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PUBLIC DEBT LIMIT

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

REPORT

[To accompany H.R. 10867]

The Committee on Finance, to whom was referred the bill (H.R. 10867) to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

H.R. 10867 provides a permanent debt limitation of $358 billion effective on July 1, 1967. This limitation will be in effect for the entire fiscal year 1968. Beginning with fiscal year 1969, this debt limitation will be increased temporarily by $7 billion during the course of each fiscal year, but the debt limit will fall back to the permanent $358 billion limit on the last day (June 30) of each fiscal year. The additional intra-annual allowance is provided beginning with fiscal year 1969 in recognition of the seasonal fluctuations in the level of the debt subject to limitation. The debt normally reaches a peak in the late spring and then recedes to a lower yearend level.

The bill further provides that the face amount of any Federal National Mortgage Association (FNMA) participation certificates issued during fiscal year 1968 is to be taken into account, as long as the certificates are outstanding, in determining the debt subject to limitation. Issues of participation certificates totaling $5.0 billion were projected in the budget for fiscal year 1968 submitted by the President in January.

Under present law the overall debt limitation is scheduled to fall from the present temporary limitation of $336 billion to the permanent limitation of $285 billion effective July 1, 1967. At that time it is expected that the debt outstanding will total approximately $327 billion.

The administration initially recommended a permanent debt limitation of $365 billion for the period beginning with fiscal year 1968 which was not to include any FNMA participation certificates. However, in testimony before your committee, the Secretary of the Treasury requested that the Senate approve the bill in the form it was passed by the House.

The bill also permits the Treasury Department to issue Treasury notes with a maturity of up to 7 years rather than up to 5 years as is presently authorized. These notes are not subject to the 4¼-percent interest rate ceiling applying to bonds. This will facilitate better debt management by permitting the Treasury Department to take steps to reduce further shortening in the average maturity of the debt in periods when the interest rate on longer term debt exceeds the 4¼-percent ceiling on the rate of interest which may be paid on Treasury bonds.

The actual debt limitations for the years since 1941, together with the proposed limitation under this bill, are shown in table 1, below.

TABLE 1.—*Statutory debt limitations, fiscal years 1941 to date, and proposed limitation for the period beginning July 1, 1967*

[In billions]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1941 through Feb. 18	$49		$49
1941: Feb. 19 through June 30	65		65
1942: through Mar. 27	65		65
1942: Mar. 28 through June 30	125		125
1943 through Apr. 10	125		125
1943: Apr. 11 through June 30	210		210
1944 through June 8	210		210
1944: June 9 through June 30	260		260
1945 through Apr. 2	260		260
1945: Apr. 3 through June 30	300		300
1946 through June 25	300		300
1946: June 26 through June 30	275		275
1947-54	275		275
1955 through Aug. 27	275		275
1955: Aug. 28 through June 30	275	$6	281
1956	275	6	281
1957	275	3	278
1958 through Feb. 25	275		275
1958: Feb. 26 through June 30	275	5	280
1959 through Sept. 1	275	5	280
1959: Sept. 2 through June 29	283	5	288
1959: June 30	285	5	290
1960	285	10	295
1961	235	8	293
1962 through Mar. 12	285	13	298
1962: Mar. 13 through June 30	285	15	300
1963 through Mar. 31	285	23	308
1963: Apr. 1 through May 28	285	20	305
1963: May 29 through June 30	285	22	307
1964 through Nov. 30	285	24	309
1964: Dec. 1 through June 28	285	30	315
1964: June 29 and 30	285	39	324
1965	285	39	324
1966	285	43	328
1967 through Mar. 1	285	45	330
1967: Mar. 2 through June 30	285	51	336
PROPOSED			
1968 (including FNMA participation certificates issued in 1968)	358		358
1969 (and later years) through June 29	358	7	365
1969 (and later years) June 30	358		358

II. GENERAL STATEMENT

Action taken with respect to fiscal year 1967

In June 1966, Congress provided an overall debt limitation of $330 billion for the fiscal year 1967. This represented an increase of $2 billion over the overall limitation in force during fiscal year 1966. The limitation of $330 billion in effect consisted of two parts: the permanent debt limitation of $285 billion and a temporary increase of $45 billion.

When Congress approved the limitation of $330 billion for fiscal year 1967, it acted on the basis of the only estimates of Federal expenditures then available; namely, those which were presented in the President's budget message delivered in January 1966. It was recognized, however, that the degree of uncertainty surrounding these estimates was unusually great and your committee's report referred to the possible need for a later reexamination of the debt ceiling in view of the various contingencies which could arise.

As the fiscal year progressed, it became apparent that actual expenditures would exceed the January 1966 estimates by a substantial margin, because defense and, to a smaller extent, other expenditures would be increased nearly $10 billion over the level estimated in January. Tax receipts, too, were expected to exceed the January estimates, but not to the same extent as the increase in expenditures.

As a result of the expenditure increase, Congress in February 1967, approved an increase of $6 billion in the temporary debt ceiling, raising the overall limitation for the remainder of fiscal year 1967 to $336 billion.

Under the House bill, the overall limitation of $336 billion consisted of a permanent limitation of $285 billion and a temporary increase of $51 billion. The Senate changed this to a single, permanent limitation of $336 billion. In the conference on the bill, the Senate conferees agreed to the House version after the House conferees agreed to the following statement, which appears in the statement of the Managers on the part of the House:

> The conferees on the part of the House stated they will recommend that an increase in the permanent debt limitation be considered by the Committee on Ways and Means in connection with the committee's next review of the debt limitation, which must occur prior to July 1, 1967.

