— .3	—1.1	74.1
International affairs and finance...	4.8	.2	—*	5.0	2.3	—	—	.5	3.2
Space research and technology...	5.3	*	—	5.3	—	—	—	—	5.3
Agriculture and agricultural resources.....	3.2	1.2	— .3	4.1	.7	—	—	.3	3.7
Natural resources.....	3.5	1	— .1	3.5	—	—	—	— .6	3.0
Commerce and transportation.....	3.1	3.7	.1	6.9	.1	—	—	— .1	6.7
Housing and community development.....	1.0	1.0	— .2	1.8	.8	.6	—	.8	1.2
Health, labor, and welfare.....	11.3	37.1	—1.8	46.6	.1	—	—	— .1	46.4
Education.....	2.8	—*	—*	2.7	—1.2	—	—	*	4.0
Veterans benefits and services.....	6.1	.6	—*	6.7	— .4	—	—	— .3	6.7
Interest.....	14.2	—	—3.6	10.5	—	—	.6	— .2	10.9
General government.....	2.8	*	— .1	2.7	—	—	—	— .1	2.6
Allowances.....	2.2	—	—	2.2	.8	—	—	—	1.4
Undistributed.....	— .7	— .9	— .9	—2.5	—	—	.1	2.3	—
Total.....	135.0	44.5	—7.1	172.4	3.1	2.0	.4	2.3	— .9

\*Less than \$50 million.

Combining the administrative and trust funds and deducting intragovernmental payments yields the consolidated cash statement. The cash statement is more comprehensive than the administrative budget and gives a good picture of Federal financial activities. However, it is still not the best measure of the overall impact of Federal receipts and expenditures on the economy. For this purpose, further adjustments are necessary.

Certain agencies are included in the cash budget which are, for one reason or another, *excluded* from the Federal sector. For example, tax receipts and expenditures of the government of the District of Columbia are included in the cash budget, but for national income accounting purposes they are classified with the State and local government accounts. Therefore, \$0.6 billion in D.C. expenditures was deducted from the "Housing and Community Development" function of the cash budget.

A second category of adjustments is made to account for the *lending* activities of the Federal Government. When the Federal Government purchases goods and services it is placing a direct demand on the economy and all such purchases are included in the national income accounts. However, when a loan is made no direct purchase is involved. What the Government has done in such a case is to trade its funds for a claim upon someone else—a claim which will be repaid with interest.

*Offsetting* transactions must be adjusted because some agencies receive revenues for their services which are used to offset expenditures. In such cases the administrative and cash budgets usually include only the net amount of expenditures. In the NIA, an equal amount is added to both receipts and expenditures to give a more accurate measure of the economic impact of the Federal Government. However, such adjustments add equally to both sides and thus leave the net surplus or deficit unchanged.

Finally, certain *timing* adjustments are necessary on both the expenditures and receipts side in order to record transactions when the economic impact occurs. For example, advance payments on goods to be delivered at a later date are excluded from NIA totals and are recorded when the goods are delivered. Similarly, timing adjustments are also made in order to record receipts on a liability basis.

For a more detailed discussion of the measures of Federal finances see, *The Budget of the United States Government, 1968*, Special Analysis A—"Three Measures of Federal Financial Transactions."

## TABLES ON THE BUDGET

In the previous sections of this booklet, an effort was made to limit the use of statistics. However, for a complete understanding of the budget it is important to know the amounts being spent for the various Government programs, and how they relate to other measures of economic activity. The following tables also show how these current amounts compare with the past levels of Government spending.

The following additional budget documents are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402:

1. *The Budget of the United States Government, 1968*. Contains most of the facts, figures, and analyses that general users of the budget would normally desire or need. Price: \$1.50.

2. *The Budget of the United States Government, 1968—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds. Price: \$6.50.

3. *Special Analyses, Budget of the United States, 1968*. Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program. Price: 55 cents.

# Administrative Budget and Trust Fund Expenditures by Function, 1961-68

The following two tables show administrative budget and trust fund expenditures since 1961, according to the functions they serve. The functional categories provide a meaningful historical comparison because all expenditures for activities of a similar nature are grouped together even if they are made by different agencies, or if—through reorganizations or other actions—they have been shifted from one agency to another over the years.

## ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968
<b>National defense:</b>								
Department of Defense—military:								
Military personnel.....	12,085	13,032	13,000	14,195	14,771	16,753	20,200	21,823
Procurement.....	13,095	14,532	16,632	15,351	11,839	14,339	18,465	21,632
Operation and maintenance.....	10,611	11,594	11,874	11,932	12,349	14,710	18,600	19,017
Research and development.....	6,131	6,319	6,376	7,021	6,236	6,259	6,700	7,200
Military construction, civil defense, and other.....	1,305	1,338	373	1,261	978	2,349	2,985	2,628
Subtotal, military.....	43,227	46,815	48,252	49,760	46,173	54,409	66,950	72,300
Atomic energy.....	2,713	2,806	2,758	2,765	2,625	2,403	2,270	2,330
Military assistance.....	1,449	1,390	1,721	1,485	1,229	968	1,000	800
Defense-related activities.....	104	92	24	172	136	-62	1	57
Subtotal.....	47,494	51,103	52,755	54,181	50,163	57,718	70,222	75,487
<b>International affairs and finance:</b>								
Food for Freedom.....	1,823	1,947	2,040	2,049	1,843	1,784	1,710	1,799
Economic and financial programs:								
Development loans.....	258	347	760	768	754	677	710	695
Supporting assistance.....	1,013	618	494	371	387	500	604	680
Alliance for Progress.....	155	260	272	367	459	593	588	588
Technical cooperation.....	169	272	245	226	227	224	196	212
Other.....	487	738	67	-158	359	3	219	229
Conduct of foreign affairs.....	216	249	346	297	346	315	335	346
Foreign information and exchange activities.....	158	197	201	207	223	227	242	248
Subtotal.....	4,124	4,523	4,412	4,032	4,506	4,191	4,608	4,797
<b>Space research and technology:</b>								
Manned space flight.....	279	565	1,516	2,768	3,538	4,210	3,825	3,575
Space science and applications.....	249	420	576	754	751	778	770	740
Space technology.....	87	159	303	432	484	435	450	440
Supporting activities.....	79	82	122	178	262	435	460	435
Aircraft technology.....	51	31	36	40	58	75	95	110
Subtotal.....	744	1,257	2,552	4,171	5,093	5,933	5,600	5,300
<b>Agriculture and agricultural resources:</b>								
Farm income stabilization.....	2,176	2,871	3,693	3,798	3,236	1,925	2,368	2,467
Agricultural land and water resources.....	347	367	324	324	341	346	379	381
Rural electrification and telephone loans.....	301	303	342	342	392	373	259	319
Farming and rural housing loans.....	349	234	300	251	268	160	-532	-584
Research and other agricultural services.....	324	341	391	414	457	503	560	591
Subtotal.....	3,498	4,116	5,050	5,129	4,696	3,307	3,035	3,173
<b>Natural resources:</b>								
Land, water, and power resources.....	1,488	1,680	1,853	1,927	2,023	2,235	2,218	2,443
Forests.....	331	280	303	332	374	406	463	449
Recreational resources.....	91	94	112	130	134	152	199	246
Minerals.....	61	68	71	91	105	108	115	140
Fish and wildlife.....	73	81	94	105	120	130	134	139
General resource surveys and other.....	55	60	73	73	94	89	97	103
Subtotal.....	2,100	2,264	2,506	2,658	2,851	3,120	3,226	3,518



**ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION—Continued**

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968
<b>Commerce and transportation:</b>								
Air transportation.....	716	781	808	835	875	879	946	890
Water transportation.....	569	654	672	658	728	708	757	806
Postal service.....	914	797	770	578	805	888	1,208	544
Advancement of business.....	271	427	366	401	557	193	182	407
Area and regional development.....	---	7	101	401	398	156	207	323
Regulation of business.....	67	74	84	91	98	99	103	100
Ground transportation.....	36	33	41	39	39	46	92	19
Subtotal.....	2,573	2,774	2,843	3,002	3,499	2,969	3,495	3,089
<b>Housing and community development:</b>								
Urban renewal and community facilities.....	162	261	222	306	420	446	561	982
Public housing programs.....	150	163	178	149	230	233	263	282
Aids to private housing:								
Federal Savings and Loan Insurance Corporation.....	-35	-237	-264	-248	-205	-255	-130	-317
Federal National Mortgage Association.....	75	-123	-439	-347	-540	-392	-133	-82
Federal Housing Administration and other.....	-84	211	167	*	-73	241	202	23
National capital region.....	51	74	70	59	64	75	127	135
Subtotal.....	320	349	-67	-80	-104	347	890	1,023
<b>Health, labor, and welfare:</b>								
Public assistance (excluding medical assistance).....	1,918	2,087	2,361	2,506	2,544	2,797	2,942	3,036
Other health services and research.....	894	1,073	1,280	1,574	1,509	1,754	2,277	2,653
Medicare and medical assistance.....	252	347	427	490	555	770	1,988	2,113
Economic opportunity programs.....	---	---	---	---	211	1,018	1,580	1,860
School lunch, special milk, and food stamp.....	241	275	284	308	299	363	455	540
Labor and manpower.....	809	591	224	345	464	500	493	526
Vocational rehabilitation and other.....	85	108	140	158	214	373	654	574
Subtotal.....	4,200	4,481	4,715	5,381	5,797	7,574	10,389	11,304
<b>Education:</b>								
Elementary and secondary education.....	332	337	392	404	418	1,368	1,827	2,000
Science education and basic research.....	143	183	206	310	309	368	395	455
Higher education.....	286	350	428	383	413	701	451	-376
Other aid to education.....	181	207	219	241	405	397	631	737
Subtotal.....	943	1,076	1,244	1,339	1,544	2,834	3,304	2,816
<b>Veterans benefits and services:</b>								
Disability and survivors compensation.....	2,034	2,017	2,116	2,158	2,176	2,221	2,298	2,427
Non-service-connected pensions.....	1,532	1,635	1,698	1,743	1,864	1,910	1,931	2,037
Hospitals and medical care.....	1,030	1,084	1,145	1,229	1,270	1,318	1,389	1,471
Education and training.....	237	142	88	59	43	42	366	417
Housing loan programs.....	312	236	-109	44	-100	-706	144	-459
Other benefits and services.....	268	287	248	259	241	238	266	231
Subtotal.....	5,414	5,403	5,186	5,492	5,495	5,023	6,394	6,124
<b>General government:</b>								
Tax collection and central fiscal operations.....	607	653	715	791	825	864	909	940
Property and records management.....	372	419	444	576	606	585	676	691
Protective services and alien control.....	289	300	323	335	366	385	445	465
Legislative and judicial functions.....	170	192	194	192	218	238	261	274
Central personnel management.....	140	153	142	174	174	175	194	197
Territories and possessions, and other.....	131	158	160	211	213	216	239	216
Subtotal.....	1,709	1,875	1,979	2,280	2,402	2,464	2,725	2,781
<b>Interest.....</b>								
	9,050	9,198	9,980	10,765	11,435	12,132	13,508	14,152
<b>Allowance for:</b>								
Civilian and military pay increase.....	---	---	---	---	---	---	---	1,000
Possible shortfall in asset sales.....	---	---	---	---	---	---	---	750
Contingencies.....	---	---	---	---	---	---	100	400
<b>Interfund transactions (deduct).....</b>								
	654	633	513	664	870	635	766	682
Total administrative budget expenditures.....	81,515	87,787	92,642	97,684	96,507	106,978	126,729	135,033

## TRUST FUND EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968
National defense.....	196	366	679	487	751	760	1,138	1,370
International affairs and finance.....	13	15	44	62	-160	171	111	229
Space research and technology.....				*	*		*	2
Agriculture and agricultural resources.....	416	398	507	496	927	1,151	1,382	1,224
Natural resources.....	183	112	122	137	134	145	145	148
Commerce and transportation.....	2,505	2,662	2,877	3,482	3,864	3,751	3,722	3,738
Housing and community development.....	-273	1,524	-36	1,889	1,136	3,202	2,999	981
Health, labor, and welfare.....	19,236	20,382	21,855	22,733	23,186	26,384	31,477	37,111
Education.....	1	1	2	2	2	2	-4	-31
Veterans benefits and services.....	811	733	835	666	624	565	770	557
General government.....	16	20	19	18	21	24	33	29
Deposit funds (net).....	203	-544	146	-567	-210	-520	-159	-122
Interfund transactions (deduct).....	515	528	505	521	638	770	734	730
Total trust fund expenditures.....	22,793	25,141	26,545	28,885	29,637	34,864	40,882	44,507

\*Less than one-half million dollars.

