

\$475.7 BILLION DEBT LIMIT

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 11104

TO PROVIDE FOR A TEMPORARY INCREASE OF \$10,700,000,000
IN THE PUBLIC DEBT LIMIT AND TO EXTEND THE PERIOD TO
WHICH THIS TEMPORARY LIMIT APPLIES TO JUNE 30, 1974

NOVEMBER 15, 1973



Printed for the use of the Committee on Financing

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1978

24-881 O

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(II)

CONTENTS

	Page
Discussions between members of the Committee on Finance and the witnesses:	
Russell B. Long (chairman).....	82-87, 96, 100, 107-112, 122, 123
Harry F. Byrd, Jr.....	83, 84, 86, 93-96, 104-107
Walter F. Mondale.....	1, 5, 6, 81, 82, 84
Mike Gravel.....	84-86, 91-93
Wallace F. Bennett.....	80, 82, 84, 87, 95, 96, 107
ADMINISTRATION WITNESSES	
Ash, Hon. Roy L., Director, Office of Management and Budget.....	100
Shultz, Hon. George P., Secretary of the Treasury.....	87
PUBLIC WITNESSES	
Cranston, Hon. Alan, a U.S. Senator from the State of California.....	80
Kennedy, Hon. Edward M., a U.S. Senator from the State of Massachusetts.....	7
Mondale, Hon. Walter F., a U.S. Senator from the State of Minnesota.....	81
Schweiker, Hon. Richard S., a U.S. Senator from the State of Pennsylvania.....	81
Scott, Hon. Hugh, a U.S. Senator from the State of Pennsylvania.....	6
Stevenson, Hon. Adlai E., III, a U.S. Senator from the State of Illinois.....	85
ADDITIONAL INFORMATION	
Analysis of certain data relating to the public debt.....	111
Attachments to statement of Senator Kennedy:	
Letter to Senator Kennedy from Jack T. Conway, president, Common Cause.....	8
Outline of public financing amendment 651 to the debt ceiling act....	11
Public financing for Senate general elections, State by State apending (table).....	13
Amendment providing public financing of Federal elections.....	15
Title VIII of Public Law 92-178, as amended by Public Law 93-53—	
Financing of Presidential Election Campaigns.....	62
Quotations on public financing.....	70
Illustrative examples of public financing for Senate elections under the proposed amendment to the debt ceiling act.....	71
Recent Senate elections—Official vote returns as compiled by Congressional Quarterly.....	74
1973 tax forms proposed by the IRS.....	77
Committee memorandum relative to H.R. 11104.....	2
Tables:	
Public debt subject to limitation, fiscal year 1974.....	97
Comparison of fiscal year 1974 receipts as estimated in January 1973, May 1973, midsession review, and currently.....	98
Fiscal year 1974 unified budget receipts, outlays and surplus or deficit.....	98
Fiscal year 1974 outlays.....	99, 102
Change in budget receipts and outlays, by fund group.....	99, 104
Change in budget surplus or deficit by fund group.....	100, 104
Relation of margin for contingencies to unified budget outlays, fiscal years.....	100
Budget totals.....	103
Federal funds totals.....	103
Fiscal year 1974 full employment budget estimates.....	110
Budget surplus or deficit, 1960-74.....	110

Tables—Continued	Page
1974 current estimate by agency.....	111
Estimated gross Government and private debt, by major categories. 112,	113
Estimated gross Government and private debt, 1929 to present.....	114
Gross Government and private debt related to gross national product..	116
Estimated net Government and private debt outstanding, by major categories.....	116
Estimated net Government and private debt, by major categories.....	117
Estimated net Government and private debt, 1916 to present.....	118
Net Government and private debt related to gross national product....	120
Estimated Federal debt related to population and prices, 1900-72.....	120
Privately held Federal debt related to gross national product.....	122
Text of H.R. 11104.....	3

EXTENSION OF THE PUBLIC DEBT LIMIT

THURSDAY, NOVEMBER 15, 1973

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Mondale, Gravel, Bennett, and Roth.

Senator MONDALE. The committee will come to order. The chairman will be here shortly, but he has asked me to begin the hearings.

Today the committee is beginning its consideration of H.R. 11104, a bill to extend and increase the present temporary debt limit.

Under present law the permanent debt limit is set at \$400 billion, with a temporary additional limit of \$65 billion effective through the end of this month.

The House-passed bill would increase the temporary debt limit from \$465 billion to \$475.7 billion, and it would extend the period during which the temporary debt limit applies until June 30, 1974.

On November 12, the debt subject to the limit was \$459.8 billion.

We will include in the record at this point a staff memorandum concerning the requested temporary debt limit increase and a copy of the bill, H.R. 11104.

[The material referred to follows:]

(1)

November 14, 1973

MEMORANDUM

TO: Members of the Committee on Finance

FROM: Michael Stern, Staff Director

SUBJECT: Increase in Temporary Debt Limit (H. R. 11104)

House Bill. -- Under present law, the permanent debt limit is set at \$400 billion, with a temporary additional limit of \$65 billion, effective through November 30, 1973. H. R. 11104 would:

1. Increase the temporary debt limit from \$465 billion to \$475.7 billion; and
2. Extend the period in which the temporary debt limit applies until June 30, 1974.

(The Administration had requested a temporary debt limit of \$480 billion; the Ways and Means Committee agreed to a limit of \$478 billion, which was further reduced in a House floor amendment.)

Budget Outlook. -- The actual fiscal year 1973 deficit on a Federal funds basis was \$25 billion; the unified or consolidated deficit was \$14.3 billion. The June deficit estimates for fiscal year 1974 have been revised downward to \$15.1 billion (Federal funds) and to virtual balance on a unified budget basis. These figures are shown in the table below:

	<u>1972</u>	<u>1973</u>	<u>1974</u>	
	<u>Actual</u>	<u>Actual</u>	<u>June Estimate</u>	<u>Current Estimate</u>
Federal funds:				
Receipts	148.8	161.4	181.0	185.6
Outlays	<u>178.0</u>	<u>186.4</u>	<u>199.8</u>	<u>200.8</u>
Deficit (-)	-29.1	-25.0	-18.8	-15.1
Unified budget:				
Receipts	208.6	232.2	266.0	270.0
Outlays	<u>231.9</u>	<u>246.5</u>	<u>268.7</u>	<u>270.0</u>
Deficit (-)	-23.2	-14.3	-2.7	(*)

*Less than \$50 million

93^d CONGRESS
1ST SESSION

H. R. 11104

IN THE SENATE OF THE UNITED STATES

NOVEMBER 9, 1973

Read twice and referred to the Committee on Finance

AN ACT

To provide for a temporary increase of \$10,700,000,000 in the public debt limit and to extend the period to which this temporary limit applies to June 30, 1974.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That during the period beginning on the date of the en-
4 actment of this Act and ending on June 30, 1974, the public
5 debt limit set forth in the first sentence of section 21 of the
6 Second Liberty Bond Act (31 U.S.C. 757b) shall be tem-
7 porarily increased by \$75,700,000,000.

8 SEC. 2. Effective on the date of the enactment of this
9 Act, section 101 of the Act of October 27, 1972, providing
10 for a temporary increase in the public debt limit for the

- 1 fiscal year ending June 30, 1973 (Public Law 92-599), as
- 2 amended by the first section of Public Law 93-53, is hereby
- 3 repealed.

Passed the House of Representatives November 7, 1973.

Attest:

W. PAT JENNINGS,

Clerk.

Senator MONDALE. Our first witnesses today will be Senators Kennedy, Scott, Mondale, Schweiker, Cranston, and Stevenson.

We are very pleased to have you here this morning. I had intended to serve as a member of this panel, but what I will do is include my statement as though read in the record.

