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A Financial Plan or Budget for the National Government*

BY HARVEY S. CHASE, C. P. A.

It should be remembered in discussions concerning the national budget of the United States that there are, necessarily, two viewpoints which are quite distinct. One of these is the inside viewpoint and the other is the outside. One is the viewpoint of congress and of the executive departments; the other is that of the intelligent citizen and of the economist interested in governmental finance.

Both viewpoints must be provided in a complete national budget. The first requires that the "estimates" (proposed expenditures) shall be classified according to units of organization, *i.e.*, the departments, divisions, and establishments which are to spend the appropriations. The second requires that the estimates be classified according to purposes of expenditure, (functions of government) irrespective of the title of the department or division which is to spend the money.

The great difficulty heretofore in budget consideration has been the attempt to condense these two viewpoints into one, and to set up only a single classification. With such a classification, if arranged by organization units, the outsider (citizen, or economist) can get little information concerning expenditure for *purposes*. If, on the other hand, the classification is made according to purposes and functions, then the average congressman is likely to claim that he cannot make head or tail of it, so far as appropriations and legislative requirements are concerned.

This situation being acknowledged and the reasons for it perceived, it becomes evident that the budget compiler should provide both classifications, that is to say, the same total figures should be arranged in two detailed systems, one for the insider's (legislator's) and the other for the outsider's (citizen's) viewpoint.

* An address before the National Association of Comptrollers and Accounting Officers at the annual meeting, 1914, held at Milwaukee, Wisconsin, June 11th to 13th.

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I. *Classification by Organization Units*

This classification, *i.e.*, by departments, divisions, offices, and establishments, should exhibit a summary of the insider's viewpoint. The details of this viewpoint fill eight hundred and seventy quarto pages in the *Book of Estimates*, 1915, and will fill nearly as many more in the *Digest of Appropriations*, 1915.

This summary should be arranged in columnar form, each column exhibiting the title of an appropriation act by congress. The primary divisions of the government, "legislative," "executive," and "judicial," as well as the subdivisions, departments, establishments, etc., should be set forth in the title column at the left. Items pertaining to each unit of organization should be distributed to the proper column representing an appropriation act. By this classification the wide distribution of such items is clearly exhibited and the advantage of some better method of grouping appropriations becomes evident.

This classification, table I, is exhibited as follows :

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Classifications by (a) Appropriation Accts and by (b) Units of Organization,						
Units of organization.	PERMANENT ANNUAL ACTS.	LEGISLATIVE, EXECUTIVE, AND JUDICIAL ACTS.	SUNDRY CIVIL ACT.	DIPLOMATIC AND CONSULAR ACT.	ARMY ACT	FORTIFICATIONS ACT.
<i>Legislative:</i>						
1. U. S. senate		\$ 1,857,788				
2. House of representatives		4,956,985				
3. Library of congress	\$ 800	695,165				
4. Botanic gardens		23,394	\$ 7,000			
<i>Executive:</i>						
1. President and vice-president		185,440	25,000			
2. Civil service commission		414,540				
3. Department of state	171,000	354,060		\$4,447,043		
4. Treasury department	92,943,000	12,597,497	36,903,550			
5. Government in territories	53,000	207,138				
6. State, war and navy building		285,020				
7. War department	9,317,600	1,944,718	43,561,888		\$104,947,759	\$9,124,399
8. Navy department	1,881,477	862,390	6,285,208			
9. Department of the interior	19,767,500	5,761,765				
10. Post office department		1,850,000				
11. Department of agriculture	5,999,200					
12. Department of commerce	3,000	5,043,810	8,636,960			
13. Department of labor		790,010	3,973,480			
14. Department of justice		612,880	1,483,332			
15. Lincoln memorial commission			600,000			
16. Public printer			6,340,683			
17. Commission of fine arts			7,500			
<i>Judicial:</i>	147,500	1,242,110	7,402,856			
<i>Independent offices:</i>						
1. Smithsonian institution			821,850			
2. Interstate commerce commission	57,630		1,693,000			
3. Board of mediation & conciliation						
4. Commission on industrial relations						
5. District of Columbia	854,700					
	\$131,196,407	\$39,684,710	\$117,744,307	\$4,447,043	\$104,947,759	\$9,124,399

