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Volume Title: Federal Receipts and Expenditures During Business Cycles, 1879-1958

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Volume Publisher: Princeton University Press

Volume ISBN: 0-691-04129-6

Volume URL: <http://www.nber.org/books/fire60-1>

Publication Date: 1960

Chapter Title: Appendix Description of Federal Receipts and Expenditures Series

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Chapter URL: <http://www.nber.org/chapters/c2406>

Chapter pages in book: (p. 76 - 86)

Appendix

Description of Federal Receipts and Expenditures Series

Monthly statements of the receipts and expenditures of the federal government were compiled as early as 1872 by the Division of Bookkeeping and Warrants of the Treasury Department. In the *Checklist of United States Public Documents, 1789-1909*,¹ it is stated that such reports were "issued usually on the first day of the month" for the month just ended. This appears to indicate that such information was cumulated from day to day, and that the sums of the daily entries represented the monthly amount of receipts and expenditures. None of these early monthly Treasury statements can be found in Washington or New York libraries.²

There are available, however, two summary tables issued within a year of each other by two offices of the Treasury Department, and covering almost similar periods for a number of monthly series. The earliest monthly data available in these sources are for 1879. One series, compiled by the Division of Bookkeeping and Warrants³ (hereafter described as Source *a*), the agency responsible for the monthly statements beginning 1872, carries the following descriptive note: "The receipts and expenditures by months are made up from daily reports and do not agree exactly with aggregates reported by quarters. The latter represent the net amounts ascertained upon final adjustment to have been actually received into and paid from the Treasury by

¹ Third ed., rev. and enl., Washington, Government Printing Office, 1911, p. 1049.

² Libraries of the Treasury Department, Congress, Government Printing Office, Board of Governors of the Federal Reserve System, the Archives, the New York Public Library, and Columbia University were searched exhaustively to no avail.

³ Treasury Department, Division of Bookkeeping and Warrants, *Statement of the Receipts and Expenditures of the United States from 1880 to 1895 (inclusive)*, 1895.

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warrant during each quarter." The tables in the other series⁴ (hereafter described as Source *b*) are in agreement with those of Source *a* for overlapping segments; and from this it can be concluded that Source *b* is based on these daily compilations and that both Source *a* and Source *b* are reprints in summary form of the above-mentioned monthly statements of receipts and expenditures. (This applies also to the data for six-month periods obtained from the Treasury *Annual Reports* for 1901 and 1932.)⁵

The list of sources for the five monthly series⁶ shows that, except for a few short periods, they have been derived from the *Daily Treasury Statements of the United States*⁷ (hereafter described as Source *c*), which offers the most consistent monthly data on government receipts and expenditures over a longer period than any other source. The figures compiled from Source *c*, which begins in 1895, represent not total monthly but cumulative daily amounts as shown on the last day of the month or, if that day was a Sunday or holiday, as shown on the last statement for the month. Thus, the compilation resembles closely the tabulations of Sources *a* and *b*, neither of which was based on monthly totals but, presumably, on the cumulative daily figure as of the end of a given month. According to the Secretary's *Annual Report* for the fiscal year 1927,⁸ where such comment appears for the first time:

The figures shown in the daily statement of the United States Treasury are compiled from the latest daily reports received by the Treasurer of the United States, from Treasury offices, and public depositaries holding Government funds. The daily Treasury statement, therefore, is a current report compiled from latest available information, and, by reason of the promptness with which the information is obtained and made public, it has come into general use as reflecting the financial operations of the Government covering a given period, and gives an accurate idea of the actual condition of the Treasury as far as it is ascertainable from day to day. This is known as "current cash basis," ac-

⁴ Bureau of Statistics, *Receipts, Expenditures, and Debt of the United States, 1789-1895, with Annual Appropriations made by Congress 1876-1896*, 1896. Worthington C. Ford, Chief of Bureau, is listed as author on the title page of this report.

⁵ The Library of Congress and the Government Printing Office have several of the monthly statements, but none prior to 1879. The data in these statements are identical with the data published in summary form and used as the source in this study.

⁶ See pp. 176 ff.

⁷ Office of the Secretary of the Treasury, *Daily Treasury Statement of the United States*, published from 1895 to date. The name of this publication has varied slightly over the period.

⁸ *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year ended June 30, 1927* (this annual series hereafter cited as Secretary, *Annual Report* of specified year), p. 421.

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ording to daily Treasury statements (unrevised). . . . The unrevised figures as shown in current daily Treasury statements are the basis for the Budget estimates submitted to Congress by the President. . . .