## Government Employment and Population, 1942-68

The following table presents data on employment and population. The figures for the Federal Government include full-time and part-time employment in the executive branch, except for summer workers under the President's Youth Opportunity Campaign and various merchant seamen on vessels under Federal shipping contracts. Legislative and judicial branch employment is excluded.

Year	Government employment				Population	
	Federal executive branch (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (thousands)	Federal employment per 1,000 population
1942.....	2,272	3,310	5,582	40.7	135,361	16.8
1943.....	3,274	3,184	6,458	50.7	137,250	23.9
1944.....	3,304	3,092	6,396	51.7	138,916	23.8
1945.....	3,787	3,104	6,891	55.0	140,468	27.0
1946.....	2,666	3,305	5,971	44.6	141,936	18.8
1947.....	2,082	3,568	5,650	36.8	144,698	14.4
1948.....	2,044	3,776	5,820	35.1	147,208	13.9
1949.....	2,075	3,906	5,981	34.7	149,767	13.9
1950.....	1,934	4,078	6,012	32.2	152,271	12.7
1951.....	2,456	4,031	6,487	37.9	154,878	15.9
1952.....	2,574	4,134	6,708	38.4	157,553	16.3
1953.....	2,532	4,282	6,814	37.2	160,184	15.8
1954.....	2,382	4,552	6,934	34.4	163,026	14.6
1955.....	2,371	4,728	7,099	33.4	165,931	14.3
1956.....	2,372	5,064	7,436	31.9	168,903	14.0
1957.....	2,391	5,380	7,771	30.8	171,984	13.9
1958.....	2,355	5,630	7,985	29.5	174,882	13.5
1959.....	2,355	5,806	8,161	28.9	177,830	13.2
1960.....	2,371	6,073	8,444	28.1	180,684	13.1
1961.....	2,407	6,295	8,702	27.7	183,756	13.1
1962.....	2,485	6,533	9,018	27.6	186,656	13.3
1963.....	2,490	6,834	9,324	26.7	189,417	13.1
1964.....	2,469	7,236	9,705	25.4	192,120	12.9
1965.....	2,496	7,700	10,196	24.5	194,572	12.8
1966.....	2,664	8,314	10,978	24.3	196,842	13.5
1967 (estimate).....	2,809			23.7		14.1
1968 (estimate).....	2,881			22.7		14.3

**NOTES:**

Employment data are for June.

Population data are for July 1 and include Hawaii and Alaska.

An official projection of population and of State and local government employment for 1967 and 1968 is not available. The percentages and ratios shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local employment.

## Receipts From and Payments to the Public, 1961-68

The following table presents total receipts from the public by source and payments to the public by function. These data combine the administrative budget and trust fund figures, and eliminate transactions taking place entirely within the Government. A few other adjustments are also made to shift data recorded on an accrual basis to a cash basis.