Classifications by (a) Appropriation Acts and by (b) Units of Organization, (continued)					
Units of organization. Departments, divisions, etc.	MILITARY ACADEMY ACT.	NAVAL ACT.	RIVERS AND HARBORS ACT.	PENSION ACT.	INDIAN ACT.
<i>Legislative:</i> (1) (2) (3) (4)					
<i>Executive:</i> (1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17)	\$1,052,876	\$144,417,453	\$34,266,395	\$169,150,000	\$10,208,865
<i>Judicial:</i> <i>Independent offices:</i> (1) (2) (3) (4) (5)					
	\$1,052,876	\$144,417,453	\$34,266,395	\$169,150,000	\$10,208,865

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Classifications by (a) Appropriation Acts and by (b) Units of Organization, (continued)					
Units of organization.	AGRICULTURAL ACT.	POSTAL ACT.	DISTRICT OF COLUMBIA ACT.	PUBLIC BILLS.	TOTAL.
<i>Legislative:</i>					
(1)					\$ 1,857,788
(2)					4,956,985
(3)					695,905
(4)					30,394
<i>Executive:</i>					
(1)					210,440
(2)					414,540
(3)					4,972,103
(4)					142,444,047
(5)					260,138
(6)					285,020
(7)					204,215,635
(8)					147,161,320
(9)					211,173,338
(10)		\$306,953,117			308,803,117
(11)					25,000,532
(12)	\$19,061,332			\$1,635,500	15,319,270
(13)					4,763,490
(14)					2,096,212
(15)					600,000
(16)					6,340,683
(17)					7,500
<i>Judicial:</i>					8,792,466
<i>Independent offices:</i>					
(1)					879,480
(2)					1,695,000
(3)				50,000	50,000
(4)			\$14,491,614	250,000	250,000
(5)					15,346,314
	\$19,061,332	\$306,953,117	\$14,491,614	1,935,500	\$1,108,681,777

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2. Classification by Purposes or Functions

The primary distinctions exhibited in this classification are five: 1. War purposes; 2. civil purposes, (other than postal); 3. postal purposes; 4. general administrative purposes; 5. local government purposes.

The secondary distinction in each of these primary divisions is the separation into "operation and maintenance expenses," contrasted with "construction and improvement outlays." These are the titles of the first two columns in the following detailed exhibit, while the third column represents the totals of the first two columns. These columns set forth important information which has not been available heretofore in governmental estimates or publications. This separation is fundamentally necessary if comparisons with previous or subsequent years are to be made, or correct ideas obtained concerning extravagance or economy in the expenditure of public money.

TABLE II
THE NATIONAL BUDGET

Expenditures for the Fiscal Year 1914-15

"Estimates" of appropriations—classified by purposes or functions.

FOR WAR PURPOSES.	Operation and maintenance expenses	Construction and improve- ment outlays	Total estimated expenditures
Army. Navy. War pensions. War debts. <i>Current charges. Annual appropriations.(1)</i>			
Defense by land (military)	\$100,249,712	\$14,379,198	\$ 114,628,910
Defense by sea (naval)	98,311,306	42,490,734	140,802,040
Administration: Secretary of war	148,040		148,040
Adjutant-general's office	730,570		730,570
Quartermaster corps	378,670		378,670
Engineers and insular affairs	208,581		208,581
Other offices, war dept.	456,598		456,598
Administration: Secretary of the navy ..	76,460		76,460
Bureaus: navigation, intelligence, records	108,790		108,790
Bureaus: engineering, repairs, yards and docks	106,430		106,430
Bureaus: supplies, accounts and other offices	304,660		304,660
Operation and maintenance (2/3) of the state, war and navy building(1)	188,013	2,000	190,013
War pensions, retirements, veterans' homes, etc.	186,674,527	23,424	186,697,951
	<u>\$387,942,357</u>	<u>\$56,895,356</u>	<u>\$ 444,837,713</u>
<i>Fixed charges. Permanent appropriations.(1)</i>			
Interest on war debts	\$ 13,000,000		\$ 13,000,000
Sinking-fund provisions for war debts(1) ..	37,000,000		37,000,000
Trust funds, established by war requir'm'ts	2,770,000		2,770,000
Special funds and accts, for war purposes	5,374,477		5,374,477
Total for war purposes	<u>\$446,286,834</u>	<u>\$56,895,356</u>	<u>\$ 503,182,190</u>

