

and that lending receives special treatment. This provides an expenditure account surplus or deficit as a fiscal policy yardstick. Largely because of the need for such a measure to analyze economic effects, the national income accounts budget has gained increasing attention in the President's January policy statements—both the *Budget* and the *Economic Report*. The need for the President to explain and justify fiscal policy recommendations and requests for congressional legislation affecting the economy will continue to require the presentation and analysis of expenditure programs excluding loans. For budget purposes the Commission believes there is a great advantage in having a yardstick for economic impact analysis which—like the national income accounts—excludes loan programs, but—unlike the national income accounts (at the present time, at least)—ties directly and simply to the Government's budget and its regular accounting and financial reporting system. The expenditure account surplus or deficit is such a yardstick.

In line with the Commission's conviction that a unified budget system is essential and that a comprehensive definition of the budget is very important, the inclusion of net lending as well as other expenditures in the budget has particular significance. With both in the budget, there should be no pressure by special interests or program partisans to redesign other expenditure programs to give them the appearance of direct loans in order to get them out of the budget. This, when combined with the Commission's recommendation to count subsidies as expenditures rather than loans, helps to avoid artificial decisions in the allocation of financial as well as real resources.

At the same time, separate identification of direct loans helps to bring into better focus the definition of the relationship between direct and guaranteed Federal loans. Highlighting of direct loan programs—and strict control of almost all of them within the budget—could create incentives to redirect Federal loan programs to some extent into government guarantee or insurance of private loans. These may have much the same effect on resource allocation and on economic impact as direct loans, even though Federal funds are not directly involved, and even though such guarantee and insurance programs are not reflected in the budget except for administrative expenses and defaults, and occasional provision of secondary market support.

LOAN GUARANTEES AND INSURANCE

The Commission recognizes that inclusion of direct loans in the budget, particularly with separate identification and emphasis, may operate toward further expansion of guaranteed and insured loans not warranted by program considerations.

The volume of insured and guaranteed loans outstanding has grown rapidly in recent years, and is now about \$100 billion (approximately three times the volume of the loans which the Commission proposes to include in the loan account of the budget). The most familiar of these programs are