Economic growth and the public debt

The growth in the public debt, as large as it may be, has not been as fast as the growth of national output since 1946. As a percent of gross national product, the debt fell from 133.9 percent at the end of fiscal year 1946 to 45.0 percent at the end of fiscal year 1966. Despite the increase in the debt during the current fiscal year, it is estimated the percentage relationship will decline to 43.0 percent by the end of fiscal year 1967. The data shown in table 2 clearly indicate that the relationship of the public debt to gross national product has been falling steadily since the peak of that ratio was reached in 1946. It also should be noted that the relationship of the public debt to gross national product at the end of fiscal year 1940 was 51.1 percent, which is a higher relationship than that anticipated in

1967. Thus the debt as a percent of GNP in 1967 is expected to be below the relationship which existed before the beginning of World War II.

Table 2.—*Public debt and the gross national product, 1940–67*

[In billions of dollars]

Fiscal year	Gross national product	Public debt at end of year [1]		Fiscal year	Gross national product	Public debt at end of year [1]	
		Amount	Percent of GNP			Amount	Percent of GNP
1940	95.0	48.5	51.1	1954	362.1	271.3	74.9
1941	109.4	55.3	50.6	1955	378.6	274.4	72.5
1942	139.2	77.0	55.3	1956	409.4	272.8	66.6
1943	177.5	140.8	79.3	1957	431.3	270.6	62.7
1944	201.9	202.6	100.4	1958	440.3	276.4	62.8
1945	216.8	259.1	119.5	1959	469.1	284.8	60.7
1946	201.6	269.9	133.9	1960	495.2	286.5	57.8
1947	219.8	258.4	117.5	1961	506.5	289.2	57.1
1948	243.5	252.4	103.6	1962	542.1	298.6	55.1
1949	260.0	252.8	97.2	1963	573.4	306.5	53.4
1950	263.3	257.4	97.7	1964	612.0	312.5	51.1
1951	310.5	255.3	82.2	1965	651.8	317.9	48.8
1952	337.2	259.2	76.8	1966	712.0	320.4	45.0
1953	358.9	266.1	74.1	1967 (estimate)	761.0	327.0	43.0

[1] Includes Government enterprise debt guaranteed by the U.S. Treasury.

Source: Budget of the United States for the fiscal year 1968, p. 454.

Debt formation is a development necessary to finance a rising gross national product and increasing economic activity in all sectors of the economy. Since 1964, the net [1] public debt (including Federal, State, and local governments) and private debt has increased at a rate close to $2 of debt to $1 of gross national product. On December 31, 1946, for example, total net debt was 179.5 percent of gross national product, and on December 31, 1966, there was almost the same percentage relationship between these figures, 179.6 percent. On the same date in 1940, total net debt was 176.5 percent of gross national product.

In this total debt, however, while the publicly held net Federal debt [2] has become less important, the net debt of other sectors of the economy has been increasing relative to gross national product. Table 3 shows that since 1946, the net debt of State and local governments has doubled, rising from 6.1 to 13.3 percent in 1966; the corporate net debt has increased by more than half—from 42.2 to 65.8 percent; and the individual and noncorporate debt has grown from 27.4 to 64.5 percent—more than double the 1946 level.

[1] See explanation of net public and private debt in footnote 1, table 3.
[2] The Federal debt held outside of U.S. Government trust fund and other investment accounts.

TABLE 3.—*Ratio of net public and private debt to gross national product, end of the calendar year, 1946–66* [1]

End of calendar year—	Gross national product [2] (billions)	Ratios of net debt to gross national product (percent)				
		Federal	State and local	Corporate	Individual and noncorporate	Total
1940	$107.6	41.6	15.3	70.3	49.2	176.5
1945	196.0	128.9	7.0	43.5	27.8	207.3
1946	221.4	103.7	6.1	42.2	27.4	179.5
1951	338.2	64.6	6.9	48.0	35.4	154.9
1952	351.0	61.7	7.1	47.4	37.5	153.8
1953	360.8	63.2	7.9	49.8	41.6	162.6
1954	379.8	60.6	8.8	48.1	43.6	161.1
1955	409.7	56.5	9.4	51.8	43.5	164.1
1956	433.2	52.0	9.8	53.5	47.9	163.3
1957	438.1	51.2	10.6	56.3	50.5	168.7
1958	469.2	49.6	10.8	55.3	51.0	166.8
1959	496.8	49.0	11.2	57.0	53.2	170.3
1960	503.4	47.9	11.9	60.2	56.9	176.8
1961	542.8	45.7	12.0	59.7	57.2	174.6
1962	574.7	44.5	12.8	60.6	59.4	177.4
1963	611.3	42.7	13.0	61.5	62.2	179.4
1964	652.5	41.0	13.0	61.7	64.3	180.0
1965	712.8	37.8	13.3	62.5	64.5	178.2
1966 [3]	761.5	36.0	13.3	65.8	64.5	179.6

[1] Net public and private debt outstanding is a comprehensive aggregate of the indebtedness of borrowers after elimination of certain types of duplicating governmental and corporate debt. For the Federal Government, debt issues held by trust funds and other governmental investment accounts are deducted from the gross Federal debt.
[2] Implied level end of year, calculated as the average of the 4th and 1st calendar quarters at seasonally adjusted annual rates.
[3] Preliminary.

Source: Economic Report of the President, January 1967, p. 278.

Despite rising interest costs, the cost of maintaining the public debt during the past 10 years has remained at a fairly constant level relative to the gross national product. As shown in table 4, the ratio has fluctuated between 1.62 percent and 1.85 percent, respectively. The ratio rose to an estimated 1.76 percent for the fiscal year 1967. It will fall slightly to 1.75 percent for the fiscal year 1968, if $805 billion is employed as the estimate for gross national product in the fiscal year.