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FOR CIVIL PURPOSES.			
State, Interior, Agriculture, Commerce, Labor, Etc.			
<i>Current charges. Annual appropriations. (1)</i>			
COMMERCE, BANKING, ETC.			
Promotion and regulation of commerce	3,578,305		3,578,305
Promotion of transportation: (2)			
Improvements of rivers and harbors	3,197,815	38,286,080	41,483,895
Lighthouses, life saving, roads, surveys engineering, etc	12,484,004	2,679,700	15,163,704
Panama canal	1,546,395	22,228,760	23,775,155
Regulation of currency, coinage, etc	5,862,452		5,862,452
Regulation of banking	194,240		194,240
NATURAL RESOURCES, AGRICULTURE, ETC.			
Promotion of agriculture (3)	8,951,617	47,500	8,999,117
Promotion of forestry	5,390,741	477,590	5,868,331
Care and utilization of public lands	3,184,920	10,000	3,194,920
Promotion and regulation of mining, water power, etc.	2,284,520		2,284,520
Meteorological research, weather bureau, etc.	1,667,270	3,000	1,670,270
Promotion of fisheries	1,155,730	255,900	1,411,630
WELFARE, LABOR, ETC.			
Promotion of the welfare of the laboring classes and regulation of labor (3)	4,068,250	812,200	4,880,450
Promotion of public health (4)	4,087,062	104,700	4,191,762
Promotion of education and recreation (5) ...	1,349,876	1,271,014	2,620,890
Provision for Indians and wards of the nation (5)	9,295,715	1,635,400	10,931,115
Provision for defectives, dependents, etc. ...	1,565,349	455,000	2,020,349
PATENTS, STANDARDS, STATISTICS, ETC.			
Patents and copyrights	1,626,300		1,626,300
Statistical research, census, etc.	1,709,720		1,709,720
Standards of measurement, etc	837,175	395,000	1,232,175
FOREIGN AFFAIRS AND DEPT. ADMINISTRATION:			
Foreign affairs and relations (5)	3,920,970	477,000	4,397,970
Administration; Dept' of State	354,060		354,060
" " " Interior	634,040		634,040
" " " Agriculture	785,988		785,988
" " " Commerce	252,160		252,160
" " " Labor	183,040		183,040
Operation and maintenance, (1/3) state, war and navy building (1)	94,007	1,000	95,007
	\$ 80,241,221	\$69,139,844	\$ 149,381,065
Fixed charges. Permanent appropriations. (1)			
Interest on bonds other than for war purposes	9,900,000		9,900,000
Sinking-fund provisions for other than war purposes (4)	23,717,000		23,717,000
Trust funds provisions for other than war purposes	7,772,730		7,772,730
Special funds and accounts for other than war purposes:			
Promotion of transport'n facilities:			
Operating canals	2,000,000		2,000,000
Protection of navigable streams	2,000,000		2,000,000
River and harbor improvements		679,600	679,600
Roads and trails		420,000	420,000

(1) Operation and maintenance expenses of office building, rents, etc., are mainly included in item (1) in "general administrative purposes," because these expenses cannot be separated under present methods of bookkeeping.

(2) This amount should be distributed in detail to the various departments and divisions.

(3) Approximately one-half of this is offset by District of Columbia revenues.

(4) Sinking-fund provisions are negligible; merely bookkeeping items having no actual existence. There are no securities and no cash in the so-called "sinking fund."

(5) See also additional estimates under "permanent appropriations."

(6) Including bureau of naturalization, \$250,000.

(7) These terms "annual" and "permanent" might be better stated "current" and "recurrent," as all appropriations are enacted annually by congress, even though the amount is not fixed, (indefinite) or the time is not fixed (indeterminate).

