Chapter III
Analytical Framework

Introduction

A multitude of transactions is carried out by a government. To manage the internal operations of government, and influence the government's effects on the economy, these transactions must be organized into some framework within which they can be summarized, measured, and analyzed.

There is no single, self-evident method by which this organization should take place, however. For accountability purposes, transactions may be organized according to the government unit that carries them out. For detailed purchasing or planning purposes, transactions may be organized by the kind of item purchased or service provided. For billing or control purposes, transactions may be organized by the particular transactors with whom the government deals.

These are detailed accounting criteria. Government finance statistics must also serve broader purposes: they should provide an overall, comprehensive view of the government's operations and financial needs, and of the government's impact upon the economy's income, financial condition, and balance of payments. No organization of government transactions can be expected to uniformly measure *effects*, however, for while each transaction brings reaction, the nature of this reaction depends also on many other elements in the economy. Some criteria other than eventual effect must be found for organizing government transactions into basic groups, or building blocks, which may then be arranged and rearranged to measure the effects of government under particular conditions. These criteria and the analytical framework that results are discussed in this chapter.

III.A. Basic Distinctions

The criteria utilized to delineate the fundamental groups into which all government transactions can be organized must derive from the nature of the transaction itself and must be evident as the transaction is carried out. The criteria utilized in this Manual are based on the kinds of flows which each transaction involves.

As noted in Section II.A.4, in all transactions there are two parties, sometimes referred to as transactors. While in most transactions there are two flows, one toward the transactor and one away, many government transactions involve a payment for which nothing flows in return. To facilitate symmetry of analysis, it is useful to classify "nothing" as another kind of flow. This makes it possible to view all government transactions as a combination of two flows, one into government and the other out, away from government, and to regard all flows as consisting of either goods and services, money, nothing, or liabilities. Transactions can then be classified as a combination of a particular kind of inflow to government and a particular kind of outflow.

Liabilities, however, are of two kinds: accruing liabilities that are generated whenever previously specified occurrences give rise to an obligation to pay some time in the future, and fixed-term contractual liabilities such as bonds, notes, and bank loans. Accruing liabilities are generated by every liability-generating occurrence (delivery, passage of title, receipt of taxable income, disability or unemployment eligible for compensation, etc.) and extinguished by payment. Because the government is not a participant in many transactions generating others' accruing liabilities to government or accruing government liabilities to others, as described in Sections II.A.3 and II.A.4, many accruing liabilities must remain outside of government knowledge and outside any government accounting system. Accruing liabilities are omitted, therefore, from this Manual's classification of what flows in government transactions. Inclusion of accruing liabilities, moreover, would make it difficult to classify money flows directly by what flows in the opposite direction, since all money flows, other than spontaneous gifts and advance payments, could be taken to represent an exchange of payments for accrued liabilities (see Chart 4 in Section II.A.4).

To classify flows of money by the corresponding opposite flows, other than accrued liabilities, for which they are paid—that is, goods and services, nothing, or fixed-term contractual liabilities—it is necessary to bridge the intervening process of accrual and extinction of liabilities and to classify flows of money by the flows for which the accruing liabilities were generated. This is done in Chart 7, which arrays all flows into and out from government other than the flows of accrued liabilities. Flows out from government are arranged across the top of the chart and flows into government down the side. Flows are divided into five categories: goods and services, money, nothing, fixed-term contractual liabilities of others to government, and fixed-term contractual liabilities of government to others. The cross-classification of these five categories provides a matrix in which all government transactions, other than the intervening accrual and extinction of liabilities, can be classified by the combination of inflows and outflows involved. Thus, government purchases can be seen to involve a flow of goods and services into government and a flow of money out from government. When money flows out from government while nothing flows in, a government grant, gift, or transfer is involved. When money flows into government with nothing flowing out in exchange, a tax payment, grant or private gift to government is involved. Goods and services flowing out from government with nothing flowing into government in return represent normal government provision of public services to the community. While this is referred to in the SNA as public—as distinct from private or household—consumption, it is not to be understood as signifying that such consumption takes place within government. Rather, the government is taken to represent the community as a whole as the consumer of nonmarket goods and services flowing out from government.

The cross-classification in Chart 7 embraces all kinds of flows, other than flows of accrued liabilities, into and out from government. Only transactions involving money flows, however, are reported in the cash basis government finance statistics recommended by this Manual. (See Section II.A.4). The organization of basic groups of transactions in government finance statistics, therefore, is concerned only with transactions that fall into either the row of Chart 7 representing money flows into government or the column representing money flows out from government.

To construct in diagram form (Chart 8) an analytical framework dealing with the money flow transactions reported in government finance statistics, this row and column are extracted from the more general cross-classification matrix. The row for inflows of money is turned vertically and set to the left of the column for money outflows. The result is two columns, the left representing government receipts and the right government payments, with each subdivided horizontally according to what flows in the other direction: goods and services, nothing, others' liabilities, and government liabilities. Two additional distinctions are then drawn, one—current versus capital—applying to flows of goods and services and nothing, the other—for public policy versus liquidity management—applying to flows of fixed-term contractual liabilities of others. To complete the framework, one more row is added at the bottom of the diagram, representing the overall effect of all government receipts and payments on the government's currency holdings and deposit balances. The resulting analytical framework makes it possible to draw six basic distinctions in the nature of government money flow transactions so as to classify each transaction by the kind of corresponding flow moving in the opposite direction.

These distinctions in transactions are between:

(1) Receipts versus payments
(2) Nonrepayable versus repayable
(3) Requited versus unrequited
(4) Current versus capital
(5) Financial assets versus liabilities
(6) Public policy versus liquidity management.

The first two distinctions (receipts vs. payments; nonrepayable vs. repayable) apply to all transactions. The following two distinctions (requited vs. unrequited; current vs. capital) apply only to nonrepayable transactions; the next (financial assets vs. liabilities) applies to all repayable transactions; and the last (public policy vs. liquidity management) applies only to transactions involving government financial assets. This is illustrated in Chart 8.

