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PUBLIC DEBT LIMITATION

OCTOBER 12, 1972.—Ordered to be printed

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

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 16810]

The Committee on Finance, to which was referred the bill (H.R. 16810) to provide for a temporary increase in the public debt limitation, and to place a limitation on expenditures and net lending for the fiscal year ending June 30, 1973, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

The permanent debt limitation, under present law, is $400 billion. Present law also provides for a temporary additional limitation of $50 billion, providing an overall limit of $450 billion, effective through October 31, 1972.

Both the House and the committee versions of the bill provide for a temporary debt limit of $65 billion from November 1, 1972, through June 30, 1973. This is a $15 billion increase in the present temporary debt limit of $50 billion. No change is made in the permanent debt limit. As a result, the total debt limitation through June 30, 1973, is to be $465 billion, composed of the permanent limitation of $400 billion plus the temporary limitation of $65 billion provided by this bill. This is the limitation requested by the Administration.

Both the House and the committee versions of the bill also provided a $250 billion limitation on the level of budget expenditures and net lending in the fiscal year 1973. The committee agrees with the House that this limitation is necessary as a part of this bill. In the absence of

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such a limitation the level of expenditures could, on the basis of appropriations bills passed to date in this session, be expected to approximate $257 billion. Such an expenditure level would make the debt limitation of $465 billion wholly inadequate. In addition, the committee was advised that if such limitation is not imposed upon budget outlays, either inflationary pressures can be expected to be significantly greater—with their detrimental effects on the domestic economy and international trade—or a tax increase would appear necessary. The committee agrees with the House that every effort should be made to hold down expenditures in order to avoid if possible either of these alternatives. The limitation was urged by the Administration.

As provided in the bill, there are no exceptions to the limitation for any agency or program. The President is given authority as to where the reductions are to be made to conform with the $250 billion expenditure ceiling. The bill provides this spending limitation only for the fiscal year 1973.

To avert the prospect that the Congress may once again find itself in a position where it must enact a spending ceiling on an emergency basis, both the House and the committee versions of the bill provide for the establishment of a temporary joint committee to recommend procedures that Congress can employ in the future to control overall budgetary expenditures and receipts and also to report on the effectiveness of the operation of the spending limit provided in this bill. This committee is to report to the Congress with its recommendations not later than February 15, 1973. It will be composed of 30 members of Congress—7 members from the Appropriations Committee of each House, and 7 members from the taxation committee of each House. One additional member is to be selected from the general House membership and one from the general Senate membership. The Speaker of the House is to appoint the House members, and the President pro tempore of the Senate is to appoint the Senate members. The committee made technical changes in the provision. One of these authorizes the joint committee to draw up to $100,000 from the contingent fund of the Senate to finance staff and other costs for the period through February 28, 1973. Another change makes membership on the joint committee possible for some members of the Senate by not taking into account the rules under the Standing Rules of the Senate which limit the number of committees on which a person may serve.

The debt limitations for the years since 1947, together with the limitation provided by this bill, are shown in table 1, below.

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 TO DATE, AND A PROPOSED LIMITATION IN FISCAL YEAR 1973

[In billions of dollars]

Fiscal year	Statutory debt limitation: Permanent	Temporary additional	Total
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	285	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
1968 [1]	358		358
1969 through Apr. 6 [1]	358	7	365
1969 after Apr. 6 [1]	358		358
1970 through June 30 [1]	365	12	377
1971 through June 30 [1]	380	15	395
1972 through June 30 [1]	400	50	450
1973 through Oct. 31 [1]	400	50	450
Proposed:			
From Nov. 1, 1972, through June 30, 1973 [1]	400	65	465
After June 30, 1973 [1]	400		400

[1] Includes FNMA participation certificates issued in fiscal year 1968.

II. GENERAL EXPLANATION

A. INCREASE IN THE PUBLIC DEBT LIMITATION

1. Committee action earlier this year

On two occasions earlier this year, the Treasury Department requested the Congress to increase the temporary limitation on the public debt for part or all of fiscal year 1973—to $480 billion on January 31, 1972, and to $465 billion on June 5, 1972. On March 15, 1972, Congress increased the debt limit (effective as of that date) from $430 billion to $450 billion for the period through June 30, 1972. On July 1, 1972, the Congress extended the $450 billion debt limitation to cover the period through October 31, 1972. These increases have proved adequate to meet the budgetary requirements through these periods.

2. Current budget outlook

In the committee's public hearings on October 11, the Administration presented revised budget estimates that showed an expected budget deficit of $25 billion in the unified budget for fiscal year 1973. The deficit in the Federal funds budget presently is estimated at $32.4 billion, and the trust funds are expected to provide a surplus of $7.4 billion. These estimates are shown in table 2 and compared with similar estimates presented to the committee earlier in the year.

The Administration's estimates for the unified and Federal funds budget outlays are based on the assumption that the Administration's request for a limitation on unified budget expenditures of $250 billion is accepted. This spending ceiling probably also means that Federal funds outlays will not exceed $188 billion.

There is no Administration estimate available now as to what expenditures would be in the absence of an expenditure ceiling. The staff of the Joint Committee on the Reduction of Federal Expenditures, however, has estimated in its most recent scorekeeping report (dated September 30, 1972) that outlays would be approximately $257 billion in fiscal year 1973, based on completed congressional action to date.

TABLE 2.—SUMMARY OF CHANGE IN BUDGET RECEIPTS AND OUTLAYS, BY FUND GROUP

[Fiscal years; in billions of dollars]

	1972			1973		
	January estimate	June estimate	Actual	January estimate	June estimate	Current estimate
Federal funds:						
Receipts	137.8	147.1	148.8	150.6	152.6	155.6
Outlays	182.5	179.3	177.7	186.8	190.4	188.0
Deficit (−)	−44.7	−32.2	−28.9	−36.2	−37.8	−32.4
Trust funds:						
Receipts	73.2	73.2	72.9	83.2	83.6	82.6
Outlays	67.2	67.0	67.0	72.5	72.8	75.2
Surplus	5.9	6.2	5.9	10.7	10.8	7.4
Unified budget.						
Receipts	197.8	207.0	208.6	220.8	223.0	225.0
Outlays	236.6	233.0	231.6	246.3	250.0	250.0
Deficit (−)	−38.8	−26.0	−23.0	−25.5	−27.0	−25.0

Note: Detail may not add to totals because of rounding.

Source: Office of Management and the Budget.