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Promotion of agriculture:			
Reclamation fund		9,000,000	9,000,000
Colleges of agriculture and mechanic arts	2,500,000		2,500,000
Experiment stations, etc.	48,200		48,200
Promotion of public health:			
Meat inspection, bureau of animal industry	3,000,000		3,000,000
Promotion of education, recreation, etc.:			
National forest fund	800,000		800,000
2, 3 and 5 per cent funds to state	225,000		225,000
Maintenance national parks, etc.	125,000		125,000
Public schools, territories	100,000		100,000
Education of blind, etc.	11,000		11,000
Care of Indians:			
Civilization of the Sioux	800,000		800,000
Medium of exchange:			
National currency, contingent expenses, etc.	280,000		280,000
Foreign affairs:			
Pay of consular officers in transit ...	65,000		65,000
Care of defectives:			
Indigent. Alaska	25,000		25,000
Totals of special funds and accounts	\$ 11,779,200	\$10,099,800	\$ 21,878,800
Other permanent appropriations for other than war purposes	381,500		381,500
Totals for civil purposes (except postal)	\$133,791,651	\$79,239,444	\$ 218,031,095
<hr/>			
FOR POSTAL SERVICE.			
Postal service, payable from postal revenues	306,953,117		306,953,117
Administration of postmaster-general's dept. Operation and maintenance of post offices etc. (?)	1,850,000		1,850,000
Totals for postal service⁽¹⁾	\$308,803,117		\$ 308,803,117
<hr/>			
FOR GENERAL ADMINISTRATIVE PURPOSES			
Covering requirements both for war and for civil purposes			
LEGISLATIVE, EXECUTIVE, JUDICIAL, ETC.			
Current charges. Annual appropriations ⁽¹⁾			
LEGISLATIVE:			
The United States senate	\$ 1,849,287	\$ 8,500	\$ 1,857,787
The house of representatives	4,956,985		4,956,985
JUDICIAL:			
The supreme court and other courts	6,299,110		6,299,110
EXECUTIVE:			
The president, vice president and the executive offices	210,440		210,440
Civil service commission	450,165	5,000	455,165
Collection of the revenues, etc.—treasury ..	17,247,650	125,000	17,372,650
General accounting and auditing—treasury ..	1,752,080		1,752,080
Operation and maintenance of public building and grounds ⁽¹⁾	8,098,412		8,098,412
Construction and improvement of buildings and grounds		6,302,584	6,302,584
Public printing, all departments ⁽²⁾	5,892,408	130,000	6,022,408
General supply committee	65,640		65,640
Reference and library purposes	465,585	127,000	592,585
Distribution of documents	318,275		318,275
Administration of treasury dept'	1,890,770		1,890,770
Administration of dept' of justice	777,711		777,711
Detection of crimes, legal advice, etc. (justice)	2,694,620		2,694,620
Total	\$ 52,969,138	\$ 6,698,084	\$ 59,667,222
Fixed charges. Permanent appropriations⁽¹⁾ ..			
Revenue refunds, drawbacks, &c.	8,470,000		8,470,000
Retired judges, Hawaiian judges, etc.	175,500		175,500
Revenue collection, night services	225,000		225,000
Totals for general administrative purposes	\$ 61,839,638	\$ 6,698,084	\$ 68,537,722

Numeral references are to footnotes on page preceding.

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FOR LOCAL GOVERNMENT PURPOSES			
Territorial governments	304,638		304,638
Philippine customs and internal revenue ..	821,000		821,000
District of Columbia	10,811,094	3,580,521	(*)14,491,615
Militia, industrial schools, etc.	10,400		10,400
Totals for local government purposes	\$ 11,547,132	\$ 3,580,521	\$ 15,127,653
Grand totals, all purposes	\$962,268,372	\$146,413,405	\$1,108,681,777

3. Classification of the Revenues

For comparison with the two methods of expenditure estimates, a classification of revenues is exhibited (schedules I and II), which is self-explanatory. The primary division consists of special revenues and general revenues. The first is applicable only to special purposes under requirements of law, or to revenues which arise on account of various classes of expenditure. The second consists of revenues which are unrestricted either by requirements of law or of accounting and which are available for the general expenditures of the government under current appropriation acts.

The exhibit herein sets forth the actual revenues for the last completed fiscal year (1913) as an illustration of a classification of the revenues by estimates for the new fiscal year 1915, or for some subsequent year.

TABLE III

REVENUES (ACTUAL) FOR THE FISCAL YEAR, 1912-1913 AS A BASIS FOR ESTIMATES OF REVENUE FOR 1914-15

(Excluding postal revenue, and receipts on public debt accounts)

SPECIAL REVENUES (SCHEDULE I):

Viz: (a) Revenue reserved by law for special purposes, and also (b) revenues arising on account of special classes of expenditure although not specifically reserved for such purposes by law.

A Revenue of trust funds	\$12,085,561
District of Columbia revenues	8,070,369
Reclamation fund (sales, fees, etc.)*	3,585,271
Contributed moneys (rivers, harbors, etc.) ..	1,039,308
Navy fines, forfeitures, small stores, etc. ..	985,824
National forest fund	749,996
Philippine fund	308,986
Sales public lands, 2, 3 and 5% funds (states)	238,890
Night service—customs	229,971
Alaska fund	205,907
Sales of ordnance material	202,432
National forest and hot springs reservation ..	95,250
Sales of timber, sites, products, etc.	16,788
Forest service co-operative fund	6,748
	\$27,821,301

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Increments to appropriations:

Panama canal	\$2,377,029	
Panama canal	1,693,148	4,070,177
Gain on exchange (navy)		18,766
Interest on daily balances (navy)		6,290
TOTAL "A"		\$31,916,534

(*) In addition to this sum there are other receipts into the reclamation fund for repayments of water-rights charges, and other sources, amounting to \$2,383,126.

B Immigration fund (head tax)	\$ 4,735,062	
Patent fees	2,077,102	
Consular and consular court fees	1,798,408	
Forest service	1,716,931	
Customs fees, fines, penalties, etc.	1,590,355	
Judicial fees, fines, penalties, etc.	1,123,950	
Fees, etc., land offices	547,000	
Reimbursed advances to Indian funds	531,916	
Reimbursement for expenses national bank redemption agency	505,735	
Recoveries of bullion and expenses on coinage	440,816	
Naturalization fees	390,425	
District of Columbia, fees, rents, etc.	290,031	
Navigation fees, fines, penalties, etc.	191,695	
Earnings on telegraph and telephone lines	186,749	
Sale of seal and fox skins, Pribilof Islands	151,146	
Recoveries, river and harbor frauds	127,971	
Copyright fees	117,100	
Depredation on the public lands	103,600	
Reimbursement for work and costs, various departments	84,968	
Immigration fines, fees, and penalties	72,905	
Purchase of discharges, navy and marine corps	66,304	
Net profit on ships' stores	40,294	
Passport fees	28,384	
Copying fees—general land office	21,162	
Maintenance charges, etc., irrigation systems	14,394	
Testing fees, bureau of standards	14,251	
Earnings on transports	9,755	
Forfeitures by contracts	8,050	
Miscellaneous fees	6,368	
Miscellaneous refunds and rebates	6,254	
Game licences—Alaska	4,845	
Chinese exclusion, fines, fees, etc.	2,654	
Testing fees—bureau of mines	2,005	
Revenue Crater Lake, and Mesa Verde Parks	1,399	
Revenue national training school for boys	813	
Internal revenue, fines, fees, etc.	200	
TOTAL "B"		\$17,010,993

TOTAL SPECIAL REVENUES, "A" AND "B" \$48,927,527

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GENERAL REVENUES (SCHEDULE II):

Viz.: Revenues available for any purposes of the government. These revenues arise from sources not specialized either by law or by corresponding expenditures.