[A joint statement by Senators Mondale and Schweiker follows:]

STATEMENT OF SENATORS WALTER F. MONDALE AND RICHARD S. SCHWEIKER ON
JOINT PUBLIC FINANCING AMENDMENT

Mr. Chairman: We appreciate the opportunity to appear jointly before this distinguished committee this morning to emphasize the urgency of Congressional action this year on campaign reform and public financing of campaigns.

Elected officials, public commentators, and the American citizenry alike are gravely alarmed by today's on-going crises of confidence in government.

Two important points must remain clear to everyone:

First, it was Watergate that brought about this crisis of confidence.

Second, it was the existence of unlimited campaign money that brought about Watergate.

The seemingly endless unravelling of the Watergate affair has testified more eloquently than we ever could to the need for public financing of campaigns. Unless the present system of financing campaigns with large, special-interest, private contributions is ended, it could ruin our democracy. It is no less serious than that.

Public financing of campaigns can cleanse our election process, and restore public trust and confidence in government. There can be no more essential business than this before the Congress. As Lincoln once said: "With public sentiment, nothing can fail. Without it, nothing can succeed."

At the outset, we would like to emphasize again what a great debt all of us who favor public financing owe to the distinguished Chairman of this Committee. It is his leadership, imagination, and farsightedness that has made the \$1 check-off plan for financing Presidential general elections a part of our law, and paved the way for the further steps that we bring before you today. Russell Long is in every sense the father of public financing.

This committee has before it Amendment 651, a comprehensive proposal for public financing of Presidential and Congressional campaigns. We are proud to co-sponsor this bipartisan amendment with seven other Senators. It is similar to the provisions of the "Statement of Principles" on campaign financing that has been signed by 40 Senators.

The system of public financing of Presidential primaries which the Joint Amendment would establish is taken largely from the Mondale-Schweiker Presidential Campaign Financing Act (S. 2238). Each candidate who is able to raise \$100,000 in contributions of \$100 or less would receive matching payments from the Treasury for those contributions, and for additional contributions of \$100 or less.

Total Treasury matching payments to any candidate in the primaries would be limited to \$7 million, and total primary spending per candidate would be limited to \$15 million. Only \$100 of any individual's contribution or aggregate contributions would be counted as part of the \$100,000 qualifying requirement, or be eligible for matching federal payments.

Total individual contributions to primary candidates would be subject to the \$3,000 limits in S. 372, the campaign finance reform bill passed by the Senate earlier this year.

To encourage small private contributions to candidates in the primaries (and through parties in general elections), the Joint Amendment doubles the existing tax credit and deduction for political contributions.

Our own bill deals exclusively with Presidential elections. However, the other co-sponsors of the Joint Amendment, Senators Cranston, Hart, Kennedy, Mathias, Hugh Scott, Stafford and Stevenson, all have introduced bills dealing with other aspects of public financing, particularly Senate and House races. We are privileged to work together with these Senators, to combine our various bills, and to introduce this comprehensive package for public financing of federal elections.

We urge the Committee to accept this amendment to the Debt Ceiling bill. It is vital that we act now, while the terrible abuses of Watergate are fresh in our minds. The opportunity for fundamental reform comes so rarely and fleetingly that we must seize it quickly, or it is gone.

STATEMENT OF HON. HUGH SCOTT, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SCOTT. Mr. Chairman, with the consent of the other Senators here, since I have to go from here right to the Judiciary Committee, and do not expect to be more than 5 minutes, I would appreciate the opportunity to say that I am pleased again to join my distinguished colleague from Massachusetts, Mr. Kennedy, and to join with my distinguished colleagues from Minnesota, Mr. Mondale, and from Pennsylvania, Mr. Schweiker, in offering testimony supporting proposals to finance, through public funds, Presidential primaries and congressional general elections.

It is particularly appropriate that we appear before you, Mr. Chairman, since you had so much to do with the enactment of the so called checkoff now in the present law, as did the distinguished chairman of this committee, Senator Long of Louisiana.

The original Kennedy-Scott proposals have been discussed amongst several of our Senate colleagues and has been refined to reflect the common point of view. Basically, the amendment contains five principal provisions which will be discussed more in extent by my colleagues.

First, the existing checkoff is expanded to include Presidential primaries and congressional general elections. The checkoff is increased to \$2 for each taxpayer, or \$4 on a joint return:

Second, for Presidential primaries, matching grants of public funds will be available for each private contribution up to \$100. A threshold of \$100,000 in private contributions is required before matching payments begin, and there are ceilings of \$7 million on matching payments and \$15 million on overall spending in such primaries. This provision came from the Mondale-Schweiker bill which we thought was, as a whole, an excellent bill, and I am very glad to be in agreement on this and other provisions.

Third, for Senate general elections, the provisions of the checkoff are carried over essentially intact: 15 cents per voter will be available for major party candidates, and proportioned amounts will be available for minor party candidates, based on their showing in the preceding election or the current election.

Four, for House general elections, the sum of \$90,000 is provided for major party candidates. The figure is the spending limit contained in S. 372, already passed by the Senate earlier this year.

Five, the tax credit and tax deduction features of the present law are doubled to \$50—that is \$100 on a joint return—and \$100—that is \$200 on a joint return—respectively.

Mr. Chairman, we in the Congress ought not to let the opportunity slip by to effect a major reconditioning of a pock-marked political landscape. Public financing of Federal elections should be on our list of "must" items for the first session of the 93d Congress.

Thank you, Mr. Chairman.

Senator MONDALE. I thank the Senator.

Senator Kennedy?

**STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM
THE STATE OF MASSACHUSETTS**

Senator KENNEDY. Thank you very much, Mr. Chairman.

In an effort to comply with what we know is the exceedingly tight schedule of this committee, and the importance of the work that they are considering, I would like to file with the committee my prepared testimony, together with a number of additional materials on this proposal, as well as a strong letter of support from Common Cause, and ask that they be printed in their entirety in the appropriate place in the record.

Senator MONDALE. Without objection.

Senator KENNEDY. Mr. Chairman, it is a pleasure to appear with the distinguished minority leader, Senator Scott, and my associates here on this panel, and indeed, with you, Mr. Chairman, on this important proposal. I think all of us who have been interested in election reform know the very important contribution Senator Scott has made in this area over a period of many years, long before the issue was drawn to national attention, as it has been in recent times. And of course it is a pleasure to appear before this committee, both under the acting chairmanship of Senator Mondale who has provided such inspiration and thoughtful contemplation on this particular issue and contributed so much to the development of this proposal. I also pay tribute to the chairman of the committee, Senator Long. Working with this committee in 1966 and 1967, he took the theoretical concept of public financing and turned it into a practical legislative program, the imaginative proposal of the dollar checkoff.

In the proposal we are making today, we have built upon the work of this committee in the past. We have relied extensively upon the considerations that went into the dollar checkoff. The concept we are offering has been considered by the Senate in a series of votes—at least three different times. It has won the endorsement of the Senate and has been enacted into law for Presidential elections. Only last June, fully two-thirds of the Senate gave the dollar checkoff its full endorsement. So those who appear before this committee today are very much in the debt of Senator Long for his continuing effective leadership on this issue.

Mr. Chairman, the group of Senators who appear today reflects quite clearly that there is no political or partisan advantage to be gained from this proposal. The breath of bipartisan support for our amendment indicates quite clearly that there is no Democratic position and no Republican position, but a uniform position of those who are truly interested in trying to remedy this outstanding national problem, a problem which has reflected itself clearly as a result of the Watergate scandal. I think this amendment is a constructive and positive effort by those who are attempting, in a responsible way, to benefit from the lessons of our present national dilemma. In this way, we can help restore the confidence in the American people in our election procedures.

