

Like the present consolidated cash budget, the new concept is comprehensive. It includes the activities of the trust accounts (which are left out of the administrative budget) as well as Federal credit programs (which are left out of the national income accounts budget). The Commission recommends, however, giving great prominence within the new budget concept to figures on Federal credit programs that show a breakdown into those parts that are actually loans versus those which represent Government subsidy—and are, therefore, no different from other Government payments into the income stream. Interest subsidies would be explicitly recognized and an allowance would be made for losses.

The excess of expenditures excluding loans over receipts would be referred to as the expenditure account deficit. This deficit would be particularly useful for analysis of the economic impact of the budget. The expenditure account deficit, plus net lending, equals the budget deficit. The Commission feels strongly that this is the only sense in which the full term “budget deficit or surplus” should be used. “The budget” should reflect net lending as well as other expenditures.

The Commission also recommends that budget accounting be placed as completely as possible on an accrual rather than a cash basis. In that way, Government accounting will tie in much more directly with business accounting and will reflect more accurately the timing and the economic effects of Federal programs—both on the tax and the expenditure sides. This will take a while to put into effect, since Defense Department accounting is still not on an accrual basis. Reporting receipts on an accrual basis also poses some thorny estimating problems but the Commission believes that by the January 1970 budget presentation this transition can be completed.

The Commission also asks that much more prominence be given in the President's budget message to the means of financing the budget deficit—whether through borrowing (and what kind of borrowing), changes in cash balances, accounts receivable, accounts payable, et cetera.

Full adoption of the unified budget system which the Commission is unanimously recommending would represent a milestone in eliminating present *competing* versions of the budget and substituting for them an integrated *complementary* system. This includes reporting by the Congress on appropriations actions consistent with the President's budget figures. It also involves the development of more readily understood concepts of Federal borrowing from the public which would be consistent with the recommended concept of the budget deficit or surplus. It would therefore include Federal agency security issues as well as the public debt itself.

Sales of participation certificates in pools of loans would be considered a means of financing—like Treasury bonds—rather than being an effect to expenditures (and a reduction of the deficit) as is done under present practice.

The Commission's recommendations in the public debt area obviously have implications for the Congress in its definition of the public debt limit, but any changes of that sort would be undertaken, of course, only at the initiative of the House Ways and Means and Senate Finance Committees.

The Commission felt that the large and growing Federal insured and guaranteed loan programs should continue to be reflected outside of