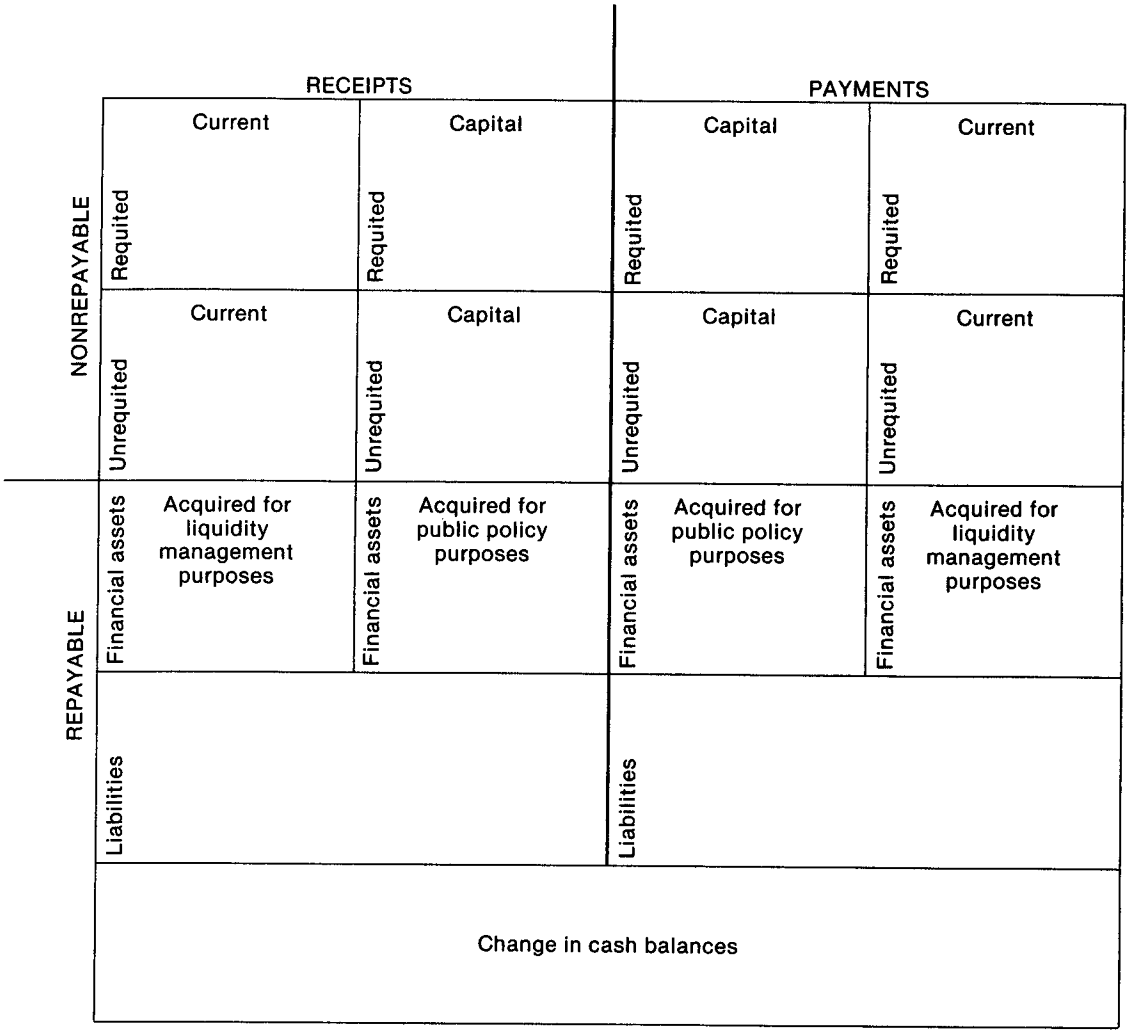
The meaning of each distinction is discussed below.

(1) *Receipts vs. payments*. No doubt the most basic difference between transactions lies in whether they carry funds into the government or out from the government. This distinction is blurred

Chart 7. Classification of Government Transactions by Kinds of Flows Into and Out From Government

In \ Out	Goods and services	Money	Nothing	Others' fixed-term contractual liabilities	Government's fixed-term contractual liabilities
Goods and services	Barter	Purchases	Transfers, grants, or gifts received in goods and services	Repayments of lending with goods and services	Purchases paid for with contractual debt or debt instruments
Money	Sales, fees, property income	—	Taxes, grants, and gifts received	Repayment of lending	Borrowing
Nothing	Gifts given in goods and services — Public goods and services provided	Transfers, gifts, and grants given	—	Gifts of or cancellation of loans to others	Gifts of government debt to others
Others' fixed-term contractual liabilities	Sales on fixed-term contractual credit or lending in goods and services	Lending	Gifts of others' debts received	Refinancing of lending	Capitalization of enterprises with government debt — Lending with government debt issues
Government's fixed-term contractual liabilities	Amortization paid in goods and services — Sales for government debt issues	Amortization	Cancellation or gift to government of government debt	Repayments of lending with government debt issues	Refinancing of borrowing

Chart 8. Distinctions in the Nature of Government Money Flow Transactions



in some data systems, however, in which, by convention, certain items are given a negative sign and classified with items moving in the opposite direction, that is, as negative expenditures or negative revenues. As indicated in Section II.F, this Manual calls for gross treatment of all but industrial transactions and corrective adjustments, such as refunds. Gross payments are counted under payments, and gross receipts are counted under receipts. This separation is maintained in the body of all tables or memorandum items except in lending or financial items, for which borrowing and repayment may not always be kept separately, or for which the rapid flow through government may make only the net movement meaningful. The distinction between receipts and payments stands as the first dividing line, therefore, in the organization of most government transactions.

(2) *Nonrepayable vs. repayable.* A payment or receipt is repayable when a fixed-term contractual liability flows in return. A payment or receipt is nonrepayable when no fixed-term contractual liability flows in return. Repayable transactions generate or extinguish a claim or liability for repayment. When they extinguish a claim or liability, such transactions could technically be thought of as *repaying* rather than *repayable*; for simplicity of presentation both repaying and repayable transactions are referred to here as repayable transactions. Nonrepayable (or nonrepaying) transactions involve no claim or liability for repayment. For the purposes of this Manual fixed-term contractual liabilities are understood to include equities. All cash transactions affect the cash holdings of transactors, but while repayable transactions produce also a direct change in the financial asset or liability position—other than cash holdings—of both the government and the other transactor, nonrepayable transactions do not. Asset and liability positions affect future government payments and receipts; they may influence the economic behavior of those involved by making them "feel" richer or poorer; and they may affect other savings and investments by changing the demand or supply for financial claims and, hence, the interest rate. How these effects operate depends upon the subsector involved, the maturity and negotiability of the liability, the institutional structure of the monetary system and capital markets, and other conditions and policies. Whatever the effects, however, the existence or absence of a financial asset or liability is a distinction that should be drawn. It is a distinction followed in most data systems, the nonrepayable vs. repayable contrast sometimes being referred to as nonfinancial vs. financial, or as nondefinitive vs. definitive.[1] It is a major distinction in the organization of transactions in this Manual.

(3) *Requited vs. unrequited.* A nonrepayable payment or receipt is requited when goods and services flow in return. A nonrepayable payment or receipt is unrequited when nothing flows in return. Requited transactions involve payment for a quid pro quo, that is, something received in return. An unrequited transaction, in contrast, while it may be voluntary or compulsory, conditional or unconditional, brings no concurrent equivalent counterpart provided in exchange: no specific, quantifiable benefit, product, or service to the payer in return for the payment. Since an unrequited government payment involves no inflow of resources to government, and government product is measured in the national accounts as equal to the input of resources to government, designation of a government payment as unrequited indicates it involves no addition to government product or, in consequence, to GDP. The requited-unrequited distinction is sometimes referred to as exhaustive vs. nonexhaustive payments, since exhaustive payments indicate use of a product while nonexhaustive payments do not. Unrequited transactions are sometimes referred to also as unilateral and requited transactions as bilateral, thereby reflecting the absence or existence of a quid pro quo.

(4) *Current vs. capital.* Capital transactions involve payments or receipts for the acquisition, construction, or sale of nonfinancial assets meant to be used for more than one year in the process of production. This includes several categories of nonfinancial capital assets. Intangible assets—which are not financial assets since they are not matched by liabilities—and land are included in capital assets because they are used in production for more than a year but are not included in capital formation, which encompasses changes in stocks, and in fixed capital assets. Government stocks are

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[1]For the purpose of *IFS* money and banking statistics, financial assets are defined as assets which, with the exception of gold, SDRs, and corporate equities, represent obligations to make specified monetary payments in the future that are recognized as such by both creditor and debtor. Excluded are assets representing direct and undivided ownership of physical goods, leases on land or structures, concessions of rights to exploit subsoil minerals, fisheries, or land, patents, copyrights, trademarks, or goodwill, and claims that will, or may, come into existence as a consequence of agreements to provide financial services in the future, such as credit commitments, but for which no items of value have yet been given or received.

considered to consist only of strategic and emergency stocks, stocks of grains and other commodities of special importance to the nation, and stocks purchased by market regulatory organizations within government, that is, organizations that are neither incorporated nor have large-scale sales to the public. Ordinary government stores or inventories are not included. Gross fixed capital formation excludes stocks and consists of payments for acquisitions or construction, minus receipts from sales, of durable goods to be used for nonmilitary productive purposes with both a normal life of more than one year and more than a minimum significant value. Fixed capital assets thus include buildings, civil construction works, and nonmilitary equipment (see description of capital expenditure under C.IV in Section IV.B.2).

