

(or agencies such as the Federal National Mortgage Association) than loan repayments or sales of loans. Accordingly, the Commission recommends that:

• *Participation certificates should be treated as a means of financing, not as an offset to expenditures which operates to reduce a budget deficit.*¹

SEPARATE TREATMENT OF DIRECT LOANS WITHIN THE BUDGET

Federal direct loan programs have been expanding steadily in recent years. Quite apart from noncommercial foreign loans and nonrecourse loans of the Commodity Credit Corporation, these programs now exceed \$30 billion in terms of total loans outstanding. The largest single programs are those of the Rural Electrification Administration, the Federal intermediate credit banks, and the Farmers Home Administration in the agricultural field; the Federal National Mortgage Association, the college housing program, and other important sectors of the housing field; direct loans to veterans; Export-Import Bank loans to foster exports; and loans to small businesses, in addition to several smaller but growing programs.

The executive branch reviews almost all direct loan programs and administers them with the same degree of scrutiny as it gives to expenditure programs other than loans. The Congress provides spending authority for loans no less than for other expenditures. It is clear that direct loan programs as a category should have just as much attention by the executive branch and the Congress—both from a financing and a management control point of view—as other programs. It is important, therefore, that the concept of a comprehensive budget fully reflect net lending of the Federal Government as well as other expenditure and receipt transactions.

Notwithstanding the great importance of including loans in any comprehensive statement of Federal Government activities, there also are important reasons why loans should be set forth separately from other expenditures within the budget totals. Loans, like other government expenditures, result in someone's acquiring cash, and the borrowed funds will presumably be spent. However, the borrower has assumed an obligation for subsequent repayment, plus interest, which distinguishes a loan transaction from other expenditures. There is substantial consensus among economists about the way in which taxes and expenditures other than loans affect private spending decisions. There is considerable consensus, furthermore, as to the effect of these spending decisions on the economy and how such impact should be roughly calculated. There is much less agreement, however, on the measurement of how loans and other financial transactions affect the economy.

It seems appropriate, therefore, that within the budget, transactions be structured so that nonloan receipts and expenditures are shown separately

¹ See page 55 for a statement by Secretary Fowler and Director Schultze on this recommendation.