Customs	\$318,891,396	
Less duties on imports from Philippines (special)	1,184	\$318,890,212

Internal revenue:

Ordinary	\$309,410,666	
Less Philippine revenue (special)	307,802	309,102,864

Corporation tax		35,006,300
Public lands receipts	\$ 2,910,205	
Less pledged to special purposes—		
Viz.: reclamation fund	\$2,492,607	
2, 3 and 5% funds	238,890	
	2,731,497	178,708

Seigniorage, silver and minor coinage		5,104,338
Tax on circulation of national banks		3,730,959
Sales of government property		1,325,167
Compromise and repurchase of forfeited lands		648,583
Chinese indemnity		644,500
Rental of public property		268,301
Unclaimed moneys (treasury)		47,490
Interest on public deposits		34,610
Recoveries of damaged and lost property		16,987
Interest from Pacific railways		9,493
Conscience fund, etc.		3,136
Gain on exchange (state dept. and treasury)		1,206
Assessments on owners for deaths on shipboard		1,040
Interest on debts due U. S. (various debts)		946
Recovery, principal and interest Louisiana bonds		326
Miscellaneous		1,056
		\$675,015,322

SUMMARY

Special revenues "A" (by law)	\$31,916,534	
Special revenues "B" (by expenditure)	17,010,993	
TOTAL	\$ 48,927,527	
General revenues	675,015,322	
GRAND TOTAL	\$723,942,849	

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4. *Submission of a "Financial Plan" to Congress by the President*

We will suppose that the president is about to submit to congress and to the public his annual message at the beginning of the session. He has, we will say, adopted the budget idea and has prepared a message supported by tables of figures based upon estimates of proposed expenditures and estimates of expected revenues furnished to him by his cabinet officers and the heads of the government establishments. These estimates have been prepared in two ways: first, in the ordinary way as required by present legislation; second, in a new way arranged in logical order and intelligible sequence, grouped by purposes or functions of government; segregated by character of expenditure, whether for current expenses or for capital outlays and for subdivisions of each. The revenues, too, have been carefully calculated and compared with other years, due allowances have been made, non-revenue receipts have been eliminated, trust funds and trust income separated, all remaining revenue concisely classified and the available total determined. The president, with the advice of his cabinet—and probably with the assistance of a "central administrative accounting bureau"—has prepared these estimates of revenue and of expenditures in budgetary form. He has struck a balance. He has accepted the anticipated result, whether it be a surplus of revenue or a deficit. If the latter, he has considered methods of providing for the deficit.

With these data before him, he constructs a budget as follows. He sets up the revenue by classes with explanations and a final total. He tabulates the proposed expenditures, classified as exhibited below. He first deducts from the total estimated revenue, the fixed charges which must be met without question—such as interest on public debts, definite debt redemptions, revenues required for trust fund liabilities, or other special funds, pension requirements, recurrent allowances for upkeep and maintenance of public buildings, grounds, parks and the public domain generally. Having totalled these and deducted the total from the expected revenue, he next exhibits the necessary, perhaps unavoidable, expenditures for military and naval purposes, for continuation of engineering projects of great importance, and for

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similar requirements. The total of these is again subtracted from the remaining revenue and an amount of revenue is left which is available for less mandatory purposes. Concerning the expenditure of this portion of the revenue there may be considerable question and discussion.

Whether, for instance, more shall be spent for stimulation of agriculture, with less for promotion of commerce; whether less should be provided for the function of education and more for public health, or vice versa; whether or not labor and the laboring classes need additional promotion, or whether defectives and dependents should be more liberally provided for. The wards of the nation, Indians and others, would be discussed and their necessities considered; our foreign relations, embassies, and commercial attaches would have due attention; all the various functions and activities would have each its needful consideration from the general standpoint of its relative importance to all other expenditures and to the available revenue.

Such an analysis of the finances of the government, of the purposes and character of expenditure, and of the relations of the latter to the expected revenue, would present a picture of supreme interest to every intelligent citizen in the country and one of the greatest importance in the efficient handling of financial problems by congress.

It goes without saying that such an exhibit by the president at the opening of congress would be intensely stimulating to the public, would awaken nation-wide interest, would provoke discussion and criticism, would flood the mail boxes of congressmen with urgent appeals to increase here and to cut down there and would open the eyes of the members themselves to what could be done and what could not be done in the way of modification and change without upsetting the balanced relations of revenue and expenditure *in toto*.

TABLE IV

SUMMARY OF THE PRESIDENT'S FINANCIAL PLAN

This classification exhibits the form in which the president of the United States might present to the congress, at the opening of a session in December, a financial plan for the ensuing fiscal year.