Unified budget receipts as shown in table 3 are currently estimated by the Treasury Department at $225 billion for fiscal year 1973. This estimate is $2 billion higher than the estimate presented to the committee in June. This is a combination of an increase of $3.6 billion in receipts based on the improved economic outlook, and decline of $1.6 billion in administration expectations since June as a result of Congress' postponing the increase in the taxable wage base for the employment payroll taxes until January 1, 1973. The increases expected in receipts of $3.6 billion represent a $3.5 billion increase expected in individual income tax collections and an expected increase of $700 million from employment taxes. These are partially offset by an expected decrease of $500 million in corporate income taxes.

TABLE 3.—COMPARISON OF FISCAL YEAR 1973 RECEIPTS, AS ESTIMATED IN JANUARY, JUNE, AND OCTOBER 1972

[In billions of dollars]

	January 1972 budget	Change from January 1972 budget: Economic and re-estimate	Legislation	Other	Total
Individual income tax	93.9	+0.1		[1] +1.5	+1.6
Corporation income tax	35.7	+.3			+.3
Employment taxes and contributions	55.1		+0.1		+.1
Unemployment insurance	5.0				
Contributions for other insurance and retirement	3.6	+.1			+.1
Excise taxes	16.3				
Estate and gift taxes	4.3				
Customs duties	2.8	+.1			+.1
Miscellaneous receipts	4.1				
Total budget receipts	220.8	+.6	+.1	+1.5	+2.2
Underlying income assumptions, calendar year 1972:					
GNP	[2] 1,145				
Personal income	[2] 924				
Corporate profits before tax	[2] 99				

	June 1972 estimate	Change from June estimate: Economic and re-estimate	Legislation	Other	Total	Current estimate
Individual income tax	95.5	+3.5			+3.5	99.0
Corporation income tax	36.0	−.5			−.5	35.5
Employment taxes and contributions	55.2	+.7	−1.6		−.9	54.3
Unemployment insurance	5.0		+.1		+.1	5.1
Contributions for other insurance and retirement	3.7					3.7
Excise taxes	16.3		−.1		−.1	16.2
Estate and gift taxes	4.3					4.3
Customs duties	2.9					2.9
Miscellaneous receipts	4.1	−.1			−.1	4.0
Total budget receipts	223.0	+3.6	−1.6		+2.0	225.0
GNP	[2] 1,145					1,152
Personal income	[2] 924					936
Corporate profits before tax	[2] 99					97

[1] Change in capital gains tax estimate.
[2] Figures are consistent with pre-July Commerce Department revision.

Note: The figures are rounded and may not necessarily add to totals.

Source: Department of the Treasury.

3. *Administration proposal*

The Administration requested the committee to approve an increase in the temporary limitation on the public debt to $465 billion, which it estimated would be sufficient for the remainder of fiscal year 1973, if its recommendation for an expenditure ceiling is also approved. Estimates of the outstanding public debt subject to limitation in fiscal year 1973 for the middle, end and high point of each month are shown in table 4. These estimates assume a constant operating cash balance of $6 billion from September 28 on throughout the year. A $3 billion margin for contingencies is added to the estimated public debt levels during the period of January through June 1973.

These tabulations, with the $6 billion cash balance and $3 billion allowance for contingencies, show a peak level of debt next year at $468 billion on June 15, 1973, or slightly above the proposed $465 billion limit. Earlier in the year, on this same basis, the debt is expected to reach $465 billion on May 30, and $464 billion on April 16, 1973.

With the leeway provided by an operating cash balance of $6 billion and the $3 billion margin for contingencies, the Treasury Department believes it will be able to manage the public debt and keep it within the proposed limitation through the end of this fiscal year if the proposed expenditure ceiling is provided.

TABLE 4.—PUBLIC DEBT SUBJECT TO LIMITATION DURING FISCAL YEAR 1973

[In billions of dollars]

	Operating cash balance	Public debt subject to limitation	With $3 billion margin for contingencies
Actual:			
June 30, 1972	$10.1	$428.6	
July 17, 1972	6.2	432.3	
July 28, 1972	9.6	[1] 437.0	
July 31, 1972	9.0	433.7	
Aug. 15, 1972	2.1	434.8	
Aug. 30, 1972	4.6	[1] 438.2	
Aug 31, 1972	5.0	436.8	
Sept. 14, 1972	1.9	438.2	
Estimated:			
Sept. 28, 1972	6	436	
Sept. 29, 1972	6	432	
Oct. 16, 1972	6	440	
Oct. 30, 1972	6	[1] 441	
Oct. 31, 1972	6	437	
Nov. 15, 1972	6	443	
Nov. 29, 1972	6	[1] 444	
Nov. 30, 1972	6	441	
Dec. 15, 1972	6	[1] 447	
Dec. 29, 1972	6	445	
Jan. 15, 1973	6	[1] 451	[1] 454
Jan. 31, 1973	6	444	447
Feb. 15, 1973	6	451	454
Feb. 27, 1973	6	[1] 452	[1] 455
Feb. 28, 1973	6	449	452
Mar. 15, 1973	6	457	460
Mar. 29, 1973	6	[1] 458	[1] 461
Mar. 30, 1973	6	454	457
Apr. 16, 1973	6	[1] 461	[1] 464
Apr 30, 1973	6	451	454
May 15, 1973	6	458	461
May 30, 1973	6	[1] 462	[1] 465
May 31, 1973	6	458	461
June 15, 1973	6	[1] 465	[1] 468
June 29, 1973	6	456	459

Peak level of month.

4. Basis for committee action

The committee agreed with the House that a $465 billion public debt limit is an appropriate, yet tight, debt limitation but only if a second ceiling—of $250 billion on the level of spending—is also provided. Without this second ceiling, however, a debt limitation of $465 billion would be likely to be inadequate from March 1973 on, based upon a level of spending of $7 billion above the $250 billion level (this is based upon experience to date; with no limitation, still higher expenditures are entirely possible).

The committee agreed to the $465 billion debt limit (backstopped by an expenditure limit) because of the need at this time for restraint on the level of Federal spending. In a period when the economy is showing signs of improvement, it is necessary to reduce the size of the Federal deficit or run the danger of again increasing inflationary pressures.

This problem is especially dangerous with the country experiencing consecutive deficits of $23 billion on a unified budget basis in the past two years (or $30 billion and $29 billion on a Federal funds basis).

With this background, unless the deficit is held to at least $25 billion in 1973, it is difficult to see how it is possible to avoid either serious inflationary pressures or alternatively a significant tax increase.

Fiscal restraints also are vitally needed in view of the present state of the U.S. balance of payments and balance of trade. It is difficult to see how the new exchange rates, which were agreed on last December in the Smithsonian Agreement, can sufficiently reduce our trade deficit unless the United States is able to remove the danger of inflation from the internal workings of its economy.