I further believe, Mr. Chairman, that it is quite appropriate that we include this amendment on the debt ceiling proposal. In the past, 1972, in the important area of expansion of social security benefits,

the Senate soundly included a 20-percent increase in social security benefits as an amendment to the Debt Ceiling Act. Again in 1973, at the time of the continuation of the war in Southeast Asia, the Senate again, as a matter of extreme significance and importance, was willing to add the Cambodian bombing halt amendment to the Debt Ceiling Act. Certainly this measure—the reform of the financing of the political campaigns—is of similar magnitude and importance, and I believe it justifies the action we are proposing at the present time.

Mr. Chairman, Senator Scott has reviewed, very briefly, the particular elements of the proposal, and we are prepared to go into as much detail as the committee wishes on any particular aspect.

I am delighted to have a chance to appear here. Now that Chairman Long has arrived, I want to say to him, in his presence, what we have said to the committee previously—that the idea and concept of public financing was founded by the chairman of this committee and we are very much in the debt of Senator Long for the proposal we offer today.

I yield to my colleagues, and then will respond to whatever questions there may be.

(Senator Kennedy's prepared statement, the Common Cause letter previously referred to and attachments to the Senator's statement follow. Hearing continues on page 80.)

COMMON CAUSE,
Washington, D.C., November 14, 1973.

HON. EDWARD KENNEDY,
U.S. Senate
Washington, D.C.

DEAR SENATOR KENNEDY: Common Cause enthusiastically supports the public financing amendment to the Debt Ceiling Act which you and eight of your colleagues introduced yesterday. The amendment assumes special significance in that it represents a coming together of principal Senate sponsors of major public financing proposals to produce a single comprehensive legislative approach. The measure is given further strength by its impressive bi-partisan sponsorship.

The election reform bill passed by the Senate in July (S. 372) contains many laudable features, e.g. establishing an independent elections commission, restricting the use of cash in campaigns, and setting limits on contributions and expenditures. But the root problem of campaign financing cannot be eliminated until the candidate can be assured of funds to run a creditable and competitive campaign without having to rely on big-money contributors. We do not believe this can be accomplished until a comprehensive system of public financing is adopted. The consensus reached by the nine sponsors of the public financing amendment has produced a vehicle for achieving fundamental reform of campaign financing.

In this year of Watergate, it is clear that the American people are deeply disturbed about the evils stemming from the present system of financing political campaigns. They want meaningful action now on this critical issue. Senate passage of the public financing amendment would represent a major step toward preventing future Watergates and restoring public confidence in our electoral process.

Sincerely,

JACK T. CONWAY,
President.

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE
STATE OF MASSACHUSETTS, ON PUBLIC FINANCING FOR ELECTIONS

Mr. Chairman, it is an honor to join the group of Senators appearing this morning to urge the Committee to act now on public financing of elections. And it is a special honor to be here with Hugh Scott, the distinguished Senate Minority Leader. In the decade I have served in the Senate, Hugh Scott has been a consistent and outstanding leader on election reform, and it is a privilege to work with him on public financing, which is now the over-riding election reform issue of our time.

With Senators Cranston, Hart, Mathias, Mondale, Schweiker, Stafford and Stevenson, who have also been outstanding leaders on this issue, Senator Scott and I are sponsoring a joint bipartisan amendment to the Debt Ceiling Act to provide public financing for Senate and House general elections and for Presidential primaries. We believe that the time is ripe to take such action, and we hope that the Committee will give our joint amendment its strong consideration.

At the outset, in offering the amendment, we pay well-deserved tribute to Senator Russell Long, the distinguished chairman of this committee. Theodore Roosevelt may be the grandfather of public financing in the American political system, but Senator Long is the father, the guiding force. Without his continuing efforts over the past decade, especially the enactment of the dollar check-off seven years ago, public financing today would still be where Theodore Roosevelt left it in 1907, an idea ahead of its time, instead of the solid Federal law on which Congress can now build.

Democrat and Republican, we are here today because we share the strong feeling that the time has come to end the unconscionable power of private money in public life.

Among the lessons of Watergate and the resignation of the Vice President, perhaps the most obvious is the unanimous, bipartisan recognition that the string has run out on the role of private money in campaign financing.

For centuries, money and public service have been a corrosive combination in political life. And the more things change, the more they remain the same. In "The Prince," Machiavelli put the problem clearly almost five hundred years ago:

"As a general rule, those who wish to win favor with a prince offer him the things they most value and in which they see that he will take most pleasure; so it is often seen that rulers receive presents of horses, arms, pieces of cloth of gold, precious stones, and similar ornaments worthy of their station."

The only real change today, when the favors available from the modern Federal government would boggle the mind of any medieval prince, is that the most valued presents are not horses and arms, but contributions to political campaigns.

The Ervin Committee has barely begun the campaign financing phase of its hearings. Yet, the year-long Watergate revelations already demonstrate beyond any doubt the insidious influence of private money in American politics. When some of the most distinguished corporations in the nation—familiar names like American Airlines, Goodyear Tire, Gulf Oil, and Minnesota Mining and Manufacturing—confess to crimes involving blatant violations of the existing Federal election laws, we begin to understand the irresistible pressures that are infecting our national life. If 1972 was unique at all in campaign financing, it was unique only in the unscrupulous intensity and efficiency with which the contributions were so successfully solicited.

I am convinced that most, and probably all, of the very serious problems facing this country today have their roots in the way we finance political campaigns for high Federal office. Watergate may lead the list, but Congress shares the guilt as well. On issue after issue of absolutely vital importance to the ordinary citizens of this country, it is often easier to predict how the Administration and Congress will respond by studying the records of campaign contributions than by studying the merits of the issue.

We would have a different America today if the political power of campaign contributors were measured by their votes and voices instead of by their pocket-books. Across the board, on virtually every issue before us, we know the dimensions of the problem. And if 1973 means anything, it means we cannot let the problem go unsolved.

To me, the solution is public financing. The best way to heal the system is to eliminate the corrosive power of private money in public life by establishing a comprehensive program of public financing for all elections to Federal office. In line with that goal, and as a result of many discussions over past weeks, the nine Senators who are the principal sponsors of public financing legislation in this session of the Congress have agreed to propose a joint amendment to the Debt Ceiling Act.

Our amendment draws heavily on the approach of each of the Senators, including the Mondale-Schweiker bill for Presidential primaries and general elec-

tions, the Hart bill for public financing of Congressional elections and primaries; the Stevenson-Mathias bill for public financing of Presidential and Congressional elections, the Cranston bill for comprehensive public financing of primaries and the Kennedy-Scott bill for Senate and House general elections. Our joint amendment contains the following principal provisions:

First, the existing Presidential Election Campaign Fund Act is expanded to include Presidential primaries and Senate and House general elections, and the amount of the dollar check-off is increased to \$2 for each taxpayer, or \$4 on a joint return.

Second, for Presidential primaries, matching grants of public funds will be available for each private contribution up to \$100. A threshold of \$100,000 in private contributions is required before matching payments begin, and there are ceiling of \$7 million on matching payments and \$15 million on overall spending in such primaries.

Third, for Senate general elections, the provisions of the existing dollar check-off are carried over essentially intact. The amount of 15¢ per voter will be available for major party candidates, proportional amounts will be available for minor party candidates, based on their showing in the preceding election or the current election. Indeed, it is extraordinary testimony to the wisdom of Senator Long's dollar check-off in existing law that its provisions can be so easily applied to Senate elections.

Fourth, for House general elections, the sum of \$90,000 is provided for major party candidates. This figure is the spending limit for House elections contained in S. 372 already passed by the Senate earlier this year.

Fifth, the existing tax credit and tax deduction for political contributions are doubled, raising the credit to one-half of the contributions up to \$50 (\$100 on a joint return), and raising the deduction to \$100 (\$200 on a joint return).

Sixth, a modest role for major political parties is provided in Presidential and Congressional general elections, by allowing their national committees and state committees to receive private contributions and to spend 2¢ a voter on Federal elections in their jurisdiction. In other respects, private financing of candidates in general elections for Federal office is prohibited, thereby removing the option in existing law by which one Presidential candidate could run his campaign on public funds, while the other chose private financing.

