
APPENDIX A: THE FEDERAL BUDGET*

The President's Budget Document predicts Federal deficits on all three bases in fiscal 1967 and 1968. All of the deficits would be even larger if the proposed \$5 billion tax increase is not enacted. The NIA budget, stressed by the Document because of its greater usefulness for economic analysis, shows the smallest deficit of the three types; the cash deficit is larger because it includes a sizeable amount of net lending (which is a cash expenditure but not a NIA expenditure), and the administrative deficit is even larger because it excludes the surplus-prone trust funds.

The first table gives the three budgets for fiscal 1966, 1967, and 1968. Both receipts and expenditures are expected to grow rapidly in all budgets, with expenditures generally growing somewhat more rapidly to create the increasing deficits.

TABLE I

FEDERAL BUDGETS BY FISCAL YEARS
(In billions of dollars)

	1966 actual	1967 projected	1968 projected
<hr/> NIA Budget:			
Receipts	132.6	149.8	167.1
Expenditures	<u>132.3</u>	<u>153.6</u>	<u>169.2</u>
Surplus or deficit	.3	- 3.8	- 2.1
 Cash Budget:			
Receipts	134.5	154.7	168.1
Expenditures	<u>137.8</u>	<u>160.9</u>	<u>172.4</u>
Surplus or deficit	- 3.3	- 6.2	- 4.3
 Administrative Budget:			
Receipts	104.7	117.0	126.9
Expenditures	<u>107.0</u>	<u>126.7</u>	<u>135.0</u>
Surplus or deficit	- 2.3	- 9.7	- 8.1

* Prepared by Government Finance Section

The major increases in expenditures are for National Defense and Social Security. Other civilian expenditures are projected to show a rather small increase. Table II gives this information on an NIA basis (thus eliminating the effect sales of participation certificates).

TABLE II
PROJECTED GROWTH IN FEDERAL EXPENDITURES, FISCAL YEARS
(Billions of dollars)

	1966 actual	1967 proj.	1968 proj.	Change	
				1966-67	1967-68
National Defense	56.5	68.3	74.1	11.8	5.8
Health & Welfare	33.0	39.2	46.4	6.2*	7.8*
Space	5.9	5.6	5.3	- .3	- .3
Great Society Sector**	12.0	14.0	14.9	2.0	.9
All other***	24.9	26.5	28.5	1.6	2.0
Total	132.3	153.6	169.2	21.3	16.2

* Includes increased Social Security payments and Medicare payments.

** Education, Housing, Communication, and Transportation, National Resources.

*** Int. Affairs, Agriculture, Veterans, Interest, General Government.

The projected growth in revenues has two explanations. First, a succession of discretionary tax rate changes are expected to result in revenue increases of \$8.0 in fiscal '67 and \$5.1 billion in fiscal '68. The important changes are the 1966 increase in Social Security tax rates and the proposed surtax on corporate and personal incomes. Over and above these discretionary changes, revenues are expected to grow with the growth in projected income. Table III breaks down the growth in revenue into these two components for each type of tax. The table suggests that the Budget Document has projected quite an optimistic automatic revenue increase between fiscal 1967 and 1968, but it is not clear whether this optimism pertains to the level of income in January-June 1968 or to the relationship between revenues and income.