B. EXPENDITURE CEILING

As has been indicated, as a companion to its request for an increase in the debt limitation, the Administration asked Congress to provide for a ceiling on unified budget expenditures in the fiscal year 1973 of $250 billion,

An expenditure ceiling, at least on a temporary basis, appears necessary at the present time if expenditures are to be kept at a $250 billion level. The need for an expenditure ceiling of this type arises from the difficulty Congress has experienced in establishing overall program priorities. Even when it is generally recognized that expenditures need to be limited, the total expenditures actually occurring seem to keep rising because, in a period of strong, competing concepts of program priorities, all are accepted rather than choices among them being made. The committee is fully aware of the desirability of many of the new or revised programs for which increasing expenditures are being requested. The committee believes, however, that it is not possible for the Federal Government to simultaneously meet all of these demands in the present economic setting, given present expectations of budgetary receipts.

Even with an expenditure limitation of $250 billion, the unified budget deficit for this fiscal year is estimated at $25 billion (or $32 billion on a Federal funds basis). This large deficit comes at a time when budget receipts are expanding and there is evidence of improvement in economic activity. With this improvement in economic activity, the budget deficit normally should be declining. This does not appear to be the prospect at the present time and without an expenditure ceiling of $250 billion, a rapidly rising budgetary deficit would appear likely, certainly to the level of $30 billion and perhaps to the level of $33 to $35 billion.

If the Federal government is not able to reduce its stimulus to the economy during a period of economic improvement it is likely that inflationary pressures will be renewed. When the country is faced with excessive economic stimulation, one way to meet the problem is to reduce the rate of increase in Federal expenditures to a level which is below the rate of increase in budget receipts. This should lead toward a balance in the budget at full employment levels. A second way to avoid stimulating inflation through the Federal budget in such a situation is to increase taxes, a step which few Senators would now advocate. Given these alternatives, the committee believed that an expenditure ceiling was essential at this time.

It should be made abundantly clear that this expenditure ceiling does not require a cutback in program levels from the last fiscal year. To the contrary, a limitation of $250 billion allows for an increase in unified budget outlays of about $18 billion, from $232 billion to $250 billion. Some of this increase will be used up by price increases, but this should account for a minor portion of the $18 billion increase in spending. In fact, an increase in the level of spending of this size should provide an ample margin for maintaining present levels of program activity, with only modest restraint, while permitting the beginning of a limited number of new programs or the expansion in some programs instituted in the recent past.

The expenditure limitation provided by both versions of this bill is only for the remainder of the fiscal year 1973. It is viewed as an emergency measure required in the present fiscal crisis. It is hoped that more satisfactory ways of helping Congress develop ways of controlling overall expenditures and determining program priorities may be found for subsequent years. For this reason, title III of this bill establishes a temporary joint committee to make recommendations on this problem.

In the expenditure limitation included in this bill by the committee, there are no exceptions provided to the ceiling. The committee believes that this is the best procedure to follow. Experience with expenditure limitations in the fiscal years 1969, 1970 and 1971, which were reviewed by the committee, seems to demonstrate that when exceptions are provided, expenditures in these categories show large increases which often largely offset the restraint provided with respect to the rest of the budget. The ceiling for 1969 provided in the Revenue and Expenditure Control Act of 1968 was probably the most effective of these prior limitations, but nevertheless it demonstrated the difficulty with exceptions. Under this limitation, outlays, other than those for which exceptions were made, were held $6 billion below the initial budget request—then totaling $186.1 billion. However, Congress excepted outlays for specified programs from the terms of the law. Programs not covered by the ceiling totaled approximately $93 billion. Outlays excepted from the limitation in the fiscal year 1969 increased by $6.9 billion over original estimates. As a result, even though programs covered by the ceiling were reduced by $8.4 billion below budget estimates, total budget spending was reduced by only $1.5 billion instead of the $6 billion originally contemplated.

In addition, experience with exceptions has demonstrated that there is no general agreement as to the number of programs which should be given the favored status of exemption. As a result, once exemptions are started, this seems to represent an invitation to amend the bill by adding additional programs to the list of exemptions. This, of course, seriously erodes the effectiveness of any overall limitation.

It is sometimes said that an expenditure limitation gives the President an item veto over the budget. While an expenditure ceiling of necessity places increased responsibilities on the President to bring the expenditure total for a year down to the expenditure ceiling level set by Congress, it does not result in the cancellation of appropriations as would happen in the case of item vetos. In the case of an expenditure limitation, funds which are reserved generally remain available for expenditure in subsequent years; with an item veto the appropriations are cancelled. Even though the effect of an expenditure limitation is not the equivalent of an item veto, the committee recognizes that it would be better for Congress to indicate where the reductions are to be made in order to achieve the lower level of spending. However, in the current year, this has not been done and, therefore, through the expenditure limitation on a temporary one-year basis, the committee believes that it would be better to ask the President to indicate the areas of expenditures which can appropriately be reserved for this one year rather than facing the additional problems of increased inflation or increased taxes.

C. JOINT COMMITTEE ON BUDGETARY CONTROL

As indicated in the prior section, the expenditure limitation provided in this bill is intended only as a temporary device to meet what the committee views as a crisis situation. The committee was reluctant to adopt such a limitation, but it viewed the likely alternatives of increasing inflationary pressure or increased taxes as less desirable alternatives. As indicated previously, it is believed that a difficulty lies in the fact that Congress in its organization and procedures has had a problem in evaluating or comparing program priorities—not only one expenditure program with another but one expenditure program as opposed to a tax increase or decrease.

In part, the difficulty stems from the fact that the congressional organization separates the spending and taxing functions. In part, the difficulty seems to arise from the failure of Congress to develop a procedure for viewing expenditure programs in total. Individual appropriation bills, where attention is directed more to appropriations than expenditures and which are considered separately and over a period of months, have not proved conducive to maintaining an overview of Federal spending. Moreover, in the past decades as the committee work in appropriation bills and tax and social security bills have led the committees to consider the details of these bills, adequate attention has not been devoted to budget totals.

The committee has had the budget totals thrust upon its attention during the past two decades because of its jurisdiction over the debt limitation. But, providing minimal increases in the public debt limit one or more times each year does not constitute an adequate substitute for acting upon budget totals at the start of the appropriations procedure. With the public debt limit, the committee has been limited to making available a barely adequate supplement of public debt receipts to the regular flow of tax receipts in order to finance the level of outlays approved through the appropriations process.

In addition, the Joint Committee on the Reduction of Federal Expenditures has frequently prepared summaries of Congressional actions on appropriations bills indicating their probable effect on Federal expenditures.