Seventh, the \$3,000 and other private contribution limits already voted by the Senate in S. 372 are included as ceilings on large donations where private financing still operates, such as Presidential primaries.

Finally, Mr. Chairman, in concluding these remarks, I urge the Committee to use the occasion of the Debt Ceiling Act to take this major and positive step toward restoring the integrity of our political system. A year ago, the Debt Ceiling Act was the vehicle for a major increase in Social Security benefits. Last June, the Act was the vehicle for a number of significant changes on the Senate floor in the operation of the dollar check-off. The Debt Ceiling Act in June was also a major vehicle in the final Senate drive to enact the Cambodia bombing halt.

The precedents for similar action now are obvious. The Debt Ceiling Act has frequently been a vehicle in the past for amendments of over-riding public importance, and it is entirely appropriate that it should now become the vehicle for public financing of elections.

We are legislating today, not just for 1974 or 1976 but for the future of the country. The people are watching us on Watergate, and we should not let this moment pass to put the nation's house in order.

Mr. Chairman, I submit for the record of these hearings and for the committee's consideration the following exhibits: (1) a detailed summary of our proposed amendment (Amendment 651 to the Debt Ceiling Act); (2) a State-by-State table showing the public funds available to major party candidates in Senate elections; (3) the text of the amendment; (4) the text of the dollar check-off in existing law; (5) some quotations on public financing that Senator Scott and I have compiled; (6) some illustrative examples of the application of public financing to Senate elections; (7) the official vote returns for Senate elections, 1968-1972; and (8) the 1973 tax forms proposed by the IRS, illustrating the adaptability of the dollar on the tax form to cover all Federal elections.

OUTLINE OF PUBLIC FINANCING AMENDMENT 651 TO THE DEBT CEILING ACT
PRESIDENTIAL PRIMARIES; SENATE AND HOUSE GENERAL ELECTIONS

Purpose

1. The amendment builds on existing law, which provides public financing for Presidential general elections, by extending its provisions to include public financing for Presidential primaries and the Senate and House general elections.

Existing law

2. The existing law is Senator Russell Long's "Presidential Election Campaign Fund Act," known as the dollar check-off. The Act, as passed by Congress in 1971 and amended in 1973, establishes public financing for Presidential general elections. Except as provided in this summary, the provisions of the proposed amendment are essentially identical to the provisions of the dollar check-off now applicable to Presidential general elections.¹

General provisions on public financing

3. The amendment establishes a Federal Election Campaign Fund on the books of the Treasury as an expanded version of the existing Presidential Election Campaign Fund, to be funded through the dollar check-off and general appropriations acts of Congress. Payments from the Fund will be made to eligible major and minor party candidates, according to specified entitlements. Amendments to the check-off on the Debt Ceiling Act of July 1, 1973, have now eliminated the so-called "Special Accounts" in the existing Fund, and have left only a "General Account," to be allocated by formula among Presidential candidates. Under the proposed amendment, the General Account would be broadened to provide funds for Presidential primaries and for Senate and House general elections.

4. The amendment increases the amount of the dollar check-off from the existing level of \$1 (\$2 on a joint return) to \$2 (\$4 on a joint return).

5. It modifies the check-off to require taxpayers to indicate that they do *not* want their tax dollars paid into the Federal Election Campaign Fund.

6. It authorizes Congress to appropriate funds to make up deficits left in the General Account after the operation of the dollar check-off.

7. Like the dollar check-off, the program will be administered by the Comptroller General. The Comptroller General certifies a candidate's eligibility for payments, and is responsible for conducting a detailed post-election audit and obtaining repayments when necessary.

8. There are heavy criminal penalties for exceeding the spending limits, and for unlawful use of payments, false statements to the Comptroller General, and kickbacks and illegal payments.

9. The provisions of the amendment will go into effect for the 1974 Congressional elections and the 1976 Presidential primaries.

10. The cost of the public financing provisions of the amendment is estimated at \$200 million in a Presidential election year and \$100 million in the off-year Congressional elections. Thus, the total cost of the program over the four-year election cycle is \$300 million, yielding an average cost of about \$75 million a year.

Presidential general elections

11. Apart from increasing the amounts available to be checked off on tax returns, the principal change made by the amendment in the case of public financing for Presidential general elections is that the bill bars the option of private financing for such elections (except that limited private contributions may be made for the benefit of candidates through the major political parties—see paragraph 31, below). Under the existing dollar check-off, public financing is available as an alternative to private financing for such elections, and candidates electing public financing may not also use private financing, except in cases where the available public funds are insufficient to meet the candidate's full entitlement. Thus, the amendment will prevent a situation in which one candi-

¹ See the "Presidential Election Campaign Fund Act," Public Law 92-178, 85 Stat. 497, 562-575 (Dec. 10, 1971), as amended by the Debt Ceiling Act, Public Law 93-53, 87 Stat. 134, 138-139 (July 1, 1973).

date for President runs on public funds in the general election, while the other runs on private funds. Under existing law, the level of spending is 15¢ per voter, or approximately \$21 million for each Presidential candidate of a major party.

Presidential primaries

12. Each candidate in the Presidential primaries is entitled to matching payments of public funds for the first \$100 received from each individual contributor.

13. Payments begin 14 months prior to the date of the general election for President.

14. Any contribution made in connection with the candidate's campaign for nomination, in whatever year it occurs, is eligible for matching. However, all such contributions are aggregated, and no more than \$100 from any contributor may be matched.

15. Candidates must accumulate \$100,000 in matchable contributions before matching payments of public funds begin. To meet this requirement, a candidate may accumulate 1,000 contributions of \$100 each, or 2,000 contributions of \$50 each, etc. Once this threshold requirement is met, the first \$100,000 in contributions will also be eligible for matching payments.

16. No candidate may receive total matching payments in excess of 5¢ for each person over the age of 18 in the United States (approximately \$7 million). The 5¢ figure will be adjusted for future increases in the cost of living.

17. No candidate may spend more than \$15 million in his campaign for the Presidential nomination.

18. Matching payments may be used only for legitimate campaign expenses during the pre-nomination period, and unspent payments must be returned to the Treasury.

Senate and House general elections

19. The amendment provides public funds for general and special elections for the Senate and the House, but not for primaries or run-off elections.

20. As in the case of Presidential general elections, the amendment makes public financing mandatory for Senate and House elections. Thus, it bars the option of private financing by major party candidates in such elections (except that limited private contributions may be made for the benefit of candidates through the major political parties—see paragraph 31, below).

21. The amendment follows the basic formula in the existing dollar check-off for allocating public funds among candidates of major, minor and new parties. An independent candidate is entitled to public funds on the same basis as a candidate of a party.

22. A "major party" is a party that received 25% or more of the total number of popular votes received by all candidates for the office in the preceding election, or the party with the next highest share of the votes in a case where only one party qualifies as a major party on the basis of the preceding election.

23. A "minor party" is a party that received more than 5% but less than 25% of the popular vote in the preceding election. A "new party" is a party that is not a major party or a minor party.

24. In Senate elections and Statewide Congressional elections, a candidate of a major party is entitled to receive public funds in the amount of 15¢ per eligible voter or \$175,000, whichever is greater. The 15¢ figure, which will be adjusted for future increases in the cost of living, coincides both with the entitlement of Presidential candidates in the existing dollar check-off and with the spending ceiling in the Senate-passed version of S. 372. The \$175,000 figure coincides with the spending floor in S. 372 for candidates in Senate and Statewide Congressional elections.

25. In House elections in States with more than one Representative, the entitlement of a major party candidate is \$90,000. This figure coincides with the spending floor in S. 372 for such candidates.

