The Commission does not wish to endorse a public debt ceiling as a means of controlling the budget. However:

The Commission suggests that the executive branch may wish to recommend that statutory limits on Federal borrowing be re-examined with the above-mentioned debt concepts in mind.

MEANS OF FINANCING BUDGET DEFICITS

The different ways in which budget deficits are financed have considerable economic significance.

Borrowing and changes in cash balances

Over a span of history, the budget deficit of the U.S. Government has been financed almost entirely by borrowing. The cumulative administrative budget deficit since 1789 is approximately equal to the public debt outstanding today. For any given month or year, however, methods of financing other than borrowing can assume major importance. There have been some years when the Treasury was able to limit its borrowing activity by drawing down cash balances which were unusually large at the beginning of the year. There have been other years when the reverse was true, in which Treasury borrowing exceeded the administrative budget deficit, resulting in a sizable increase in cash balances. In the fiscal year 1946, for an extreme example, half of the administrative budget deficit of $20.7 billion was financed by drawing down Treasury cash balances. In the following year, an administrative budget surplus of $0.8 billion was accompanied by an $11.5 billion decline in public debt, as cash balances were reduced further. More recently, in the year ended June 30, 1967, the administrative budget deficit was financed less than two-thirds by borrowing and more than one-third by a cash balance reduction of $4.6 billion. In addition, although they are relatively much less significant than changes in Treasury cash balances, the means of financing also include changes in cash held outside the Treasury by those agencies included in the coverage of the budget.

Seigniorage

A budget deficit may also be financed to some extent by seigniorage. Seigniorage represents the Government's "profits" on coinage operations, i.e., the monetary value of coins less what it costs the Government to acquire the raw materials. Seigniorage is treated as a revenue in the present administrative budget, since it increases cash balances without increasing liabilities. It is, however, excluded from the consolidated cash budget and the Federal sector of the national income accounts and in effect it is a means of financing the consolidated cash budget deficit. The Commission recommends treating seigniorage as a means of financing rather than as budget receipts. Seigniorage does not involve a transaction with the public, and