

because he thinks it is a better reflection, but like every other President thought it coincides with a more advantageous reporting of his position. And then several years from now if he or some other President will want to shift back, they just will not be able to do it. You get trapped under those circumstances, it would seem to me, into having to abandon the old administrative budget concept. The President could not do what he did this year, having raised the cash budget as the big thing and put a lot of emphasis on it in January. He has come back to the administrative budget, and he has done it gracefully, and there has not been much criticism of it. But if we shift to the proposed budget and accept it and work on it for several years, then the President—and I think properly—is tied in with this particular concept, and he is unable to shift back for convenience purposes.

Mr. STEIN. Yes, I think there is an advantage to having had a fairly formal review of this and a decision which carries a good deal of weight. And I think, as you say, it will inhibit the President, or anybody else, in making a choice among definitions for reasons of convenience for some time.

Chairman PROXMIRE. Mr. Capron, in your statement you talk about the debt situation, and like so many people, you feel the Congress has been wasting its time perhaps—and maybe you are right—in fooling around, to put it one way, with a debt ceiling. At the same time, I wonder if you can give us some confidence in the notion that this concept is right, that we should net out the debt in the way we do and, as I understand it, subtract part of the Federal debt that is held in trust accounts and come up with a net figure.

The Commission recommended that we, in effect, reduce the national debt from \$326 billion to \$265 billion. And I suspect that whereas there has not been a great deal of analysis really by the press, once they get their teeth into this idea there is likely to be a lot of criticism, and we ought to be in a position to defend it, and Members of Congress are going to wonder whether this is right. We take a new concept and wipe out \$60 billion of national debt.

Mr. CAPRON. I think that there is inevitably a trauma connected with such a fundamental change as a redefinition, a fundamental redefinition of the public debt, as suggested here. It does seem to me, though, that the Commission's proposal makes eminently good sense. Harking back to some of the remarks that you and I were making about the move to accrual accounting, large corporations that have a number of subsidiaries would find it meaningless to show in their consolidated account as their total debt not only the borrowing that they had made from the public, but the intrafirm loans that are typically made. A.T. & T., for example, has very complicated financial transactions with the various operating Bell System companies, but the Bell System report to the public, to its stockholders, shows a net figure of its indebtedness, since to show the gross figure really would have no operational significance and could be really quite misleading. In the same way, when one part of the Federal Government is holding part of the Federal debt, there is no question, of course, that the trust funds—and that is the major item involved here—have full Federal credit standing behind them. Those are obligations that are as "frozen in concrete" as anyone can imagine. But to add the part of the debt that is held by the trust funds to the debt that is held by the public does seem to me actually to be misleading, and therefore