Mr. KENNEDY. I would look at that as a project-by-project analysis, information on which the executive branch should furnish to the legislative branch, either upon request or on a continuing basis.

In a corporation, when we make our forecasts of our budget for the year or a period ahead, we do not make what we call a capital budget and a cash budget, or accrual budget. We show what the receipts will be in our estimate, what the expenditures will be in our estimates. And that is precisely what we are coming out with here.

Now, if you start to break it down and say these are capital items, so we are going to capitalize them, the result is, I think, to create pressures to capitalize items that perhaps should not be capitalized, and get away from the control over your receipts and expenditures that you have at the present time, because where you have it above and below the line, there is a tendency to put as much as you can below the line. Let me refer you to pages 33 and 34 of the report:

> Use of a capital budget would seriously understate the current draft by the Government on the economic resources of the private sector. The level of government borrowing should be conditioned, not by the amount of capital gocds that the Government is creating or purchasing, but by much broader budget requirements. In periods of inflationary pressure the appearance of a balanced budget, with capital expenditures excluded, might pose a psychological barrier to adequate taxation. In any event, proponents of new spending programs would be tempted to stretch the capital budget rules on inclusion, so that the immediate impact of the program in increasing the current deficit, or reducing the current surplus, would be less, and the program itself therefore less visible.

Representative CURTIS. Sure.

Mr. KENNEDY. And we wanted to have accountability.

Representative CURTIS. In your corporate budget you have a balance sheet to refer to, which gives you some understanding of this. And in the Federal budget we do not have this kind of balance sheet. And this is what I am arguing that we need to do—to have a real understanding. I would say this. Far from disturbing expenditure policy, this would vastly improve it.

I wish we did go through the exercise of arguing whether a thing should be capitalized or not. I think it is a good discipline. And maybe we would end up, as you say, trying to do this. And this is understandable. But in the process of developing the dialog, we would understand, for example, that military expenditures, in my judgment, would have to be current, that they really are not capital. But this is an argument. Some other people would argue one way or another. But in the process, we would have a better understanding of expenditure policy, which I am seeking.

Thank you, Mr. Chairman.

Chairman PROXMIRE. Congressman Rumsfeld?

Representative RUMSFELD. I have nothing else, Mr. Chairman.

Chairman PROXMIRE. Senator Percy?

Senator PERCY. Nothing else except again to thank David Kennedy for his contribution in the work to the Nation and to this subcommittee here today.

Chairman PROXMIRE. I just have a couple of brief questions. I realize the hour is late. But there is one area where I am somewhat disappointed in the report. I know that you cannot cover anything and cover it comprehensively in a concise report.

We have been concerned about the timing of the budget, and No. 1, about the failure of the budget in the past to project expenditures over