

Borrowing from nonbank investors is a direct diversion of private purchasing power from the public to the Treasury. On the other hand, increases in Federal securities held by the Federal Reserve banks may permit an expansion of the money supply rather than siphoning off existing money. Under certain circumstances commercial bank holdings of Government securities may also be a direct reflection of Federal Reserve control over member bank reserves.

In making its recommendation that a breakdown of borrowing be prepared for past years only, the Commission recognizes that it is not presently feasible for the budget to carry portfolio forecasts for Federal Reserve banks, commercial banks, or nonbank investors for future years.

DEFINITION OF FEDERAL SECURITIES

The Commission points out that a new definition of Federal securities follows naturally from its recommended calculation of the budget deficit or surplus. Compared to present concepts, the appropriate Federal securities concept would include all securities now classified in "Treasury public debt and guaranteed obligations outstanding,"¹ with two exceptions. First, the \$20 million of stadium bonds issued by the District of Columbia Armory Board should be excluded. This exclusion follows logically from the Commission's recommendation that the District of Columbia be considered for budget purposes as a unit of State or local government rather than as a part of the Federal Government. Second, noninterest-bearing notes issued by the Treasury to international organizations in recognition of United States Government subscription commitments should be excluded (\$3.8 billion as of June 30, 1966), by substituting a nondebt form of documenting the obligation. This is consistent with the Commission's recommendations in Chapter 3 that transactions with the International Monetary Fund not be included in budget receipts and expenditures and that subscriptions to other international organizations be included in the budget only when cash is actually paid.

On the other hand, the means of financing statement and debt outstanding should be expanded to encompass all securities issued by those Federal agencies which are reflected in the definition of budget receipts and expenditures in Chapter 3. The present concept of *public debt and obligations guaranteed*² by the United States (which already includes Federal agency

¹ This concept has achieved widespread usage under various other titles such as "Federal securities" (Treasury), "U.S. Government debt" or "U.S. Government obligations" (Council of Economic Advisers), and "U.S. Government securities" or "Direct and fully guaranteed securities" (Federal Reserve). This proliferation of different names for approximately the same concept is an example of unnecessary confusion of terms in Federal financial reporting.

² These are *securities* issued by Government agencies and guaranteed by the Government fully as to payment of principal and interest, and are not to be confused with privately made *loans* guaranteed or insured under Government agency programs.