Experience has shown, however, that these steps have not been enough to direct sufficient attention to expenditure totals in dealing with the problem of program priorities. It appears that some further organizational procedure must be created for this purpose. Congress moved in this direction twenty-six years ago in the Legislative Reorganization of 1946. But, the organizational and procedural structure of that provision proved ineffective and impractical, in part, at least, because the committee that was set up under that Act could only make recommendations as to fiscal matters, and had no legislative jursidiction. However, the time has come when an effective means of controlling the budget totals must be found.

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Title III in both versions of the bill provides for the organization of a joint committee to study and recommend what Congress should do in the area of total budgetary control. This provision of the bill instructs the committee to review the present situation and recommend procedures to the Congress which the committee believes would enable Congress in the future to exercise control over the budget totals for both outlays and receipts. The recommendations presumably would then be considered by the appropriate legislative committees of Congress.

Membership of the joint committee is to be drawn in equal numbers from the two appropriations committees and the two tax committees. In addition to the seven members from each of these four committees, there would be appointed one other member from the Senate and one other member from the House. The appointment of the members representing the House would be made by the Speaker of the House, and the appointment of the members representing the Senate would be made by the President pro tempore of the Senate.

Because the committee is hopeful that it will be possible for the new joint committee to prepare its recommendations sufficiently early to give Congress an opportunity to act on this matter in the next session of Congress, recommendations are requested from the new joint committee by February 15, 1973.

In considering its recommendations with respect to budgetary control, the joint committee will have an opportunity to assess the effectiveness of the operation of the $250 billion expenditure ceiling provided by this bill. It is hoped that the study of this ceiling will give the joint committee some insights into the operation of an expenditure ceiling which will be of value to the committee in making its recommendations with respect to budgetary control by the Congress.

The bill includes an authorization for the joint committee to appoint necessary staff. In addition, it is also authorized to draw upon the existing staffs of Congress to the extent the committee considers this appropriate. An amendment added by the committee provides that the expenses of the joint committee up to $100,000 are to be paid from the contingent fund of the Senate through February 28, 1973. Under Senate rules, funds voted for the joint committee this year from the contingent fund may not be drawn after February 28, 1973. If funds are needed beyond that date a concurrent resolution to provide funds from the contingent fund of the Senate for the remainder of 1973 can be introduced.

Although the joint committee is instructed to submit its report not later than February 15, 1973, the committee will not be discharged from its responsibility until the completion of the first session of the 93d Congress. The continuation of joint committee responsibility for this period gives assurance that the joint committee will be available as an entity to testify and present its recommendations to the committees of Congress in their consideration of its recommendations during the first session of the 93d Congress.

An amendment added by the committee sets aside, for the purposes of establishing the joint committee, paragraph 6 of Rule XXV of the Standing Rules of the Senate. This rule limits the number of committees a member may be assigned to (including joint committees) and the number of committee chairmanships that a member may hold (also including joint committees). In the absence of this amendment, it would be difficult to draw upon the most experienced, present members of the Senate's Appropriations and Finance Committees because of the number of committee assignments and chairmanships they now hold.

Another amendment to the bill made by the committee (sec. 301(a)) provides that members of the joint committee from the Committee on Appropriations and the Committee on Ways and Means from the House of Representatives who have been reelected may continue to serve as members of the joint committee after the expiration of the 92d Congress. Under this amendment, these members from the House of Representatives may continue to serve on the joint committee after the adjournment by the 92d Congress and during the first weeks of the 93d Congress before their committee assignments in the new Congress have been made. The amendment also provides that when there is a vacancy in the joint committee, it is not to affect the power of the remaining members to perform the joint committee's functions. Any vacancy is to be filled in the same manner as the original selection.

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. 13, 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

See footnotes at end of table, p. 14.

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

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 preceeding 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
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 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, 00, 0000, 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, 1956, 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

See footnotes at end of table, p. 14.

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

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. On June 30, 1964	[2] 309,000,000,000
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 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
June 30, 1967: 81 Stat. 99—	
1. Amending sec. 21, effective June 30, 1967, increasing limitation to	[2] 358,000,000,000
2. Temporarily increasing the debt limit by $7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period	[2] 365,000,000,000
April 7, 1969: 83 Stat. 7—	
1. Amending sec. 21, effective Apr. 7, 1969, increasing debt limitation to	[2] 365,000,000,000
2. Temporarily increasing the debt limit by $12,000,000,000 for the period from Apr. 7, 1969 through June 30, 1970, to make the limit for such period	[2] 377,000,000,000
June 30, 1970: 84 Stat. 368—	
1. Amending sec. 21, effective July 1, 1970, increasing debt limitation to	[2] 380,000,000,000
2. Temporarily increasing the debt limit by $15,000,000,000 for the period from July 1, 1970, through June 30, 1971, to make the limit for such period	[2] 395,000,000,000

See footnotes at end of table, p. 14.

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

March 17, 1971: 85 Stat. 5—	
1. Amending sec. 21, effective Mar. 17, 1971, increasing debt limitation to	[2] $400, 000, 000, 000
2. Temporarily increasing the debt limit by $30,000,000,000 for the period from Mar. 17, 1971, through June 1972, to make the limit for such period	[2] 430, 000, 000, 000
Mar. 15, 1972: 86 Stat. 63, temporarily increasing the debt limit by an additional $20,000,000,000 for the period from Mar. 15, 1972, through June 30, 1972, to make the limit for such period	[2] 450, 000, 000, 000
July 1, 1972: 86 Stat. 406, temporarily extending the temporary debt limit of $50,000,000,000 for the period from July 1 through October 31, 1972, to make the limit for such period	[2] 450, 000, 000, 000

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

TABLE II.—PUBLIC DEBT SUBJECT TO LIMITATION AT END OF FISCAL YEARS 1938–73

[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	36, 882	1956	272, 361
1939	40, 317	1957	270, 188
1940	43, 219	1958	276, 013
1941	49, 494	1959	284, 398
1942	74, 154	1960	285, 065
1943	140, 469	1961	288, 862
1944	208, 077	1962	298, 212
1945	268, 671	1963	306, 099
1946	268, 932	1964	312, 164
1947	257, 491	1965	317, 581
1948	251, 542	1966	320, 102
1949	252, 028	1967	[2] 326, 471
1950	256, 652	1968	[2] 350, 743
1951	253, 567	1969	[2] 356, 932
1952	258, 507	1970	[2] 373, 425
1953	265, 522	1971	[2] 399, 475
1954	270, 790	1972	[2] 428, 576
1955	273, 915	1973 [1]	[2] 459, 000

[1] Estimated. [2] Includes FNMA participation certificates issued in fiscal year 1968.

Source: Table 1: Annual Report of the Secretary of the Treasury on the State of the Finances, 1967, p. 439, through 1967: table FD–8; Treasury Bulletin, January 1972, p. 25, for 1968 through 1971; Daily Treasury Statement, June 30, 1972, for 1972, and Treasury Department estimate, as of Sept. 18, 1972, for 1973.

