In some cases it is being questioned and being changed. But in our country, we have not in the past used this, and it could have some adverse effect on the allocation of our resources. [Reading:]

The Commission believes that a further very persuasive argument against a capital budget is that it is likely to distort decisions about the allocation of resources. It would tend to promote the priority of expenditure for "brick and mortar" projects relative to other Federal programs for which future benefits could not be capitalized—including health, education, manpower training, and other investments in human resources—even when there is no clear evidence that such a shift in relative priorities would in fact be appropriate.

Senator JORDAN. But you would recommend for reporting purposes an analysis of capital investments of the Federal Government, so that benefit and cost ratios can be more accurate?

Mr. KENNEDY. Yes. There is now in Special Analysis D such a report, and we would continue in general that kind of special analysis.

You get in very difficult problems when you move to a capital budget. What is a capital item as far as Government is concerned, and how do you figure depreciation, and various other matters? Take the Defense Department—is that capital outlay, or is it not the kind of capital that is productive? The post office buildings could be capitalized—and then you would have to depreciate them, so when they need a bigger post office a little later, we could build it.

So we came to the conclusion that it would be better to show capital investment in a special analyses, in the back part of the budget.

Senator JORDAN. Thank you, sir. My time is up.

Chairman PROXMIRE. Congressman Rumsfeld?

Representative RUMSFELD. Thank you, Mr. Chairman.

Mr. Kennedy, I certainly share the enthusiasm of the other members of the committee for the work that you and your associates on the Commission have done. It is also a pleasure to have a resident of the 13th Congressional District of Illinois here before the Joint Economic Committee.

I think the fact that your report does not deal in detail with such problems as debt management, congressional procedures, or cost benefits of specific programs, certainly does not detract at all from the report. You have taken a very important portion of the problem and I think dealt with it in a very commendable way—particularly the concept of the unified budget, the effort to better understand the economic impact of the budget and give greater attention to the means of financing budget deficits, and certainly the suggestion for more frequent within year reviews and adjustments as to the original budget proposals.

I would guess that one of the reasons for the success of your Commission has been the unique ground rules you set down for your Commission work. I would think some congressional committees could benefit from the procedures you established, so they could do their work in a reasonable period of time, in as effective and efficient a way as possible.

I was also interested and pleased that there were congressional members on the Commission. Too often there are presidential commissions created without participation of congressional representatives. I think their input is exceedingly important, and your report indicates that the Commission had the benefit of input from the legislative branch.