Net fixed capital formation, which cannot be measured by cash basis data alone, consists of gross fixed capital formation minus consumption of fixed capital (depreciation) during the period. Since consumption of fixed capital consists of the value, at current replacement cost, of fixed capital assets used up during the period as a result of normal wear and tear, foreseen obsolescence, and the normal rate of accidental damage, it does not represent a government transaction and cannot be measured in statistics based on payments. In the preparation of national accounts, which are not limited to statistics based on transactions, consumption of fixed capital can be estimated on the basis of existing fixed capital assets and utilized for the derivation of net fixed capital formation.

Capital transactions are considered in this Manual to cover requited payments or receipts for which fixed capital assets, stocks, land, or intangible assets flow in return and unrequited payments or receipts for the purpose of permitting the recipients to acquire such assets, compensating the recipients for damage or destruction of capital assets, or increasing the financial capital of the recipients. All other nonrepayable transactions are considered to be current transactions. Current transactions thus include inheritance taxes and nonrecurrent capital levies, which are considered by some to involve payments out of the capital taxed and are classified as capital transfers in the SNA. The incidence of such taxes, and whether they are paid out of capital or income, are unsettled questions, however, and these taxes are grouped in this Manual with all other taxes, as current transactions. Unrequited payments received for the purpose of acquiring capital assets are classified as capital grants if they are received from governmental sources and otherwise as capital transfers from nongovernmental sources.

The basis for the current vs. capital distinction is the use of capital goods in production for a period of more than one year, affecting future income and present wealth as the capitalized present value of the future income flow. Not only physical assets, however, may affect future income growth, and capital formation cannot be assumed to result in the highest rate of growth in all circumstances. Outlays for health care in developing areas, for example, may directly affect the availability and quality of the labor supply, while outlays for education may increase productivity over the longer run. Other current expenditures—e.g., for general administration, public order, streets, lighting, and sewerage—may be an incontestable necessity in some circumstances if the economy is to function at all. Adequate road maintenance outlays, though classified as current expenditures, are essential to prevent deterioration of government capital assets. Application of the current vs. capital distinction, moreover, has at times fallen short of the criteria upon which it is based, that is, the use of capital goods in production for a period of more than one year. The inclusion of nonproductive goods, e.g., monuments, weakens the usefulness of the distinction.

To obtain a better measure of government activities promoting growth, a more comprehensive distinction between developmental and nondevelopmental transactions has been advocated, embracing criteria other than an increase in capital assets usable in production for more than one year. While such a measure has merit, fully satisfactory criteria applicable in a broad range of circumstances have not yet been evolved. A combination of functional and economic classifications of expenditure, available in Tables B and C in Chapter IV, may be utilized by analysts to further advance the study of such developmental vs. nondevelopmental criteria. For the present, however, and as a means of carrying through the current vs. capital classification used for an economy as a whole, this Manual draws the distinction between current and capital transactions for use wherever available data permit. It is included not as an indication of resources devoted to growth but as a measure of the net acquisition of capital assets usable in the process of production during more than one year.

(5) *Financial assets vs. liabilities.* Within the body of repayable transactions dealing with claims, a basic distinction must be drawn between those involving liabilities to government and those

which involve government liabilities to others. Such a distinction is necessary because of a fundamental asymmetry between the government's financial assets and liabilities. This asymmetry reflects the motivation that actuates government and the financial means which government has at its disposal. Government is motivated by purposes of public policy and not by the need to earn a return. Because the government has access to the central bank, it need not be concerned with maintaining primary and secondary reserves of relatively liquid financial assets upon which to call in case of sudden needs. It need not give priority, as other institutions must, to a precautionary asset position matching the maturity structure of its liabilities. Unlike other sectors, the government does not "feel" richer and act differently when its financial assets increase. It does not manage its financial assets and liabilities position to maintain a desired liquidity at the smallest possible cost.

The motivation that leads a government to engage in lending operations increasing its holdings of financial assets lies in the same reasons of public policy which lead to direct, nonrepayable, government expenditure. Government lending is generally undertaken not for purposes of liquidity management or earning a return but for policy-oriented purposes. This is particularly true of central government, but is applicable also to state and local governments, which though not having access to the central bank are motivated mainly by public policy considerations rather than by the desire to earn a return.

(6) *Public policy vs. liquidity management*. While all repayable transactions involving government liabilities are undertaken for purposes of liquidity management, not all government transactions involving the liabilities of others are undertaken for purposes of public policy. There are exceptions within both central government and state and local government which involve the acquisition of financial assets for purposes of liquidity rather than public policy objectives. At the central government level, these mainly involve sinking funds for government debt (Section II.K.1.1) and some social security schemes, which seek to maximize their return and maintain an asset position matching the maturity structure of their expected liabilities. At the state and local levels there may also be the management of available liquidity so as to maximize return. To maintain this important distinction, when governments hold financial assets for liquidity purposes rather than for public policy objectives, transactions involving these assets should be grouped together with transactions in government liabilities.

Change in cash balances. Though not itself a kind of transaction, the change in government holdings of currency and deposits must be included in any analytical framework encompassing the full interrelationship between all government receipts and payments. The change in government cash balances, other than for revaluation, between the beginning and end of a period reflects the sum total of all government receipts and payments during the period. A decline in government cash balances reflects government payments greater than its receipts; an increase in government cash balances reflects government payments smaller than its receipts. A decline in government cash balances can thus be viewed as having provided money for an excess of payments over receipts and an increase in government cash balances as having absorbed money from an excess of receipts over payments. Inclusion of changes in government cash balances within the analytical framework, therefore, permits identification of the source and destination of all government payments and receipts as well as their magnitude and character. Because it represents the results of both receipts and payments, the change in government cash balances cannot be attributed to either the receipt or payment column alone in Chart 8. It is represented by a single, undivided panel at the bottom of the chart covering both receipts and payments.