26. A candidate of a minor party is entitled to receive public funds in proportion to his share of the vote in the preceding election. A candidate of a minor party may increase his entitlement on the basis of his performance in the current election.

27. A candidate of a new party is entitled to receive public funds in proportion to his share of the popular vote in the current election, if he receives more than 5% of the vote in the election.

28. Public funds will be available for the expenditures made by a candidate of a major party during the period beginning with the date on which the party nominates its candidate and ending 30 days after the election. Public funds

will be available for candidates of other parties during the longest period in which they are available to a candidate of a major party.

Other provisions

29. As an incentive to small contributions, the amendment doubles the existing tax credit and tax deduction for such contributions. The tax credit would be increased to one-half of any contribution up to \$50 (\$100 on a joint return), and the tax deduction would be increased to \$100 (\$200 on a joint return). The cost of this provision, based on figures for the 1972 Presidential election year, is \$18 million.

30. Individuals or committees not authorized by a candidate may not spend more than \$1,000 during the campaign on behalf of the candidate, if he is eligible for public funds.

31. In order to assure the continuity of normal functions of political parties, to provide a role for the parties in the general election, and to preserve a limited opportunity for small private contributions, the national committees of major political parties are entitled to spend a total of 2¢ per voter of their own funds collected from private contributions on behalf of Presidential, Senate, and House general election candidates, and the state committees of such parties are entitled to spend a total of 2¢ per voter of such funds on behalf of Presidential, Senate, and House general election candidates within their states.

32. As noted, the public financing provisions of the amendment prohibit direct private financing of Presidential, Senate, and House general elections, although indirect and limited private financing is permitted through the major parties. To limit the undue influence of large contributions in primaries, and to limit the size of private contributions channeled through the parties in the general election, the amendment incorporates the \$3,000 and other contribution limits already approved by the Senate in S. 372—see the proposed new 18 U.S.C. 615 in Section 20 of S. 372 as passed by the Senate.

PUBLIC FINANCING FOR SENATE GENERAL ELECTIONS, STATE BY STATE SPENDING

[15 cents per voter/\$175,000 floor]

State	Voting age population (18 years and over) ¹	Amount of public funds
Alabama.....	2, 294, 000	\$344, 100
Alaska.....	194, 000	175, 000
Arizona.....	1, 262, 000	189, 300
Arkansas.....	1, 326, 000	198, 900
California.....	13, 910, 000	2, 086, 500
Colorado.....	1, 560, 000	234, 000
Connecticut.....	2, 083, 000	312, 450
Delaware.....	369, 000	175, 000
District of Columbia.....	527, 000	175, 000
Florida.....	5, 087, 000	763, 050
Georgia.....	3, 067, 000	460, 050
Hawaii.....	526, 000	175, 000
Idaho.....	487, 000	175, 000
Illinois.....	7, 508, 000	1, 126, 200
Indiana.....	3, 477, 000	521, 550
Iowa.....	1, 924, 000	288, 600
Kansas.....	1, 538, 000	230, 700
Kentucky.....	2, 191, 000	328, 650
Louisiana.....	2, 348, 000	352, 200
Maine.....	683, 000	175, 000
Maryland.....	2, 679, 000	401, 850
Massachusetts.....	3, 937, 000	590, 550
Michigan.....	5, 876, 000	881, 400
Minnesota.....	2, 542, 000	381, 300
Mississippi.....	1, 426, 000	213, 900
Missouri.....	3, 223, 000	483, 450
Montana.....	468, 000	175, 000
Nebraska.....	1, 021, 000	153, 150
Nevada.....	347, 000	175, 000
New Hampshire.....	513, 000	175, 000

See footnote at end of table.

PUBLIC FINANCING FOR SENATE GENERAL ELECTIONS, STATE BY STATE SPENDING—Continued

[15 cents per voter/\$175,000 floor]

State	Voting age population (18 years and over) ¹	Amount of public funds
New Jersey.....	4,986,000	747,900
New Mexico.....	657,000	175,000
New York.....	12,626,000	1,893,900
North Carolina.....	3,468,000	520,200
North Dakota.....	411,000	175,000
Ohio.....	7,130,000	1,069,500
Oklahoma.....	1,797,000	269,550
Oregon.....	1,487,000	223,050
Pennsylvania.....	8,174,000	1,226,100
Rhode Island.....	668,000	175,000
South Carolina.....	1,719,000	257,850
South Dakota.....	444,000	175,000
Tennessee.....	2,710,000	406,500
Texas.....	7,614,000	1,142,100
Utah.....	690,000	175,000
vermont.....	304,000	175,000
virginia.....	3,182,000	477,300
Washington.....	2,310,000	346,500
West Virginia.....	1,209,000	181,350
Wisconsin.....	2,965,000	444,750
Wyoming.....	226,000	175,000
United States.....	139,172,000	20,875,800

¹ Department of Census estimate, voting age population, July 1, 1972, pursuant to the Federal Election Campaign Act of 1971, Public Law 92-225.

93^d CONGRESS
1ST SESSION

H. R. 11104

IN THE SENATE OF THE UNITED STATES

NOVEMBER 13, 1973

Referred to the Committee on Finance and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. KENNEDY (for himself, Mr. CRANSTON, Mr. HART, Mr. MATHIAS, Mr. MONDALE, Mr. SCHWEIKER, Mr. HUGH SCOTT, Mr. STAFFORD, and Mr. STEVENSON) to H.R. 11104, an Act to provide for a temporary increase of \$13,000,000,000 in the public debt limit and to extend the period to which this temporary limit applies to June 30, 1974, viz: At the end of the Act, add the following new sections:

1 PUBLIC FINANCING OF FEDERAL ELECTIONS

2 SEC. 2. (a) Subtitle H of the Internal Revenue Code of
3 1954 is amended to read as follows:

4 **“Subtitle H—Financing of Federal Elec-**
5 **tion Campaigns**

“CHAPTER 95. Federal Election Campaign Fund.

“CHAPTER 96. Federal Election Campaign Fund Advisory Board.

“CHAPTER 97. Presidential Primary Matching Payment Fund.

Amdt. No. 651

1 office, any political committee which is authorized in
2 writing by such candidate to incur expenses to further
3 the election of such candidate. Such authorization shall
4 be addressed to the chairman of such political commit-
5 tee, and a copy of such authorization shall also be in
6 writing and shall be addressed and filed in the same
7 manner as the authorization.

8 “(5) The term ‘candidate’ means, with respect to
9 any Federal election, an individual who (A) has been
10 nominated for election to Federal office by a major party,
11 or (B) has qualified to have his name on the election
12 ballot in the geographical area in which the election is
13 to be held, or (C) in the case of a Presidential election,
14 has qualified to have his name on the election ballot (or
15 to have the names of electors pledged to him on the elec-
16 tion ballot) as the candidate of a political party for
17 election to the office of President or Vice President of
18 the United States in 10 or more States. For purposes of
19 this chapter, an independent candidate shall be consid-
20 ered a candidate of a political party. For purposes of
21 paragraphs (8) and (9) of this section and purposes of
22 section 9004 (a) (2), the term ‘candidate’ means, with
23 respect to any preceding Federal election, an individual
24 who received popular votes for Federal office in such
25 election.

1 “(6) The term ‘eligible candidate’ means a can-
2 didate of a political party for Federal office who has met
3 all applicable conditions for eligibility to receive pay-
4 ments under this chapter set forth in section 9003.

5 “(7) The term ‘fund’ means the Federal Election
6 Campaign Fund established by section 9006 (a).

7 “(8) The term ‘major party’ means, with respect to
8 any Federal election, (A) a political party whose candi-
9 date for Federal office in the preceding election for such
10 office received, as the candidate of such party, 25 percent
11 or more of the total number of popular votes received by
12 all candidates for such office, or (B) if only one party
13 qualifies as a major party on such basis, the party with
14 the next highest percent of such votes in such election.