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968
<i>Receipts from the public:</i>								
Individual income taxes .....	41,338	45,571	47,588	48,697	48,792	55,446	62,200	73,200
Corporation income taxes .....	20,954	20,523	21,579	23,493	25,461	30,073	34,400	33,900
Excise taxes .....	11,860	12,534	13,194	13,731	14,570	13,062	13,814	13,746
Employment taxes .....	12,405	12,561	14,862	16,832	16,905	20,022	26,445	28,392
Estate and gift taxes .....	1,896	2,016	2,167	2,394	2,716	3,066	3,100	3,100
Customs .....	982	1,142	1,205	1,252	1,442	1,767	1,980	2,100
Deposits by States, unemployment insurance .....	2,398	2,729	3,009	3,042	3,052	3,067	3,000	3,000
Veterans life insurance premiums .....	504	501	494	494	488	511	517	515
Other budget and trust receipts .....	4,905	4,288	5,641	5,596	6,274	7,466	9,206	10,153
<b>Total, receipts from the public .....</b>	<b>97,242</b>	<b>101,865</b>	<b>109,739</b>	<b>115,530</b>	<b>119,699</b>	<b>134,480</b>	<b>154,662</b>	<b>168,106</b>
<i>Payments to the public:</i>								
National defense .....	47,685	51,462	53,429	54,514	50,790	58,464	71,325	76,828
International affairs and finance .....	3,777	4,198	4,066	3,837	4,794	4,463	5,264	4,988
Space research and technology .....	744	1,257	2,552	4,171	5,093	5,933	5,600	5,302
Agriculture and agricultural resources .....	3,508	4,177	5,362	5,416	5,142	4,114	4,103	4,076
Natural resources .....	2,195	2,339	2,609	2,774	2,921	3,229	3,250	3,538
Commerce and transportation .....	5,107	5,487	5,777	6,545	7,421	6,784	7,356	6,911
Housing and community development .....	-103	1,691	-268	1,674	908	3,425	3,918	1,814
Health, labor, and welfare .....	22,321	23,918	25,624	27,191	28,191	33,249	39,498	46,609
Education .....	945	1,052	1,214	1,299	1,497	2,780	3,333	2,738
Veterans benefits and services .....	6,187	6,092	5,971	6,107	6,080	5,556	7,092	6,664
Interest .....	7,257	6,940	7,427	8,011	8,605	9,215	9,877	10,509
General government .....	1,677	1,837	1,953	2,221	2,341	2,404	2,694	2,729
Deposit funds (net) .....	203	-544	-194	-567	-210	-520	-159	-122
Undistributed adjustments .....	-1,960	-2,244	-1,771	-2,862	-1,179	-1,279	-2,292	-181
<b>Total, payments to the public .....</b>	<b>99,542</b>	<b>107,662</b>	<b>113,751</b>	<b>120,332</b>	<b>122,395</b>	<b>137,817</b>	<b>160,859</b>	<b>172,403</b>
<b>Excess of receipts (+) or payments (-) .....</b>	<b>-2,300</b>	<b>-5,797</b>	<b>-4,012</b>	<b>-4,802</b>	<b>-2,696</b>	<b>-3,337</b>	<b>-6,197</b>	<b>-4,297</b>

## Expenditures and New Obligational Authority by Agency

The following table lists the expenditure estimates for the major agencies of the Federal Government. It also shows the amount of spending authority being requested for each agency. Because of the long lead time required to design, order, produce, and deliver such complex goods as military and space equipment, and for other reasons, not all the new obligational authority granted will result in expenditures during the same year.

[Fiscal year 1968 estimate. In millions of dollars]

Description	Expenditures		New obligational authority <sup>1</sup>	
	Administra- tive budget funds	Trust funds	Administra- tive budget funds	Trust funds
Legislative branch .....	270	2	275	2
The Judiciary .....	96	1	96	1
Executive Office of the President .....	28		28	
Funds appropriated to the President:				
Military assistance .....	800	1, 363	596	1, 697
Economic assistance .....	2, 430	3	2, 530	2
Office of Economic Opportunity .....	1, 860	*	2, 060	*
Other .....	328	1	245	1
Department of Agriculture .....	6, 047	61	6, 001	63
Department of Commerce .....	997	41	1, 160	47
Department of Defense:				
Military .....	72, 300	7	74, 674	7
Civil .....	1, 415	36	1, 370	33
Department of Health, Education, and Welfare .....	11, 739	31, 003	13, 264	31, 872
Department of Housing and Urban Development .....	-102	442	3, 179	214
Department of the Interior .....	1, 692	91	1, 859	132
Department of Justice .....	445	63	467	
Department of Labor .....	527	2, 534	650	4, 235
Post Office Department .....	544		651	
Department of State .....	420	14	415	12
Department of Transportation .....	1, 375	4, 078	1, 308	5, 791
Treasury Department .....	15, 116	38	15, 125	36
Atomic Energy Commission .....	2, 330	*	2, 493	*
General Services Administration .....	710	*	569	*
National Aeronautics and Space Administration .....	5, 300	2	5, 050	2
Veterans Administration .....	6, 121	588	6, 649	756
Other .....	651	4, 232	1, 320	4, 702
District of Columbia .....	127	635	159	623
Allowance for:				
Civilian and military pay increase .....	1, 000		1, 000	
Possible shortfall in asset sales .....	750			
Contingencies .....	400		800	
Interfund transactions (deduct) .....	682	730		
<b>Total .....</b>	<b>135, 033</b>	<b>44, 507</b>	<b>143, 994</b>	<b>50, 230</b>

\*Less than one-half million dollars.

<sup>1</sup> Of which \$17.5 billion in administrative budget funds and \$48.6 billion in trust funds do not require current action by the Congress.

