

This is a logical use of the modern cost accounting systems which most Government agencies have adopted in recent years, and will result in budget totals which provide a better measure of the impact of Government activities on the economy. This change cannot be effected immediately, but apparently can be done for expenditures and for corporation income taxes and certain other receipts beginning with the presentation in January 1970 of the President's budget for the fiscal year 1971 (Chapter 4).

**6. A distinction between loans and other expenditures within the budget (and the calculation of the expenditure account surplus or deficit which excludes loans) is significant because of the fiscal policy aspects of the budget through its direct impact on employment and incomes.**

Public and congressional understanding of the economic effects of the budget is essential for the attainment of sound appropriation and tax decisions (Chapter 5).

**7. Separate identification of the subsidies involved in Federal direct loan programs should be added to existing budget information to help promote the more efficient use of public resources.**

Steps should be taken as soon as practicable to include these subsidies in the expenditure rather than the loan account of the budget (Chapter 5).

**8. Federal insurance or guarantee of private loans should continue to be reflected outside the budget totals, since they initially represent neither Federal expenditures nor Federal borrowing.**

Nevertheless, they can later have an important impact on expenditures (from defaults or requirements for secondary market support) and on receipts (as a result of losses of revenue from guarantees of tax-exempt securities). These loan guarantee programs are growing rapidly and are likely to become even more important in the overall Federal lending picture in the future. They should, therefore, be presented in summary form as a memorandum item in the financial plan contained in the budget message. Moreover serious consideration should also be given to new forms of coordinated surveillance of direct, insured, and guaranteed loans. Otherwise, an appropriate choice in terms of effective resource allocation may be difficult to achieve and the inclusion of direct loans in the budget may encourage an undue expansion of guaranteed and insured loans to avoid being counted in the budget (Chapter 5).

**9. Sale by the Government of "participation certificates" in loans which it continues to own should be treated as a means of financing the deficit (or as an element in the disposition of the surplus) rather than as a deduction from expenditures in the derivation of the deficit (Chapter 5).<sup>1</sup>**

<sup>1</sup> See Chapter 5, page 55, for a statement by Secretary Fowler and Director Schultze on this recommendation.