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# TEMPORARY INCREASE IN PUBLIC DEBT LIMIT

FEBRUARY 20 (legislative day, FEBRUARY 19), 1958.—Ordered to be printed

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

## REPORT

[To accompany H. R. 9955]

The Committee on Finance, to whom was referred the bill (H. R. 9955) to provide for a temporary increase in the public debt limit, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

### GENERAL STATEMENT

Section 21 of the Second Liberty Bond Act, as amended, provides a permanent limit of $275 billion on the amount of the public debt securities which may be outstanding at any one time. In the 83d Congress (Public Law 686, 83d Cong., 2d sess.) the public debt limit was temporarily increased from $275 billion to $281 billion, or by $6 billion. This temporary increase was extended in the 84th Congress (Public Law 124), 84th Cong., 1st sess. until June 30, 1956, and again in that Congress (by Public Law 678, 84th Cong., 2d sess.) but this time by only $3 billion for the period ending June 30, 1957. After June 30, 1957, the public debt limit reverted to the permanent limit of $275 billion.

The Secretary of the Treasury has again requested that the existing debt limit be temporarily increased. He has requested that the permanent limit be temporarily increased to $280 billion, or by $5 billion, for the period beginning on the date of enactment and ending on June 30, 1959.

Your committee is concerned both about the necessity of increasing the debt limit over the present statutory limit of $275 billion and the amount of the temporary increase requested by the administration. However, in view of the Secretary's statement (much of which is quoted below) concerning the necessity for flexibility in managing the fiscal affairs of the Government, and in view of the unsettled conditions confronting the United States on both the economic and international fronts, it is deemed necessary to provide the authority requested by the Secretary and to increase temporarily the maximum debt limit by $5 billion for the period beginning on the date of enactment and ending on June 30, 1959.

In providing for such increase, your committee places primary reliance upon the Secretary's assurance that those in the administration will exert all of their abilities to achieve the utmost economy in governmental operations and to manage the public debt as best they can in the national interest.

The Secretary of the Treasury made the following statement before your committee in support of this increase:

> I want to make clear at the outset that the need for a debt limit increase is based on—
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> 1. The fact that cash balances have been running distressingly low * * *.
> 2. There is need for more flexibility for more efficient and economical management of the debt.
> 3. Even with a balanced budget there will still be large seasonal fluctuations in receipts which make operations under the $275 billion limitation most difficult.
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> This request, made within the framework of our 1959 budget estimates for revenue and expenditures, emphasizes not only much-needed flexibility as outlined above, but takes into account contingencies which might develop in a world filled with uncertainties.
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> One of the most serious difficulties encountered by the Treasury in operating under the present limitation is the problem of carrying out our financing in an orderly and economical manner. A large portion of our public debt is made up of securities with relatively short maturity.
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> Some part of this short-term indebtedness is coming due each month, so that at all times the Treasury is faced with substantial refunding problems. An objective of sound fiscal policy is to extend the maturity of new issues whenever opportunities are available, so as to avoid concentrating too large a portion of the public debt in the area of short maturities.
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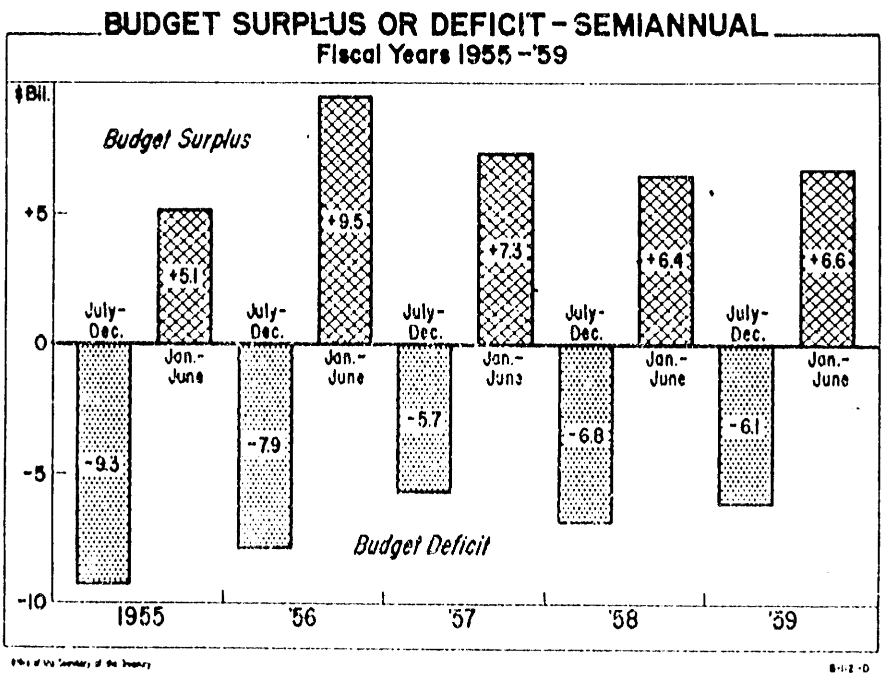
> In recent years, due to market conditions or the restrictions of the debt limit, opportunities to accomplish this objective have not been very frequent. We should be able to take advantage of opportunities in the period ahead of us. Under the present debt limit, we would not be able to take full advantage of such opportunities. During the past several months, we have been able to issue only relatively small amounts of longer maturities on two occasions. The practice of the Government going frequently to the market disturbs not only the market for Government securities but also the

market for corporate, State, and municipal securities. We should be able to conduct our operations on a scale commensurate with our needs and in accordance with the conditions which prevail. We should as far as possible leave the markets freer to absorb new financing by State and local governments and private businesses.

The circumstances which I have outlined, in our judgment, require a prompt temporary increase in the present statutory debt limitation. We will still experience in fiscal year 1959 a continuation of seasonal peaks in the collection of corporate income taxes. These collections of corporate taxes are gradually being leveled off, but there are still large seasonal fluctuations. Under these circumstances, it is necessary for the Treasury to borrow large sums in the July–December period to meet expenditures, and to pay off such borrowings in the January–June period, even in years when we have balanced budgets.




It is difficult to make precise month-to-month forecasts which reflect all operations of the Government, including collection of a great many types of revenues, the rates of expenditures under the programs of each agency, the issue and retirement of our public debt obligations, and all of the multitude of operations reflected in the total inflow and outflow of the Treasury. We have, however, made estimates of the public debt and cash balances which are based upon our best judgment as of the moment, and I am submitting for your information these figures in the attached table 3. These figures assume maintaining mid-month and end-of-month cash balances of $3.5 billion and for an allowance of $3.0 billion for flexibility in financing and for contingencies.

We want to reemphasize that we are now at the period of the year when the Treasury finds itself in a most difficult position and at a time when we are facing major financing operations. We respectfully urge, therefore, that the Congress give prompt consideration to this matter.

We at the Treasury assure you that we will exert all our abilities to achieve the utmost economy in governmental operations and to manage the public debt as best we can in the national interest.

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