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SUMMARY OF THE NATIONAL BUDGET

	Estimates for 1915
SOURCES OF REVENUE:	
Total estimated revenues, (other than postal revenues)	\$728,000,000
Deduct revenues for special purposes, (schedule I)	50,000,000
<hr/>	
Remainder, revenues available for general purposes (schedule II)	\$678,000,000
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PURPOSES OF EXPENDITURE.	
FIXED CHARGES:	
Viz.: For interest on public debts (a)	\$ 22,900,000
For sinking fund (b)	60,717,000
For trust funds (c)	10,542,730
For special funds (d)	27,453,277
For refunds, retirements, etc. (e)	9,252,000
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TOTALS	\$130,865,007
ELIMINATE sinking-funds (b)	60,717,000
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Remainder of fixed charges	70,148,007
DEDUCT portion to be provided from special revenues	50,000,000
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REMAINDER, required from general revenues ..	20,148,007
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SUMMARY:	
General revenues, as above	\$678,000,000
Remainder of fixed charges, as above ...	20,148,007
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Revenue available for current appropriations	\$657,851,993

(a) Interest on war debts, about \$13,000,000; on other debts about \$9,900,000.
 (b) \$60,717,000. This provision is based on requirements of law that one per cent of the public debt shall be laid aside each year as a "sinking fund" to retire the debt. Therefore, duly each year sixty millions or more in figures are entered in the big account-book of the nation, as an increase of the "sinking fund," but at the same time a corresponding entry is made on the other side of the ledger exactly equalizing it. No money, or securities, or assets of any tangible nature are ever set aside in a true "fund." In other words the entry is solely a "bookkeeping" one, without corresponding value in fact. The amount really has no place in these estimates, if we wish to know what the actual expenditures of the government are likely to be.

(c) Trust funds for war requirements \$2,770,000; for other requirements \$7,772,730.

(d) Special funds for war purposes \$5,574,477; for other purposes \$21,878,800.

(e) Refunds of customs and internal revenue, estimated, \$8,470,000. Night service, \$225,000. Retired judges, etc., \$175,000.

ESTIMATES OF CURRENT APPROPRIATIONS.

WAR PURPOSES (SCHEDULE III):

A OPERATION AND MAINTENANCE:	
Viz.: Defense by land (military)	\$100,249,712
Defense by sea (naval)	98,311,306
Administration: secretary of war	148,040
Other offices, war department	1,774,419
Administration: secretary of the navy	76,460
Bureaus and other offices, navy department ..	519,880

Financial Plan or Budget for the National Government

Operation and maintenance (2/3) state, war and navy building	188,013
	\$201,267,830
War pensions, retirements, veterans' homes, etc.	186,674,527
TOTAL	\$387,942,357
B CONSTRUCTION AND IMPROVEMENTS	
Viz: Fortifications, etc. (military)	\$ 14,379,198
Battleships, etc (naval)	42,490,734
Veterans' homes, etc	25,424
Total war, except fixed charges	\$444,837,713
CIVIL PURPOSES (SCHEDULE IV) :	
A OPERATION AND MAINTENANCE:	
Viz: commerce, banking, etc.	\$ 26,863,211
National resources, agriculture, etc.	22,634,798
Welfare, labor, etc.	20,305,752
Standards, statistics, etc.	2,546,895
Patents and copyrights	1,626,300
Foreign affairs	3,920,970
Department of state	354,060
" " interior	634,040
" " agriculture	705,988
" " commerce	252,160
" " labor	183,040
Operation and maintenance of public build- ings and offices (f)	94,007
TOTAL	\$ 80,241,221
B CONSTRUCTION AND IMPROVEMENT:	
Improvement of rivers and harbors	38,286,080
Panama canal	22,228,760
Lighthouses, etc.	2,679,700
Other (see detailed schedule)	5,945,304
Total civil, except fixed charges	\$149,381,065
POSTAL PURPOSES (g).	
Postmaster general's department	\$ 1,850,000
GENERAL ADMINISTRATIVE PURPOSES (SCHEDULE v) :	
A OPERATION AND MAINTENANCE:	
Viz: Legislative	6,806,272
Executive (except above in civil)	39,863,756
Judicial	6,299,110
TOTAL	\$ 52,969,138
B CONSTRUCTION AND IMPROVEMENT:	
Public buildings and grounds	6,302,584
Other	395,500
Total general administrative, except fixed charges	\$ 59,667,222

