

C O N T E N T S

STATEMENT OF

PAGE

Honorable George M. Humphrey,
Secretary of the Treasury,
accompanied by:
William T. Keiffinger,
Fiscal Assistant Secretary,
Department of the Treasury

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BUDGETARY RECEIPTS, EXPENDITURES, ETC. 1916 TO DATE

(On basis of Daily Treasury Statements
to Fiscal Year 1952 and Monthly Statements thereafter)
(In millions)

Fiscal Year ending June 30	Net Receipts	Expenditures	Surplus(+) or Deficit(-)	General Fund Balance	Gross Public Debt	Guaranteed Obligations	Total
	\$783	\$734	+48	\$240	\$1,225	-	\$1,225
	1,124	1,978	-853	1,137	2,976	-	2,976
	3,665	12,697	-9,032	1,585	12,244	-	12,244
	5,152	18,515	-13,363	1,252	25,482	-	25,482
	6,695	6,403	+291	358	24,299	-	24,299
	5,625	5,116	+509	550	23,977	-	23,977
	4,109	3,373	+736	272	22,963	-	22,963
	4,007	3,295	+713	371	22,350	-	22,350
	4,012	3,049	+963	235	21,251	-	21,251
	3,780	3,063	+717	218	20,516	-	20,516
	3,963	3,098	+865	210	19,643	-	19,643
	4,129	2,974	+1,155	234	18,512	-	18,512
	4,042	3,103	+939	266	17,604	-	17,604
	4,033	3,299	+734	327	16,931	-	16,931
	4,178	3,440	+738	319	16,185	-	16,185
	3,116	3,577	-462	472	16,801	-	16,801
	1,924	4,659	-2,735	417	19,487	-	19,487
	2,021	4,623	-2,602	862	22,539	-	22,539
	3,064	6,694	-3,630	2,532	27,053	\$681	27,734
	3,730	6,521	-2,791	1,842	28,701	4,123	32,824
	4,069	8,123	-4,054	2,682	33,779	4,718	38,497
	4,979	7,755	-2,777	2,553	36,425	4,665	41,090
	5,769	6,933	-1,164	2,216	37,155	4,353	41,508
	5,103	8,966	-3,863	2,838	40,440	5,451	45,891
	5,265	9,133	-3,868	1,891	42,968	5,529	48,497
	7,227	13,337	-6,110	2,633	48,961	6,370	55,331
	12,555	34,045	-21,490	2,991	72,422	4,563	76,985
	21,987	79,407	-57,420	9,507	136,696	4,100	140,796
	43,635	95,059	-51,424	20,169	201,003	3,623	204,626
	44,475	98,416	-53,941	24,673	253,632	433	254,065
	39,771	60,443	-20,672	11,238	269,422	476	270,898
	39,736	39,030	+706	3,308	258,286	90	258,676
	42,483	33,069	+9,414	4,932	272,292	73	272,765
	37,696	39,507	-1,811	3,470	252,770	27	253,047
	36,425	39,617	-3,192	5,517	257,357	20	257,674
	47,448	44,053	+3,395	7,357	255,222	29	255,548
	61,391	65,403	-4,012	6,969	259,105	46	259,510

al receipts less refunds of receipts beginning with fiscal year 1931, and less appropriations of receipts to the Federal old-age and survivors insurance trust fund beginning with fiscal year 1937 and to the railroad retirement account beginning with fiscal year 1938.

reporting basis beginning with fiscal year 1953.

DEBT LIMIT

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Friday, June 29, 1956

United States Senate,
Committee on Finance,
Washington, D. C..

The committee met, pursuant to call, at 10:45 a.m., in Room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Kerr, Frear, Long, Smathers, Anderson, Douglas, Millikin, Martin (of Pennsylvania), Williams, Flanders, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, Chief Clerk

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The Chairman. The committee will come to order.

We are very glad to have you here, and I am especially happy that you are here on a mission to reduce the existing indebtedness. I think this is the first time in about ten years.

STATEMENT OF HONORABLE GEORGE M. HUMPHREY
SECRETARY OF THE TREASURY

ACCOMPANIED BY

WILLIAM T. HEFFELFINGER,

FISCAL ASSISTANT SECRETARY,

DEPARTMENT OF THE TREASURY

Secretary Humphrey. Mr. Chairman:

Yes, a much pleasanter way to come, I can assure you of that.

The Chairman. You may proceed.

Secretary Humphrey. Mr. Chairman, in order that there may be exactly the same understanding between the Senate Finance Committee as to just what the House Ways and Means Committee had before it, if you do not mind I would like to take a couple of minutes of your time to read to you what I said to the House Ways and Means Committee and then we will be sure that the understanding is exactly the same.

The Chairman. Go right ahead, sir.

Secretary Humphrey. "I am appearing before you today to ask for a temporary increase in the public debt limit from \$275 billion to \$278 billion for the fiscal year 1957. Because of our improved fiscal position, we are following the suggestion that the temporary increase granted by Congress for two years past be cut in half.

The necessary condition for the \$278 billion limit

set a year ago, but by a narrow margin. On several days, we were within \$700 million of the debt ceiling, and, at times, our operating cash balance was less than enough to cover 10 days' expenditures. This is closer than is precedent in handling the Government's huge operations efficiently.

"However, I am in full sympathy with the desire of the Congress to keep a limit on Government spending.

"We hope to finish this fiscal year with a budget surplus of about \$1.8 billion and the debt under \$273 billion. We still face, however, a heavy seasonal swing in receipts, which means borrowing in the first half of the fiscal year for repayment from heavy tax receipts in the second half.

"This swing is gradually being reduced by the shift in time of payment of corporation taxes, provided by 1954 legislation.

"Taking these facts into account, I believe we can operate under a \$278 billion ceiling, though it will take careful management. If this becomes impossible, we shall advise the Congress promptly.

"Our success in living within this ceiling will depend on great restraint by both the Congress and the Administration in expenditures. On the basis of present estimates, there is no room for any reduction in tax rates. The program calls for applying any surplus to debt reduction in accordance with the recommendations made by the President.

