

treatment of government in the GNP. All that we are regularly shown is total government purchases of goods and services. It is often assumed that this is all for direct consumption purposes, whereas actually under purchases of goods and services there is investment as well as the purchases of other goods. This in a sense is the double accounting procedure that has been suggested for governmental expenditures. It hasn't been carried over into the national product accounts.

Representative CURTIS. I know I have been arguing for years to get a Federal capital budget which would to some degree do that. Now our Subcommittee on Economic Statistics has been moving into this area of studying physical wealth in society, and we have had some development of it, which is to me a most important thing.

To me the interesting thing, though, even when you get into the studies of government wealth, the Government Operations Committee indicates that of this big budget—\$200 billion—there isn't a very sizable portion that actually goes into physical wealth. Public works, of course, obviously is an item, but I remember roughly computing, and I don't think it is as high as 10 percent.

Mr. GAINSBROUGH. As you know, much depends upon the concept and definition that you are going to carry over to the balance sheet.

Representative CURTIS. That is true.

Mr. GAINSBROUGH. In the case of defense, you could, and I believe John Kendrick, who is assembling these data, will regard investment in ships and planes as part of the capital formation process.

Representative CURTIS. This is a real question, though, isn't it?

Mr. GAINSBROUGH. Well, when you need those assets, they are highly valuable.

Representative CURTIS. I would put them on the books at \$1, but it is true that if you were confronted with replacing a system—

Mr. GAINSBROUGH. That is right.

Representative CURTIS. To defend wealth, then, of course, it has the aspects of this, but what is the DEW line worth? It cost a couple billion dollars, and it is obsolescent, but that is the nature of military capital. You hope it is obsolete, that your research and development has made it obsolete by the time you have got it almost.

Mr. GAINSBROUGH. There are problems involved in the balance sheet as there are problems in the operating statement, but I think one of the points I would underscore in connection with your observation is you want some degree of consistency in definition to be carried over from the operating statement to your balance sheet. And this consistency I think then would suggest that in much the same way that we treat a dollar of expenditure in the GNP as being equivalent to a dollar of expenditure in the private sector—in other words, there is no discounting of the dollar as it relates to a governmental expenditure, in the belief that a dollar spent for employment in the governmental sector is just as productive as in the private sector. So one could very well contend that a dollar spent for a capital item, irrespective of whether it is military or civilian, ought to have the same treatment in the balance sheet as in the operating statement.

Representative CURTIS. In the expenditure but not in the rest, which is increased wealth. Incidentally, this committee has for years followed