

I think that is a red herring. I think that too much attention has been paid in the past to how much of the debt is sold to the commercial banks and not sold to the commercial banks, as if that was an indication of whether the method of financing was inflationary or not inflationary. And the Secretaries of Treasury have argued on the basis of this, and I think it is of zero value and only diverts attention from more important matters. It is a very small thing, but I think it is a mistake.

Chairman PROXMIRE. I would like to ask you, Mr. Capron, you said something about early adoption of the basic format.

Now, again, I think it would be very helpful if you could give us a date. Are you talking about the President's presentation of the 1969 budget which he will make in January of next year? You said that the whole thing could be done in two stages—you can anticipate 2 or 3 years before you can put the whole thing into effect. You did not want it broken down too much. Can we get, in your view as an expert having served in the Bureau of the Budget, could we get that, do you think, by January, the basic format?

Mr. CAPRON. The adoption of the format with the understanding that some of the concepts, and particularly the accrual accounting concept, could not be built in by January. Nor would it be possible to break out the subsidy element in Federal lending which the Commission, I think, correctly recommends be capitalized and included as an expenditure item. These two steps particularly—and there may be some others—will take considerable time and effort. But as far as the basic structure of the table—the main table as recommended by the Commission—from my own knowledge, I cannot see why that could not be done in January.

Now, there may be some technical problems here of which in my particular role at the Bureau I never got close to.

Chairman PROXMIRE. Would it take any change in the law by the Congress except this change in the debt definition, perhaps?

Mr. CAPRON. The debt definition certainly does require a change by law.

Chairman PROXMIRE. But that would not prevent the President from going ahead on his own with the basic format.

Mr. CAPRON. Yes. My understanding is that as far as the budget format the President has wide discretion in the budget as he submits it. Therefore I would assume that it does not require any legislative action at all to adopt the general format.

Particular definitions that have a standing in law, such as the public debt definition, clearly do require congressional action. But as far as the basic table and the way it is structured goes with the appropriations and then the two budgets—the expenditure budget and the expenditure budget with lending included, and then the financing—it seems to me that this is something that could be done quite readily.

Chairman PROXMIRE. Of course, it would take an act of Congress, you see, to redefine the debt, and that would be necessary in order to redefine, in effect, the interest payment which would have a significant effect on expenditures and on deficit, and so forth.

Mr. CAPRON. That is right.

Chairman PROXMIRE. Mr. Stein, could I ask you to clarify a little bit in my own mind why the shortrun economic effect is not best reflected by the expenditure account? I understood you to say in your view it was not necessarily best reflected.