## Administrative Budget Totals and Public Debt, 1789-1968

The administrative budget surplus or deficit during a given year does not alone determine the change in the public debt. Changes in the Federal Government's cash balance and a few other factors also influence the change in the debt. A significant part of the public debt is held by Federal Government trust funds.

As explained in this booklet, the administrative budget totals are not as comprehensive as the totals for Federal receipts from and payments to the public. However, for most years prior to the commencement of social security payments in 1937, the differences are insignificant.

[In millions of dollars]

Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year <sup>1</sup>	Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year <sup>1</sup>
1789-1849	1,160	1,090	+70	63	1933	1,997	4,598	-2,602	22,539
1850-1899	13,895	14,932	-1,037	1,437	1934	3,015	6,645	-3,630	27,734
1900	567	521	+46	1,263	1935	3,706	6,497	-2,791	32,824
1901	588	525	+63	1,222	1936	3,997	8,422	-4,425	38,497
1902	562	485	+77	1,178	1937	4,956	7,733	-2,777	41,089
1903	562	517	+45	1,159	1938	5,588	6,765	-1,177	42,018
1904	541	584	-43	1,136	1939	4,979	8,841	-3,862	45,890
1905	544	567	-23	1,132	1940	5,137	9,055	-3,918	48,497
1906	595	570	+25	1,143	1941	7,096	13,255	-6,159	55,332
1907	666	579	+87	1,147	1942	12,547	34,037	-21,490	76,991
1908	602	659	-57	1,178	1943	21,947	79,368	-57,420	140,796
1909	604	694	-89	1,148	1944	43,563	94,986	-51,423	202,626
1910	676	694	-18	1,147	1945	44,362	98,303	-53,941	259,115
1911	702	691	+11	1,154	1946	39,650	60,326	-20,676	269,898
1912	693	690	+3	1,194	1947	39,677	38,923	+754	258,376
1913	714	715	-*	1,193	1948	41,375	32,955	+8,419	252,366
1914	725	725	-*	1,188	1949	37,663	39,474	-1,811	252,798
1915	683	746	-63	1,191	1950	36,422	39,544	-3,122	257,377
1916	762	713	+48	1,225	1951	47,480	43,970	+3,510	255,251
1917	1,100	1,954	-853	2,976	1952	61,287	65,303	-4,017	259,151
1918	3,630	12,662	-9,032	12,455	1953	64,671	74,120	-9,449	266,123
1919	5,085	18,448	-13,363	25,485	1954	64,420	67,537	-3,117	271,341
1920	6,649	6,357	+291	24,299	1955	60,209	64,389	-4,180	274,418
1921	5,567	5,058	+509	23,977	1956	67,850	66,224	+1,626	272,825
1922	4,021	3,285	+736	22,963	1957	70,562	68,966	+1,596	270,634
1923	3,849	3,137	+713	22,350	1958	68,550	71,369	-2,819	276,444
1924	3,853	2,890	+963	21,251	1959	67,915	80,342	-12,427	284,817
1925	3,598	2,881	+717	20,516	1960	77,763	76,539	+1,224	286,471
1926	3,753	2,888	+865	19,643	1961	77,659	81,515	-3,856	289,211
1927	3,992	2,837	+1,155	18,512	1962	81,409	87,787	-6,378	298,645
1928	3,872	2,933	+939	17,604	1963	86,376	92,642	-6,266	306,466
1929	3,861	3,127	+734	16,931	1964	89,459	97,684	-8,226	312,526
1930	4,058	3,320	+738	16,185	1965	93,072	96,567	-3,495	317,864
1931	3,116	3,577	-462	16,801	1966	104,727	106,978	-2,251	320,369
1932	1,924	4,659	-2,735	19,487	1967 est.	116,995	126,729	-9,734	327,300
					1968 est.	126,937	135,033	-8,096	335,400

\* Less than one-half million dollars.

<sup>1</sup> Includes Government enterprise debt guaranteed by the U.S. Treasury.

### Notes:

Refunds of receipts are excluded from administrative budget receipts and expenditures starting in 1913; comparable data are not available for prior years.

Certain interfund transactions are excluded from administrative budget receipts and expenditures starting in 1932. For years prior to 1932 the amounts of such transactions are not significant.