That description has been preserved through all later editions of the Secretary's annual report, undergoing only slight modifications such as the elimination of the word "unrevised" in the 1943 report.⁹ It adequately fits the data in the daily statements prior to 1927. In so far as their "current" character is concerned, it does so for 1895 and the years thereafter. The summaries that served as sources for 1879 to 1895, however, although based on daily records, do not appear to be "current" throughout the period, but incorporate certain revisions made in these figures, perhaps only in the June figures. In only one year, 1895, is a comparison of all three sources possible. In the series on receipts, the data are identical except for June; in the series on expenditures, the data are not in agreement throughout, although the discrepancies are negligible. Summaries similar to the tables quoted as Source *a* and Source *b* have been reprinted and extended over longer periods in later issues of the Secretary's annual report¹⁰ and in the monthly *Summary of Commerce and Finance of the United States*.¹¹ These sources invariably state that the monthly figures are made up from partial or incomplete returns (in other words, from daily records) and that they do not add up to the complete fiscal-year totals usually published with them. Such complete monthly figures were not even available at that time, but have been published only since the fiscal year 1908. They, too, are compiled from daily statements; but they cover, in addition, reports on "the transactions [in distant Treasury offices and depositories] for the last few days of the month . . . concerned which have not been received in the Treasury until the succeeding month. . . . After taking into consideration these reports the revised figures indicate the condition of the Treasury on the basis of actual transactions occurring during the period under review. . . . The revised figures are of no practical use except . . . to bring the daily Treasury statement figures into agreement with the figures based on warrants issued."¹²

The figures taken from Sources *a* and *b* and from corresponding later tables are not "revised" figures, according to the concept just quoted. On the other hand, however "current" they may be, in years for which comparisons can be made with Source *c*, the different sets of figures do not agree. This leads to the conclusion that revisions were also made prior to 1895 in

⁹ P. 459.

¹⁰ Secretary, *Annual Report*, 1901, p. 115; 1932, p. 370.

¹¹ August 1898.

¹² Secretary, *Annual Report*, 1927, p. 421.

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some of these figures. They should not, therefore, be considered as having been based entirely on daily statements. The extent of such revisions is not known. The available evidence, however, indicates that they are too small to have had an adverse effect on the comparability of the data.

While it was found that the "current" character of the data was a safe criterion to use in choosing the sources from which long time series could be obtained on a comparable basis, compilation of the data nevertheless created difficulties. These were caused by changes in the Treasury's definition of receipts and expenditures as well as in its method of accounting for them. Although the data have been tabulated here as if they were continuous, the effect of such changes was visible in the various segments into which the monthly aggregates had to be subdivided. Whenever a change occurred, the compiler's task was to find as long a period as possible for which figures in accord with the particular new concept were available concurrently with the older data that were to be discontinued. Comparison of the figures in respective overlapping periods helped in deciding which changes could be disregarded and which were important enough to break the continuity of the series. It may seem puzzling that continuous series are shown for components of receipts but not for the aggregate itself. The reason is that total revenues include certain "other" receipts not derived from customs duties nor from any of the various types of internal revenue taxes and not compiled separately. The figures representing these "other" receipts account for the changes that occur in overlapping segments of the total.

Throughout these monthly compilations an effort has been made to include in receipts those called ordinary, and in expenditures those presumed to be chargeable against such ordinary receipts. Implicitly, this eliminated all public debt transactions and, according to Treasury accounting procedure, those of the post office, with the exception of postal deficiencies paid out of the general fund of the Treasury.¹³ For the sake of consistency certain adjustments were made; these are described in the paragraphs below, pertaining to the individual series.

The series shown here deal solely with the large aggregate components of government receipts; but with no breakdown by expenditures. Furthermore, aside from the spectacular change in the magnitude of some of these figures during the long period covered, they do not reveal the extent to which federal government functions have at once expanded and become diversified; nor do they show what new sources might have been tapped to conduct such increased activities. Even the most abbreviated reproduction of this his-

¹³ Following the 1954 revision of the Treasury Department's accounting procedure, post office transactions have been included in budget receipts and expenditures (see p. 86).

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torical development would require more space than can be afforded in this summary. Attention is called, instead, to the detailed summaries of government receipts (particularly internal revenue receipts) and government expenditures (the latter classified by departments as well as by functions) that are shown for long periods at a time in most of the annual reports of the Secretary of the Treasury.

Description of Individual Series

Customs Receipts. This is a continuous series. No changes occurred that affected the comparability of the monthly data. Adoption of a new method of accounting for receipts and expenditures in the *Daily Treasury Statement* on July 1, 1930, had no effect on customs receipts. For details concerning this change see note on total receipts, below. Up to about 1910, customs duties were the most important single source of government receipts.