"I hope that this year we are setting a precedent which may be faithfully followed year after year, and that from now on we will so handle our financial affairs that we can make each year a modest payment in reduction of our huge indebtedness as a matter of standard practice.

"This program is one more step in maintaining fiscal soundness and ensuring the integrity of our money, so that our people can count upon its value and go forward with all their undertakings with full confidence. This is the basis of continuing and growing prosperity and constantly more and better jobs.

"Let me thank the members of this committee for their continued understanding and cooperation in working toward these objectives."

The Chairman. Mr. Secretary, could I ask you what the actual balance would be, so far as you can now determine on June 30?

Secretary Humphrey. Our estimated balance, Mr. Chairman, is for June 30 estimated at five billion six or seven.

The Chairman. That is the cash balance?

Secretary Humphrey. That is the cash balance.

Senator Kerr. Five billion?

Secretary Humphrey. Six or seven.

Senator Kerr. -- hundred million?

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The Chairman. And the debt?

Secretary Humphrey. At that time the debt we estimate will be probably just a little under 272.5.

The Chairman. What was it last year at this same period?

Secretary Humphrey. 273.9 and our cash balance last year was five billion dollars.

The Chairman. What is your latest figure on the surplus this year?

Secretary Humphrey. I know that it seems strange that when we are within two days of the end of the year that we cannot tell you what we are going to have, but we cannot.

My best estimate is still a billion eight. We can fluctuate, at least, half a billion dollars either way from that. And I think and hope that if we do fluctuate it will be up rather than down.

I have brought here the cash receipts and disbursements by days during several days of this month, just to give you gentlemen an idea of why we cannot tell you better, why these fluctuations occur. And with your permission I will just roughly run through a couple of days just to show you how these things fluctuate.

Of course, tax receipts come into this but suppose I just start with what happens to be here. I will pick the 11th day of June. I can pick the 1st, but that would be a

I will pick the 11th day of June and run through June up to date, by days, to show you receipts that have come in. And these are millions of dollars: 153,242, 166,205. 312,859, a billion 859, 2 billion 12, one billion 92, one billion 2, 817,880.

You can fluctuate from a low of 150 --

Senator Kerr. That is up to when?

Secretary Humphrey. Today. I beg your pardon, that is to the 26th.

Senator Kerr. Those are the daily receipts. Is that five days a week or what?

Secretary Humphrey. That is just ever day.

Senator Kerr. I mean, you do not get any on Sunday?

Secretary Humphrey. No, no. It jumps from the 22nd to the 25th. Saturday and Sunday are out of this. It just shows you what the swing is.

The expenditures are just about as bad. The expenditures fluctuate from a low of 131, to a high of 852 million dollars a day.

So that when you come to try to say what can happen in a couple of days, why we can swing half a billion dollars a day, either way, on either side. And if they do both, if one happens to go one way and the other the other way, we

trouble.

I just cannot make a better guess than I have, except that I feel pretty confident that we will make at least a billion 8, and I hope it will be a little more.

The Chairman. Will you give us the facts that brought about this change between your estimate in January and your estimate now of the surplus; and how much your revenue increased and to what extent expenses increased?

Secretary Humphrey. Yes, sir. Here is our January estimate -- and I will compare that -- was with a plus 230, and that compares with a plus billion 828. Which are our latest figures.

Senator Kerr. I didn't understand.

Secretary Humphrey. I am comparing the January estimate, Senator Kerr.

Senator Kerr., What was?

Secretary Humphrey. Plus 230 -- 230 million dollars.

Senator Kerr. A surplus?

Senator Martin. Plus 230.

Secretary Humphrey. Now we are estimating billion 828 as compared with that plus 230. Individual taxes went from 31.5, to 35 billion dollars. I will not read all of the little figures.

Senator Kerr. The estimate was what for receipts?

will be some little fluctuations in these figures. Of course, this is the May 17th estimate, but this I am reading now, the January estimate, was the May 17th estimate, and I think these will fluctuate within probably half a million, five hundred million dollars.

Senator Frear. Are both predictions as of June 30?

Secretary Humphrey. As of June 30, that is right. The corporation taxes were 20.3. And we now estimate 21.5. A difference of 800 million dollars.

And the excises practically 10 each.

And the tax receipts, the customs receipts were four and one half, and now estimated at five or a total of 64.5 as against 67.7, and increase of 3 billion 2, which comes about, as you can see, a billion and a half in personal, about 800 million in corporate and the difference in the miscellaneous.

Senator Kerr. What was the corporate estimate on January 1?

Secretary Humphrey. 20.3 to 21.5.

Senator Kerr. That would be a billion 2?

Secretary Humphrey. Billion 2. And a billion and a half above; and the other is "miscellaneous items."

The Chairman. What were the conditions that brought about this error in the estimates?

Senator Martin. Yes; let us have them.

Secretary Humphrey. The expenditures were estimated at 64.270. And we are now estimating at 65.872. So that our receipts went up a total of 3 billion 2 and our expenditures went up a total of about 1 billion 6, something like that.

Senator Martin. Where were those additional expenditures, particularly?

Secretary Humphrey. Security -- national security is almost the same. It is about half a billion dollars up.

The special legislative matters is the biggest item. That went from 8.6 to 11 billion.

And "special legislative" includes, well, I will pick the big item. It includes the Veterans and Agricultural program and grants for state assistance and the highway grant aid and such things as that.

The big difference, most of it, is all in one figure, which is the commodity credit, which went from 2.2, to 3.55. That accounts for the big difference there.

As a matter of fact, that is the big difference in the whole estimate. The other things go back and forth and one offsets another very largely, but the big outstanding figure is the commodity credit grain purchase on the expenditure side and on the income side, it is more corporate and personal income.

customs receipts income?

Secretary Humphrey. I do not have that separately. It is lumped with "all other" -- "customs and all others." It is about five million dollars.

Senator Kerr. What were excises?

Secretary Humphrey. The excises were ten, just roughly. These are the figures, Senator. It is 35 individual, 21 and one-half corporate, ten excises, five customs and all others. Or a total of 71.5. Less 3 billion, of refunds on duplication of withholdings.

Senator Williams. That is what I did not have.