TABLE 4.—*Ratio of interest payments on the public debt to gross national product, fiscal years 1957–68*

Fiscal year	Gross national product (billions)	Interest on the public debt		Fiscal year	Gross national product (billions)	Interest on the public debt	
		Amount (millions)	Percent of GNP			Amount (millions)	Percent of GNP
1957	$431.3	$7,244	1.68	1963	$573.4	$9,895	1.73
1958	440.3	7,607	1.73	1964	612.0	10,666	1.74
1959	469.1	7,593	1.62	1965	651.8	11,346	1.74
1960	495.2	9,180	1.85	1966	712.0	12,014	1.69
1961	506.5	8,957	1.77	1967 [1]	762.5	13,400	1.76
1962	542.1	9,120	1.68	1968	[2] 805.0	[1] 14,050	1.75

[1] Bureau of the Budget estimates.
[2] Estimate based on administration estimates through Dec. 31, 1967, and the assumption of modest increases in gross national product in the first half of 1968.

Source: Budget of the United States for the fiscal year 1968, pp. 454, 459.

Budget estimates for fiscal year 1968

The administration's current estimates indicate an administrative budget deficit of $11.1 billion in fiscal year 1968, an increase of $3.0 billion over the $8.1 billion estimated in the budget presented in January. This change reflects revisions in the estimates of both receipts and expenditures. Receipts now are estimated at $125.4 billion, a decline of $1.5 billion from the earlier $126.9 billion estimate. Expenditures are estimated at $136.5 billion, an increase of $1.5 billion above the $135 billion estimate in the budget message. These estimates are presented in table 5.

TABLE 5.—*Estimated administrative budget receipts and expenditures, fiscal years 1967 and 1968*

[In billions]

	January budget estimates		Current administration estimates		Joint Tax Committee staff estimates [1]	
	1967	1968	1967	1968	1967	1968
Receipts	$117.0	$126.9	$116.5	[3] $125.4	[3] $116.9	[3] $117.4
Expenditures	126.7	135.0	127.5	136.5	[2] 127.5	[2] 136.5
Deficit	−9.7	−8.1	−11.0	−11.1	−10.6	−19.1

[1] Excludes tax changes proposed by the administration. In 1967 these proposals account for $0.2 billion and in 1968 $5.5 billion.
[2] These are administration current estimates of expenditures. The joint committee staff does not prepare independent expenditure estimates.
[3] Adjusted to show revenue effect of H.R. 6950.
Detail may not add to totals because of rounding.

For fiscal year 1967, the administration now estimates that the deficit may rise to $11 billion, an increase of $1.3 billion above the January estimate. The changed estimate reflects small reductions in several sources of receipts (adding to about $500 million) which bring the receipts total to $116.5 billion. Similar changes in the administration's estimates of expenditures—some of which move in offsetting directions—suggest a possible rise of as much as $800 million, to a total of $127.5 billion.

The staff of the Joint Committee on Internal Revenue Taxation has also prepared estimates of administrative budget receipts for fiscal years 1967 and 1968. For fiscal year 1968, the joint committee staff estimates receipts at $117.4 billion, which would give rise to a deficit of $19.1 billion, assuming expenditures are $136.5 billion as presently estimated by the administration.

A major part of the difference between the estimates prepared by the administration and those of the joint committee staff is accounted for by the fact that the administration's estimates take into account their recommendation for a 6-percent surcharge on individual and corporation income tax payments effective July 1, 1967, and also their recommendation for a further speedup in corporate income tax collections. These proposals are expected to increase collections in fiscal year 1968 by $5.5 billion. The joint committee staff estimates do not take these proposed changes into account. In addition, the administration's estimate of corporation income tax receipts is based upon an estimate of a higher level of corporate profits in 1967 than is the joint committee staff estimate. This latter factor accounts for most of the $2.5 billion difference remaining in the estimates of receipts.

Administration estimates of the statutory debt ceiling required for fiscal year 1968

In testimony on this bill, the Treasury presented a table, shown here as table 6, indicating the minimum debt limitation it believed would be required on the 15th day and the last day of each month in the coming fiscal year without any allowance for contingencies. The table is calculated by assuming a constant $4 billion operating cash balance.

The Treasury figures in table 6 reflect both the seasonal pattern of Federal receipts and expenditures and the overall deficit in the administrative budget accounts. The table indicates that the peak debt (as is usually the case) is expected on March 15, 1968, when it is expected to reach $345.2 billion. This reflects the fact that, although expenditures are spread relatively evenly over a year, receipts tend to be concentrated in the spring. The debt generally is expected to decline—with certain exceptions prior to dates when large revenues are received—to a level of $335.3 billion as of June 30, 1968. This, of course, assumes a cash balance of $4 billion on June 30. In practice the actual cash balance on that date tends to be from $7 to $12 billion, which implies a debt subject to the limit on that date of $3 to $8 billion above the $335.3 billion shown in table 6.

TABLE 6.—*Estimated public debt subject to limitation, assuming a deficit of $11 billion and with no allowance for contingencies (based on constant minimum operating cash balance of $4 billion), fiscal year 1968.*

[In billions]

Date	Operating cash balance (excluding free gold)	Public debt subject to limitation	Date	Operating cash balance (excluding free gold)	Public debt subject to limitation
1967:			1968:		
June 30	$4	$324.3	Jan. 15	$4	$339.3
July 15	4	326.4	Jan. 31	4	338.5
July 31	4	327.2	Feb. 15	4	339.4
Aug. 15	4	329.7	Feb. 29	4	341.1
Aug. 31	4	331.8	Mar. 15	4	345.2
Sept. 15	4	335.0	Mar. 31	4	342.9
Sept. 30	4	330.9	Apr. 15	4	344.9
Oct. 15	4	334.7	Apr. 30	4	337.3
Oct. 31	4	334.8	May 15	4	337.4
Nov. 15	4	337.3	May 31	4	340.2
Nov. 30	4	338.3	June 15	4	242.7
Dec. 15	4	341.9	June 30	4	335.3
Dec. 31	4	337.2			

Source: Treasury Department.

Contingencies affecting fiscal year 1968 estimates

During the past several years, it was possible—with some notable exceptions when the debt limit had to be reconsidered—to make a reasonably accurate estimate of the necessary increase in the public debt limit by adding a $3 billion allowance for contingencies to the peak debt level shown in a table computed in the manner of table 6. Fiscal year 1968, however, appears to be a year during which the contingencies are abnormally numerous and large. In addition to the normal peacetime contingencies which can be expected year after year, there are four major contingencies in fiscal year 1968 which must be taken into account in establishing a debt limitation.

