et be as consistent as possible, in terms of scope and definition, with the tabulation of budget expenditures. If the budget is to include trust funds, therefore, two changes in the tabulation of appropriations requested and enacted would be desirable:

First, indefinite trust fund appropriations should be related to obligations expected to be incurred by the trust funds during the fiscal year, rather than being mechanically tied to trust revenues as they now are. If legislation is thought to be required to accomplish this change, the Commission would strongly endorse such legislation;

Second, an adjustment in arriving at overall appropriations totals should be made to eliminate interfund and intragovernmental transactions, comparable to the adjustments which are now made in tabulating overall budget expenditures.

The Commission has no specific recommendations to make for changes in the coverage of the trust funds, although it recognizes that a study of these funds may be appropriate, for other than budget concept purposes, because of the way the various funds have developed over the years. But since the activities involved would, under the Commission's recommendations, be included in the budget whether or not financed through trust funds, any such re-examination would not affect the budget totals.

Federal Reserve System

The Federal Reserve System is a government instrumentality which Congress has established principally to execute its responsibilities with regard to the Nation's money supply.

The Federal Reserve System is responsible to the Congress, and reports annually to the Congress on the results of its operations. Discussions about the independence of the Federal Reserve System are concerned with its position *within* the Federal Government—not whether it is independent *of* the Federal Government. The System is clearly a Federal Government operation.

Each of the three present budget concepts includes as a receipt the payment to the Treasury of excess Federal Reserve profits. Apart from this receipt, none of the three budgets includes receipts and expenditures of the Federal Reserve System arising from its lending and other activities. Inclusion of the Federal Reserve banks in the Federal budget might jeopardize the vital flexibility and independence of the monetary authorities. Moreover, projections of System operations for a forward period—as would be required if included in the budget—do not appear feasible at the present time. The nature and economic significance of Federal Reserve bank "receipts" and "expenditures" are different from those of most other government programs and activities.

For the above reasons the Commission recommends: