

From the Office of
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Economic Situation
Unemployment - Idle Plant

FOR RELEASE: Tuesday A.M.'s
February 17, 1959

BUDGET REFORMS ASKED BY SENATOR HUMPHREY TO 'LIFT FOG' ON SPENDING

Senator Hubert H. Humphrey (D., Minn.) proposed today that the Federal government adopt "sound business practices" by changing to a capital budget that makes a distinction between current expenditures and investments upon which the principal will be reimbursed with interest.

In an address before a Board of Trade dinner at Bellaire, Ohio, Senator Humphrey declared that "if American Telephone and Telegraph Company maintained a budget like that of the Federal government, we would still be communicating in this country by smoke signals."

"As businessmen you are familiar with a capital budget. At the end of each year you not only prepare a profit and loss statement, but you also prepare a balance sheet which lists on one side your assets and on the other side of your liabilities. This, you say, is simply sound business practice," Senator Humphrey said.

"However, that's not so with the Federal government.

"It has no balance sheet. If you take a look at the government budget, all you will find listed is the total public debt -- or liabilities. But nowhere will you find listed the government's assets.

"The point to keep in mind is that we should distinguish between the government's current expenditures and its investments upon which the principal will be reimbursed with interest. We should have listed as assets the loans made by the Small Business Administration, the mortgages purchased by Fannie Mae, and rural electrification loans.

"I have proposed for several years that we lift the fog as to government spending by adopting a capital budget, just as any sound private business does. It is my intention to introduce new legislation for that purpose in the current session of Congress.

"When we read in the paper that one of our giant corporations is raising a million or a hundred million through issuance of its securities, we say: 'Isn't that wonderful. There is a company that is really moving ahead.'

"But when the Federal government sells securities to raise funds a horrible cry goes up. Why? Because we have been lulled and propagandized into believing government expenditures, unlike private expenditures, and regardless of their use, offer no permanent achievements.

More

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"It is time that we adopt a capital budget so we can distinguish between current expenses which are not reimbursable, and investment expenditures which are wealth-creating and reimbursable."

Senator Humphrey declared such budget reforms were needed to "put our house in order" as part of strengthening our economy to meet the all-out challenge of Soviet economic competition, which he described as "the greatest challenge we face."

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① Many Issues & Problems face us - but none more important than International Relations.

Conq. Wayne Hays & Sec. on the For-Rel Comm.

② My trip to USSR - Airport - Students

Moscow -

VISIT WITH Khrushch

Food Research

Nuclear Tests

Germany & Berlin - (Central Europe)

Seven year Plan

Soviet Econ offensive

U.S. Econ Problems - Unemployment.

Industrial Stagnation

Capital Budget

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