Secretary Humphrey. You have to take out that. There is a deduction. That leaves 67.7. That is money we get in, but we have to pay it right back.

The Chairman. There is an increase in income of 3.2, increase in expenditures of 1.6. That is, the difference of 1.6. And if you add the 1.6 to the 238 million that you estimated in January, it gives you your present figure.

Secretary Humphrey. Billion 8, that is correct.

The Chairman. What were the conditions that brought about this difference in these estimates?

Secretary Humphrey. Well, it is simply higher employment and higher earnings than we had estimated.

The Chairman. In other words --

sector. Because there were more people employed at more pay, why we got more tax than we estimated. And the corporate earnings were higher than we had figured on.

The Chairman. Was the prosperity after January 1st or before January 1st that brought this about?

Secretary Humphrey. What?

The Chairman. Was the prosperity in business --

Secretary Humphrey. It was during the 12 months.

The Chairman. I say before January 1st?

Senator Martin. That would be before January of this

Secretary Humphrey. That is right.

The Chairman. Well, no --

Senator Williams. The individual would be.

Secretary Humphrey. The individual goes right on up to that goes right to today. But the corporate is based

Senator Martin. Yes, the corporate.

Secretary Humphrey. -- on the returns, most of them, would say 80 per cent of them, Senator, are calendar year corporations and that would close December 31. The others would slip over into this year.

The Chairman. What is the figure in expenditures for that year, as you see it?

Secretary Humphrey. I cannot tell you, Senator, until

the Congress gets through or gets a lot farther. You are bandying billions of dollars all over the place up here -- I don't know where it will wind up.

The Chairman. Suppose we have two more weeks here, how much will it be? (Laughter) How much additional?

Secretary Humphrey. If you will close out the record --

The Chairman. "It runs about a billion dollars a day lately. (Laughter) There is an increase anticipated, in any event, in expenditures next year.

Secretary Humphrey. I am afraid so.

The Chairman. Have you got a rough idea of that?

Secretary Humphrey. I hope not, but I am afraid so.

The Chairman. This balanced budget we have this year, are we likely to have it next year, the way it now looks?

Secretary Humphrey. Well, all I can say is this, Mr. Chairman, we have spent our days and nights and holidays and Sundays working to make a balanced budget and we are going to continue to do it.

If we did it once, maybe we can do it again. We are going to try.

The Chairman. Do you regard this 3 billion dollars that we are not taking off the debt limit -- do you think that will be a bona fide debt reduction?

Secretary Humphrey. It is going to be now; yes, sir.

And if we do it now at least we have not the right to hope

we can stick with it. We can do it now by virtue of having this additional amount and keeping it.

If that should be disbursed, why we would have to go right back the other way.

The Chairman. You actually can reduce the debt and thereby save the interest on 3 billion dollars?

Secretary Humphrey. We actually reduce the debt about nearly 4 billion dollars. Day before yesterday we had about four and a quarter billion -- what was it -- four and one-half billion come due and about four billion and 2 were paid off already of notes that came due yesterday and we have paid the four and one-half. The rest will be paid. It will be a total of -- already the four billion 2 has gone out on it -- and it will be four and one-half billion of notes that are paid and not refunded.

On the other hand, we have 8 billion coming due about in July, which we will have to refund.

The Chairman. I would like to ask your opinion of the value of the debt limit. Of course, we all know we have these huge unexpended balances and the appropriations are finished on July 1st, and the balances including this year's appropriations, will run 120 or 130 billion, will they not, probably more than that, and by reason of that the Congress has lost in large measure the control of the budget, of the expenditures.

What is your opinion of a tight debt ceiling in order to enforce economy and to maintain the solvency of this country?

Secretary Humphrey. I think it makes an extremely uncomfortable Secretary of the Treasury, and I think it is a good thing for the United States.

The Chairman. I remember one time a few years back you were very uncomfortable about it. You feel a little better now?

Secretary Humphrey. This is very tight. We are going to have, so far as the Treasury is concerned -- we are going to have just as many painful days this year as we had last year.

The Chairman. It is a wise thing?

Secretary Humphrey. I think we ought to have them.

The Chairman. It is a wise thing to do -- to have them?

Secretary Humphrey. I think anything that makes it hard to spend money, so that you have to look at it not once but half a dozen times before you say you can spend it, and anything that makes the Congress slow down and think and that makes the Executive slow down and think, before they spend the money, is a very good thing.

The Chairman. I hope that you will look with favor upon a further reduction in the debt limit next year.

Secretary Humphrey. I hope we won't have to be back here next year. I don't know whether that will be. That is a big hope -- that is what I would like.

The Chairman. In other words, you hope that you will not have to ask for any extension of the temporary --

Secretary Humphrey. I hope nobody has to be back here next year.

The Chairman. I was not speaking of you, I mean whoever was Secretary of the Treasury.

Senator Martin. Right now, as I understand it, the permanent debt ceiling is 275?

Secretary Humphrey. That is correct.

Senator Martin. And what you are hoping is that you won't have to come back next year to have that temporarily lifted?

Secretary Humphrey. That is correct.

The Chairman. If it is possible to operate under it, you would not object in case you are Secretary of the Treasury, or whoever is -- you would not object to reducing the 275, if it was possible to work under it?

In other words, you think a tight debt limit is advisable thing to have?

Secretary Humphrey. I do. I think we ought to have a tight debt limit. I think this, I think you can overdo it. I think you can get it too tight.

You see, you have to have some room to move around in. And, particularly, with these big maturities that we have. You have to plan well ahead to handle the big maturities. And I think that you need some elasticity to do your financing at the proper time and in the proper way.

The Chairman. You feel that the balance cash on hand of about five billion is a proper figure?

Secretary Humphrey. That is right. We haven't had that but a mighty few days.

The Chairman. You got down to 700 million one time.

Secretary Humphrey. We had the debt within 700 of the limit right along, for quite a little while.

The Chairman. What is the lowest cash you have had on hand in the last year, approximately?

Senator Kerr. At times you had less than ten days supply.

Secretary Humphrey. Less than ten days of bills. You see, we spend, that is around, we spend a billion dollars every five days. And there would be around 2 billion, although I am afraid, Bill, we had one or two days below the billion.

