

INCREASE DEBT LIMIT OF THE UNITED STATES

MAY 29 (legislative day, MAY 9), 1944.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

R E P O R T

(To accompany H. R. 4464)

The Committee on Finance, to whom was referred the bill (H. R. 4464) to increase the debt limit of the United States having had the same under consideration, report favorably thereon, with an amendment, and as amended, recommend that the bill do pass.

The amendment is as follows:

Strike out lines 6, 7, and 8 of the House bill and insert in lieu thereof the following:

SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$260,000,000,000 outstanding at any one time.

In the President's message of January 10, 1944, transmitting the Budget for the fiscal year beginning July 1, 1944, the President stated as follows:

By June 30, 1944, the public debt is expected to reach \$198,000,000,000, and a year later, \$258,000,000,000. Even higher totals will be reached if advance financing builds up cash balances. In any case, it will soon be necessary to request legislation authorizing a further increase in the debt limit from the present level of \$210,000,000,000.

Under the House bill, the debt limit was raised to \$240,000,000,000, which the Treasury estimated would cover necessary increases in the public debt to March 31, 1945. However, this figure was based on the assumption that the unearned interest on outstanding United States Savings bonds would not be taken as a current charge against the statutory debt limitation. It has been the practice of the Treasury, which your committee believe is required under existing law, to include the unearned interest on outstanding Savings bonds, as a part of the statutory debt subject to limitation. The House bill amended existing law so that this practice would no longer be required by striking out the word "face" from section 21 of the Second Liberty

Bond Act, and inserting \$240,000,000,000 in place of the present limit of \$210,000,000,000. If this unearned interest on outstanding Savings bonds were taken into account, the debt limit would have to be increased to \$250,000,000,000, in order to cover necessary increases in the public debt to March 31, 1945.

The effect of the insertion of the word "face" before the word "amount" is to continue the existing law. At the present time obligations issued on a discount basis, redeemable before maturity, and having a current redemption value, are included in the computation of the aggregate face amount of obligations outstanding at any time, at their full maturity value, and not at their issue price or current redemption value. It is intended by the committee that, in such computation, all obligations (whether issued on an interest-bearing basis, on a discount basis, or on a combination interest-bearing and discount basis) should be counted at their face amount (amount payable at maturity) without any deduction for unearned interest.

Without your committee amendment, it is conceivable that the debt limitation might sometime be exceeded as a result of the increasing redemption value of each outstanding Savings bond even if no new obligations of the discount type were being issued; and the amount of this increment cannot be accurately forecast. Such a situation might cast doubt on the validity of outstanding issues of Federal obligations and the possibility of its occurrence might adversely affect the market for the original issue of securities of the United States Government. Furthermore, to change the basis for computing the debt limitation would make it more difficult to utilize debt-limit statistics for prior years in arriving at comparative figures.

It is estimated that by March 31, 1945, the difference between the current redemption value and the maturity value of United States Savings bonds outstanding will amount to about \$10,000,000,000. Therefore, \$10,000,000,000 of the \$20,000,000,000 increase made in the debt limitation by your committee amendment will be absorbed by the method of accounting made necessary by restoration of the word "face." The remaining \$10,000,000,000 of the increase will serve to extend to about May 30, 1945, the date when the limitation would be reached, based on Budget estimates.

A table, showing the charges against the statutory debt limitation, as of April 30, 1944, as calculated by the Treasury, is attached for the information of the Senate.

Statutory debt limitation as of Apr. 30, 1944, on basis of present Treasury practice

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that act "shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time. \$210, 000, 000, 000
Outstanding as of Apr. 30, 1944:

Interest-bearing:	
Bonds:	
Treasury	\$72, 525, 967, 550
Savings (maturity value) ¹	40, 203, 995, 500
Depository	467, 626, 750
Adjusted service	718, 276, 657
	<u>113, 915, 866, 457</u>
Treasury notes	33, 150, 504, 625
Certificates of indebtedness	30, 707, 798, 000
Treasury bills (maturity value)	13, 149, 652, 000
	<u>77, 007, 954, 625</u>
	<u>190, 923, 821, 082</u>
Matured obligations on which interest has ceased	344, 531, 525
	<u>260, 207, 402</u>
Bearing no interest:	
United States Savings stamps	196, 403, 588
Excess profits tax refund bonds	63, 803, 814
	<u>191, 528, 560, 009</u>
Face amount of obligations issuable under above authority	<u>18, 471, 439, 991</u>

RECONCILEMENT WITH DAILY STATEMENT OF THE UNITED STATES TREASURY,
APR. 30, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act	\$191, 528, 560, 009
Deduct, unearned discount on savings bonds (difference between current redemption value and maturity value)	7, 707, 240, 501
	<u>183, 821, 319, 508</u>
Add other public debt obligations outstanding but not subject to the statutory limitation:	
Interest-bearing (pre-war, etc.)	\$195, 926, 860
Matured obligations on which interest has ceased	7, 692, 050
Bearing no interest	941, 975, 259
	<u>1, 145, 594, 169</u>
Total gross debt outstanding as of Apr. 30, 1944	<u>184, 966, 913, 677</u>

¹ Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement, \$32,496,754,999.

