

84TH CONGRESS }
1st Session }

SENATE

Report }
No. 688 }

EXTENDING FOR 1 YEAR THE EXISTING TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

JUNE 29, 1955.—Ordered to be printed

Mr. JOHNSON of Texas (for Mr. BYRD), from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 6992]

The Committee on Finance, to whom was referred the bill (H. R. 6992) to extend for 1 year the existing temporary increase in the public debt limit, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The bill amends section 21 of the Second Liberty Bond Act to raise temporarily the statutory Federal debt limit from \$275 billion to \$281 billion.

This temporary increase would expire June 30, 1956, and upon its expiration the limit would automatically revert to \$275 billion which has been the permanent limit since the end of World War II.

On the basis of continual study over a period of more than 2 years and testimony by the Secretary of the Treasury given June 29, 1955, the committee is convinced that for the protection of the Government's integrity during the coming fiscal year it is necessary to raise the statutory limit temporarily to allow additional borrowing of up to \$6 billion.

This is the second year in succession such temporary increase in borrowing authority has been required. The situation as a result of continued deficit spending is worse now than it was a year ago and to this extent the ceiling will be tighter. This is as the committee intends it to be in view of the fact that under current fiscal circumstances the debt limit is the most effective control over expenditures available to Congress.

The committee reluctantly recommends this temporary increase in view of official Treasury estimates indicating deficits in 9 of the 12 months in fiscal year 1956, beginning July 1, 1955, and that the

2 EXTEND EXISTING TEMPORARY INCREASE IN PUBLIC DEBT LIMIT

Treasury under the \$275 billion limit would be without funds during the 5 months October to February, inclusive.

There are three principal reasons for this situation:

1. Failure to reduce expenditures to the level of revenue;
2. Tax reductions enacted before the budget was balanced; and
3. Peaks and valleys in revenue collections under the system providing for heaviest payment of corporation taxes in the second half of the fiscal year.

The committee hopes it will not be necessary again to extend this temporary increase and to avoid repetition it suggests the wisdom of balancing expenditures with revenue, recapture of control over the rate of annual expenditure from unexpended balances in prior appropriations, and administration of 1954 Tax Code revisions providing for gradual return to a more equal distribution of corporate tax collections in a manner to bring maximum results.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

PUBLIC LAW 686, 83D CONGRESS

(Approved August 28, 1954)

AN ACT To provide for a temporary increase in the public debt limit

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period beginning on the date of enactment of this Act and ending on ~~June 30, 1955~~ *June 30, 1956*, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act, as amended, shall be temporarily increased by \$6,000,000,000.