But you have no business to do that. That is not good for anybody to be that right.

The Chairman. You could do with something a little less?

than five.

The Chairman. You would like to have five?

Secretary Humphrey. Our average balances -- I will be glad to read them to you. These are the 15th and the last day of each month. So I will just run through and let you see where we have been.

You can see how tight this is. I start with June 30th last year, and will just read right down, every 15th and 30th of every month -- five, 37, 61, 45, 51, 29, 47, 59, 46, 41, 45, 28, 26, 31, 39, 26, 22, 19, 24, 25, and this is in January.

Here is all of January: 26, 22, 19, 24, 25.

And then we get in February: 27.

Then in March -- March 15th: 27.

Well now, you see those very low dates, 22 was January 15th; 27 was March 15th. And the very next day we get in a couple of billion dollars. We are two days later with our collections -- 64, 42, 94, 49, 56, and 57.

That gives you an idea of how it is.

Senator Ke... If the ordinary commercial bank would loan customers as much money as they are loaning Uncle Sam and that customer carried that low a balance, you would look at it askance.

Secretary Humphrey. That was one of the things that

run as close as this Government is run. That is one of the things that fooled me when I came here; one of the things that made me come up here and ask for greater elasticity in this thing than we found we can live with.

And, frankly, I am glad you did not give it to us, because I think the restraint on spending that this is, is a good thing. But I didn't believe it could be done. You couldn't do it in a business.

It is simply the terrific magnitude of the thing that lets you do it, plus one thing, that is, that if you get in a jam and if you do this long enough you will, somebody will, if you run it as tight as we run it, somebody will get in a jam and will have to come back here in a hurry and ask for relief.

Senator Kerr. As much as it is a departure for me to go away from a long established habit, I want to say that you are entitled to quite a little credit.

Secretary Humphrey. It is a hard job. Mr. Heffelfinger is the fellow that does it, sitting right here. I do not do it. It is his work.

The Chairman. Just one more question.

Mr. Secretary, when the money is collected, is that deposited in the local banks, I mean the tax revenue, -- say

tax and loan accounts with local banks, but our principal deposits are Federal -- with the Fed.

The Chairman. Are they left in those particular banks or are they moved around?

Secretary Humphrey. They move back and forth. We try to maintain deposits -- we try to maintain deposits to even out flows, so that we do not have great movements of money around the country. We try to have big movements of money around the country through the Feds.

The Chairman. Suppose I pay my taxes today, when is that effected on our books here in Washington?

Mr. Heffelfinger. You send your check to the collector. Within a few days -- it all depends, if he gets an avalanche it might take him a week or two weeks to process that check into a Federal Reserve bank. Within the next day it is back to our commercial bank, to be charged and credited to our account.

The Chairman. A week or ten days?

Mr. Heffelfinger. A week or ten days. Sometimes they get bogged down in the Collector's office with an avalanche such as on March 15 -- it will take longer.

Senator Martin. Mr. Secretary, in your estimates for the future have you taken into consideration the road program

What I am getting at is whether or not our new road program may be a charge on our general funds.

Secretary Humphrey. No, sir. The road program is out of these figures. And the collections for it are out of these figures, because the road program collection is going into a special fund.

Senator Martin. Yes; that is true.

Secretary Humphrey. And, fortunately, the way you gentlemen passed the law, that fund cannot be overdrawn. That fund is not a credit to be used in the surplus act, but it is a debit to be used, if it should be overdrawn.

But under the provisions that you wisely put in the law, we cannot overdraw the fund. It has to be either the program curtailed or you gentlemen have to give some addition.

The Chairman. At the same time, if you have a credit, you do not consider that as a general fund of the government?

Secretary Humphrey. That is right.

Senator Martin. Mr. Secretary, during this session of Congress, Congress has already appropriated for public works -- that means flood control, improvement of rivers and harbors -- above budget estimates.

Have you taken that into consideration, and that possibly they will be even greater in the future, because

are coming in from all over the world? Have you taken that into consideration?

Secretary Humphrey. Those largely are for 1957 expenditures, not 1956.

Senator Martin. That is right.

Secretary Humphrey. And we have not -- we are in the process of trying to build a 1957 budget. Of course, we cannot build one that amounts to much until we know much more about the appropriations.

So that will be taken into account in the 1957 budget, not the one we are discussing here now.

Senator Martin. Mr. Chairman, what I am getting at is, we are a rapidly expanding country from an economic standpoint. And the reason for this great road program was that we need it for national defense, civilian defense and expansion of our economy.

In going into the matter of rivers and harbors and flood control and stream pollution, it is probably going to take quite a little money. And I wondered whether or not if you had given any consideration to that, to the figure as to what we can do in reducing the debt.

I want us to reduce the debt and, also, I want these improvements. I think it is almost essential.

Secretary Humphrey. I think, Senator -- this is a sort

that someday and somehow and sometime, if we are going to get the finances of this country on a proper basis, that we have to get the appropriations and the raising of the money brought together.

I think the great error in our Government system today is the fact that the appropriations move on the one hand and the raising of the money moves on another hand. And the two never get together except by happenstance until after both are done. You just could not run a business or your home or anything else that way.

It is just by the grace of God that we get along, because we are rich enough -- to have been rich enough to take care of deficits if we hit them.

We started on a program of that kind a couple of years ago and it has bogged down. We haven't made much progress with it.

I think one of the most essential things to be done, as time goes on by this Congress -- not this particular Congress, but by Congress -- is to devise some means of bringing these two things together, so that you have a budget.

I think we are the only country in the world that I know of that does it our way, where there is no relationship

until both are committed

The second thing is this: As the country grows -- and it is growing and will continue to and should grow, by and large over a period, your income at the same rates will increase in amount.

I have said many times that I think those rates are too high for permanent operation. I think we are taking too much out of the economy. And I think we will injure the economy by doing it.

So I think those rates have got to come down, but I think over a period they can come down and you will still get more money, looking over a term of years.

But I think we are facing demands from the people for services as the country grows. The workload gets higher. And you are facing demands for services from the Government which is going to make it very difficult, if not impossible, to reduce a lot of the general expenditures of the Government.