One important contingency relates to the Treasury's estimate of a $5.5 billion increase in receipts in fiscal year 1968 associated with the proposal of the administration for a 6-percent surcharge on individual and corporation income tax liabilities ($4.7 billion) to be effective on July 1, 1967, and with the proposed requirement that corporations pay currently a larger portion of their estimated income tax liability, beginning in January 1968 ($0.8 billion). As of this date, the enactment of the surcharge to become effective on July 1, 1967, appears to be out of the question. The resulting shortfall in revenues will be $2.2 billion, if the surcharge is enacted effective January 1, 1968, but it may be as large as $5.5 billion if the revenue proposals are not enacted during the fiscal year.

A second contingency relates to receipts under present law. The administration presently estimates that receipts in fiscal year 1968 will be about $1.5 billion below the estimate appearing in the January budget. Joint Committee on Internal Revenue Taxation staff estimates of receipts for fiscal year 1968 are $2.5 billion lower than the present administration estimates (after eliminating differences due to proposed legislation) largely because the staff estimates are based upon an assumption of a lower level of corporate profits.

The third major contingency relates to the budget assumption of the issue of approximately $5.0 billion of pooled participation certificates during all of fiscal year 1968, mainly through the Federal National Mortgage Association (for itself and other agencies) but also $1.0 billion that may be issued directly by the Export-Import Bank. Under present budget accounting methods, proceeds from the issues of participation certificates, in all of the agencies where they are now used, are credited against the expenditures of the agencies whose lending programs initially generated the financial assets which form the pools of participation certificates. Thus, their effect is to decrease budget expenditures and the amount added to the debt. In the event the issue of participation certificates falls shy of the budgeted $5.0 billion, the level of budget expenditures will be higher, and the reduction in receipts will have to be made up through sales of direct obligations of the U.S. Government. The House, in action it has already taken, did not agree to the authorization of $2.4 billion of these projected participation certificates.

A fourth contingency relates to estimates of budget expenditures. The January budget message contained an expenditures estimate of $135.0 billion. When the Secretary of the Treasury and the Director of the Bureau of the Budget appeared before the Finance Committee, they indicated that the estimate of expenditures had risen about $1.5 billion. Moreover, in the past 2 months, there have been indications that military requirements in Vietnam may lead to substantially higher defense expenditures in the next fiscal year than the latest administration estimates show.

The debt limitation of $358 billion will be needed on March 15, 1968, even if minimal allowances are to be made for the cumulative effect during fiscal year 1968 of the contingencies. The computation below demonstrates how the minimal figure of $358 billion in the House bill was developed. The debt is expected to be $345.2 billion on March 15, 1968, as shown in Table 6 above, without consideration of the following contingencies. First, receipts from the tax surcharge will fall short of the estimate in the budget message by $2.2 billion, if it is adopted to be effective on January 1, 1968, instead of on July 1, 1967, the date assumed in the budget. Second, the difference between the Treasury Department and the Joint Committee staff estimates of receipts is expected to be $1.1 billion on March 15, 1968. Third, a total of $3.5 billion in participation certificates is projected for issue by March 15, 1968. Fourth, a $3.0 billion allowance for a possible increase in military expenditures and, finally, the normal $3.0 billion peacetime allowance for contingencies raise the total to $358 billion. These allowances for contingencies obviously have been pared to the bare minimum. They may be summarized as follows:

	Billions
(1) Possible January 1, 1968, effective date on proposed tax surcharge	$2. 2
(2) Possible shortfall in administration receipts estimates	1. 1
(3) Possibility of borrowing being necessary to replace projected issuance of participation certificates	3. 5
(4) Possible increase in expenditures due to military needs	3. 0
(5) Normal peacetime contingency allowance	3. 0
Total contingencies	12. 8
Debt projected by Treasury on March 15, 1968, with $4 billion cash balance but no allowance for contingencies	345. 2
Possible debt requirement on March 15, 1968, should all of these contingencies occur	358. 0

It is not possible to forecast which, if any, of the contingencies listed above will occur, but adequate provision for contingencies is necessary if there is to be any reasonable assurance that the debt limitation will not have to be reconsidered prematurely.

Committee action to provide a permanent debt limitation of $358 billion

A limitation of $358 billion for fiscal year 1968.—Your committee has approved the House bill (H.R. 10867) which increases the overall debt limitation to $358 billion. Your committee has concluded that the bill will provide an adequate debt limitation for fiscal year 1968 based on the administration's estimates of receipts and expenditures and on an evaluation of the minimal contingencies to be faced during the fiscal year. Your committee expresses the hope that the limitation contained in this bill will prove to be adequate for more than 1 fiscal year.

A supplementary $7 billion debt limit during subsequent fiscal years.—The bill approved by your committee provides a supplementary increase of $7 billion which will be available during fiscal year 1969 and subsequent fiscal years for debt management purposes only. The $7 billion, however, will not be available for the public debt limit on June 30 of each of these following fiscal years, when the public debt limit will be $358 billion.

The Secretary of the Treasury must be provided with sufficient leeway during the course of the fiscal year to manage the seasonal fluctuations in the Government's fiscal affairs. Revenues flow into the Treasury with periodic peaks, but expenditures are made in a much more balanced monthly pattern. The leeway required for debt management purposes reaches several high points during the last 6 months of the fiscal year. One of these high points occurs as late as June 15, but after that date, individual and corporation income tax payments substantially increase the Treasury's cash balance and reduce the requirements for a higher debt limit. This pattern takes place within each fiscal year, and an allowance of this size for debt management purposes would be necessary even during fiscal years when the administrative budget were in balance or with a surplus. The Treasury estimates, based on the average experience of prior years, that an allowance of $7 billion will be adequate for this purpose.