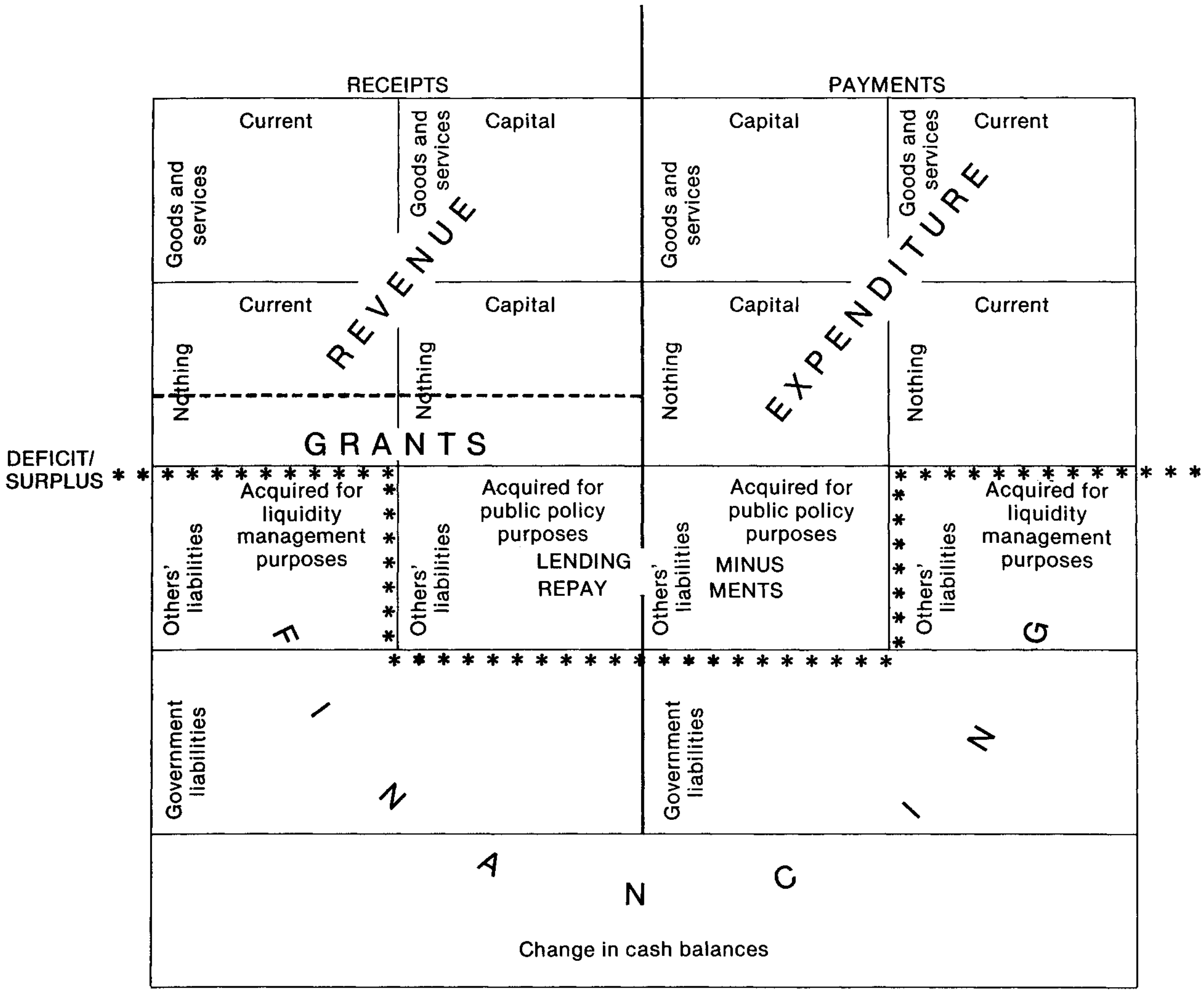
These are the major distinctions upon which the analytical framework for the classification of government transactions is based. To illustrate application of these distinctions, a number of government transactions are fitted into this framework in Chart 9. By combining the individual cells of the matrix that result from these distinctions, all but one of the major groups of transactions utilized in this Manual can be derived. The single exception lies in the cells for unrequited nonrepayable receipts. A further distinction is drawn within these cells, as they include tax receipts, nontax revenues, and grants from other governments or international institutions. The nature of the grant and tax relationships is sufficiently different to warrant subdivision of the cells, separating grants from taxes and other nontax revenue.

On the basis of these distinctions, all government transactions are organized into the major components making up the analytical framework of this Manual. These components are revenue,

Chart 9. Organization of Government Transactions by Nature of Flows

		RECEIPTS		PAYMENTS	
NONREPAYABLE	*Required*	*Current* Fees and charges Nonindustrial sales Property income	*Capital* Sales of capital	*Capital* Acquisition of capital	*Current* Wages and salaries Purchases of goods and services Interest
NONREPAYABLE	*Unrequited*	*Current* TAXES Fines, forfeits, licenses Current grants	*Capital* Capital transfers from nongovernmental sources Capital grants	*Capital* Capital transfers	*Current* Current transfers
REPAYABLE	*Financial assets*	Acquired for liquidity management purposes	Acquired for public policy purposes Repayment of past government lending	Acquired for public policy purposes Gross government lending	Acquired for liquidity management purposes
REPAYABLE	*Liabilities*	Borrowing		Amortization	

Chart 10. Analytical Framework for Classification of Government Operations



grants, expenditure, lending minus repayments, the deficit/surplus, and financing. Their delineation on the basis of distinctions in the nature of the flows is set out in Chart 10. The nature of each major component, its borders, and its component parts, are discussed in the sections that follow.

III.B. Revenue

Revenue includes all nonrepayable receipts, requited and unrequited, other than those noncompulsory, nonrepayable, unrequited receipts which come from other governments—domestic or foreign—and international institutions. Revenues are divided between current and capital, the latter including only receipts from the sale of capital assets and capital transfers from nongovernmental sources. Current revenue, therefore, embraces all tax revenue and current nontax revenue. Nontax revenue includes requited receipts—from property income, fees and charges, nonindustrial and incidental sales, and the cash operating surpluses of departmental enterprises—and some unrequited receipts such as fines, forfeits, and current private donations.

Taxes are defined as compulsory, unrequited, nonrepayable contributions exacted by a government for public purposes. Tax revenue encompasses also interest collected on tax arrears and penalties collected on nonpayment or late payment of taxes. Also included in taxes are any collections of fees and charges out of all proportion to the cost or distribution of government service provided to the payer. Taxes are shown net of refunds paid out during the period and net of corrective transactions; however, they are not reduced by any governmental expenditure for collection and administration of taxes. Refunds include only the return of previous incorrect tax payments, any amount in excess of a previous tax payment being classified as a government expenditure. Taxes also include the profits transferred to government from fiscal monopolies, export and import monopolies, and monopoly purchase and sale of foreign exchange, which reflect use of the government's taxing power to collect excise-like revenue through the monopoly sale of selected products or foreign exchange. This treatment differs from that in the SNA which, in principle, includes as taxes only the "operating surplus, reduced by the normal margin of profits of business units, of fiscal monopolies of government" (SNA, 7.31).

Excluded from taxes are levies, even when compulsory for their members, which are collected by nongovernmental bodies, such as churches, trade unions, or trade associations.

In the case of taxes collected by one government and paid over in whole or in part to another, attribution of the revenue to the collecting or beneficiary governments or levels of government involved should be made in the light of the guidelines discussed in Section II.G.

Revenue should be shown gross with the exception of corrective transactions and the commercial receipts of departmental enterprises within government. The operating revenue of a departmental enterprise from sales to the public should be offset against related operating expenditures and if a cash operating surplus results it should be included as a part of nontax revenue. If a cash operating deficit results for that departmental enterprise it should be included as a part of expenditure (see Section II.H). A classification of revenue is provided in Section IV.A.

III.C. Grants

Grants are unrequited, nonrepayable, noncompulsory government receipts from other governments or international institutions. The term grants is used in this Manual to refer only to such payments and receipts between governments or international institutions. Receipts of unrequited, nonrepayable, noncompulsory payments from nongovernmental sources are not included in grants but in revenue.

Grants are basically of two kinds: (1) those tied to a specific expenditure, project, or program which would not be carried out in the absence of the grant; and (2) those providing general budget support for expenditures or programs the recipient has already undertaken or would undertake in any case. Discussions as to whether grants received more closely resemble revenue or financing frequently founder on the conflicting nature of these two kinds of grants. In arriving at an overall deficit or surplus, discussed below, this Manual groups grants with revenue as transactions that reduce the deficit rather than finance it. This choice follows the approach in the SNA and the *Balance of Payments Manual* of the International Monetary Fund. In the SNA, both current and capital unrequited transfers help determine the need for financing. In the standard presentation on the balance of payments, one of the principal balances involves the balance of goods, services, and unrequited transfers (net). To maintain correspondence with SNA and balance of payments data systems in this respect, therefore, grants are grouped with revenue in this Manual. The separate identification of grants is maintained, however, so as to permit any rearrangement of grants which may be desired.