The Post Office has more to spend, of course -- I think they ought to pay their way, but that is another subject.

Senator Martin. I do, too.

Secretary Humphreys. Various branches of the Government -- take Internal Revenue, collection of internal revenue, if we add another million taxpayers you have got more service to render and so on.

Take the things you are talking about --

Secretary Humphrey. -- so that I think we face -- and our hope, our hope -- two-thirds of our money goes for security today --

Senator Martin. That is true.

Secretary Humphrey. -- our hope is that for solvency in this country and for a proper balance by reduction of the amount we are taking from the people and spending, through the Government, our hope is that some way we will get a more peaceful attitude in the world, at sometime and that through that more peaceful attitude we will be able to reduce that two-thirds of what we are now spending which will permit the elasticity that you have otherwise.

Until that time comes, I think that we have got to be pretty hard-boiled and resist to every extent possible the extension of these services and the nice things to do.

I think we have got to do just like you do in your family, I think you have to shut down on the nice things to do until we can afford to do them and until some of the things we must do become less burdensome.

Senator Martin. I think that is, Mr. Chairman, a very fine explanation. It is something that ought to be considered by all of the American people. Unfortunately, Mr. Chairman, the people of the United States do not seem to realize that the Government is their government. And everything, in mind,
a letter

in protest to the spending of money. It is always to spend more -- some particular thing that the man is interested in.

On the matter of defense, I have advocated a strong defense in this country all of my life, but I think we are just spending entirely too much money for defense in our country.

That is all.

The Chairman. Are there any further questions?

Senator Long. Mr. Secretary, I heard you make a statement about resisting the extension of these services until we can get this spending down to a lower level. Sometimes I wish we could push around some of the people in your Administration and get some of your people who are awfully tough on spending -- and they are not in charge now -- to change their point of view.

I know something of these expenditures -- just on foreign aid. We have to vote to raise these funds and we are the ones who tried to vote, in a greater measure, than any other group, to cut them down.

I have had the pleasure of serving under two of the great men of this Congress, under two great chairmen -- the Senator from Virginia and the Senator from Georgia.

I have often said that if I could get the Senator from Virginia to be chairman of Foreign Relations, instead of [blank], we would have about a foreign aid program here in

accordance with my views. And the Senator from Georgia to be chairman of this committee, we could have a social security bill more in accordance with my views. (Laughter)

I hope that you will exert your influence to try to keep us from increasing this foreign aid program much more than we are doing because we are appropriating more money this year for it than last year. I hope we do not continue that trend.

Secretary Humphrey. I don't know, Senator Long, how much influence I have in the Democratic Party, but if I can be helpful with either of the gentlemen I will be glad to.

Senator Douglas. I voted against Senator Long's motion yesterday, but I did so after the Administration had made a piteous plea that they needed the full 4.7 billion. So do not lay that 4.7 billion at our door. That is an Administration recommendation. (Laughter)

Senator Martin. Off the record.

(Off the record)

Senator Douglas. If we want to economize, I suggest that we economize on the Delaware River and not get a 41 foot river there but stick with the 35 foot river.

Senator Kerr. May I amend that by suggesting that you stick with the 35 foot channel?

Senator Douglas. Let the U. S. Steel pay for it.

Senator Kerr. That is what the Senator from Illinois wants you to do is to get stuck in that channel. That is what the Senator from Illinois wants.

Senator Martin. It may be interesting. I am afraid I will have to come in and ask for a fifty foot channel.

Senator Douglas. I would not put it past you. (Laughter)

Senator Williams. Mr. Secretary, do you have any estimate as to the amount of unpaid bills or contracts or obligations this Government will have outstanding as of June 30?

Secretary Humphrey. I am sorry, Senator, I haven't got it now; no, sir.

Senator Williams. What is your most recent estimate? As I understand it, you told the committee last time there were 83 billion when you came in --

Secretary Humphrey. Yes.

Senator Williams. -- that you had to take up the tab for. Have they been reduced?

Secretary Humphrey. They have been reduced, yes. I am speaking from memory. It isn't very good. I would have to correct it. I will say I think 55 or 56, something of that kind, but I would have to correct that.

Senator Williams. Around 55 or 56?

Secretary Humphrey. Something of that kind. I better lock it up and give you the exact figure. I haven't got it

here.

The Chairman. You are speaking of unexpended?

Secretary Humphrey. Unexpended.

Senator Williams. Yes. You consider those just as much a part of the obligation to the Government, in effect, as the national debt, do you not?

Secretary Humphrey. They have to be provided for.

Senator Williams. They have to be paid?

Secretary Humphrey. They have to be paid and provided for.

Senator Williams. And I was just figuring here, your national debt you estimate as of June 30 will be about 272.5?

Secretary Humphrey. That is correct.

Senator Williams. And your cash on hand about 5.8. And if I remember correctly that is somewhere near what it was when you came in four years ago, is that right, cash on hand?

Secretary Humphrey. Wait just a minute. I think I can get that for you. I will get it.

The Chairman. Would you give the figures then for the unexpended balances as of June 30 and then add to that the appropriations for the next year.

So then, of course, that will mean an unexpended balance, too, as of June 30?

Secretary Humphrey. That is right.

The Chairman. I think it will run about 120 or somewhere around there.

Secretary Humphrey. If you put the current appropriations in. The 82 was without the current appropriations in it.

The Chairman. These --

Secretary Humphrey. I will have to get that.

The Chairman. -- unexpended run about 65 or somewhere in that neighborhood.

Secretary Humphrey. I think they have gone up a little bit this year. They came down substantially. I think we got them down into the fifties and then they moved back up a little bit this year.

The Chairman. Those that are available for spending, the total after the 1st of July, would be around 125?

Secretary Humphrey. That has to add to it this year.

The Chairman. The total that would be available for spending.

(The information to be supplied is as follows)

COMMITTEE INSERT

Senator Williams. The point I was at, if your unpaid bills are not included in the debt today and are around \$55 billion as compared with the 38, that is a drop of 18 billion. And your national debt is 3 and one-half billion higher than it was four years ago, because it has gone up from 269 to 272.5. It means that you are in effect about 14 and one-half billion dollars --

Senator Bennett. You would have to add ten billion to that to correct your arithmetic.