While the debt subject to limitation may rise to $365 billion during the course of the fiscal year 1969 and later fiscal years, the Treasury Department is required to conduct its debt management operations so that the debt will fall to or below $358 billion by June 30 of each successive fiscal year. If it becomes apparent that the outstanding debt cannot be reduced to $358 billion by June 30 of a fiscal year, the administration will have to request an appropriate increase in the debt limitation.

The provision for a permanent limitation.—Since 1959, a permanent debt limitation of $285 billion has been provided. Despite this limitation, the authorized Federal debt subject to limitation has risen to $336 billion. Authority for this increase in the outstanding debt has been provided by repeated extensions and increases in the supplementary temporary debt limitation. Since these temporary extensions generally expire at the end of the fiscal year to which they apply, use of this expedient makes it necessary to approve a new temporary limitation prior to the start of each successive fiscal year. This would be the case even if the overall debt limitation for the preceding year were expected to be sufficient for all, or a portion, of the new fiscal year.

Your committee, in its consideration of the debt limitation, has concluded, as it did in February,that retention of the existing permanent limitation serves no useful purpose. Congress would merely have to act before the end of each fiscal year to provide a new temporary debt limitation for the coming fiscal year. While a permanent debt limitation which is reasonable now may have to be revised from time to time in the future, it will not expire automatically at the end of each fiscal year.

The provision of a realistic permanent debt limitation will facilitate budgetary planning. In the past, the debt limitation for a given fiscal year was often established after the budget for that fiscal year was formulated. This was the case when a temporary limitation was provided that expired before the new fiscal year began. Under this bill, those responsible for formulating the budget will know in advance the debt limitation which will apply for the fiscal year under consideration. This knowledge will provide an added inducement to aline planned expenditures more closely to expected receipts.

Provision of a permanent limitation is not intended to preclude periodic reviews of the overall fiscal condition of the Government by your committee. The fact that a permanent limitation exists, however, will permit these reviews to be conducted in an atmosphere free from the threat of an imminent financial crisis arising from the impending expiration of the debt limit.

Results of delaying the enactment of an adequate debt ceiling

If provision is not made for a new debt limitation, the present limitation of $336 billion will expire on July 1, and the overall limitation will fall to $285 billion. On that date, of course, the debt subject to limitation will exceed $258 billion by a substantial amount. While there would be no question concerning the legality of the outstanding debt in such a situation, the Treasury Department would be unable to issue any new securities. This prohibition would apply to issues designed to replace maturing issues as well as to securities that would increase the overall debt.

As a result, savings bonds could not be issued and payroll savings plans would be disrupted. In addition, the Treasury cash balance would be depleted rapidly. The Treasury has indicated that $2.3 billion of Treasury bills will become due on each of the dates July 6, 13, 20, and 27 and that another $1.5 billion of such bills will mature on July 31. If new bills cannot be issued to replace these issues, the Treasury cash balance is expected to be exhausted between the middle and end of July.

Once the cash balance is exhausted, the Government would be compelled to delay full payment (or resort to partial payments) of contract obligations, Government salaries, various loan and benefit programs, grants to States, etc., when they become due. The economic hardships resulting from such action would be most severe in those areas where there are large concentrations of Federal employees or of employees engaged in production under large Government contracts.

The rapid depletion of the Treasury's cash balance and the subsequent difficulties outlined above could occur even under a new debt limitation, if that limitation is insufficient. Moreover, an adequate debt limitation must not only accommodate essential expenditures, but it also must provide a margin for flexible debt management. The impact of insufficient flexibility for debt management would be spread extensively through the economy and its monetary system. There would be difficulty in handling trust fund receipts not needed immediately for disbursement. Investing such receipts in new issues requires a sufficient debt limitation. Holding them in cash would tend to deprive the trust funds of some interest income. A reduced Treasury cash balance would have to be concentrated in a few, large, centrally located banks rather than being spread throughout the country, as presently, in more than 11,000 commercial banks. These actions would disrupt virtually all sectors of money market throughout the country, and the costs of the adjustments to business firms and all levels of government in all probability would be high.

Committee action to include certain participation certificates in the debt limit

One of the contingencies taken into account in determining the appropriate level of the debt limitation was the possible gap between the actual amount and the budget projections of issues of participation certificates in the fiscal year 1968. Doubt that the full $5.0 billion of projected issues will be made has been increased by action the House has already taken removing the authorization to issue $2.4 billion of these certificates. Since such certificates have not (before this bill) been included in the debt subject to limitation, failure to issue the projected amount of such certificates would, by forcing the Government to issue debt instruments in lieu of the certificates, result in an increase in the level of the debt subject to limitation.

Your committee endorses the provision in the House bill under which participation certificates issued by the Federal National Mortgage Association for itself or for any of the other agencies in the same pool during fiscal year 1968, as long as they remain outstanding, are to be added to the amount otherwise taken into account in determining the debt subject to the limitation. The inclusion of any of these participation certificates issued in fiscal year 1968 in the debt limit means that there will be no difference—insofar as the debt limitation is concerned—whether FNMA participation certificates or debt instruments are issued. This provision, however, does not require any change in the method of accounting for beneficial interests or participations in the Federal budget accounts. Nor does this provision represent any change in the nature of the Government's legal obligation with respect to the certificates.

The fact that the FNMA participation certificates that will be issued in fiscal year 1968 will be included in the debt limit is not intended to imply that your committee necessarily believes this represents the appropriate treatment for future issues of such certificates. The committee will consider this subject again when it has the benefit of the recommendations of the President's Commission on Budgetary Concepts.

Committee action to extend the maximum period to maturity for notes of the United States

Section 18 of the Second Liberty Bond Act authorizes the issuance of U.S. notes payable in not less than 1 year and not more than 5 years. Unlike the bonds authorized in section 1 of the act, these notes may be issued at rates of interest in excess of 4¼ percent per annum.

The bill authorizes the issuance of U.S. notes payable in not less than 1 year and not more than 7 years.