IV. COSTS OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs incurred in carrying out this bill. The committee does not believe that the changes made by title I or title II of this bill will result in any costs either in the current fiscal year or in any of the 5 fiscal years following that year. Title III will involve some staffing costs in the current fiscal year. The amount involved will probably be less than $150,000. The Treasury Department agrees with this statement.

In compliance with section 133 of the Legislative Reorganization Act of 1946, the tabulation of the roll call vote to report the bill is as follows:

In favor—10 (Messrs. Anderson, Byrd, Bennett, Curtis, Miller, Jordan, Fannin, Hansen, Griffin and Long.)

In opposition—2 (Messrs. Fulbright and Nelson.)

Mr. Talmadge was present.

V. MINORITY VIEWS OF SENATOR GAYLORD NELSON IN OPPOSITION TO ONE EXPENDITURE LIMITATION

> ["The History of the present King of Great-Britain is a History of repeated Injuries and Usurpations, all having in direct Object the Establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid World.
>
> "He has refused his Assent to Laws, the most wholesome and necessary for the public Good.
>
> "He has forbidden his Governors to pass Laws of immediate and pressing Importance, unless suspended in their Operation till his Assent should be obtained; and when so suspended, he has utterly neglected to attend to them * * *"]—*Declaration of Independence, July 4, 1776.*

The experience of Colonial United States under King George III led to the formation of our democratic form of government under a written Constitution. The experience under the Crown's tyranny also produced a form of government that was represented by the Founding Fathers as a balancing of powers between the executive, the judicial, and the legislative branches.

Thus Article I, Sect. 7 of the Constitution provides that "All bills for raising revenue shall originate in the house of representatives; but the senate may propose or concur with amendments as on other bills." And Article I, Sect. 9 of the Constitution further states that "No money shall be drawn from the treasury, but in consequence of appropriations made by law; * * *" From these two express provisions of the Constitution, it would appear that the "power over the purse" was exclusively given to the legislative branch of our federal government.

In the balance between the three branches of government, it is evident that the constitutional grant of "power over the purse" to the national legislature was felt to endow that branch with substantial representative and political force. In *The Federalist* (No. 58), James Madison explained:

> The House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government. They, in a word, hold the purse * * *. This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.

But just as an express endowment of money requires careful husbandry to prevent it from being squandered, so must express grants of constitutional authority be carefully tended and conserved. This century has seen the steady attrition of the power of Congress in relation to the strength of the executive branch. In foreign policy, one only has to look at the tragic example of Vietnam to measure the feeble power over foreign affairs that remains in the hands of Congress.

Today we are being asked to transfer what is left of the Congressional "power over the purse" to the President. In fact, the legislative branch of the federal government has ceded a great deal of authority on the control of the national purse to the executive branch already.

In the Anti-Deficiency Acts of 1905 and 1906, the Congress gave the President authority to reserve appropriations in order to reflect savings in authorized programs and to prevent deficiencies from too rapid expenditure of funds. Then under the pressures of national crisis—the Great Depression of the 1930's and later World War II—the principle of a difference between permissive and mandatory appropriations was asserted. In 1942, President Franklin D. Roosevelt claimed that just because Congress appropriated funds for certain governmental programs, this is only a ceiling on possible expenditures and "is not a mandate that such funds must be fully expended."

A number of articulate defenders of Constitutional integrity in this Congress have vehemently protested this executive exercise as Constitutionally prohibited. In particular, Senator Ervin and his Separation of Powers Subcommittee have been forceful in their argument that executive impoundment of duly appropriated funds constitutes an item or line veto. Although such an item or line veto is not permitted by the Constitution, the practice of Presidential impoundment of funds has continued with every occupant of the White House since FDR.

In addition to the impoundment of funds under so-called permissive appropriations, recent Presidents have been given express authority to withhold appropriated funds under certain conditions. Under Title VI of the Civil Rights Act of 1964, the President may refuse to expend funds in areas which practice discrimination.

The one area in which there appears to be a clear constitutional bar to unilateral Executive action and impoundment of appropriated funds without Congressional approval is where there is a clear Congressional "direction to spend" The distinction between "direction" to spend and "authorized" to spend was articulated in the 1962 controversy over the B–70 bomber between President Kennedy and Chairman Carl Vinson of the House Armed Services Committee. The President, opposing the program, requested the latter wording.

The lack of constitutional authority for the President to act contrary to the mandate of Congress and withhold legislatively appropriated funds whenever and wherever he pleases is equally clear. In a memorandum dated December 19, 1969, by then Assistant Attorney General William H. Rehnquist, the Deputy Counsel to President Nixon was advised that "With respect to the suggestion that the President has a constitutional power to decline to spend appropriated funds, we must conclude that existence of such a broad power is supported by neither reason nor precedent."

If this legislation is approved in the form that it was sent over to the Senate by the House, the final grant of broad power over the purse strings of our federal government will be given to the executive branch. What no President could do under the Constitution, he will be able to do because Congress has traded the last of its fiscal controls for a worthless promissory note.

If it is now true that the term "separation of powers" is no longer the appropriate phrase to describe the relationship between the three branches of our federal government, then Richard Neustadt's replacement phrase "separate institutions sharing powers" is also inaccurate in the case of fiscal controls. Already Congress is the weaker branch in controlling the federal budgetary process and determining fiscal priorities for the nation. In Ralph Nader's recent publication on Project Congress, *Who Runs Congress?*, the chapter describing the power of the purse is aptly titled "The Broken Branch: Congress vs. The Executive". It is inconceivable to me that anyone could argue that the "Broken Branch" could be healed by further delegating the powers which the Constitution expressly reserved for Congress. With this legislation arguments over Presidential authority to exercise an item veto will be moot.

In a 1955 essay on the balance of functions included in Chapter 3 of *The Public Philosophy*, Walter Lippmann stated:

> The executive is the active power in the state, the asking and the proposing power. The representative assembly is the consenting power, the petitioning, the approving and the critizing, the accepting and the refusing power. The two powers are necessary if there is to be order and freedom. But each must be true to its own nature, each limiting and complementing the other. The government must be able to govern and the citizens must be represented in order that they shall not be oppressed. The health of the system depends upon the relationship of the two powers. If either absorbs or destroys the functions of the other power, the constitution is deranged. * * * For in the derangement of the two primary functions lie the seeds of disaster.

No one can honestly contend that the "consenting power, the petitioning, the approving and the criticizing, the accepting and the refusing power" will be on equal footing with the "asking and proposing power" of the executive when each and every budgetary and fiscal priority is initiated, determined and acted upon within the Office of Management and Budget.

It is not a question of Congress getting the short end of the stick in this deal; we get no stick at all. And as far as the people of the State of Wisconsin and every other state of the union are concerned, their participation in the determination of national priorities through the activities of their elected representatives in Congress would be ended by this legislation. The vital sounds of participatory democracy in the hearing rooms of Congress would be replaced by the quiet squish of rubber stamps in the Executive Office Building.

The proposed $250 billion limitation on expenditure is a triumph of political posturing over sound economic analysis. It offers a sham solution to a real problem. While not curing inflation, it will curtail the present recovery, cause unemployment to stagnate around 5.5 percent and not prevent a tax increase in the future.

The Administration has lost all control of the federal budget and is desperately looking for a scapegoat. The President has decided that Congress must be blamed for the failure of his economic game plan and its consequences. By his action of August 15, 1971, President Nixon abandoned his old plan but he cannot escape its consequences. This plan of deliberately slowing down the economy failed to control inflation, and only succeeded in creating a recession, throwing millions of Americans out of work and plunging the government budget into debt.

Taking office with a firm commitment to a balanced budget, the President's budgets have always suffered a deficit. For fiscal year 1970, the Administration predicted a budget surplus of $5.8 billion but ended with a deficit of $2.8 billion. For fiscal year 1971, the Administration estimated a budget surplus of $1.3 billion; but made a whopping $24.3 billion error ending with a $23 billion deficit. For fiscal year 1972, the Administration achieved another $23 billion deficit, and for fiscal year 1973 they now estimate a budget deficit of $25 billion. The following table compares the Administration budget estimates with actual experience.

TABLE I.—NIXON ADMINISTRATION ORIGINAL BUDGET ESTIMATES SUBMITTED COMPARED TO ACTUAL BUDGET RESULT ON A UNIFIED BUDGET CONCEPT

[In billions of dollars]

	Budget receipts	Budget outlays	Surplus or deficit (—)
Fiscal year 1970:			
Feb. 15, 1969, Nixon's revised budget	198.7	192.9	5.8
Actual	193.7	196.6	—2.8
Fiscal year 1971:			
Submitted January 1970	202.1	200.8	1.3
Actual	188.4	211.4	—23.0
Fiscal year 1972	217.6	229.2	—11.6
Actual	208.6	231.6	—23.0
Fiscal year 1973:			
January	220.8	246.3	—25.5
Latest estimates, Sept. 18, 1972	225.0	250.0	[1] —25.0
Total deficit as of Sept. 18, 1972			73.8

[1] According to the Joint Committee on the Reduction of Federal Expenditures on Aug. 24, Federal budget outlays for fiscal year 1973 will exceed receipts by $33,500,000,000.

Note: The figures are rounded and may not necessarily add to total.

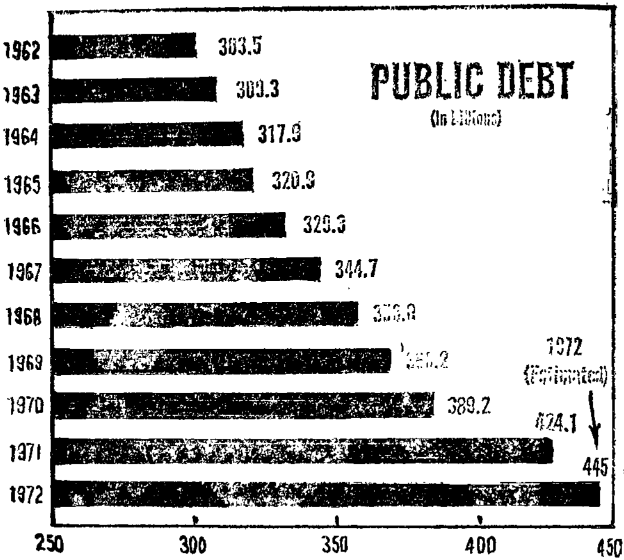
In four years, the Administration has achieved a staggering $73.8 billion deficit. Incredibly, the Nixon Administration has exceeded the budget deficits of $69.6 billion for the preceding sixteen years of the entire Eisenhower, Kennedy and Johnson Administrations. The following table and chart shows the deficits for previous years:

BUDGET DEFICITS FOR THE LAST 20 YEARS

[In billions of dollars]

	Fiscal year	Deficits: Federal funds	Deficits: Unified budget
President:			
Eisenhower	1954–61	21,836	15,806
Kennedy	1962–64	22,038	17,810
Johnston	1965–69	57,762	36,019
Total		101,636	69,635
Nixon	[1] 1970–73	109,742	73,901

[1] Includes the latest official estimate for fiscal year 1973 which is generally considered to be understated by about $7 to $10,000,000,000.



President Nixon's $73.8 billion deficit results from his own economic mismanagement and recession. The consequences of this economic mismanagement have been drastic for both the federal government and for the American worker. $160 billion in goods and service could have been produced but were lost because of the failure of the Administration to maintain a full employment economy. $42.1 billion in federal revenue was also lost. The Nixon Administration failed to achieve its own projected revenue by $27.7 billion.

It also should be remembered that the recession induced by the Nixon Administration resulted not only in lost revenue but in increased cost for the federal government. By the end of 1971, recession cost the federal government about $6.4 billion in extra payment for unemployment compensation, old-age insurance, aid to families with dependent children and other programs responsive to high jobless rate. This was the conclusion of Nancy H. Teeters in a study demonstrating how a shift in the economic climate affects not only the tax side of the budget, but expenditures as well.

The human cost of the almost four years of the administrations economic stewardship is just as great. In January 1969, there were only 2.6 million Americans unemployed. The September unemployment figures show that overall there were 4.7 million persons unemployed. Over 2 million people have been forced from their jobs since January 1969. When Nixon took office, the unemployment rate was 3.3 percent. Today it is 5.5 percent. This is an intolerable level of unemployment.

The unemployment rate among professional and technical workers was 1.2 percent in 1968. Now it is 2.2 percent. Among skilled workers, it was 2.4 percent in 1968 and is now 4.2 percent. The present unemployment rate for blacks is 10.2 percent, more than double the unemployment rate for whites. The unemployment rate for teenagers is 16.5 percent.

Even these figures understate what is happening in some specific parts of this country. A recent study by the Senate Subcommittee on Employment, Manpower, and Poverty, showed that fully 30 percent of inner city workers could not earn enough to escape poverty—either because they were unemployed, unable to find full-time work, or working at less than poverty-level wages. The inner-city labor markets have borne the brunt of the Nixon recession. One result has been the welfare explosion—men leaving their wives and children because they could not earn enough to support them. We cannot accept the Nixon strategy of buying price stability at the expense of these at the end of the hiring line.