Secretary Humphrey. I think you better let me get the accurate figures for you to make such a calculation. I cannot give you the comparable unexpended appropriations. I can give you here the public debt, January 20, 1953 which was 267 and a lot of small figures. And now it is 272 and a lot of small figures.

The cash was 4.657, and the cash will be 5.7.

In the other words, it was 4.6 and it will be 5.7.

Senator Williams. That will leave you a difference there of about 4 billion more than it was before when you take the cash figure.

Secretary Humphrey. Taking out the cash difference.

Senator Williams. I would be interested in your having comparable --

Secretary Humphrey. I have to say -- I think it is perfectly safe to say that the unexpended appropriation is

more than that 4 million dollars smaller than it was.

Senator Williams. I am sure it is.

Secretary Humphrey. How much more I cannot tell you exactly, but I will.

Senator Williams. To the extent that it was more, we were that much farther along the route to solvency?

Secretary Humphrey. That is right.

Senator Williams. I wish you would furnish us those figures, so that we could have it to set up as a comparison for the period.

Secretary Humphrey. I will do that.

(The information to be supplied is as follows:)

COMMITTEE INSERT

Senator Long. You are not really contending we are in better shape economically because the unexpended appropriations are a lower figure, are you?

Secretary Humphrey. Yes; I do.

Senator Long. Let me just --

Secretary Humphrey. That means you have less money to spend out ahead.

Senator Long. Let me discuss with you the one item I am most interested in. I feel I am most familiar with this in that I supported your administration on this position.

When I first came here the Secretary of Defense wanted to cut this Air Force appropriation. I supported his position because the figures showed that you were going to be spending more money year by year in buying and paying for new airplanes than you had been spending under the previous administration. All you were really doing was shortening down your lead time.

Every time that you get your plant organized and work force on the job and everything is ready to go, you can then proceed to just deliver these articles at a very rapid clip. And, of course, the Government has to pay for them as they are delivered, but meanwhile you oftentimes have to let contracts for these new weapons far in advance of the delivery date. And that the actual rate you are spending money

depends upon the rate you have to pay, not these long lead times that you have in looking at your over-all program.

I cannot see you are any better off from an economic point of view or that you are any more financially sound because you discover that your lead time on aircraft, for example, has to be only four years instead of seven years or in some cases only two years, instead of four years, where you have the aircraft actually rolling off the lines.

Secretary Humphrey. Let me put it this way: Would you tell in your home you were a little better off if you had one automobile that was partly paid for, or if you had one automobile that was partly paid for and your wife had ordered a new one for the next year and another one for the year ahead the money would be the same. Your money would be the same, but you would be in a little better shape.

Senator Long. I cannot quite apply that analogy to the situation here, because here is the situation that caused me to vote with you and with your Administration for this Air Force budget.

I knew we had on hand 24 billion dollars for aircraft procurement. And we had on hand far more money than needed at that time. And the Administration had a good argument to make that you needed only about 18 billion; because you had so much more in backlog.

At the present time your Administration is carrying a

balance of about 18 billion dollars for aircraft procurement.

When your Administration came in you were carrying an appropriation backlog appropriation of about 24 billion. I was convinced that you were right about that.

I do not see we are any more financially sound because we placed our orders on a little bit shorter delivery date, at least, one year's shorter delivery date from the time the order was given.

Secretary Humphrey. At least you are more elastic in controlling your expenditures on that basis, aren't you?

Senator Long. I think you are, perhaps, being more realistic.

Secretary Humphrey. And you are more elastic in controlling them, too.

Senator Williams. To put it this way, if you had no unpaid bills you would feel much more comfortable today, would you not?

Secretary Humphrey. I think that just goes without saying. Except, of course, you realize that that is an impractical thing -- it cannot be in that position.

Senator Williams. That is right. It never before was up to the 83 billion figure. At the end of World War II, which would be surely a peak figure, it was only around 28 to 30 billion, in the pipelines at that time.

So I mean it is not customary for the Government to

carry such a large outstanding balance of unpaid bills, of contractual obligations.

Senator Kerr. In order that we may look at it realistically, the unexpended balances are being referred to by the Senator from Delaware as "unpaid bills." It was the amount of money that the Government had contracted for delivery of national defense items in the future, but which had not been delivered.

And the pay therefor was not due because the defense items for which contracts had been made had not been made or delivered, is that correct?

Secretary Humphrey. That is correct. They were not unpaid bills in the sense that they were past due.

Senator Kerr. Or currently due?

Secretary Humphrey. Or currently due.

Senator Kerr. And many of them --

Secretary Humphrey. They were obligations to be paid in the future. I called them "C.O.D.'s". That is what they were. They were C.O.D.'s.

Senator Kerr. They were unmatured C. O. D.'s and not like --

Secretary Humphrey. It is just like --

Senator Kerr. -- not like a family would buy an automobile.

Secretary Humphrey. A family buys lots of things C.O.D.

Senator Kerr. I understand.

Secretary Humphrey. When the man brings the goods, he raps on the door and you pay for it; he hands it to you.

Senator Kerr. These were for items that the country, whether wisely or unwisely, had decided to obligate themselves to purchase as delivered for the defense of the country.

Secretary Humphrey. That is right. Like any C.O.D.

The Chairman. Will you furnish then a statement of the unexpended balances as of June 30 of this year and June 30 of last year? And so far as you can, show what those that are unobligated are?

Secretary Humphrey. Well, now --

The Chairman. I mean for this record. The unexpended balances for this year, June 30 and last year, June 30, and then a statement of what part of those unexpended balances this year are now unobligated.

Secretary Humphrey. We will have that about July 20.

The Chairman. Have it July 20th?

Secretary Humphrey. If you make it June 30 of this year -- you see, we do not get our financial figures in --

The Chairman. When is the latest date you have?

Secretary Humphrey. At the end of the month our figures come in.

The Chairman. Have it then

Secretary Humphrey. We can do it at an earlier date. We will pick an earlier date. We will pick a comparable earlier date so we can do it for you.