Another problem involving the analytical position of grants is encountered in the determination of the government's current account surplus or saving. Saving should be counted without current grants received if the government's own saving effort is to be measured, independent of saving coming from elsewhere. Those current grants that are tied to particular expenditure items, however, would reduce saving thus measured because their use is counted in current expenditure. A measure of government saving after inclusion of current grants is useful, moreover, for comparability and aggregation with private saving, which is defined to include receipt of current transfers since they may not be entirely devoted to consumption. To make possible pursuit of both alternatives, the government's current account surplus measured without receipts of current grants is labeled "own saving," to distinguish it from the more inclusive concept, and a separate category is provided for current grants received to permit calculation of the alternative saving concepts.

Grants for the purpose of permitting the recipient government to acquire capital assets or financial assets or compensating the recipient government for damage or destruction of capital assets are classified as capital grants.

Grants from abroad may be received in foreign exchange or in national currency from the deposits of foreign governments or international institutions. Such national currency deposits of foreign governments or international institutions may be generated by food sales or repayment of previous loans, for example, and in some cases are referred to as counterpart funds. Grants received from such deposits should be recorded when the government receives the funds withdrawn from such deposits and not when the deposits are generated.

Grants are distinguished from loans by the absence of an obligation to repay. Excused loans, counted as grants in the SNA, are not counted as grants by this Manual.

Grants from other governments within the country would be eliminated in any consolidation that includes the donor and recipient governments and in any consolidation of national government or general government. Grants from supranational authorities are eliminated in consolidation of data for general government though not for national government. Grants from abroad, other than from supranational authorities, are not eliminated in consolidation.

Grants of goods and services received by a government in kind are not included in cash-based government finance statistics but, for purposes of analysis, are shown as memorandum items to the table on revenue and grants in Section IV.A (A.28).

III.D. Expenditure

Expenditure includes all nonrepayable payments by government, whether requited or unrequited, and whether for current or capital purposes. Unlike the treatment in receipts, payments of grants or transfers to other governments are included within expenditure rather than forming a separate category outside it. While analysts may sometimes wish to group grants received with financing rather than with revenue, no parallel question arises requiring a separate category for grants paid.

Several of the economic distinctions within expenditure are of special significance to various measures of government and the economy. Thus only requited expenditures are counted in the SNA measurement of government consumption, capital formation, and product. The distinction between current and capital expenditures determines the measure of government saving, and in consequence saving in the economy as a whole.

Expenditure is shown gross with one principal exception: the operating expenditure related to each departmental enterprise's sales to the public is netted against its operating revenue from sales to the public, with any resulting cash operating deficit shown in expenditure and any cash operating surplus, in revenue (see Section II.H).

Expenditure is shown net of recoveries on past expenditure, and net of corrective transactions. Refunds of previously paid taxes are not included in expenditure but are treated as an offset to tax revenue. Any payments to taxpayers in excess of previous tax payments, however, whether referred to as tax refunds, tax credits, or by any other term, are classified as government expenditure.

Government purchase of capital assets for use by nonfinancial public enterprises, which are outside government, is not shown as a government capital expenditure but is classified as a government purchase of equities. The capital expenditure is deemed to have been made by the nonfinancial public enterprise with the proceeds of increased equity received from government and the capital formation is considered to take place in the enterprise sector rather than in the government sector. The purchase of equities is classified as a part of lending minus repayments rather than as government expenditure.

Credit-financed purchases under a fixed-term contractual obligation are shown as an expenditure and a simultaneous borrowing transaction (see Section II.A.6).

Government expenditure is distinguished from government lending by absence of an obligation to repay. When an obligation to repay government lending is excused, it is shown as a government expenditure, or transfer, in the SNA but is not counted as an expenditure by this Manual.

Expenditure may be classified by both its economic characteristics—for example, requited vs. unrequited, current vs. capital—and by the purpose or function served. Both systems of classification are described in Section IV.B.

III.E. Lending Minus Repayments

Lending minus repayments comprises government transactions in claims upon others acquired for purposes of public policy rather than for management of government liquidity or earning a return. It covers both debt and equities and both payments and receipts. It thus consists of government lending for public policy purposes less subsequent repayment to government, and government acquisition of equity participation for public policy purposes less any subsequent sale of such equities by government. Government transactions in the liabilities of others acquired for liquidity purposes—as by sinking funds, by some social security schemes, and at times by state and local governments—are classified with financing rather than with lending minus repayments. Proceeds from repayment of government lending or sale of government-held equities are distinguished from any property income derived from such financial assets, that is, interest or dividends, which are classified as nontax revenue.

Government lending activities include only lending by units that receive all of their funds from government and are not authorized to raise funds elsewhere. Lending by other units is classified in the financial institutions sector (Sections I.J and II.J).

In the determination of the government's deficit, this Manual groups lending minus repayments with expenditure as determining the deficit. This differs from treatment in the SNA which groups in financing all transactions affecting claims. Because the government is sovereign, however, actuated by motives of public policy rather than profit or liquidity management, there is an asymmetry between a government's asset position and the liability position of a borrowing government. Lending is undertaken not to acquire a profitable financial asset but to pursue such policy objectives as provision of housing, reconstruction of war damage, or the carrying out of other development projects for which private capital may not be available.

This asymmetry in the nature of government lending and borrowing requires asymmetric treatment of a government's lending and borrowing, classifying lending, with expenditure, as determining the deficit, and borrowing as financing the deficit. As a result, the two sides of a single intergovernmental lending transaction would be treated asymmetrically: as lending, determining the deficit, in statistics for the lending government, and as borrowing, financing the deficit, in statistics for the borrowing government.

While the central government is generally considered to have no domestic liquidity problem, given its access to the central bank, other levels of government may have liquidity problems and may acquire financial assets for liquidity management purposes. It is necessary to distinguish in their holdings of financial assets, therefore, whether claims are acquired for public policy purposes and should be classified with lending minus repayments, or are acquired for liquidity management purposes and should be shown under financing. In this determination, several criteria may be examined. (1) Transactions in nonnegotiable financial assets should usually be classified as lending. (2) A government statement as to the objective of its acquisition of negotiable financial assets should usually be taken as decisive. (3) In the absence of other indications, a government's transactions in negotiable financial assets should usually be classified as lending minus repayments if they involve securities issued by lower levels of government, and as a part of financing if they involve securities issued by a higher level of government or the same level of government.

Also included in lending are any government payments, as guarantor or surety, of interest and amortization on the defaulted debts of others, which give rise to equivalent government claims against the defaulting debtor. Government receipts constituting recoveries on such claims against defaulting debtors are classified as repayments of government lending.

When government payment to third parties of interest or amortization on the debt of others generates no corresponding government claim against the debtor it is classified as a transfer. Government payment of interest or amortization on a debt the government has assumed without recourse to or claim upon the original debtor is classified as government payment of interest or amortization, respectively.

Lending minus repayments, it should be noted, differs from the net lending concept utilized in SNA, which approximates more closely gross government lending, minus repayments of past government lending, minus net government borrowing.

III.F. Financing

Total financing by definition is equal in amount to the deficit or surplus. It thus represents the changes in a government's obligations for future repayment and in its liquidity holdings, necessary to cover the difference between its payments for expenditure and lending and its receipts from revenue, grants, and loan repayments.

Financing covers transactions involving government liabilities, government acquisition of claims on others for liquidity management purposes, and repayment or sale of such claims. It includes also the net change in government holdings of currency and deposits resulting from government transactions during the period but not from valuation changes. Total financing is equal to government borrowing, less government amortization, less government acquisition of claims on others for liquidity purposes net of sales or repayments of such claims, plus the net decline in government cash balances between the beginning and end of the period resulting from transactions but not from valuation changes. By convention, surpluses carry a positive sign and deficits a negative sign and are covered by financing equal in amount but carrying the opposite sign.