Income Tax Receipts. These data, like customs receipts, are comparable throughout the period for which they are available. The change in the *Daily Treasury Statement* did not affect this series. Between May 1910 and February 1914, only corporation income tax receipts are shown; thereafter, both corporate and individual income tax receipts are included. The data also include excess profits and unjust enrichment taxes for the periods when they were in effect. By the time the United States entered World War I, income taxation had overtaken customs duties as the chief source of government revenue.

Miscellaneous Internal Revenues. This series is likewise comparable over the entire period. The reclassification of receipts, discussed in the note on total receipts below, reduced miscellaneous internal revenue slightly owing to the elimination of trust fund receipts from this category after June 1932. (Table A-3 incorporates this change in the data starting July 1930.) Comparison of two fiscal years for which these figures are available in both versions shows an average reduction of less than \$0.03 million per month—an amount too small to affect the comparability of the data. Before the advent of income taxation, miscellaneous internal revenues represented the total of internal revenues. Since the establishment of income taxation it has included all those internal revenue receipts that are not derived from income levies and do not pertain to social security and other employment taxes collected for various trust accounts. The amounts derived from other than income taxes have stayed well behind income tax collections since 1917, only approaching or surpassing them during a number of years in the 1930's and in 1940. For many years, taxes on tobacco manufactures and (except for the prohibition period) on distilled spirits and fermented liquors produced most of the revenue in this group. Smaller amounts were obtained from estate and gift taxes, stamp taxes, and excise taxes on certain trades and

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manufactures. While liquor and tobacco taxes have remained the two most important components of miscellaneous internal revenues, added taxes on the transportation of goods and persons and a host of new manufacturers' and retailers' excise taxes, most of which were established during World War II, have considerably changed the relative importance of the various components. In the fiscal year 1941, the combined amounts collected from liquor and tobacco taxes accounted for over 54 per cent of total miscellaneous internal revenues. In the following ten-year period liquor and tobacco tax revenues increased 159 per cent, but collections from the remaining taxes in this group more than tripled. By 1951 liquor and tobacco taxes together yielded less than 42 per cent of miscellaneous internal revenues; and during the fiscal year 1958, they contributed just 38 per cent to that category of receipts.

Total Budget Receipts. This series represents the sum of the three series listed above and of "other" receipts. The latter, not shown as a separate series in this study, comprises certain nonrevenue receipts such as canal tolls, seigniorage, proceeds from government-owned securities, receipts from sales of public lands and of government property as well as numerous other irregular receipts.

It was not possible to compile a continuous series of total budget receipts because of the following major changes in the Treasury's accounting methods:

1. Through June 1930, all receipts except those arising from public debt transactions and post office operations¹⁴ had been regarded as ordinary receipts. Beginning with the *Daily Treasury Statement* of July 1, 1930 (fiscal year 1931) such receipts were segregated according to the classes of accounts through which the Treasury operates. Two accounts for ordinary receipts were established, the General Fund covering only monies that could be withdrawn for Congressional appropriations, and the Special Fund in which monies were to be received under special authorizations defining the purposes for which they were to be expended. Completely eliminated from these "ordinary" receipts were receipts in trust funds, for which a third category of accounts was created. Although for many decades included with "ordinary" receipts, monies in trust funds are not available for regular budget transactions. Their elimination and the separation of accounts enabled the Treasury "to exhibit the transactions in the general fund free from restricted or earmarked receipts and the expenditures therefrom."¹⁵ The omission of trust fund receipts lowered the monthly total receipts as used in this study. However, the continuity of the three components analyzed here was not affected, since trust fund receipts are almost completely included in the

¹⁴ See note 13.

¹⁵ Secretary, *Annual Report*, 1930, p. 433.

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fourth component, "other" receipts. For purposes of comparison, compilation of total receipts on the old basis was continued through 1933 by adding trust fund receipts to the new reduced totals; but in the series shown in Table A-3, the new totals begin with July 1930.

2. A second change that lowered the level of total receipts occurred after establishment of the Federal Old-Age and Survivors Insurance (OASI) trust fund following amendments of the Social Security Act in 1939. Through 1939, tax collections under the act had been treated as general receipts from which amounts were credited to the old-age reserve account for transfer to a corresponding trust account. On January 1, 1940, the amounts standing to the credit of the old-age reserve account were transferred to the newly established trust fund. Thereafter, the full amount of taxes received under the Federal Insurance Contributions Act was to be credited to the fund with the condition of repayment to the Treasury of certain administrative expenses, while a sum equivalent to the net appropriation was to be deducted from total receipts, "in order to show the amount of revenue applicable to the general expenditures of the Government."¹⁶ Receipts net of the net appropriations to the Federal Old-Age and Survivors Insurance trust fund are available in the source and are shown here beginning with July 1939, while total receipts including such appropriations have been compiled through 1940.

