

We conclude that the present administrative budget should be developed and refined into a well-devised comprehensive cash budget.

Comprehensive Cash Budget

The focal points in measuring the impact of government fiscal operations are the total of cash receipts from the public, the total of cash payments to the public and the resultant effect on the public debt.

So-called trust funds and public enterprise transactions on a gross receipts and gross disbursements basis are an integral part of the whole picture. In recent years trust fund receipts have grown proportionately faster than budget receipts. They should not be omitted from any comprehensive presentation of the government's fiscal program.

Important categories within such a cash budget should be clearly shown by columnar form or appropriate groupings, such as the amounts of trust fund income and trust fund outgo, loans and self-liquidating investments repayable in dollars, and public enterprise receipts and disbursements. The amount of the net trust fund accumulations or withdrawals should be clearly segregated from the surplus or deficit.

A comprehensive cash budget, carefully evolved and tested, should ultimately replace the present administrative budget.

Capital Budget

This Committee firmly opposes adoption of the capital budget.

The capital budget concept disguises rather than discloses the total impact of government expenditures. It proposes two budgets, one for current operating expenditures, and one for capital expenditures. The criteria for definition of capital items would be debatable at best and many marginal proposals would be lodged under the capital umbrella. These dual budgets would merely delay recording expenses currently incurred. The federal government—unlike private business—has no proper reason to capitalize expenditures.

We agree with the conclusion of a 1960 committee of certified public accountants which advised the Budget Bureau that the capital budget concept is not appropriate for the United States Government and that it would likely lead to unsound financing practices. In particular, the Committee was impressed by that group's comment that:

"... the impact of revenues and all expenditures is inseparable so far as the financial management of the Government is concerned and ... matching receipts and disbursements (cash flow) is most meaningful from the standpoint of the Federal Government."

Other Approaches

Recent discussions of federal fiscal policy have referred to the national income and product accounts and the full employment budget—two additional approaches in viewing the economic impact of federal government operations.

A statistical compilation based on the federal sector of national income and product accounts is not satisfactory as a primary budget document, though it may have worthwhile uses. It is misleading to refer to such a compilation as a budget because it is incomplete and it is based on statistical estimation of many components rather than on accepted accounting support as in the administrative or cash budgets. While interesting or helpful in measuring the impact of federal spending and taxing on national income and output, the national income accounts compilation should never be confused with the budget.

The so-called full employment budget is not a budgetary statement in the manner of the conventional or cash budget. The term designates a hypothetical computation of factors required to achieve a certain economic objective.

III. RECOMMENDED MODIFICATIONS IN BUDGET PRESENTATION

The Committee recommends the following modifications in existing presentation in order to achieve greater public understanding of the government's budget proposals:

1. As stated previously, a comprehensive cash budget, carefully evolved and tested, should ultimately replace the present administrative budget. Major emphasis in budget presentation should then be focused on this method of estimating receipts, expenditures, and surplus or deficit for a given year. The three alternatives used in the 1963 budget document and the *Budget in Brief* were very confusing.