Financing includes amortization, that is, repayment of the principal of government obligations, but not interest, payment for use of the funds, which is included in government expenditure.

Financing embraces government borrowing and amortization vis-à-vis all other sectors, domestic and foreign. Important effects may be determined, however, by which sector the government draws upon for its borrowing operations. This may significantly affect demand, depending upon the means of financing utilized and whether it absorbs funds that would otherwise be employed by other parts of the economy to claim and utilize resources. How contractionary or expansionary the means of financing plus expenditure may prove will depend on the combination of institutional features, habits of spending, saving, and money-holding, and monetary policies. No grouping or classification of the means of financing can hope to represent similar effects in all circumstances, therefore; it can serve only to organize generally similar financing elements with which a wider analysis of financial developments can deal. Borrowing from all sources is therefore included under financing in the analytical framework utilized in this Manual, and the classification of financing by both type of debt holder and type of debt instrument is provided in Section IV.C. Utilization of such classifications in alternative deficit/surplus concepts is discussed in Section III.G.

Classification of financing must take into consideration also flows reaching government through activities classified outside government. Thus, government currency issues and demand, time, and savings deposit liabilities accepted by government are considered to be functions of financial institutions and are classified outside government in the financial institutions sector. Government financing would include any repayable funds derived from these sources, however, and they would be classified as government borrowing from the financial institutions sector.

Also included in financing is any central bank transfer to government of amounts representing unrealized profits or losses on revaluation of foreign exchange or gold. Though transfer of such unrealized profits to government may represent no increase in government liabilities, it is equivalent in economic effect to credit from the central bank—in reducing no demands for resources and bringing in no additional resources from abroad —and is classified in that category for purposes of analysis. Transfers to government of realized profits on central bank purchase and sale of foreign exchange or gold are classified as revenue.

III.G. Deficit/Surplus

An important element in the organization of government transactions is the choice of those receipts and payments which are to be counted in determining the government's deficit or surplus. In any system of cash accounting, total receipts plus any decrease in cash holdings must equal total payments plus any increase in cash holdings. In this sense receipts plus cash decreases and payments plus cash accumulations are equal, and there can be no surplus or deficit. Transactions differ in many significant respects, however, and by selecting only certain kinds of transactions as deficit-determining transactions and other kinds as deficit-financing transactions one may derive a meaningful measure of the balance of government operations with respect to some analytical criterion. Each alternative measure serves a different analytical purpose and no single concept can be adequate for all. While a single concept provides the organizing principle for calculation of a deficit/surplus in this Manual, therefore, the basic building blocks are provided which make possible the derivation of other deficit/surplus concepts as well.

The deficit/surplus concept utilized in this Manual arranges the payment and receipt elements as follows:

Deficit/Surplus = Borrowing − Amortization + Net decrease in liquidity holdings
Deficit/Surplus = Expenditure on goods and services and transfers
+ Lending minus repayments − Revenue − Grants
Deficit/Surplus = Financing
- Net borrowing
  - Abroad
  - Domestic
    - Nonbank (including nonmonetary financial institutions)
    - Deposit money banks
    - Central bank
- Change in holdings of currency and deposits
- Change in claims on others acquired for liquidity management purposes.

A government deficit thus represents the portion of expenditure and lending which exceeds receipts from revenue, grants, and loan repayments and which the government covers by undertaking obligations for future repayment and/or running down its liquidity holdings. A government surplus represents the excess of revenue, grants, and loan repayment receipts over expenditure and lending, which the government allocates to reducing its obligations for future repayment and/or building up its liquidity holdings. Total financing is equal in amount to the deficit/surplus but carries the opposite sign.

This deficit/surplus concept thus measures whether the government meets the costs of expenditure and lending activities undertaken for public policy purposes with receipts from revenue, grants, and loan repayments, without increasing its obligations for future repayment or running down its liquidity holdings. The concept has additional merit in its comprehensive presentation of the government's overall financial position and of its impact, in most circumstances, upon monetary conditions, domestic demand, and the balance of payments.

Alternative Deficit/Surplus Concepts

Alternative deficit/surplus concepts, constructed from the building blocks provided in this Manual, may be applied in particular circumstances to measure significant aspects of government impact on the economy. Thus, when the government falls behind in its payments for overdue bills, the increase in floating debt is sometimes added to government expenditures and to the deficit, to reflect also government operations financed by the funds, or borrowings, of government suppliers.

Other deficit concepts deal primarily with the components of government financing. One deficit concept, focusing on the government's expansionary impact on domestic demand and the balance of payments, includes only the government's domestic financing, excluding financing abroad because it can provide resources from abroad to meet domestic demand in the current period regardless of the obligation for future repayment.

Another deficit concept, particularly relevant where the nonbank private sector has little involvement in the capital market and can lend to government only by reducing its own investment or consumption, excludes also the government's domestic nonbank borrowing. It defines the deficit to include only government borrowing from the banking system and the drawing down of the government's domestic cash balances. This concept, sometimes referred to as the liquidity balance, can be adjusted to measure government impact on the money supply by adding government profits received from the central bank, less government interest payments to the banking system, plus any government sale of foreign exchange to the banking system (reflecting the excess of government receipts from abroad, including the drawing down of foreign assets, over government expenditure abroad). To measure government impact only on "high-powered" or reserve money, which provides the base for monetary expansion, government impact on the money supply is adjusted to exclude government financing from deposit money banks.[2]

In some cases, where highly integrated financial markets exist, one may wish to add government lending minus repayments, including equity sales, to government financing to measure the overall effects of government operations upon financial asset and liability positions in the rest of the economy.

Alternative definitions of the government deficit/surplus, measuring significant aspects of government impact in particular circumstances, may not have consistent meaning in different institutional settings and under different monetary conditions, however. Where no market for government debt has been developed, domestic financing may contain few alternatives to borrowing from the central bank. Where a highly developed market for government debt exists, changes in holdings of government debt by the central bank or deposit money banks may reflect financial influences other than government financing which may shift government debt between holders. Deficit concepts encompassing only some parts of government financing are not likely to represent the same effects in these varied circumstances. A comprehensive deficit/surplus concept, embracing all government financing, both domestic and foreign, presents a better starting point for measuring government impact on the economy, from which one can go on to an examination of the components of government financing and their significance in particular circumstances.

While varying circumstances limit any attempt to measure with greater uniformity or precision the government's financial impact upon the rest of the economy, these do not detract from the use of alternative measures of the financial position of the government itself. The overall deficit/surplus concept used in this Manual offers a measure of how much net borrowing and use of cash the government requires in addition to its revenue, grants, and loan repayments in order to carry out the objectives it has decided to pursue through expenditure and lending.

This measure can easily be supplemented to suit other purposes. Amortization may be grouped with expenditure and lending minus repayments in order to measure how much gross borrowing and cash rundown the government has to undertake in addition to its revenue, grants, and loan repayments in order to pay off maturing debt as well as carry out the objectives it has decided to pursue through expenditure and lending.

Alternatively, lending minus repayments may be grouped with financing to measure the changes in the government's net financial position resulting from operations during the period—financial assets minus liabilities. Judgments may vary as to the meaning of changes in the government's net financial position, its effect upon government behavior and the rest of the economy, and

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[2]Raja J. Chelliah, "Significance of Alternative Concepts of Budget Deficit," *Staff Papers*, International Monetary Fund, Vol. 20 (November 1973), pp. 741–84.

whether it should include variations in the value of government financial assets, including both debt and equities.