This is the recovery that the Administration proposes to kill in its infancy. The fact that corporate profits are at a record high does not mean that the economy as a whole is flourishing.

Once again, the Nixon Administration is trying to cure the economy by slowing it down. It is trying to inflict some of the same bad medicine that sickens the patient in the first place. As Arthur Okun, a former chairman of the Council of Economic Advisors, said last Friday, October 6:

> At a time when economic forecasters see unemployment remaining above 5 percent for another year, the Administration seems most concerned to slow down the recovery—which means slowing down any progress toward lower unemployment. The proposed fiscal restraint of the $250 billion expenditure ceiling is bad economic policy as well as bad social policy.

Mr. Okun estimates that if Congress enacts the $250 billion spending ceiling proposed by President Nixon, it would probably be at least December *1973* before unemployment drops to 5 percent.

If Congress were to limit spending for this fiscal year to $250 billion, it would require a reduction of at least $12 billion in federal programs, according to an analysis by former Budget Director Charles Schultze. Such a reduction would reduce expected gains in the Gross National Product next year—allowing for the usual multiplication effect through the economy—by some $20 to $25 billion. Such a contraction can be translated directly into jobs. Instead of the unemployment rate drifting from the present 5.5 percent down to somewhere around 5 percent the jobless level could stagnate or move toward 6 percent again.

Mr. Schultze notes that by the time the expenditure limit is enacted and the necessary administrative steps have begun, five months of the fiscal year will have passed. Consequently it would be necessary that the annual rate of outlays be cut by $12 to $15 billion to achieve the expenditure ceiling. Since Congress is already in the process of cutting some $4 billion in funds from the military budget over the vigorous opposition of the Administration, it is unlikely that the Administration will cut the military budget.

Clearly under the Nixon Administration, expenditure cuts would be at the expense of the domestic budget. Mr. Schultze analyzed what this would mean for these programs:

> Another large area of spending cannot be touched for legal or practical reasons; social security and veterans benefits, interest on the debt, public assistance, unemployment compensation, and the newly enacted revenue sharing programs are principal examples. There remains only about $75 billion in programs from which expenditures can be readily cut. To reduce such programs by an annual rate of $12 to $15 billion—which would be necessary to reach the $250 billion ceiling—represents a cut approaching twenty percent. And most of the programs which can be subject to cuts represent grants-in-aid to state and local governments for education, manpower training, health, pollution control, urban mass transit, and similar purposes.

This is not a "meat-axe" approach but a sledge-hammer attack on the legislative achievements of the Kennedy-Johnson Administrations.

The Nixon Administration cannot control the budget because it cannot control the military. The deficit has been aggravated by a new rise in defense outlays, growing at an annual rate of $7 billion since the beginning of 1972, so that they currently exceed peak-year Vietnam war expenditures. Of the projected $25 billion deficit, roughly $15 billion is for increased military spending. By 1975, military spending will have increased from $75 to $90 billion. Recent analysis of the budget both by the Brookings Institution and the American Enterprise Institute for Public Policy Research (AEI) projects that military expenditures will reach $100 billion by 1977.

This is hardly the reordering of national priorities so desperately needed by this country. A $100 billion military expenditure by 1977 reveals a complete failure by the Nixon Administration to gain control of the military budget.

Escalating Vietnam cost

These huge figures understated the increased military cost. On June 5, 1972, before the Subcommittee on the Department of Defense of the House Committee on Appropriations, Secretary of Defense Melvin Laird testified that the additional cost for the stepped-up Vietnam bombing was $3 billion through September 30. Secretary Laird went on to say that the cost through December would be $5 billion—or $2 billion more than he requested at that time. It seems likely that the American people will be presented with at least a $6 billion bill for the additional Vietnam costs at the end of this fiscal year.[1]

Besides the Nixon Administration mismanagement of the economy and its escalation of the Vietnam war, its fiscal policy contributes substantially to the growing national debt. The Administration's Revenue Act of 1971 caused a 15 percent decrease in corporate tax rates. It represents a $6½ billion tax cut for corporations in 1973.

It was fiscal folly to seek a permanent tax reduction significantly eroding the tax base when the national debt was skyrocketing. The Administration persisted in this fiscal folly even though a fiscally sound alternative was offered by Senate Democrats. They proposed

[1] P. 365 and p. 367, vol. 8, hearings before the Subcommittee of the Committee on Appropriations, House of Representatives.

an amendment to the Revenue Act of 1971 that, instead of giving another tax cut to corporations permanently eroding the tax base, would have granted a temporary tax relief for individuals. This amendment would have stimulated the economy when needed but not added to the growing national debt or to the likely inflationary pressure in later years. This amendment, strongly opposed by the Administration, was defeated on the Senate floor by one vote.

The Administration's ill-advised victory permanently decreased Federal revenue and will create inflationary pressures on the economy when it nears full capacity. The Administration's reckless fiscal policy loses Federal dollars just as surely as reckless spending. The Administration never mentions this constant drain on the Treasury. The following tables show the revenue loss estimate for calendar years 1971 to 1973 of some of the major provisions of the Revenue Act of 1971 and the revenue loss for this decade for the assets depreciation range (ADR) and the investment tax credit.

REVENUE LOSS ESTIMATES [1]

[In millions of dollars]

	Repeal of automobile excise tax [2]	Investment credit	ADR [3]	DISC [4]
Calendar year:				
1971	900	1,510	700	0
1972	2,565	3,610	1,700	100
1973	2,565	3,910	2,500	170

[1] Except for DISC, estimates contained in Aug. 6 letter from the Department of the Treasury to Senator Nelson.
[2] Includes repeal of tax on light trucks.
[3] ADR as modified by the Revenue Act of 1971.
[4] DISC revenue loss as estimated when Revenue Act of 1971 was enacted.

DECADE REVENUE LOSS FOR INVESTMENT CREDIT AND ADR

[In millions of dollars]

	Investment credit	ADR
Year:		
1971	$1,510	$0.700
1972	3,610	1.700
1973	3,910	2.500
1974	4,180	3.0
1975	4,480	3.7
1976	4,790	4.0
1977	5,130	3.8
1978	5,480	3.6
1979	5,870	3.6
1980	6,280	3.7

A skyrocketing military budget, reckless fiscal policy, and a disastrous economic game plan caused the present hemorrhaging debt. It is therefore blatantly false to assert that "a vote against the spending ceiling could prove to be a vote for higher taxes". That speaker knows as well as everyone who has studied the debt situation that new federal funds will be needed in the future. The Administration, by promising no tax increase, is playing political games with the American people. As Republican Senator Saxbe of Ohio said, Nixon was "less than honest" when he said that there would not be a tax rise. The problem is too serious for such a deceitful approach. Certainly the

American taxpayer is entitled to economic honesty instead of another economic game.