The Chairman. Do it by different departments.

Secretary Humphrey. Yes; wait a minute. By departments?

The Chairman. I mean whatever you have.

Secretary Humphrey. Different categories.

The Chairman. Whatever categories in the budget.

Secretary Humphrey. We will get you some categories.

The Chairman. Not too much detail.

Secretary Humphrey. All right.

(The information is as follows:)

COMMITTEE INSERT

Senator Flanders. Mr. Chairman, I would like to ask an unusually moot question. Can we pay off the national debt too fast?

Secretary Humphrey. You say, can we? I think I can answer you -- no, you cannot. If you say would it be possible, I do not know how I would raise the money to do it. Is there such a thing? The answer to what you are talking about is, you could pay a debt too fast if you could get the money to do it, but I do not think we are going to be bothered that way.

Senator Flanders. The moot necessarily lies here. Suppose that Congress should reduce by a considerable number of billions its appropriations and not lower its taxes.

Secretary Humphrey. I think you would get into quite a lot of trouble.

Senator Flanders. All right. That is all I wanted to know.

The Chairman. That is not apt to occur.

Secretary Humphrey. That is what I say, I do not think we will be bothered with that.

The Chairman. There were efforts to reduce taxes --

Secretary Humphrey. Before we get the money.

The Chairman. -- and add it to the public debt. When we consider that in the 23 years that I have been in the

think there is any danger much of paying anything off to soon, when it increased 1700 per cent.

Secretary Humphrey. I wish that was all I had to worry about.

Senator Kerr. I would like to have the Chairman give me a breakdown on that figure.

The Chairman. I will give you a breakdown. It was 16 billion dollars when I came to the Senate.

Senator Kerr. When was that?

The Chairman. In 1933.

Senator Kerr. In 1933 the national debt was how much?

The Chairman. 16 billion.

Senator Kerr. Can the Secretary give it to us on the basis of the record, beginning in 1930 for the years following?

Secretary Humphrey. Wait a minute. I think I can do it right here. Mr. Heffelfinger comes loaded this morning.

The Chairman. I think that is approximately right.

Secretary Humphrey. 1930, 16 billion 185.

Now, I will just read them right on down. I will just read it plus the next nearest figure. I will call that 16.2, 16.8, 19.5, 22.5.

Senator Kerr. What year?

Senator Bennett. That is the amount.

Senator Kerr. 1931 was how much?

Secretary Humphrey. 16.8.

Senator Kerr. 1932?

Secretary Humphrey. 19.5.

Senator Kerr. 1933?

Secretary Humphrey. 22.5.

The Chairman. Is that the first part of 1933 or the last part? (Laughter)

Secretary Humphrey. This is June 30.

The Chairman. January 30 or what?

Secretary Humphrey. June 30th.

The Chairman. That would have to be divided equally that year.

Senator Kerr. I would like to tell what month in the year is the 16 billion.

Secretary Humphrey. All June 30. If you want to get some fun out of it: 22.5, 27, 36, 37, 40, 42, 48, 136, 201, 258, 269, and so on.

The Chairman. I would like to have you read them, if you have got them after World War I. We paid our debt after World War I.

Secretary Humphrey. I will go back. If you want a real shock, I will go back to 1916. One billion 200 million dollars.

Senator Martin. That is when we were terribly worried. We were so terribly worried then.

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The Chairman. One billion and we were on a pay-as-you-go basis for the existence of this country up to 1916.

Secretary Humphrey. We spend that in five days now. Just think of it -- just think of it! Now, this is a shock to me, frankly.

The Chairman. I am serious.

Senator Frear. Who would want to go back to 1916?

Secretary Humphrey. I would kind of like to pay that off in one day.

Senator Long. Mr. Secretary, is this statement correct, that the national debt had been paid off once when Thomas Jefferson was President and the other time when Andrew Jackson was President. That is was paid off then?

The Chairman. He thought that was the greatest accomplishment of his career.

Senator Martin. He considered that the greatest accomplishment of his career.

Senator Kerr. He added a number of things to his statement. He said when he left here -- he included that -- but he gave equal significance to these others. He said, "I have punished my enemies."

Secretary Humphrey. I have what.

Senator Kerr. "I have punished my enemies. I have rewarded my friends. I have paid the national debt, and distributed the surplus among the states. I am tired and I

am going home." (Laughter)

Secretary Humphrey. I can subscribe to that.

Senator Kerr. If he ever told the people which of those accomplishments was most serious to him I have been unable to find it in the record.

(Off the record)

The Chairman. Read about the debt now after World War I.

Senator Frear. I wonder if the Secretary would mind, if you would ask that these figures just be made available for the record?

Secretary Humphrey. Surely.

Senator Frear. He has a long sheet of them. I think it would be quite interesting.

(The figures are as follows:)

COMMITTEE INSERT

1

Senator Douglas. Since these figures are made available for the record I wonder if the Secretary would make available the total amounts paid out in interest each year by the Government and the percentage which it forms of the gross national product?

The Chairman. If you have that.

Senator Douglas. That is a very different story.

Secretary Humphrey. We can do that, Senator Douglas. I think it would take a little time to do it but we can do it.

Senator Douglas. I think that would be fine.

Secretary Humphrey. Have you got what he wants?

Senator Kerr. While you are putting those figures into the record --

Secretary Humphrey. You want, Senator Douglas, the debt as a percentage and the interest as a percentage? I do not know that we can get that.

Senator Douglas. The interest and the percentage which that forms of the gross national product for that year.

Secretary Humphrey. Just the interest?

Senator Douglas. That is right.

Secretary Humphrey. What percentage the interest is of the gross national product?

Senator Douglas. And the absolute figure.

Secretary Humphrey. First the figure?

Senator Douglas. That is right.

Secretary Humphrey. The rate or the figure, the total number of dollars?

Senator Douglas. The total number of dollars and the interest.

Secretary Humphrey. Yes.

Senator Douglas. The percentage that forms of gross national income.

Secretary Humphrey. We will have to see which we can get. That last figure -- of course, it is easy to get the interest figure. I do not know about the gross national product figure. We will go back as far as it goes.