15 “(9) The term, ‘minor party’ means, with respect
16 to any Federal election, a political party whose candi-
17 date for Federal office in the preceding election for such
18 office received, as the candidate of such party, 5 percent
19 or more but less than 25 percent of the total number of
20 popular votes received by all candidates for such office.

21 “(10) The term ‘new party’ means, with respect to
22 any Federal election, a political party which is neither
23 a major party nor a minor party.

24 “(11) The term ‘political committee’ means any
25 individual, committee, association, or organization

1 (whether or not incorporated) which accepts contribu-
2 tions or makes expenditures for the purpose of influ-
3 encing, or attempting to influence, the nomination or
4 election of one or more individuals to Federal office.

5 “(12) The term ‘qualified campaign expense’
6 means an expense—

7 “(A) incurred (i) by the candidate of a politi-
8 cal party for the office of President to further his
9 election to such office, (ii) by the candidate of a
10 political party for the office of Vice President to
11 further his election to such office or to further the
12 election of the candidate of such political party
13 for the office of President, or both, (iii) by the can-
14 didate of a political party for other Federal office to
15 further his election to such office, or (iv) by an
16 authorized committee of a candidate of a political
17 party for Federal office to further the election of one
18 or more such candidates to such office.

19 “(B) incurred within the expenditure report
20 period (as defined in paragraph (13)), or incurred
21 before the beginning of such period to the extent
22 such expense is for property, services, or facilities
23 used during such period, and

24 “(C) neither the incurring nor payment of
25 which constitutes a violation of any law of the

1 United States or of the State in which such expense
2 is incurred or paid.

3 An expense shall be considered as incurred by a
4 candidate or an authorized committee if it is incurred by
5 a person authorized by such candidate or such committee,
6 as the case may be, to incur such expense on behalf of
7 such candidate or such committee. If an authorized com-
8 mittee of a candidate of a political party for Federal
9 office also incurs expenses to further the election of one
10 or more other individuals to Federal, State, or local elec-
11 tive public office, expenses incurred by such committee
12 which are not specifically to further the election of such
13 other individual or individuals shall be considered as in-
14 curred to further the election of such candidate for Fed-
15 eral office in such proportion as the Comptroller General
16 prescribes by rules or regulations.

17 “(13) The term ‘expenditure report period’ with
18 respect to any Federal election means—

19 “(A) in the case of a major party, the period
20 beginning with the first day of September before
21 the election, or, if earlier, with the date on which
22 such major party nominated its candidate for elec-
23 tion to Federal office, and ending 30 days after the
24 date of the election; and

25 “(B) in the case of a party which is not a

1 major party, the same period as the expenditure re-
2 port period of the major party which has the longest
3 expenditure report period for such election under
4 subparagraph (A).

5 **“SEC. 9003. CONDITIONS FOR ELIGIBILITY FOR PAY-**
6 **MENTS.**

7 “(a) **IN GENERAL.**—In order to be eligible to receive
8 any payments under section 9006, a candidate of a political
9 party in a Federal election shall, in writing—

10 “(1) agree to obtain and furnish to the Comptroller
11 General such evidence as he may request of the qualified
12 campaign expenses with respect to which payment is
13 sought;

14 “(2) agree to keep and furnish to the Comptroller
15 General such records, books, and other information as he
16 may respect;

17 “(3) agree to an audit and examination by the
18 Comptroller General under section 9007 and to pay any
19 amounts required to be paid under such section; and

20 “(4) agree to furnish statements of qualified cam-
21 paign expenses and proposed qualified campaign ex-
22 penses required under section 9008.

23 “(b) **MAJOR PARTIES.**—In order to be eligible to re-
24 ceive any payments under section 9006, a candidate of a

1 major party in a Federal election shall certify to the Comp-
2 troller General, under penalty of perjury, that—

3 “(1) such candidate and his authorized commit-
4 tees will not incur qualified campaign expenses in ex-
5 cess of those incurred under section 9007 and the ag-
6 gregate payments to which he will be entitled under
7 section 9004; and

8 “(2) no contributions to defray qualified cam-
9 paign expenses (other than those received under sec-
10 tion 9007) have been or will be accepted by such
11 candidate or any of his authorized committees except
12 to the extent necessary to make up any deficiency in
13 payments received out of the fund on account of the
14 application of section 9006(d), and no contributions
15 to defray expenses which would be qualified campaign
16 expenses but for subparagraph (C) of section 9002(12)
17 have been or will be accepted by such candidate or any
18 of his authorized committees.

19 Such certification shall be made within such time prior to
20 the day of the Federal election as the Comptroller General
21 shall prescribe by rules or regulations.

22 “(c) **MINOR AND NEW PARTIES.**—In order to be eli-
23 gible to receive any payments under section 9006, a candi-
24 date of a minor or new party in a Federal election shall

1 certify to the Comptroller General, under penalty of per-
2 jury, that—

3 “(1) such candidate and his authorized commit-
4 tees will not incur qualified campaign expenses in ex-
5 cess of the aggregate payments to which the eligible
6 candidate of a major party is entitled under section
7 9004; and

8 “(2) such candidate and his authorized committees
9 will accept and expend or retain contributions to defray
10 qualified campaign expenses only to the extent that the
11 qualified campaign expenses incurred by such candidate
12 and his authorized committees certified to under para-
13 graph (1) exceed the aggregate payments received
14 by such candidate out of the fund pursuant to section
15 9006.

16 Such certification shall be made within such time prior to
17 the day of the Federal election as the Comptroller General
18 shall prescribe by rules or regulations.

19 “(d) Except as provided in subsections (b) (2) and
20 (c) (2) of this section and in section 9007 of this chapter,
21 no candidate of a major party, minor party, or new party, or
22 any of the authorized committees of such candidate shall ac-
23 cept contributions to defray qualified campaign expenses.

1 **"SEC. 9004. ENTITLEMENT OF ELIGIBLE CANDIDATES TO**
2 **PAYMENTS.**

3 "(a) **IN GENERAL.**—Subject to the provisions of this
4 chapter—

5 "(1) An eligible candidate of a major party in
6 a Federal election shall be entitled to payments under
7 section 9006 equal in the aggregate to the greater of—

8 "(A) 15 cents multiplied by the voting age
9 population of the geographical area in which the
10 election for such office is held, as determined by the
11 Secretary of Commerce under the Federal Election
12 Campaign Act of 1971;

13 "(B) \$175,000, if the Federal office sought is
14 that of Senator; or

15 "(C) \$90,000, if the office sought is that of
16 Representative.

17 "(2) (A) An eligible candidate of a minor party
18 in a Federal election shall be entitled to payments under
19 section 9006 equal in the aggregate to an amount which
20 bears the same ratio to the amount computed under
21 paragraph (1) for a major party as the number of popu-
22 lar votes received by the candidate for such office of the
23 minor party, as such candidate, in the preceding election
24 for such office bears to the average number of popular

1 votes received by the candidates for such office of the
2 major parties in the preceding election for such office.

3 “(B) If the candidate of one or more political par-
4 ties (not including a major party) for Federal office was
5 a candidate for such office in the preceding election for
6 such office and received 5 percent or more of the total
7 number of popular votes received by all candidates for
8 such office, such candidate, upon compliance with the
9 provisions of section 9003 (a) and (c), shall be treated
10 as an eligible candidate entitled to payments under sec-
11 tion 9006 in an amount computed as provided in para-
12 graph (1) or in subparagraph (A), as the case may be,
13 by taking into account all the popular votes received by
14 such candidate for such office in the preceding election
15 for such office. If an eligible candidate of a minor party
16 is entitled to payments under this subparagraph, such
17 entitlement shall be reduced by the amount of the entitle-
18 ment allowed under subparagraph (A).