3. A third change in the Treasury's accounting procedure that involved the treatment of refunds in the *Daily Treasury Statement* is discussed in the note on expenditures below.

Total Budget Expenditures. These figures correspond to the series of total budget receipts in that they represent all government expenditures other than those for retirement of the public debt and for postal service (except postal deficiencies).¹⁷ Prior to the Treasury's reclassification of accounts at the beginning of the fiscal year 1931, the data covered all federal expenditures chargeable against ordinary receipts. Since the separation of the accounts into general and special, and the elimination of trust fund transactions, they have covered all disbursements from the various general and special funds except retirement of the public debt. As in the case of receipts, monthly figures for "ordinary" expenditures were continued through 1933 in order to allow examination of expenditures prior to and after the exclusion of trust funds. This corresponds to the overlapping period 1930-1933 in the series on total receipts, but the figures have not been included in Table A-3, which gives expenditures according to the new concept from July 1930 forward.

¹⁶ Secretary, *Annual Report*, 1940, p. 145.

¹⁷ See, however, note 13.

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In the fiscal year 1940, these data underwent a second revision in their correspondence to total receipts owing to the establishment of the Old-Age and Survivors Insurance trust fund. As federal receipts were presented net of appropriations to the OASI trust fund, transactions in the so-called old-age reserve account were discontinued and the account was abolished. The series including deductions from the old-age reserve account was compiled through June 1940, while the series of expenditures exclusive of those in the old-age reserve account was begun in July 1939, allowing comparison of the two sets of figures during a twelve-month period. However, as in the previous revisions, the data are treated as continuous, with the new series starting in July 1939.

In addition to these two revisions affecting both sides of the accounts, three other accounting changes in the *Daily Treasury Statement* concerned only expenditures and necessitated a breakdown of this series into a number of segments which are not matched in the series on total receipts. Such changes occurred in 1915, 1938, and 1947. As in the revisions described above, an effort was made each time to obtain two sets of figures for overlapping periods of at least one year so that the series prior to and after the changes could be compared.

1. Effective October 1, 1915, the new form of the daily statement was concerned mainly with the daily presentation of the Treasury's assets and liabilities. A major improvement was believed to have been achieved in the exclusion of "disbursing officers' balances" from the liability side of the general fund, and their inclusion in the Treasury net balance to the credit of disbursing officers. Previously, all such amounts had been considered expenditures as of the particular days on which they had been put at the disposal of a disbursing officer, even though such sums sometimes were not spent for many months, and sometimes not at all. The announcement of the change¹⁸ is ambiguous and does not offer an exact explanation of the effect of this revision on the tabulation of receipts and expenditures. Presumably, the revision made it possible to report disbursements entirely as cash transactions, as had always been done in the case of receipts. But this cannot be reconciled with the procedure followed for a number of years preceding 1915, when disbursements had been presented as pay warrants net of unexpended balances; in other words, as cash expenditures. Since the *Daily Treasury Statement* speaks of a "mixed basis" of reporting expenditures, it can be assumed that unexpended balances could never before be accounted for in all cases of pay warrants issued, and that expenditures as shown in the *Daily Treasury Statement* prior to October 1915 represented, therefore,

¹⁸ *Daily Treasury Statement*, October 1, 1915; reprinted in Secretary, *Annual Report*, 1915, pp. 41-43.

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partly cash transactions and partly pay warrants issued. Comparison of two series of expenditures for October 1914-September 1915, compiled respectively before and after October 1915, shows not only different amounts in all months but one, but also different movements of the figures.