The provision will provide the Treasury Department with greater flexibility in debt management to enable it to mitigate the tendency for the maturity of the debt to shorten during periods in which long-term interest rates exceed 4¼ percent.

TABLE 7.—*Maturity distribution and average length of the marketable interest-bearing public debt*

[In billions of dollars]

End of fiscal year or month	Amount outstanding	Maturity classes					Average length
		Within 1 year	1 to 5 years	5 to 10 years	10 to 10 years	20 years and over	
June—							
1939 [1]	$34.0	$4.3	$9.3	$8.3	$10.5	$1.5	7 years 11 months.
1940 [1]	34.4	3.8	9.7	10.1	9.2	1.5	7 years 7 months.
1941 [1]	37.7	2.4	13.6	9.9	11.8	----------	7 years 9 months.
1942 [1]	50.6	7.4	13.5	17.1	9.8	2.7	7 years 8 months.
1943 [1]	95.3	33.1	19.6	23.1	10.3	9.3	6 years 3 months.
1944 [1]	140.2	49.9	25.1	33.9	20.0	11.3	6 years 4 months.
1945 [1]	181.3	60.6	34.8	41.5	31.0	13.4	6 years 7 months.
1946 [1]	189.6	62.1	35.1	32.8	37.2	22.4	7 years 4 months.
1947	168.7	51.2	21.9	35.6	18.6	41.5	9 years 5 months.
1948	160.3	48.7	21.6	32.3	16.2	41.5	9 years 2 months.
1949	155.1	48.1	32.6	16.7	22.8	34.9	8 years 9 months.
1950	155.3	42.3	51.3	7.8	28.0	25.9	8 years 2 months.
1951 [2]	137.9	43.9	46.5	8.7	30.0	8.8	6 years 7 months.
1952	140.4	46.4	47.8	13.9	25.7	6.6	5 years 8 months.
1953	147.3	65.3	36.2	15.7	28.7	1.6	5 years 4 months.
1954	150.4	62.7	29.9	27.5	28.6	1.6	5 years 6 months.
1955	155.2	49.7	39.1	34.3	28.6	3.5	5 years 10 months.
1956	155.0	58.7	34.4	28.9	28.6	4.4	5 years 4 months.
1957	155.7	72.0	40.7	12.3	26.4	4.3	4 years 9 months.
1958	166.7	67.8	42.6	21.5	27.7	7.2	5 years 3 months.
1959	178.0	73.0	58.3	17.1	21.6	8.1	4 years 7 months.
1960	183.8	70.5	72.8	20.2	12.6	7.7	4 years 4 months.
1961	187.1	81.1	58.4	26.4	10.2	11.0	4 years 6 months.
1962	196.1	88.4	57.0	26.0	9.3	15.2	4 years 11 months.
1963	203.5	85.3	58.0	37.4	8.4	14.4	5 years 1 month.
1964	206.5	81.4	65.5	34.9	8.4	16.3	5 years.
1965	208.7	87.6	56.2	39.2	8.4	17.2	5 years 4 months.
1966	209.1	89.1	60.9	33.6	8.4	17.0	4 years 11 months.
1967—April	217.1	99.7	66.5	25.6	8.4	16.8	4 years 5 months.

[1] Calculated on 1st call basis 1939–46; thereafter on a final maturity with only partially tax-exempt issues to 1st call. On June 1946 the comparable call and final maturiy average length figures are 7 years 4 months and 9 years 1 month.

[2] The decline from 1950 in the over 20-year category and in the average length largely reflects the exchange of $13.6 billion marketable bonds for nonmarketable investment series B bonds.

Source: Treasury Department.

Unless the Treasury is granted authority to sell a larger quantity of long-term securities at competitive interest rates, the average maturity of the marketable debt will continue to shorten. If the Treasury Department cannot issue debt maturing in over 5 years during the next 18 months, the average maturity of the marketable debt will fall to 3 years 8 months by the end of the calendar year 1968. Roughly 85 percent of this debt will mature within 5 years and nearly 50 percent within 1 year.

While a concentration of the debt in short-term issues would have adverse consequences, your committee also recognizes the adverse consequences of high interest rates on many segments of the economy. Furthermore, it recognizes that any general rise in the interest rate on Government bonds would be viewed by some as an endorsement of a high-interest-rate policy. Your committee's approval of this provision of the House bill is based on the belief that extension of the definition of U.S. notes to those debt instruments with a maturity of not over 7 years by itself will not have any effect on interest rates, but it will merely assist the Secretary of the Treasury in preventing still further shortening of the maturity of the debt.

III. APPENDIX

TABLE I.—*Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—History of legislation*

Sept. 24, 1917:	
40 Stat. 288, sec. 1, authorized bonds in the amount of	[1] $7,538,945,400
40 Stat. 290, sec. 5, authorized certificates of indebtedness outstanding revolving authority	[2] 4,000,000,000
Apr. 4, 1918:	
40 Stat. 502, amending sec. 1, increased bond authority to	[1] 12,000,000,000
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to	[2] 8,000,000,000
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to	[1] 20,000,000,000
Mar. 3, 1919:	
40 Stat. 1311, amending sec. 5, increased authority for certificates outstanding to	[2] 10,000,000,000
40 Stat. 1309, new sec. 18 added, authorizing notes in the amount of	[1] 7,000,000,000
Nov. 23, 1921: 42 Stat. 321, amending sec. 18, increased note authority outstanding (established revolving authority) to	[2] 7,500,000,000
June 17, 1929: 46 Stat. 19, amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding	[2] 10,000,000,000
Mar. 3, 1931: 46 Stat. 1506, amending sec. 1, increased bond authority to	[1] 28,000,000,000
Jan. 30, 1934: 48 Stat. 343, amending sec. 18, increased authority for notes outstanding to	[2] 10,000,000,000
Feb. 4, 1935:	
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority) to	[2] 25,000,000,000
49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding	[2] 20,000,000,000
49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1.	
May 26, 1938: 52 Stat. 447, amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to $30,000,000,000). Same aggregate total outstanding	[2] 45,000,000,000
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes	[2] 45,000,000,000
June 25, 1940: 54 Stat. 526, amending sec. 21, adding new paragraph:	
"(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by secs. 5 and 18 of this Act, as amended, not to exceed in the aggregate $4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under sec. 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series' "	[2] 49,000,000,000
Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time to	[2] 65,000,000,000
Eliminated separate authority for $4,000,000,000 of National Defense Series obligations.	
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to	[2] 125,000,000,000

See footnotes at end of table, p. 16.

