

The search for and the insistence upon a "unified" budget, with one set of totals for receipts, expenditures, and surplus, imply a belief that fiscal decisions will be or should be significantly and specially influenced by this set of numbers. Now, one can certainly conceive of a fiscal policy which does not work that way at all. Fiscal decisions, such as a decision to raise taxes, would be made in terms of an appraisal of all the factors that effect the behavior of the economy. The list of factors would include, with varying weights, a number of kinds of Federal financial transactions and also a number of kinds of private transactions. The projected expenditures of the Department of Defense would be no more important, for the fiscal decision, per dollar, than the projected expenditures of A.T. & T. In such a list of relevant factors something called the total budget deficit probably would not appear at all, and if it did appear would not have a greater weight than many other factors. If this is the kind of fiscal policy we are going to pursue, there is no need to insist upon a unified budget, with a single number to be called budget deficit, although there may be need for more and better information of many kinds about Federal transactions, as well as about private transactions.

I take it that the Commission rejects this approach to fiscal policy. That is, it assumes that fiscal policy either will be or should be especially influenced by the numbers that turn up as the total of what is defined as the budget. I agree with this judgment.

Having decided that fiscal policy will be influenced by the way we define the budget, we can ask just what difference the definition will make and how we would like the results to come out. Here we are concerned with two kinds of effect of the definition. One is the effect on the shortrun stability of the economy. The other is the effect on the longrun growth and level of taxes, expenditures, and Federal lending.

To define the budget in such a way that the changes in its surplus or deficit were a good indication of the shortrun change in the economic effect of Federal finance would be very useful. Keeping such a budget balanced, or keeping its deficit or surplus constant, would keep the economic impact of Federal finance constant, and this would be a contribution to economic stability. If we wanted to go beyond this and vary the budget position in order to offset economic fluctuations arising in the private sector, the desired policy could be described by variations in the deficit or surplus in this budget. The Commission seems to give a good deal of weight to this quality of the budget, and to conclude that from this standpoint the expenditure accounts would be the best measure. However, it does not follow through with this argument to the point of selecting the expenditure accounts as the budget.

In my opinion, the superiority of the expenditure accounts over other possible definitions of the budget as an indicator of shortrun economic impact is not demonstrated. The Commission offers no evidence for it except the consensus of economists, which is not very impressive evidence. This is a subject which deserves more study. However, for the present I would say that we cannot be very sure which of several budgets gives the best single measure of shortrun economic effects, and particularly how much difference there is among them from that standpoint. Therefore, I would not make shortrun stabilization the dominant criterion of the selection.