The measurement of change in the government's net financial position —financial assets minus liabilities—brought about by operations during the period is sometimes extended to embrace nonfinancial capital assets as well. This groups with financing and lending minus repayments, government acquisition minus sales of capital assets—fixed capital, stocks, land, and intangible assets—to yield a measure which, with adjustment for depreciation, represents the change brought about during the period in government net worth. The net worth of government is not a measure with clear policy or economic implications, however, and adjustment for revaluation of government capital assets raises significant measurement problems.[3] A measure of change in net worth resulting from operations during the period, and excluding valuation changes, however, differs only by the net receipt of capital transfers from the conventional concept of saving, which equals the excess of current revenue and grants over current expenditure, available for the net acquisition of capital goods and financial assets, the net discharge of liabilities, and net capital transfers. This saving concept, along with the concept of own saving, is discussed in Sections III.C and III.H.

Another concept of budget balance may sometimes be utilized when a government has large receipts from abroad unmatched by its payments abroad. When rising external receipts confront domestic and import bottlenecks, for example, separate domestic and external government budgets may be calculated. The domestic budget deficit or surplus is then utilized to measure the government impact on aggregate domestic demand and on the domestic money supply. Assigned to the government's external budget would be government transactions carried out with nonresidents, as defined in Section III.J, and consequently entering directly into the balance of payments, whether involving revenue, grants, expenditure, lending, borrowing, or changes in government balances abroad. The remaining government transactions, carried out with residents, would be assigned to the government's domestic budget. Data problems and conceptual questions may be encountered in attributing transactions to the domestic or external budgets, as in delineating the government's export-related revenues as coming from residents' export earnings or from abroad. Double counting is avoided, however, so long as consistent criteria are followed in allocating between the government and other sources the external stimulus to the domestic economy. Like the overall budget balance, the domestic budget balance is at times expressed as a domestic liquidity balance, subtracting from the government's domestic budget balance its nonbank borrowing from residents.[4] Calculation of separate domestic and external government budget balances where circumstances warrant is facilitated by the Manual's distinction between government transactions with residents and nonresidents in categories for grants received, transfers paid, interest paid, lending, borrowing, and debt, and in memorandum items for revenues from abroad and other expenditures abroad.

A government's external deficit/surplus would thus be calculated as follows from the tables in this Manual:

A.23	Revenue from abroad
+ A.17	Grants from abroad
− C.2.3	Interest payments abroad
− C.3.5	Current transfers abroad
− C.7.2	Capital transfers abroad
− C.9	Lending minus repayments abroad
− C.10	Other expenditure abroad
=	External deficit/surplus
= D.III	
or E.III	Financing abroad.

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[3]United Nations, Department of Economic and Social Affairs, Statistical Office, *Provisional International Guidelines on the National and Sectoral Balance Sheet and Reconciliation Accounts of the System of National Accounts*, Statistical Papers, Series M No. 60 (New York, 1977).

[4]Sheetal K. Chand, "The Domestic Budget Balance as a Tool of Fiscal Analysis" (unpublished, International Monetary Fund, 1978), and David R. Morgan, "Fiscal Policy in Oil Exporting Countries, 1972–78," International Monetary Fund, *Staff Papers*, Vol. 26 (March 1979), pp. 55–86.

III.H. Own Saving

Government's own saving is measured by the excess of current revenue over current expenditure. By disbursing only part of its current revenue for current purposes the government saves the rest for other purposes. An open question, discussed under Section III.C above, is whether current grants received should be included with current income in calculation of saving and the current account surplus. Private saving is, in the SNA, measured with current transfers included in current income, and a similar measure of government saving would permit comparability and aggregation. Greater interest appears to focus on a government's own saving, however, without inclusion of current grants received, particularly when such grants are from abroad. It is useful to maintain both saving concepts, therefore. Own saving—so labeled to distinguish it from the SNA saving concept—is measured without the receipt of current grants; saving is measured with the receipt of current grants, and building blocks are provided for calculation of both concepts. The absence of consumption of fixed capital—not a cash transaction—from cash basis statistics for current expenditure must be kept in mind, however, as regards comparability with concepts of net saving, which deduct consumption of fixed capital.

Two other concepts utilizing the current versus capital distinction are also widely used. Gross fixed capital formation measures the government's acquisition minus sale of fixed capital assets—durable goods above a minimum value usable in the production process for more than a one-year period. Gross capital formation measures gross fixed capital formation plus the change in stocks, defined in the case of government stocks as strategic and emergency stocks, stocks purchased by market regulatory organizations within government, that is, unincorporated organizations without large-scale sales to the public, and stocks of grains and other commodities of special importance to the nation. Government stocks do not include ordinary stores or inventories awaiting use within government. Both gross capital formation and gross fixed capital formation become net with the subtraction of consumption of fixed capital. Neither capital formation nor fixed capital formation includes the acquisition or sale of land and intangible assets.

Use of these concepts for government is not without controversy. Criticism of the concepts of saving, gross capital formation, and gross fixed capital formation centers on (1) the contribution to the process of growth made by expenditure on items other than physical assets; (2) uneven application of the durable production goods criteria to classification as capital expenditure; (3) unwarranted assumptions that higher priority should of necessity attach to capital expenditure than to current expenditure; and (4) possible diversion of attention from the overall deficit/surplus, which constitutes the best comprehensive presentation of the government's overall financial position and of its impact, in most circumstances, upon monetary conditions, domestic demand, and the balance of payments. In providing for the compilation of these categories where data are available, it is necessary to keep in mind (1) that the capital concept represents additions to durable production goods rather than growth; (2) that its measurement can have little validity if the classification criteria are not properly applied; (3) that no assumption that one category of expenditure involves a higher priority than another is warranted on the basis of these criteria alone; and (4) that saving is not meant to displace the overall deficit/surplus as the prime measure of the government's overall financial position and its impact on monetary conditions, domestic demand, and the balance of payments. The detailed classification of expenditure in Section IV.B.2 and the saving and capital concepts employed elsewhere in this Manual are presented with this in mind.

III.I. Debt

Government debt presents a different kind of measure of government operations. Unlike the transactions examined in the rest of this chapter, government debt is not a flow crossing the line that separates government from the rest of the economy and the world. Government debt is a stock. It is a stock of liabilities with different time dimensions accumulated by government operations in the past and scheduled to be extinguished by government operations in the future. The stock of outstanding debt also represents, however, a kind of interface between government and the rest of the economy and the world. While little may happen on the government's side of the interface so long as the debt is outstanding, a great deal of activity may take place on the creditors' side. Like money, government debt may become a prime component in the economy's asset structure and a vehicle for important shifts in financial conditions unrelated to government borrowing. The types of government debt generated and outstanding can play distinctly different roles in the economy, depending on their liquidity, maturity, type of holder, marketability, and eligibility for application to particular legal uses, such as meeting bank reserve requirements. In the recording of secondary market transactions in government debt, however, the province of government finance statistics shades off into that of financial market statistics. Though it is a close concern of government debt managers, the flow of secondary market transactions in government securities cannot be reported primarily from government data sources and is not taken up in this Manual.

The stock of outstanding government debt is nonetheless of concern to government policy and management in several measurable ways. (1) The schedule of maturing debt indicates when domestic or foreign funds will be needed for its repayment. (2) Because the stock of outstanding debt is not homogeneous, plans for sale of additional debt will require additional information: on whether the existing debt is negotiable or nonnegotiable, in bearer form or registered, placed by compulsion or voluntarily, sold by auction or by subscription, with interest payable by coupon or through discount, indexed or unindexed, redeemable at maturity only or at penalty before maturity, and finally, on what interest it carries and by whom the debt is held. (3) Plans for servicing outstanding debt through interest payment must also be based on the size and coupon rate of issues being serviced. Only some of these features are represented in the tables for the detailed statistical classification of debt in Section IV.D, namely, whether domestically or foreign held, and the maturity structure, type of debt instrument, and type of debt holder.