19 “(3) An eligible candidate of a minor party or a
20 new party in a Federal election whose candidate in such
21 election receives, as such candidate, 5 percent or more of
22 the total number of popular votes cast for such office in
23 such election shall be entitled to payments under section
24 9006 in an amount computed as provided in paragraph
25 (1) or (2), as the case may be, on the basis of the num-

1 bers of votes cast in such election. In the case of an eli-
2 gible candidate entitled to payments under paragraph
3 (2), the amount allowable under this paragraph shall
4 be limited to the amount, if any, by which the entitle-
5 ment under this paragraph exceeds the amount of the
6 entitlement under paragraph (2).

7 “(b) **LIMITATIONS.**—The aggregate payments to which
8 an eligible candidate of a political party shall be entitled
9 under subsections (a) (2) and (3) with respect to a Fed-
10 eral election shall not exceed an amount equal to the lower
11 of—

12 “(1) the amount of qualified campaign expenses
13 incurred by such eligible candidate and his authorized
14 committees, reduced by the amount of contributions to
15 defray qualified campaign expenses received and ex-
16 pended or retained by such eligible candidate and such
17 committees, or

18 “(2) the aggregate payments to which the eligible
19 candidate of a major party is entitled under subsection
20 (a) (1), reduced by the amount of contributions de-
21 scribed in paragraph (1) of this subsection.

22 “(c) **RESTRICTIONS.**—An eligible candidate of a polit-
23 ical party shall be entitled to payments under subsection (a)
24 only—

25 “(1) to defray qualified campaign expenses in-

1 curred by such eligible candidate or his authorized com-
2 mittees, or

3 “(2) to repay loans the proceeds of which were
4 used to defray such qualified campaign expenses, or
5 otherwise to restore funds (other than contributions to
6 defray qualified campaign expenses received and ex-
7 pended by such candidate or such committees) used to
8 defray such qualified campaign expenses.

9 “(d) COST OF LIVING ADJUSTMENT.—

10 “(1) For purposes of paragraph (2) :

11 “(A) The term ‘price index’ means the aver-
12 age over a calendar year of the Consumer Price
13 Index (all items—United States city average) pub-
14 lished monthly by the Bureau of Labor Statistics.

15 “(B) The term ‘base period’ means the calen-
16 dar year 1973.

17 “(2) At the beginning of each calendar year (com-
18 mencing in 1975), as there become available necessary
19 data from the Bureau of Labor Statistics of the Depart-
20 ment of Labor, the Secretary of Labor shall certify to
21 the Federal Election Commission and publish in the
22 Federal Register the per centum difference between the
23 price index for the twelve months preceding the be-
24 ginning of such calendar year and the price index for
25 the base period. Each amount determined under sub-

1 section (a) (1) shall be increased by such per centum
2 difference. Each amount so increased shall be the amount
3 in effect for such calendar year.

4 **“SEC. 9005. CERTIFICATIONS BY COMPTROLLER GENERAL.**

5 “(a) **INITIAL CERTIFICATIONS.**—On the basis of the
6 evidence, books, records, and information furnished by the
7 eligible candidates of a political party and prior to examina-
8 tion and audit under section 9008, the Comptroller General
9 shall certify from time to time to the Secretary for payment
10 to such candidates under section 9006 the payments to which
11 such candidates are entitled under section 9004.

12 “(b) **FINALITY OF CERTIFICATIONS AND DETERMINA-**
13 **TIONS.**—Initial certifications by the Comptroller General
14 under subsection (a), and all determinations made by him
15 under this chapter, shall be final and conclusive, except to
16 the extent that they are subject to examination and audit by
17 the Comptroller General under section 9008 and judicial
18 review under section 9012.

19 **“SEC. 9006. PAYMENTS TO ELIGIBLE CANDIDATES.**

20 “(a) **ESTABLISHMENT OF CAMPAIGN FUND.**—There is
21 hereby established on the books of the Treasury of the United
22 States a special fund to be known as the Federal Election
23 Campaign Fund. The Secretary shall, as provided by appro-
24 priation Acts, transfer to the fund an amount not in excess of
25 the sum of the amounts designated to the fund by individuals

1 under section 6096 and such additional sums as Congress
2 may appropriate to insure that moneys in the fund will be
3 adequate to meet the entitlements of eligible candidates under
4 this chapter and chapter 97 of this subtitle.

5 “(b) TRANSFERS TO THE GENERAL FUND.—The Sec-
6 retary is authorized to transfer to the general fund of the
7 Treasury such amounts of moneys in the fund as he deter-
8 mines from time to time are in excess of the amounts which
9 eligible candidates are, or will be, entitled to receive.

10 “(c) PAYMENTS FROM THE FUND.—Upon receipt of
11 a certification from the Comptroller General under section
12 9005 for payment to the eligible candidates of a political
13 party, the Secretary shall pay to such candidates out of the
14 fund the amount certified by the Comptroller General.
15 Amounts paid to any such candidates shall be under the con-
16 trol of such candidates.

17 “(d) INSUFFICIENT AMOUNTS IN FUND.—If, at the
18 time of a certification by the Comptroller General under sec-
19 tion 9005 for payment to the eligible candidates of a political
20 party, the Secretary or his delegate determines that the
21 moneys in the fund are not, or may not be, sufficient to sat-
22 isfy the full entitlements of the eligible candidates of all po-
23 litical parties, he shall withhold from such payment such
24 amount as he determines to be necessary to assure that the
25 eligible candidates of each political party will receive their

1 pro rata share of their full entitlement. Amounts withheld
2 by reason of the preceding sentence shall be paid when the
3 Secretary or his delegate determines that there are suffi-
4 cient moneys in the fund to pay such amounts, or portions
5 thereof, to all eligible candidates from whom amounts have
6 been withheld, but, if there are not sufficient moneys in the
7 fund to satisfy the full entitlement of the eligible candidates
8 of all political parties, the amounts so withheld shall be paid
9 in such manner that the eligible candidates of each political
10 party receive their pro rata share of their full entitlement.

11 **“SEC. 9007. CONTRIBUTIONS AND EXPENDITURES BY NA-**
12 **TIONAL AND STATE COMMITTEES OF POLITI-**
13 **CAL PARTIES.**

14 “(a) Notwithstanding any other provisions of this
15 chapter, the national committee of a major party may re-
16 ceive contributions and make expenditures in connection
17 with a Federal election; and a State committee of a major
18 party, including subordinate local committees of such com-
19 mittee, may accept contributions and make expenditures in
20 connection with a Federal election in such State. Contribu-
21 tions received by such National or State committee under
22 this section shall be subject to the limitations provided in
23 section 9037 of chapter 97 of this subtitle and any other
24 limitations provided by law.

1 “(b) Expenditures made under this section by a na-
2 tional committee, or by a State committee, including sub-
3 ordinate local committees of such committee, shall not ex-
4 ceed for each National or State committee a total of 2 cents
5 multiplied by the voting age population of the geographical
6 area in which the committee is authorized to make expendi-
7 tures, as determined by the Secretary of Commerce under
8 the Federal Election Campaign Act of 1971.

9 **“SEC. 9008. EXAMINATIONS AND AUDITS; REPAYMENTS.**

10 “(a) EXAMINATIONS AND AUDITS.—After each Fed-
11 eral election, the Comptroller General shall conduct a thor-
12 ough examination and audit of the qualified campaign ex-
13 penses of the candidates of each political party for Federal
14 office.

15 “(b) REPAYMENTS.—

16 “(1) If the Comptroller General determines that
17 any portion of the payments made to an eligible candi-
18 date of a political party under section 9006 was in excess
19 of the aggregate payments to which the candidate was
20 entitled under section 9004, he shall so notify such can-
21 didate, and such candidate shall pay to the Secretary an
22 amount equal to such portion.