TABLE I.—*Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—History of legislation*—Continued

Apr. 11, 1943: 57 Stat. 63, amending sec. 21, increased limitation to	[2] $210, 000, 000, 000
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to	[2] 260, 000, 000, 000
Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: "The face amount of obligations issued under authority of this act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate $300,000,000,000 outstanding at any one time"	[2] 300, 000, 000, 000
June 26, 1946: 60 Stat. 316, amending sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation," and decreasing limitation to	[2] 275, 000, 000, 000
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by $6,000,000,000 to	[2] 281, 000, 000, 000
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to	[2] 281, 000, 000, 000
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, temporarily increasing limitation by $3,000,000,000 for period beginning July 1, 1956, and ending June 30, 1957, to	[2] 278, 000, 000, 000
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1946, to	[2] 275, 000, 000, 000
Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by $5,000,000,000	[2] 280, 000, 000, 000
Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to $283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation	[2] 288, 000, 000, 000
June 30, 1959: 73 Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to $285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959	[2] 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by $10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959	[2] 295, 000, 000, 000
June 30, 1960: 74 Stat. 290, amending sec. 21 for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by $8,000,000,000	[2] 293, 000, 000, 000
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 30, 1962, temporarily increasing limitation by $13,000,000,000 to	[2] 298, 000, 000, 000
Mar. 13, 1962: 76 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 30, 1962, temporarily further increasing limitation by $2,000,000,000	[2] 300, 000, 000, 000
July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1963	[2] 308, 000, 000, 000
2. Beginning Apr. 1, 1963, and ending June 24, 1963	[2] 305, 000, 000, 000
3. Beginning June 25, 1963, and ending June 30, 1963	[2] 300, 000, 000, 000
May 29, 1963: 77 Stat. 50, amending sec. 21, for period—	
1. Beginning May 29, 1963, and ending June 30, 1963	[2] 307, 000, 000, 000
2. Beginning July 1, 1963, and ending Aug. 31, 1963	[2] 309, 000, 000, 000
Aug. 27, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963	[2] 309, 000, 000, 000
Nov. 26, 1963: 77 Stat. 342, amending sec. 21, for the period—	
1. Beginning on Dec. 1, 1963, and ending June 29, 1964	[2] 315, 000, 000, 000
2. Of June 30, 1964	[2] 309, 000, 000, 000

See footnotes at end of table, p. 16.

TABLE I.—*Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—History of legislation*—Continued

June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, temporarily increasing the debt limit to	[2] $324, 000, 000, 000
June 24, 1965: 79 Stat. 172, amending sec. 21, for the period beginning July 1, 1965, and ending on June 30, 1966, temporarily increasing the debt limit to	[2] 328, 000, 000, 000
June 24, 1966: 80 Stat. 221, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 330, 000, 000, 000
Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 336, 000, 000, 000

[1] Limitation on issue.
[2] Limitation on outstanding.

TABLE II.—*Summary of public debt and guaranteed debt outstanding, May 31, 1967*

[On the basis of daily Treasury statements]

Title	Average interest rate [1]	Amount outstanding
Public debt:		
Interest-bearing debt:		
Public issues—marketable:	*Percent*	
Treasury bills (regular series)	[2] 4.578	$58, 552, 934, 000.00
Treasury bills (tax anticipation series)	[2] 5.093	5, 514, 282, 000.00
Certificates of indebtedness (regular series)	5.250	5, 610, 377, 000.00
Treasury notes	4.764	49, 104, 231, 000.00
Treasury bonds	3.681	97, 867, 728, 350.00
Total public issues—marketable	4.243	216, 649, 552, 350.00
Public issues—nonmarketable:		
Certificates of indebtedness:		
Foreign series	4.950	50, 000, 000.00
Foreign currency series	4.976	[6] 456, 144, 926.63
Treasury notes:		
Foreign series	4.553	205, 332, 400.34
Foreign currency series	4.914	[7] 434, 253, 782.81
Treasury bonds:		
Foreign series	4.250	143, 929, 534.25
Foreign currency series		
Treasury certificates	3.515	52, 120, 072.41
Treasury bonds		
U.S. savings bonds	3.778	51, 148, 352, 254.60
U.S. savings notes	4.740	95, 478.75
U.S. retirement plan bonds	3.848	20, 846, 499.83
Depositary bonds	2.000	46, 114, 500.00
Treasury bonds—REA series	2.000	24, 568, 000.00
Treasury bonds, investment series	2.750	2, 592, 916, 000.00
Total public issues—nonmarketable	3.751	55, 174, 673, 449.62
Total public issues	4.143	271, 824, 225, 799.62
Special issues:		
Civil service retirement fund	3.648	15, 001, 417, 000.00
Exchange Stabilization Fund	3.511	1, 241, 475, 915.96
Export-Import Bank of Washington	3.500	190, 700, 000.00
Federal Deposit Insurance Corporation	2.000	85, 312, 000.00
Federal disability insurance trust fund	3.945	1, 358, 185, 000.00
Federal home loan banks	3.500	140, 500, 000.00
Federal hospital insurance trust fund	4.838	881, 060, 000.00
Federal old-age and survivors insurance trust fund	3.782	17, 407, 160, 000.00
Federal Savings and Loan Insurance Corporation	2.000	8, 000, 000.00
Federal supplementary medical insurance trust fund	4.835	449, 951, 000.00
Foreign service retirement fund	3.973	40, 697, 000.00
Government life insurance fund	3.623	790, 390, 000.00
Highway trust fund	4.322	581, 682, 000.00
National service life insurance fund	3.369	5, 583, 492, 000.00
Railroad retirement account	4.228	3, 226, 101, 000.00
Railroad retirement holding account	4.689	3, 426, 000.00
Railroad retirement supplemental account	4.757	10, 144, 000.00
Unemployment trust fund	3.937	7, 934, 988, 000.00
Veterans special term insurance fund	3.625	185, 378, 000.00
Veterans reopened insurance fund	4.872	49, 618, 000.00
Total special issues	3.775	55, 169, 676, 915.98
Total interest-bearing debt	4.060	326, 993, 902, 715.60

See footnotes at end of table, p. 17.