Debt statistics should correspond in coverage to the government being studied, that is, central government, general government, etc. Like revenue and expenditure, debt should be shown on a consolidated basis, eliminating from the totals for a single government any debt owed by one part of the government to another, eliminating from the totals for a level of government any debt owed by one government to another government at the same level, and eliminating from the totals for general government any debt owed by one part of general government to another. Intragovernmental debt, owed by one part of the central government to a social security fund operating at the central government level, for example, would be shown as a memorandum item but not counted in the total of central government debt to the rest of the economy and world. When a sinking fund operates in government to systematically retire the government's debt, its holdings too would be considered intragovernmental and would not be included in the total of debt to the rest of the economy and world.

Only the recognized direct financial obligations of the government which are serviced through interest payments and/or redemption should be included in debt. Government guarantees of the debts of others should be excluded, along with any other contingent liabilities, unless and until the government is called upon to take over and service that debt. The contingent or actuarial liabilities of government insurance schemes or social security systems are also excluded from the totals of recognized, fixed-term direct government debt. The monetary authorities' obligations—for currency issues, for example—are excluded from government debt, as monetary authorities' functions are considered to be not a part of government but of the financial institutions sector. The floating debt of unpaid government obligations is also excluded from government debt figures unless recognized and converted into fixed-term contractual obligations. Floating debt statistics may usefully supplement government debt data, however, and are covered by memorandum items in expenditure, financing, and debt tables (C.17, D.14, and F.13), and by a suggested treatment of greater detail discussed in Section II.B.

For a number of reasons, changes in the stock of outstanding debt during a period need not correspond to the flow of net borrowing shown as part of government financing. Outstanding debt is counted regardless of the kind of flow by which it arose. It thus includes noncash debt issuance which is excluded from cash financing. Outstanding debt may encompass government debts resulting from assumption of the debts of others for policy purposes or because of previous guarantees, the noncash issue of debt to be held as the capitalization of an enterprise, or debt bestowed upon an institution which is to benefit from future interest and/or amortization payments. A memorandum item for noncash debt issuance is contained in the financing table (D.12). Similarly, the flow out from outstanding debt may occur not only by cash redemption but by repudiation, rescheduling, cancellation by creditors, or assumption by some other government.

The basis for measurement of outstanding debt should be the amount that will have to be repaid by government and not the amount of money received when the debt arose. The amount to be repaid may differ from the actual amount of government borrowing receipts by discounts or premia. In the case of debt due in foreign currency, revaluation may sometimes be necessary to portray in national currency the amount owed at altered exchange rates. Similarly, adjustments may be necessary for indexed debt. Memorandum items taking into account such factors are presented in Table G as a means of reconciling debt and financing statistics.

III.J. Transactions Abroad

An important distinction in various measurements of government is between transactions within the country and abroad, that is, between government and residents and government and nonresidents. This distinction can be important from an economic point of view. Direct government payment flows tc and from abroad can have different effects than domestic flows on income, employment, demand, prices, monetary conditions, and the balance of payments. The differences may be in both primary effects, on who makes or receives the payment, and in secondary effects, on how their economic behavior toward others is altered as regards spending, saving, consumption, investment, importing, the holding of financial assets, and the incurring of liabilities.

Because of these significant differences, the distinction between government transactions with residents and nonresidents is drawn in most categories of government operation, in grants received and transfers given, in lending, borrowing, and debt. In addition, memorandum items are provided for revenues from abroad and other expenditures abroad, facilitating the calculation of separate deficits or surpluses for government operations domestically and abroad in those countries where circumstances warrant (see Section III.G).

In all categories of government operation, domestic transactions are meant to cover transactions with residents and transactions abroad transactions with nonresidents, in accordance with the definition of resident and nonresident persons, enterprises, and institutions stated below.[5]

The residents of an economy comprise the general government (excluding supranational authorities), individuals, private nonprofit bodies serving individuals, and enterprises, all defined in terms of their relationship to the territory of that economy. Included with the territory of an economy are its territorial seas and those international waters beyond its territorial waters over which the economy has or claims to have exclusive jurisdiction.

The general government agencies that are residents of an economy include all departments, establishments, and bodies of its central, state, and local governments located in its territory and the embassies, consulates, military establishments, and other entities of its general government (excluding supranational authorities) located elsewhere.

The concept of residence adopted for individuals is designed to encompass all persons who may be expected to consume goods and services, participate in production, or engage in other economic activities in the territory of an economy on other than a temporary basis. These are the persons whose general center of interest is considered to rest in the given economy. In particular, the resident individuals of an economy are considered to comprise all persons living within the territory of the given economy except seasonal workers, crew members stopping off or laying over who do not live there, official diplomatic, consular, military, and other government personnel of a foreign economy, and their dependents, stationed in the given economy, and visitors, commercial travelers, and employees of foreign governments, international bodies, or nonresident enterprises who have come to the economy for less than one year.

All private nonprofit bodies classified as servicing individuals are resident economic entities of the economy in whose territory the bodies are located or conduct their affairs.

Resident enterprises are the actual or notional units that engage in (1) production of goods and services on the territory of a given economy, (2) transactions in land located within the territory of that economy, or (3) transactions in leases, rights, concessions, patents, copyrights, and similar nonfinancial intangible assets issued by the government of that economy.

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[5]Based on International Monetary Fund, *Balance of Payments Manual*, Fourth Edition (Washington, 1977).

International bodies that do not qualify as enterprises, comprising most political, administrative, economic, social, or financial institutions in which the members are governments, are not considered residents of any national economy, including that in which they are located or conduct their affairs.

The relationship between government finance statistics and balance of payments statistics is discussed in Section V.B.

III.K. Summary Table of Major Components

The major components of government operations outlined in this chapter, distinguished by the nature of their flows, may be assembled in an analytical summary table as follows.

Summary Table of Government Operations

1	Total revenue and grants (A.I)
2	Total revenue (A.II)
3	Current revenue (A.III)
3.1	Tax revenue (A.IV)
3.2	Nontax revenue (A.V)
4	Capital revenue (A.VI)
5	Grants (A.VII)
5.1	Current (A.17.1 + A.18.1 + A.19.1 + A.20.1)
5.2	Capital (A.17.2 + A.18.2 + A.19.2 + A.20.2)
6	Total expenditure and lending minus repayments (C.I)
7	Total expenditure (C.II)
8	Current expenditure (C.III)
9	Capital expenditure (C.IV)
10	Total lending minus repayments (C.V)
11	Current account surplus without receipt of grants (own saving) (3 − 8)
12	Current account surplus with receipt of current grants (saving) (3 + 5.1 − 8)
13	Gross fixed capital formation (C.4 − A.13)
14	Gross capital formation (C.4 + C.5 − A.13 − A.14)
15	Overall deficit/surplus (1 − 6)
16	Total financing (D.I or E.I) (= −15)
17	Abroad (D.III or E.III)
18	Domestic (D.II or E.II)
18.1	Nonbank (D.1 + D.4 + D.5)
18.2	Deposit money banks (D.3)
18.3	Monetary authorities (D.2)
	Memorandum items:
19	Total government debt outstanding at end of period (F.I or G.I)
20	Change in floating debt (D.14)
21	Domestic amortization
22	Amortization abroad

Parenthetical references identify corresponding items in the detailed classification tables of Chapter IV, as in A.III for Current Revenue referring to line III in Table A, or a line's relationship to other lines in the Summary Table.

Classification of the flows within each major component of government operation into relatively homogeneous categories, or building blocks, appropriate for measurement of the government's impact on the economy is discussed in Chapter IV.