

Funds for veterans' benefits are only 3.1% higher than 1967—why is 12% more needed for health and welfare benefit programs, especially when employment and wages are so high?

Interest costs are up 5.2% from 1967; why can't you defer some spending so as to cut the \$8.1 billion deficit, prevent a rise of \$7 billion in the public debt and leave less of it to pay interest on in 1968?

In both his State of the Union and Budget Messages, the President stressed that he welcomed a searching examination by Congress of his budget program. Congress in turn needs, and always welcomes, the views of constituents.

In the interest of aiding Congress to do its job effectively, members of the business and industrial community and civic leaders should acquaint themselves with the President's budget enough to make known to Congress their general views on current federal fiscal policy and their relative preference for either the proposed tax increase or sufficient spending reduction to obviate any call for tax increases. In the absence of a national equivalent to local referenda on spending and taxing issues, communications to Congress become the only practical way of registering pertinent taxpayer opinion.

"Backdoor financing"

When authority to spend is given through the "backdoor" of permission to make contracts or to spend debt receipts, the regular appropriation process is circumvented and the control that Congress can exert on spending, by way of that process, is by-passed.

These two methods of financing government expenditures have been held in relative control since the early sixties, but the immediate trend seems to be opening up that door again:

Backdoor authority in billions (excludes permanent authorizations)

1964	\$0.7
1965	1.8
1966	1.9
1967 original estimate	— .2
1967 current estimate	2.7
1968 estimate	.3

The rising trend since 1964, and the jump of \$3 billion from the original to the present estimate for 1967, suggest that the minimal estimate now being made for 1968 may well be revised upward by next year.

Increased use of these doors is a tendency to be fought again, as it was in the late fifties, by the Congress itself as well as by thoughtful appraisers of federal budgetary practices. This "backdoor" should not be opened wider, but closed.

There is a side door to which very large resort has recently been given, especially since passage of the Participation Sales Act of 1966. This side door is using the proceeds from sale of federal loans and mortgages for *direct* financing of public enterprise activities, bypassing the regular budget. This artificially reduces the expenditures presented in the budget accounts and accordingly lowers the administrative budget's deficit. This sale-of-assets technique is, in effect, a form of borrowing to finance federal programs. As such, it qualifies as another form of backdoor authority and spending. Here is the record of the increased use of such proceeds:

Receipts from sales of credit assets

	Total sales	Participations in pooled assets
1964	1,077	(1) 750
1965	1,564	750
1966	2,961	2,601
1967 original estimate	4,739	4,205
1967 current estimate	3,922	3,580
1968 estimate	5,275	5,000

¹ Not separable. At this time only the Export-Import Bank had authority to sell participations in pooled loans. The Banks total loan sales in 1964 were \$436,000,000.