grows out of the exercise of the Federal Government's sovereign powers to create money, essentially equivalent in character to the issuance of bank notes (which happens to be a function of the central bank, rather than the Treasury, in the United States, but which could easily be done by the Treasury). Such profits, though small in dollar amount in most years, amounted to more than $800 million in the fiscal year 1967—primarily as a result of the recent substitution of less expensive metals for silver in the Government's coins and increased coin production to overcome shortages.

Changes in accounts payable and receivable

In the budget presentation recommended by the Commission, certain additional financing items become important. These relate to changes in accounts payable and accounts receivable arising from the accrual basis for stating expenditures and receipts. If the Government has unpaid liabilities to defense contractors, for example, these are a means of financing without borrowing or reducing cash balances. On the other hand, some individuals or firms may receive prepayments or advances from the Federal Government, and these "receivables" are appropriate offsets to accounts payable in computing that particular financing item.

Finally, when receipts (notably corporation income taxes) are recorded in the budget on an accrual rather than a collections basis, as recommended by the Commission, changes in taxes receivable can also become an important new financing item.

Knowing whether a deficit has been financed by borrowing outside the banking system (which has the effect of reducing cash in the hands of the public) or by seigniorage or by a decrease in Treasury cash (which have no such effect) is significant. It is at least as important in interpreting budget results as knowing, for example, whether an expenditure increase has been for purchases of goods and services rather than transfer payments or whether a revenue increase is due to the individual rather than the corporation income tax. The Commission considers the varying economic significance of these different types of financing sufficiently important to warrant more prominence in the budget than at present, although all of the data need not be in the initial budget summary table. They are now shown at a later point in the budget document, but not as fully as is here recommended.

In addition to its recommendation that a means of financing statement include data on net borrowing from the public, changes in cash balances, seigniorage, and changes in receivables and payables, the Commission also urges that a simple breakdown of net Federal borrowing from the public be published in the budget document for past years. The Commission recommends specifically that the means of financing statement show the year-to-year change in Federal securities held by the public as among (1) Federal Reserve banks, (2) commercial banks, and (3) nonbank investors. The economic consequences of these three types of borrowing are quite different.