(The information is as follows:)

COMMITTEE INSERT

The Chairman. You might include the rest you started at June 30 before. Read it.

Secretary Humphrey. 1919 it was 25.5. 1920, it was 24.

In 1921, it was 24.

In 1922, it was 23.

In 1923, it was 22.

In 1924, it was 21.

In 1925, it was 20.

In 1926, it was 19.5.

In 1927, it was 18.5.

In 1928, it was 17.5.

In 1929, it was 17.

And in 1930, it was 16.2, which is the bottom.

It came down from 25.5 and one-half to 16.

The Chairman. Any further questions?

Senator Frear. Just one, Mr. Chairman. When did the Treasury start feeling the effect of the Mills amendment on corporate income taxes?

Secretary Humphrey. This year.

Senator Frear. This year?

Secretary Humphrey. Yes. Corporate income. You mean the part that we put in the big tax bill?

Senator Kerr. You mean the Mills amendment?

Secretary Humphrey. The amendment to the Mills amend-

ment.

Senator Frear. I really mean the advance payment on corporate income.

Secretary Humphrey. You are talking about the amendment to the amendment, which is shifting it back to a quarterly base.

Are you talking about when you started to move the other way or started to move it back?

Senator Frear. I thought it was about four years ago when corporate income was paid at the end of their fiscal or calendar year and then we started setting it up by the first or second quarter of partial pay-as-you-go, 25 per cent.

Secretary Humphrey. The Mills amendment itself, do you remember the date when it became effective? It was five or six years ago that the Mills amendment itself became effective. That was reversed to take effect a little at a time, two years ago, beginning this year.

Senator Frear. Beginning this year?

Secretary Humphrey. That is correct. It is about a billion.

Senator Frear. In 1956?

Secretary Humphrey. It is about a billion dollars in 1956 of switch.

Senator Frear. So I understand it correct, that had the

Mills amendment not been ineffect, the billion dollars of corporate income that the Treasury has received during 1956, would have not been received in 1956, but 1947?

Secretary Humphrey. That is right.

Senator Frear. Would it not, also, be true that had the Mills plan not been in effect over the period of the last few years we would have advanced one whole year?

Secretary Humphrey. Wait a minute. My answer to you is correct, talking fiscal years, not calendar years. The Mills Amendment threw it from one fiscal year to another, not a calendar year.

We are doing the same thing -- we are reversing the Mills Amendment and putting it back not in different calendar years, but into the fiscal years.

Senator Williams. But the net effect of the Mills amendment over a period of years was to move forward one year one whole year's corporate taxes?

Secretary Humphrey. What happened -- what the Mills amendment did was to throw money from one fiscal year into another. By throwing money from one fiscal year into another year it had an effect upon the budget for that year.

The Chairman. You will balance that out in two more years?

Secretary Humphrey. I believe it is either two or three.

The Chairman. I think it is two -- this is the second

year.

Secretary Humphrey. I believe so.

The Chairman. In other words, you are collecting in advance now?

Secretary Humphrey. That is correct.

The Chairman. Are there any further questions?

Senator Malone. Did I understand you to say, Mr.

Secretary, that the national debt in 1953 was 267 billion?

Secretary Humphrey. When?

Senator Malone. 1953, 267 billion?

Secretary Humphrey. Let me get that sheet again.

267, January 20, 1953, that was the figure I gave, because they asked what date it was the day that I got here.

Senator Malone. What year was that?

Secretary Humphrey. June 30, it was 266.

Senator Malone. The 272 debt figure in billions what year was that, 1955 or 1956?

Secretary Humphrey. The what?

Senator Malone. The 272 figure that you gave -- it increased to 272 by January 1955 or January 1956?

Secretary Humphrey. That is what it will be -- it will be 272 plus some odd amounts day after tomorrow.

Senator Malone. In three years there has been an increase in the national debt of about five billion dollars?

Secretary Humphrey. That is about right.

Less, of course, you have got to figure -- you have to deduct your differences in cash which --

Senator Malone. You do that at any time, but the round figures, that is what it amounts to?

Secretary Humphrey. No. You cannot talk just debt. You have got to have both.

Senator Malone. What was it then in when it was 262?

Secretary Humphrey. We had four and one-half as against 6.2. You take about one billion 800 million off that.

Senator Malone. What is the difference in the debt?

Secretary Humphrey. About four billion dollars.

Senator Malone. About four billion more than in 1953?

Secretary Humphrey. That is right -- net difference.

Senator Malone. Is that right?

Secretary Humphrey. That is right.

Senator Williams. To offset that you have reduced these unpaid bills which I still contend are still unpaid bills.

Secretary Humphrey. C. O. D.

Senator Malone. The thing that confused me was that the general talk is that we are reducing the debt, that is the talk, and now we call it a reduction because we ask for an increase half of what we asked for last year.

Secretary Humphrey. That is right. That is not increased so much this year as last year.

Senator Malone. But we do owe more money than last year, the national debt?

Secretary Humphrey. Oh, no; we do not.

Senator Kerr. June 30th this year you owe less?

Secretary Humphrey. We owe less.

Senator Malone. What did we owe last year?

Secretary Humphrey. On June 30th, we owed 274.5. This year it will be about 272.5. Or 272 something.

Senator Malone. From 1953 to 1956, it was about four billion dollars increase?

Secretary Humphrey. That is right.

Senator Kerr. You gave a figure of 22.5 for June 30, 1933. What was it June 30, 1934?

Secretary Humphrey. June 30, 1933, it was 22.5.

June 30, 1934, it was 27.

The Chairman. Are there any further questions?

Mr. Secretary, we are very thankful to you, sir, for your fine statement that you have made.

Senator Frear. You recommend this proposal, I understand?

Senator Anderson. With reservations?

Secretary Humphrey. Off the record.

(Off the record)

Senator Williams. We hope you are back this next year

Secretary Murphrey. I hope you will not have to be asked.

Thank you very much.

The Chairman. Thank you very much, indeed.

We will go into executive session.

(Whereupon, at 11:45 o'clock, a.m., the committee adjourned, to go into executive session.)