

Now, you recommended that a budget and financial plan should include a section on the means of financing based on budget deficit or surplus.

Did the Commission give any consideration at all to including in that section the amount of Treasury financing of the existing debt—not only that that might accrue in the annual deficit or surplus of an operating budget for the year?

Mr. KENNEDY. We did not go into the question of debt management; how the financing should take place.

What we felt was that the budget document and the consideration of it, from an economic impact, and from a financing impact evaluation, should show a means of financing section, because you come up to a budget deficit, and in some cases the entire deficit, as we have had in history past, has been financed out of a cash balance that has been built up earlier. That has a different kind of economic impact. And when they have to go into the market and borrow, we felt that this means of financing section should show a breakdown of the figures, for periods past not only as between the borrowing by the public, but from what classes of borrowers, such as how much has been financed through central bank activity, how much through the banking system.

In other words, a breakdown of the figures into categories of ownership.

Senator JORDAN. Existing debt is getting shorter in maturity, maturity dates, rather than extended out over a long period of time, so we are constantly having to refinance on an emergency basis. Did your Commission go into any aspects of that problem?

Mr. KENNEDY. No, sir; we did not. We did not consider the substantive questions of debt management, either as to the classes of securities or the extension or lack of extension of the debt. We felt that that was not a matter within the terms of reference of this Commission.

Senator JORDAN. I want to talk again about what the Commission did in its consideration of capital budgets for the Federal Government. Let us devote a little time and attention to that.

Isn't it true that a capital budget would be an important aid in evaluating expenditure policy to determine the extent to which Federal expenditures are created?

In other words, businesses do it, and do it—they cannot run a business without operating on that basis. And yet there seems to be an abhorrence, by all people who discuss or study public financing, an inclination to stay completely away from it. You have taken the same course.

Mr. KENNEDY. We have taken a position, Senator, strongly against a capital budget as a planning process for the President in setting forth his program for the year. We do, however, recognize there should be in the special analysis section of the budget some figures on the capital investment of the Government. This is covered in some detail beginning on page 33 of the report for your information.

I will not read it all. But I would like to just read part of it. This is in regard to the question of allocation of resources if we turn to the capital budget system. And I must say it is in use in some countries where they have a current account and a capital budget.