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LOCAL GOVERNMENT PURPOSES (h)

(SCHEDULE VI):

A OPERATION AND MAINTENANCE:	
District of Columbia	\$ 10,021,494
Territorial governments, customs, etc.	625,638
TOTAL	\$ 11,547,132
B CONSTRUCTION AND IMPROVEMENT:	
District of Columbia	3,580,521
Total local government purposes	\$ 15,127,653

GRAND TOTAL ALL PURPOSES

(Excluding fixed charges, postal service, and sinking fund)\$670,863,653

CONCLUSION 1915

Revenue available for current appropriations	\$657,851,993
Estimates of current appropriations	670,863,653
Deficit of estimated revenue (1915)	\$ 13,011,666
Panama canal estimates, if bonds are issued, may be deducted from total current appropriations	23,775,155
Surplus of estimated revenue (1915) if bonds are issued to provide for Panama canal	\$ 10,763,489

(f) Under present methods of governmental bookkeeping these expenditures cannot be separately stated; they are lumped, therefore, under "general administrative purposes."

(g) Postal estimates, payable from postal revenues, \$306,953,117 are not included in this schedule, though shown in the detailed schedule of expenditures.

(h) Offset by D. C. revenue, about one-half, which is included in "special revenues," above.

CONCLUSION

All government expenditures must ultimately be met by revenue and by revenue only. The issuance of bonds or other evidences of debt is merely a temporary expedite—in sound financing—and the payment of these debts must come from revenue; *i.e.*, from surplus revenue devoted specifically to this purpose.

All nations with responsible ministries provide revenue for their respective governments by means of budgets. The finance minister prepares estimates of the needed expenditure in summary and in detail. He submits these estimates to the legislative body, or bodies, together with estimates of revenue, also in summary and in detail. He balances these, one against the other, increasing taxes in number or in rate, if more revenue must be had, or cuts expenditure estimates if taxes cannot safely be increased, whether for political or economic reasons.

Financial Plan or Budget for the National Government

The central feature of the budget is this balance of revenue against expenditure. It is the primary necessity in nearly all national finance. It is the rock upon which ministerial ships split and founder. It is the danger signal and the rallying point for the opposition to a party or a ministry.

In the United States we have not had this fundamental requirement of national finance for many years, mainly because of the phenomenal growth of our wealth and our population and because our taxes have been principally *indirect* taxes—custom duties, established for purposes of “protection” to our industries and our labor. Revenue has been, therefore, not dependent upon expenditure, with corresponding direct taxation as in most other nations. Revenue has, on the contrary, been produced incidentally, as it were, and usually in excess of the amount needed for economical and efficient administration. Hence our extravagance as a nation; hence our public building bills; our rivers and harbors acts; our inefficient civil service; our “pork barrels” and our contempt of economies and economics.

This indirect revenue is one of the reasons why this country has never had a budget and yet has gone on from year to year growing ever more wealthy, ever more extravagant, and ever more contemptuous of budgetary requirements and of the financial methods of foreign nations. Now, in 1914, we are beginning to be pulled up with a round turn. Now, with our tariff reforms and our income taxes we are departing sharply from the ways of the fathers. Moreover, in our private business competitions we hear and join in the slogan of efficiency, which tends to dominate the activities of business of the present day. It is creeping into governmental methods likewise; into our cities and our states; witness commission government in cities, and note university extension in state affairs; into our national departments, witness the demand for cost accounting and for uniform classifications of expenditures. What do these developments mean? What do they portend? Evidently an approach to a closer balance between revenue and expenditure; to an increased attention to this relationship and to a sharper critical demand for efficiency—which necessarily includes economy—in government expenditure. In other words, it portends the approach of the budget and budgetary methods in national finance in this country, as in other countries.