Option 1 was to provide for $300 million in loans. Option 2 was, instead, to expend less than $10 million in interest subsidy to pay the difference between the borrowing cost in the private market and the 3 percent subsidized rate.

Now, you get the same amount of construction with either one. The expenditure would only be $10 million in one case and the loan account $300 million, in the other. You get the same amount of construction. So that unless you go beyond to pierce of the veil, as they say, go beyond the rough expenditure figure, you do not have any notion what effect this is going to have on the economy——

Mr. CAPRON. Yes, sir.

Chairman PROXMIRE (continuing). How it would compare with the loan.

Mr. CAPRON. You have made my point better than I did. Thank you. That is exactly what I was trying to point out; that it is the effect on construction activity that we are interested in, regardless of the device that is used by the Congress. They have a choice, and you had a specific one, as you indicated, this year. Depending on which option was used it would have shown up very differently in the budget, but the economic impact would have been no different at all.

Chairman PROXMIRE. Now, let me ask, Mr. Stein, I was somewhat concerned about your statement on—I think it was a very, very interesting observation. Apparently you have done more analysis than others have done——

Mr. STEIN. Oh, I don't think so.

Chairman PROXMIRE (continuing). Than the Commission has done. For example, in going over a previous 12-year period, say, it consistently showed a deficit, the proposed budget did, smaller than any of the three concepts we have had before.

Now, it is my understanding—and the staff is going to work on this and see if we can get the Commission staff to help us with it—it is my understanding that it would show a dramatically and spectacularly smaller deficit this coming year based on all the things that have happened; in other words, much smaller than the $29 to $30 billion deficit that the President proposes—this is likely to be either an inhibition or an attraction to the President next January. At any rate, it is a factor that would suggest to me that over the years if you could take enough years there is no reason why this should—that I can see, no basic reason, no conceptual reason why this should show either a larger deficit or a smaller deficit. You even it out over the whole period. I mean, we are not leaving out anything, are we?

Mr. STEIN. I think you are right about that with respect to most of these accounts, and I did not do any analysis except to add up numbers that are on page 92 of the Commission's report to find out what the cumulative deficits were in these various accounts. And certainly many of the divergencies are peculiar to this particular period.

I think there will be a systematic difference between the expenditure account and the total because as long as net lending is positive the deficit on the total budget will be larger than the deficit on the expenditure account. And I think we have every reason to expect that net lending will be positive. But with respect to the difference between the total and these other accounts, I think this will vary