

issues in the form of Federal Housing Administration debentures) should be expanded to include securities issued by the following Federal agencies: Tennessee Valley Authority, Commodity Credit Corporation, and Export-Import Bank, which are wholly-owned corporations or agencies; and Federal intermediate credit banks, banks for cooperatives, and Federal National Mortgage Association secondary market operations, which are mixed-ownership agencies. The Federal home loan banks and Federal land banks, which are excluded from the recommended new budget would also be excluded from the means of financing section but their security issues should be shown as memorandum items.

As discussed in Chapter 5, borrowing by Federal agencies should be defined to include the sale of participation certificates as well as regular agency bonds, notes, and debentures. None of these securities of agencies to be added is literally a direct obligation of the United States Treasury. The agencies vary slightly in the extent of their call upon the Treasury if they should need help. Nevertheless, inclusion of these issues in the means of financing section of the budget is appropriate under the definitions of total budget receipts and expenditures spelled out elsewhere in this report. Moreover, from the standpoint of the financial community and investors throughout the country there is very little practical difference observable in the market behavior of the securities of these various agencies—either with regard to the title which the security bears, the nature and extent of its collateral, or the extent of its implied Federal Government backing. On June 30, 1966, outstanding securities of these agencies totaled \$11 billion and the total is expected to reach almost \$23 billion by June 30, 1968.

Inclusion in a single concept of (1) direct public debt issued by the Treasury, (2) securities issued by certain Federal agencies and guaranteed by the United States Government, and (3) securities issued by other Federal agencies and *not* guaranteed by the United States Government, should not, of course, be interpreted as changing in any way the basic character, terms, or conditions of the underlying debt instruments.

The unified budget recommended by the Commission entails the elimination of all intragovernmental transactions among different funds and agencies included in that budget. Thus the Commission's recommendations point to the exclusion from the definition of Federal securities held by the public the holdings of all such securities by any Government account, trust fund, or agency whose receipts and expenditures are included in the budget. Although the majority of such securities represent special issues sold only to the trust fund or agency involved, the trust funds and agencies also hold about \$15 billion of Treasury marketable and nonmarketable issues identical to those held by the general public.

The Commission wishes to reiterate the important point made in Chapter 3 that its decision to include the trust funds in the total budget—and there-