

In terms of longrun effects on the levels of taxes, expenditures, and Federal lending at least the direction of influence seems clearer. What the Commission calls the total budget will ordinarily have a larger deficit, or smaller surplus, than the expenditure accounts. This total budget also had a larger deficit, at least over the past 12 years, than the administrative budget, the cash-consolidated budget, or the national income accounts budget. Therefore, balancing the Commission's total budget would require higher taxes or lower expenditures and loans than balancing the expenditure accounts or balancing some of these other budgets. If there is, as I believe, a desire in the country to balance whatever is defined as the budget—not an irresistible desire, obviously, but a desire with some influence—this is an important consideration. It means, I think, that if the Commission's total budget is chosen as the budget the effect will be higher taxes and lower expenditures than if the expenditure accounts or some other possibility is chosen. Particularly, Federal lending will be lower than if a definition is adopted which excludes loan transactions, as the Commission's expenditure accounts do.

Where this leads you depends on what you think about the Federal budget problem. If you think, as many people do, that there is excessive pressure to hold Federal spending down, which deprives us of many useful public services, you should presumably choose a budget definition which shows as small a deficit or as large a surplus as possible. On the other hand, if you think the problem is a tendency for expenditures to rise too rapidly, then you should choose a budget definition which shows large deficits. The differences among the chief alternatives in their possible effects on Federal spending and lending are not large, but still they are probably the chief consequences of choosing one definition rather than another and should be a major standard of the choice.

Many of the decisions that must be made in defining the budget are necessarily arbitrary and many of them are not of great intrinsic importance. However, I want to emphasize even more than the Commission does one matter of definition which I consider of great importance. I think it is highly important that the administration should regularly present a statement of the budget, however its coverage may be determined, as it would be at high employment. Variations in the budget position that result from variations in the level of economic activity are of little significance as guides to policy or as measures of either the shortrun or longrun consequences of policy. If we look at the history of postwar fiscal policy to ask how the record might have been improved by some change in the definition or presentation of the budget, I think that only one major case stands out. In the 3 or 4 years beginning in 1958 we would, I think, have made better fiscal decisions if there had been more general recognition of the size of the surplus that we would have been running, on any definition, if the economy had been operating at high employment. We would have felt freer to reduce taxes earlier than we did if we had appreciated that fact better. While the Commission urges that the high-employment concept be kept before the Congress and the public, it does not specifically recommend that the high-employment calculation be a part of the regular budget presentation, and I think that is an unfortunate omission.

While I am on this subject, I would like to correct one historical lapse in the Commission's report. The report says that "the high