

expenditure and revenue information directly related to that activity is pertinent. I agree with the Commission, however, that business-type activities of Government, where charges are made to specific users of the service—in a manner such that the charge is directly related to a specific use by a specific user, for example, Post Office activities—should be netted in aggregating expenditure and receipt data into budget totals. The reason for this view is directly analogous to the rules used by the Office of Business Economics in the Department of Commerce in estimating national income and product: we would get a meaningless total if OBE simply added up total sales of all firms. Since total Federal spending is estimated primarily to permit us to assess economic impact and the total “size” of Government relative to the national economy, we should eliminate “double counting” here just as we do in measuring the impact of private activity. The reason for showing Post Office activity on a net basis is analogous to the reason for netting out intragovernmental transactions. Certainly in making decisions about individual programs we do need full gross spending and receipts information. But such information belongs in detailed appropriation requests, not in summary estimates.

It is sometimes argued that we understate the size of Federal Government activity by netting certain receipts against particular expenditures. It is certainly true that we would get a somewhat bigger total for expenditures—and for receipts—if we simply added up all outlays, on the one hand, and all revenues, on the other. But such a number cannot be meaningfully compared to any other number such as GNP, which is a measure of the “size” of total economic activity. In other words, the rules for “netting” Federal expenditure/receipt accounts should reflect insofar as possible the “netting” rules observed in estimating measures of total national economic activity such as GNP.

The Kennedy commission deserves special commendation for its recommended treatment of direct Federal lending, and especially for their proposal that the subsidy element in Federal loans be estimated explicitly and included as an expenditure item, while the purely financial intermediary role of the Government be identified separately as a lending activity. From a program decision standpoint it is worth noting that both the executive branch and the Congress need to consider Federal guarantees and insurance of loans when considering direct loan programs, since, in some instances, at least, the Government has a choice among the techniques best designed to accomplish a specific purpose. The report might have emphasized that individual choices among techniques to accomplish a given specific purpose—be it resource allocation or income redistribution—should be made on the merits so as to accomplish the purpose most efficiently and efficaciously; such decisions should not be influenced by the particular treatment accorded different devices in the budget. In any case, I completely agree with the commission that loan guarantees should not be included in the tables summarizing the President’s budget, since they do not directly affect the President’s proposed financial plan.

I am in agreement in principle with the Kennedy Commission’s recommendations regarding the exclusion of such financial activities as the Home Loan Bank Board. Their criterion for inclusion or exclusion rests on ownership and they suggest that where there is any