## Federal Finances and the Gross National Product, 1942-67

Since the gross national product (GNP) is the total of all the goods and services produced by the Nation in a given year, its trend is a useful measure of the growth of the economy. By calculating annual Federal outlays as a percentage of GNP, it is possible to tell at a glance how these outlays have changed over a period of time in relation to the change in the economy as a whole.

Only Federal purchases of goods and services represent the use of currently produced resources by the Federal Government—in effect, the Government's direct share of the GNP. In contrast, both administrative budget expenditures and Federal payments to the public include funds lent or transferred to others, or channeled to State and local governments, which do not represent the use of current economic resources by the Federal Government.

[Amounts in billions of dollars]

Fiscal year	Gross national product	Administrative budget expenditures		Cash payments to the public		Federal purchases of goods and services		Public debt at end of year <sup>1</sup>	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1942.....	139.2	34.0	24.4	34.5	24.8	29.9	21.5	77.0	55.3
1943.....	177.5	79.4	44.7	78.9	44.5	72.3	40.8	140.8	79.3
1944.....	201.9	95.0	47.1	94.0	46.6	85.6	42.4	202.6	100.4
1945.....	216.8	98.3	45.3	95.2	43.9	89.7	41.4	259.1	119.5
1946.....	201.6	60.3	29.9	61.7	30.6	40.1	19.9	269.9	133.9
1947.....	219.8	38.9	17.7	36.9	16.8	13.0	5.9	258.4	117.5
1948.....	243.5	33.0	13.5	36.5	15.0	13.2	5.4	252.4	103.6
1949.....	260.0	39.5	15.2	40.6	15.6	19.3	7.4	252.8	97.2
1950.....	263.3	39.5	15.0	43.1	16.4	19.0	7.2	257.4	97.7
1951.....	310.5	44.0	14.2	45.8	14.7	25.1	8.1	255.3	82.2
1952.....	337.2	65.3	19.4	68.0	20.2	46.6	13.8	259.2	76.8
1953.....	358.9	74.1	20.7	76.8	21.4	56.1	15.6	266.1	74.1
1954.....	362.1	67.5	18.7	71.9	19.8	53.2	14.7	271.3	74.9
1955.....	378.6	64.4	17.0	70.5	18.6	43.9	11.6	274.4	72.5
1956.....	409.4	66.2	16.2	72.5	17.7	45.2	11.0	272.8	66.6
1957.....	431.3	69.0	16.0	80.0	18.5	47.7	11.1	270.6	62.7
1958.....	440.3	71.4	16.2	83.5	19.0	50.7	11.5	276.4	62.8
1959.....	469.1	80.3	17.1	94.8	20.2	54.7	11.7	284.8	60.7
1960.....	495.2	76.5	15.5	94.3	19.0	52.7	10.6	286.5	57.8
1961.....	506.5	81.5	16.1	99.5	19.7	55.5	11.0	289.2	57.1
1962.....	542.1	87.8	16.2	107.7	19.9	60.9	11.2	298.6	55.1
1963.....	573.4	92.6	16.2	113.8	19.8	63.4	11.1	306.5	53.4
1964.....	612.0	97.7	16.0	120.3	19.7	65.7	10.7	312.5	51.1
1965.....	651.8	96.5	14.8	122.4	18.8	64.3	9.9	317.9	48.8
1966.....	712.0	107.0	15.0	137.8	19.4	71.7	10.1	320.4	45.0
1967 (estimate).....	762.5	126.7	16.6	160.9	21.1	83.6	11.0	327.3	42.9

<sup>1</sup> Includes Government enterprise debt guaranteed by the U.S. Treasury.

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## ORGANIZATION CHART OF THE EXECUTIVE BRANCH

This foldout chart presents a graphic view of the major components of the Executive Branch of the Government. Included are the staff offices that make up the Executive Office of the President, the 12 executive departments, and various agencies, boards, and commissions. Temporary commissions, and interagency and public advisory committees are not included.

### New Agencies Created Since January 1966:

- Department of Transportation. (The Department will come into existence 90 days after the Secretary takes office, or on such earlier date as the President shall prescribe.)
- National Council on Marine Resources and Engineering Development, in the Executive Office of the President.

For further details on the organization and functions of Federal agencies, see the *U.S. Government Organization Manual* (for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402).

# EXECUTIVE BRANCH OF THE GOVERNMENT

