

tion of resources in their action on individual appropriations. Therefore, the Commission endorses the growing use in recent years of the important Planning-Programming-Budgeting system (PPBS) approach to budget preparation and review, which is specifically designed to improve the mechanics of choice among alternative programs and approaches to meeting public needs and purposes. On the other hand, PPBS concerns itself with total costs and benefits to the entire Nation, not merely the revenues and expenditures of the U.S. Treasury. Since the incidence of many social costs and benefits is on the private sector, rather than the Treasury, such costs are not candidates for inclusion in the overall budget totals. Thus, while the PPBS analyses should be used to aid in the allocative process, the budget necessarily represents a financial plan for the Government, and the budget totals can hardly reflect total social costs and benefits.

ECONOMIC IMPACT OF THE BUDGET

The budget totals must be readily useful for analysis of the impact of the Federal budget on the economy. This is because the budget contains the President's fiscal policy recommendations, upon which the Congress must take action as surely as in the case of individual appropriation requests.

Every January for at least the past 10 years, the President's budget has included requests for either increases or decreases in tax rates requiring legislation by the Congress. These requests for changes in tax rates in turn have been increasingly based on the executive branch's analysis of the needs of the economy for either stimulative or restraining fiscal policy changes. It is thus apparent that the economic impact of the overall budget is an integral and highly important aspect of the President's January budget policy requests.

There have been substantial gains in recent years in general understanding of the relationship between the budget and the national economy. Not only are Presidential requests for tax rate changes now based on needs of the economy, but they are now typically received by the Congress with an attitude of "show us what these will do to the economy." Congressional hearings and congressional actions on tax legislation in recent years have been addressed primarily to the economic impact of the actual or proposed changes. Therefore, it is increasingly appropriate for the President's budget to include a meaningful presentation of the economic impact of the budget, and an understandable description and explanation of the President's fiscal policy recommendations.

To be able to do this in the simplest possible fashion, rules for calculating budget receipts and expenditures should lead to a measure of surplus and deficit which is useful for analyzing the economic impact of the budget. This objective has helped shape many of the Commission's individual