The ranking members of the parties on the House Ways and Means Committee had termed a tax increase in the coming years inevitable. Representative John W. Byrnes, from my state of Wisconsin and the ranking Republican on the Committee, stated that "There is no question about it. The only question is how big it will have to be." Chairman Wilbur Mills has said that the White House was "whistling in the dark" in its claims that the tax burden will not go up.

Paul W. McCracken, until December 31, 1971, Chairman of the President's Council of Economic Advisors, also asserted before a group at the New York Association of Business Economists that a tax cut was inevitable.

Both the Brookings Institution and the American Enterprise Institute for Public Policy Research have complete detailed analysis of the long-range implication of the Nixon Administration budget. Both studies reach that same startling conclusion that just existing programs plus those Mr. Nixon has himself proposed will result in a substantial deficit in 1975 even if the economy were at full employment. This means that even assuming the economy reaches full capacity—a feat the Nixon Administration has failed to achieve in four years—there will be a dangerous inflationary deficit. In his 1973 budget message, the President stated, "The full employment budget concept is central to the budget policy of this Administration. Except in emergency conditions, *expenditures should not exceed the level at which the budget would be balanced under conditions of full employment.*" [2]

And yet this is the very predicament the country will face. Is it no wonder that after years of neglect and mismanagement of the economy, President Nixon is now looking for a scapegoat?

The American Enterprise Institute study, which was published just last month, concludes that the Nixon budget will cost about $21.5 billion more than existing taxes will bring into the Treasury in 1975 even with full employment. No one disputes that a deficit that big would be inflationary. The study further concludes that it will be 1978, at the earliest, before the budget can swing into surplus.

The following table prepared by AEI's show how the authors of the study reach this conclusion:

NIXON BUDGET: FEDERAL RECEIPTS, EXPENDITURES, AND FULL EMPLOYMENT SURPLUS OR DEFICIT, 1975-80

[NIA basis, billions of current dollars]

	Calendar year—					
	1975	1976	1977	1978	1979	1980
Receipts:						
Personal tax and receipts	129.4	140.8	153.4	166.5	180.6	195.7
Contributions for social insurance	88.3	94.8	100.9	108.6	116.4	124.5
Corporate income taxes	58.7	63.0	67.6	72.5	77.7	83.2
Indirect business taxes	15.6	16.7	17.8	19.0	20.2	21.6
Total receipts	292.0	315.3	339.7	366.6	394.9	424.9
Total expenditures	313.5	328.1	345.3	361.3	377.8	395.9
Full employment surplus (+) or deficit (−)	−21.5	−12.8	−5.6	+5.3	+17.1	+29.0
Surtax on individual and corporate income taxes to balance budget (to nearest percentage point)	11	6	3	−2	−7	−10

Note: Details may not add, due to rounding.

[2] The budget of the U.S Government, fiscal year 1973, p. 14; emphasis in original.

There is no longer a question of will there be a tax increase. The question is whether the necessary revenue will be raised by tax reform—taxing those Americans who, through loopholes, escape paying their fair share of taxes, or by raising the taxes of the already overburdened average taxpayer.

If a spending ceiling is an integral part of the debt ceiling legislation then so is tax reform. Instead of cutting back on necessary programs, additional federal revenues can be obtained through the enactment of tax reform measures.

I propose that Congress pass two tax reform measures—repeal of the assets depreciation range and strengthening the minimum tax provision—which would raise almost $42 billion between now and 1980.

Both the ADR system and the existing minimum tax have been recently considered by the appropriate committees and by Congress—the minimum tax in 1969, and the ADR only last December. They are fully eligible for present consideration.

THE ASSET DEPRECIATION RANGE SYSTEM

The ADR system seeks to encourage investment by permitting corporations to deviate by as much as 20 percent from a true depreciation schedule for certain investments in plant and equipment. It cost the taxpayer some $2.5 billion in revenue in fiscal year 1973.

Economically sound investments are made regardless of tax concessions. The ADR allows corporations to relax their strict profitability standards and invest in areas which offer only marginal return. This is clearly not the kind of investment which is likely to build a strong economy. As James Roche, the chairman of the world's largest corporation, said about tax measures intent to stimulate the purchase of plant and equipment:

> It should be understood that most companies of any size determine their purchase of equipment by the needs of the business and not by any short-term tax advantages.

There is now substantial evidence that the ADR has had little or no impact on investment. According to the Commerce Department's Survey of Current Business (June 1972):

> There is some evidence that capital spending this year is stimulated by the liberalized depreciation rules and the new investment tax credit enacted last December. According to a survey of spending plans taken by McGraw Hill Publications Company in March and April, businessmen reported that their expected 1972 outlays are $3/4 billion higher than they would have been in the absence of these two stimulants. Roughly $500 million of that amount was attributed to the investment tax credit and $250 million to liberalized depreciation.

The ADR is costing the Treasury $1.7 billion in 1972, $2.5 billion in 1973 and increasing amounts thereafter. So the McGraw Hill survey in effect tells us that ADR is increasing investment by 10–15 percent of its cost to the Treasury.

There is thus no good reason for retaining the ADR system. It should be repealed, and the money regained by the Treasury.

THE MINIMUM TAX

The minimum tax was enacted in 1969 to insure that wealthy individuals with substantial income from tax loopholes do not escape tax altogether. It imposes a 10 percent tax on the aggregate amount of tax preference income in excess of the sum of $30,000, plus the regular income tax imposed on the taxpayer.

The minimum tax has not been effective. Only $117 million was collected from individuals last year under this add-on tax. A total of 394 people with incomes of over $100,000 paid no Federal income taxes at all. Of the 18,646 who were affected, an effective tax rate of only 4 percent was paid, less than half the percentage paid by the average wage earner.

In the interest of both equity and revenue, the minimum tax obviously needs to be tightened up. I propose that we reduce the exemption from $30,000 to $12,000, eliminate the regular income tax deduction and raise the rate to one-half of the regular income tax rate for certain items of "preference income."

Enactment of these modest tax reform measures would be a down payment to the average American taxpayer on the much more comprehensive tax reform that must be enacted by the next Congress. I cannot imagine how elected representatives failing to pass some tax justice can face their voters this fall. A most recent Harris Survey found that 67 to 26 percent of the voters felt that "the tax laws are written for the rich man not for the average man. By an overwhelming 88 to 6 percent margin, the objective of "closing tax loopholes for high income people" heads the list of reforms the public would like to see enacted. If this isn't a mandate for action, what is? How can we fail to provide the average taxpayer some tax justice this year?

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