2. The *Daily Treasury Statement* of July 1, 1938 announced a new procedure for reporting the transactions of certain government corporations and agencies such as the Reconstruction Finance Corporation. Expenditures for emergency relief had been included in general and special fund expenditures from September 1932 on; and individual RFC expenditures had been included as early as February 1932 on a net basis (that is, representing checks paid by the Treasury of the United States less receipts deposited by such corporations). In the case of the RFC, a \$500 million appropriation had been made from the general fund in 1932 for purchase of the capital stock of the RFC. The expenditures from funds provided in this way were reflected in budget expenditures whenever RFC checks were paid by the Treasurer of the United States. However, expenditures from funds obtained by the RFC through sale of its obligations to the Secretary of the Treasury were treated as public debt transactions and therefore, were not included in budget expenditures. A change then was made in July 1933 to include all RFC operations in budget expenditures, including expenditures from funds derived through sale of obligations to the Treasury, just as if such amounts had been directly appropriated by Congress for the RFC. Under an act of February 1938, the Secretary of the Treasury canceled about \$2.7 billion of obligations purchased from the RFC which the RFC could not repay to the Treasury, because it had made grants, under relief acts and for other purposes, for which no provisions had been made for repayment to the Corporation.¹⁹ Beginning with the fiscal year 1938, in consequence of the act of February 1938, the *Daily Treasury Statement* shows as budget expenditures only monies spent from funds allocated by the RFC for purposes for which no provisions for repayment to the Treasury were made. Similar changes were made in accounting for the expenditures of the Commodity Credit Corporation. For July 1937 to June 1938 it was possible to compile expenditures prior to and after the elimination of RFC and CCC transactions from general fund operations. While it was expected that the second set of data would show smaller expenditures throughout the period, the amounts actually increased over the earlier figures in 4 of the 12 months. The reason for these increases cannot be established, and the figures shown in the *Daily Treasury Statement* since July 1, 1938 are not believed to be comparable to those shown in the preceding issues.

¹⁹ Secretary, *Annual Report*, 1938, p. 347.

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3. In July 1947, the *Daily Treasury Statement* began to include in budget expenditures the net transactions of wholly-owned government corporations. The operations of these corporations had previously been reflected in trust account transactions. In the fiscal year 1946 (that is, beginning July 1945), separate figures on the transactions in government corporations are available in the *Daily Treasury Statement*. It was thus possible to compare expenditures including and excluding the government corporations for July 1945-June 1947. Both the levels and the month-to-month movements of the two sets of figures are far apart. Expenditures including corporation transactions are reduced to the extent that one or the other government corporation shows receipts exceeding expenditures, for the net excess has been large enough to be reflected in total budget expenditures. The discrepancies from month to month indicate that the two sets of data are not comparable. Starting in July 1945, expenditures shown here have taken account of the net transactions of wholly-owned government corporations.

Refunds. Through December 1948, refunds made by the Treasury were treated as budget expenditures. Such refunds concern overpayment of taxes by individuals and corporations, customs drawbacks, renegotiated contracts, and certain other repayments. Beginning January 1949, the Treasury has deducted refunds from receipts, since refunds do not represent true budget expenditures. However, there is no way of allocating refunds of a certain month to the receipts for which they are made. It can be assumed that in every case there is a time lag between amounts received and amounts refunded and that the net receipt figures shown in the *Daily Treasury Statement* since January 1, 1949 do not reflect the true amount that should have been refunded for the particular month. For the sake of consistency, the amounts shown as refunds and deducted from receipts have here been added back to the Treasury's net receipts as well as to total expenditures. Comparability of the series prior to and after 1949 has thus been preserved.

1954 Revision

As of February 17, 1954, the *Daily Statement of the United States Treasury* was changed to represent cash deposits and withdrawals only as they affect the general account of the Treasurer of the United States. A *Monthly Statement of Receipts and Expenditures of the United States Government* was established at the same time to show actual budget receipts and expenditures. Receipts are reported on a collection basis or on the basis of confirmed deposits in Treasury accounts. Expenditures are reported on a uniform basis of checks issued and cash payments by disbursing officers.²⁰ Amounts in the new monthly statement are not entirely comparable with the

²⁰ For details see Secretary, *Annual Report, 1954*, pp. 97-101.

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cumulative monthly totals previously obtained from the last daily statement for each month, for they come close to representing the figures on a "revised basis." But their similarity in coverage to that of the old daily statement leaves no doubt that the new monthly statement is the preferred source for the continuation of these series.

One change in coverage, however, cannot be eliminated since it has been incorporated in both the daily and monthly statements, namely, the inclusion, for the first time, of the transactions of the Post Office Department in budget receipts and expenditures. As pointed out above, only the expenditures from annual congressional appropriations to cover postal deficits had previously been included in budget expenditures. Except for cumulative fiscal-year figures, post office receipts are not published at all, and monthly expenditures appear only as "net." The net amounts do not reveal whether they represent expenditures from congressional appropriations, or amounts charged to postal receipts, or a sum of both. Comparisons between the old and new series of budget receipts and expenditures, therefore, could not be made. Beginning with January 1954, our series have been derived from the new *Monthly Statement*.