TABLE II.—*Summary of public debt and guaranteed debt outstanding, May 31, 1967*—Continued

[On the basis of daily Treasury statements]

Title	Average interest rate [1]	Amount outstanding
Matured debt on which interest has ceased		$238,580,882.21
Debt bearing no interest:		
International Monetary Fund		3,328,000,000.00
International Development Association		
Inter-American Development Bank		
U.N. Special Fund		5,000,000.00
U.N./F.A.O. world food program		
Other		322,697,155.30
Total gross public debt		330,888,180,753.11
Guaranteed debt of U.S. Government agencies:		
Interest-bearing debt	$3.754	508,451,600.00
Matured debt on which interest has ceased		409,925.00
Total guaranteed debt of U.S. Government agencies		508,861,525.00
Total gross public debt and guaranteed debt		331,397,042,278.11
Deduct debt not subject to statutory limitation		265,855,802.22
Total debt subject to limitation [3]		331,131,186,475.89

[1] Beginning with the statement for Dec. 31, 1958, the computed average interest rate on the public debt is based on the rate of effective yield for issues sold at premiums or discounts. Prior to Dec. 31, 1958, the computed average rate was based upon the coupon rates of the securities. This rate did not materially differ from the rate computed on the basis of effective yield. The Treasury, however, announced on Nov. 18, 1958, that there may be more frequent issues of securities sold with premiums or discounts whenever appropriate. This "effective yield" method of computing the average interest rate on the public debt will more accurately reflect the interest cost to the Treasury, and is felt to be in accord with the intent of Congress where legislation has required the use of such rate for various purposes.

[2] Computed on true discount basis.

[3] Statutory debt limit, established at $285,000,000,000 by the act approved June 30, 1959, has been temporarily increased to $336,000,000,000 through June 30, 1967.

[4] Dollar equivalent of certificates issued and payable in the amount of 800,000,000 Deutsche marks, and 727,000,000 Swiss francs.

[5] Dollar equivalent of Treasury bonds issued and payable in the amount of 685,000,000 Swiss francs, 1,000,000,000 Deutsche marks, 1,950,000,000 Austrian schillings, 1,500,000,000 Belgian francs, and 78,000,000,000 Italian lire.

[6] Dollar equivalent of certificates issued and payable in the amount of 800,000,000 Deutsche marks, 995,000,000 Swiss francs, and 650,000,000 Austrian schillings.

[7] Dollar equivalent of Treasury notes issued and payable in the amount of 577,000,000 Swiss francs, 600,000,000 Deutsche marks, 650,000,000 Austrian schillings, and 78,000,000,000 Italian lire.

TABLE III.—*Public debt subject to limitation at end of fiscal years 1938–67*

[In millions of dollars]

Fiscal year	Public debt subject to limitation at end of year	Fiscal year	Public debt subject to limitation at end of year
1938	31,882	1953	265,522
1939	40,317	1954	270,790
1940	43,219	1955	273,915
1941	49,494	1956	272,361
1942	74,154	1957	270,188
1943	140,469	1958	276,013
1944	208,077	1959	284,398
1945	268,671	1960	286,065
1946	268,932	1961	288,862
1947	257,491	1962	298,212
1948	251,542	1963	306,099
1949	252,028	1964	312,164
1950	256,652	1965	317,581
1951	254,567	1966	320,102
1952	258,507	1967 [1]	329,725

[1] Debt subject to limitation June 20, 1967.

Source: Table 1, "Annual Report of the Secretary of the Treasury on the State of the Finances, 1965," p. 489.

IV. CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

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 italic, existing law in which no change is proposed is shown in roman):

SECOND LIBERTY BOND ACT

* * * * * * *

SEC. 18. (a) In addition to the bonds and certificates of indebtedness, and war-savings certificates authorized by this Act and amendments thereto, the Secretary of the Treasury, with the approval of the President, is authorized subject to the limitation imposed by section 21 of this Act, to borrow from time to time on the credit of the United States for the purposes of this Act, to provide for the purchase, redemption, or refunding, at or before maturity, of any outstanding bonds, notes, certificates of indebtedness, or Treasury bills of the United States, and to meet public expenditures authorized by law, such sum or sums as in his judgment may be necessary and to issue therefor notes of the United States at not less than par (except as provided in section 20 of this Act, as amended) in such form or forms and denomination or denominations, containing such terms and conditions, and at such rate or rates of interest, as the Secretary of the Treasury may prescribe, and each series of notes so issued shall be payable at such time not less than one year nor more than [five] *seven* years from the date of its issue as he may prescribe, and may be redeemable before maturity (at the option of the United States) in whole or in part, upon not more than one year's nor less than four months' notice, and under such rules and regulations and during such period as he may prescribe.

* * * * * * *

SEC. 21. The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate [$285,000,000,000 [1]] *$358,000,000,000* outstanding at any one time. The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation.

* * * * * * *

[1] Temporarily increased to $336,000,000,000 during the period beginning on Mar. 2, 1967, and ending on June 30, 1967, by Public Law 90-3, approved Mar. 2, 1967.

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