23 “(2) If the Comptroller General determines that
24 an eligible candidate of a political party and his au-

1 thorized committees incurred qualified campaign ex-
2 penses in excess of the aggregate payments to which an
3 eligible candidate of a major party was entitled under sec-
4 tion 9004, he shall notify such candidate of the amount
5 of such excess and such candidate shall pay to the
6 Secretary an amount equal to such amount.

7 “(3) If the Commission determines that an eligible
8 candidate of a major party or any authorized committee
9 of such candidate accepted contributions (other than
10 contributions under section 9007, or contributions to
11 make up deficiencies in payments out of the fund on
12 account of the application of section 9006(d)) to de-
13 fray qualified campaign expenses (other than qualified
14 campaign expenses with respect to which payment is
15 required under paragraph (2)), he shall notify such
16 candidate of the amount of the contributions so ac-
17 cepted, and such candidate shall pay to the Secretary
18 an amount equal to such amount.

19 “(4) If the Comptroller General determines that
20 any amount of any payment made to an eligible can-
21 didate of a political party under section 6096 was used
22 for any purpose other than—

23 “(A) to defray the qualified campaign ex-
24 penses with respect to which such payment was
25 made, or

1 “(B) to repay loans the proceeds of which
2 were used or otherwise to restore funds (other than
3 contributions to defray qualified campaign expenses
4 which were received and expended) which were
5 used, to defray such qualified campaign expenses,
6 he shall notify such candidate of the amount so used, and
7 such candidate shall pay to the Secretary an amount
8 equal to such amount.

9 “(5) No payment shall be required from an eligi-
10 ble candidate of a political party under this subsection to
11 the extent that such payment, when added to other pay-
12 ments required from such candidate under this subsection,
13 exceeds the amount of payments received by such can-
14 didate under section 9006.

15 “(c) NOTIFICATION.—No notification shall be made by
16 the Comptroller General under subsection (b) with respect
17 to a Federal election more than 3 years after the day of such
18 election.

19 “(d) DEPOSIT OF REPAYMENTS.—All payments re-
20 ceived by the Secretary under subsection (b) shall be de-
21 posited by him in the general fund of the Treasury.

22 “SEC. 9009. INFORMATION ON PROPOSED EXPENSES.

23 “(a) REPORTS BY CANDIDATES.—A candidate of a po-
24 litical party for Federal office in a Federal election shall,
25 from time to time, as the Comptroller General may require,

1 furnish to the Comptroller General a detailed statement, in
2 such form as the Comptroller General may prescribe, of—

3 “(1) the qualified campaign expenses incurred by
4 him and his authorized committees prior to the date of
5 such statement (whether or not evidence of such ex-
6 penses has been furnished for purposes of section 9005),
7 and

8 “(2) the qualified campaign expenses which he and
9 his authorized committees propose to incur on or after
10 the date of such statement.

11 The Comptroller General shall require a statement under this
12 subsection from such candidates of each political party at
13 least once each week during the second, third, and fourth
14 weeks preceding the day of the Federal election and at least
15 twice during the week preceding such day.

16 “(b) PUBLICATION.—The Comptroller General shall,
17 as soon as possible after he receives each statement under
18 subsection (a), prepare and publish a summary of such
19 statement, together with any other data or information which
20 he deems advisable, in the Federal Register. Such summary
21 shall not include any information which identifies any indi-
22 vidual who made a designation under section 6096.

23 **“SEC. 9010. REPORTS TO CONGRESS; REGULATIONS.**

24 “(a) REPORTS.—The Comptroller General shall, as
25 soon as practicable after each Federal election, submit a full

1 report to the Senate and House of Representatives setting
2 forth—

3 “(1) the qualified campaign expenses (shown in
4 such detail as the Comptroller General determines neces-
5 sary) incurred by the candidates of each political party
6 and their authorized committees;

7 “(2) the amounts certified by him under section
8 9005 for payment to the eligible candidates of each
9 political party; and

10 “(3) the amount of payments, if any, required from
11 such candidates under section 9007, and the reasons for
12 each payment required.

13 Each report submitted pursuant to this section shall be
14 printed as a Senate document.

15 “(b) REGULATIONS, ETC.—The Comptroller General is
16 authorized to prescribe such rules and regulations, to conduct
17 such examinations and audits (in addition to the examina-
18 tions and audits required by section 9008 (a)), to conduct
19 such investigations, and to require the keeping and submis-
20 sion of such books, records, and information, as he deems
21 necessary to carry out the functions and duties imposed on
22 him by this chapter.

23 **“SEC. 9011. PARTICIPATION BY COMPTROLLER GENERAL**
24 **IN JUDICIAL PROCEEDINGS.**

25 “(a) APPEARANCE BY COUNSEL.—The Comptroller

1 General is authorized to appear in and defend against any
2 action filed under section 9012, either by attorneys employed
3 in his office or by counsel whom he may appoint without
4 regard to the provisions of title 5, United States Code, gov-
5 erning appointments in the competitive service, and whose
6 compensation he may fix without regard to the provisions
7 of chapter 51 and subchapter III of chapter 53 of such title.

8 “(b) RECOVERY OF CERTAIN PAYMENTS.—The Comp-
9 troller General is authorized through attorneys and counsel
10 described in subsection (a) to appear in the district courts of
11 the United States to seek recovery of any amounts deter-
12 mined to be payable to the Secretary as a result of examina-
13 tion and audit made pursuant to section 9008.

14 “(c) DECLARATORY AND INJUNCTIVE RELIEF.—The
15 Comptroller General is authorized through attorneys and
16 counsel described in subsection (a) to petition the courts of
17 the United States for declaratory or injunctive relief con-
18 cerning any civil matter covered by the provisions of this sub-
19 title or section 6096. Upon application of the Comptroller
20 General, an action brought pursuant to this subsection shall
21 be heard and determined by a court of three judges in ac-
22 cordance with the provisions of section 2284 of title 28,
23 United States Code, and any appeal shall lie to the Supreme
24 Court. It shall be the duty of the judges designated to hear
25 the case to assign the case for hearing at the earliest practica-

1 ble date, to participate in the hearing and determination
2 thereof, and to cause the case to be in every way expedited.

3 “(d) APPEAL.—The Comptroller General is authorized
4 on behalf of the United States to appeal from, and to petition
5 the Supreme Court for certiorari to review, judgments or de-
6 crees entered with respect to actions in which he appears
7 pursuant to the authority provided in this section.

8 **“SEC. 9012. JUDICIAL REVIEW.**

9 “(a) REVIEW OF CERTIFICATION, DETERMINATION, OR
10 OTHER ACTION BY THE COMPTROLLER GENERAL.—Any
11 certification, determination, or other action by the Comptrol-
12 ler General made or taken pursuant to the provisions of this
13 chapter shall be subject to review by the United States Court
14 of Appeals for the District of Columbia upon petition filed in
15 such court by any interested person. Any petition filed pursu-
16 ant to this section shall be filed within 30 days after the certi-
17 fication, determination, or other action by the Comptroller
18 General for which review is sought.

19 “(b) SUITS TO IMPLEMENT CHAPTER.—

20 “(1) The Comptroller General, the national com-
21 mittee of any political party, and individuals eligible to
22 vote in an election for Federal office, are authorized to
23 institute such actions, including actions for declaratory
24 judgment or injunctive relief, as may be appropriate to
25 implement or construe any provision of this chapter.

1 “(2) The district courts of the United States shall
2 have jurisdiction of proceedings instituted pursuant to
3 this subsection and shall exercise the same without re-
4 gard to whether a person asserting rights under provi-
5 sions of this subsection shall have exhausted any admin-
6 istrative or other remedies that may be provided at law.
7 Such proceedings shall be heard and determined by a
8 court of three judges in accordance with the provisions of
9 section 2284 of title 28, United States Code, and any
10 appeal shall lie to the Supreme Court. It shall be the
11 duty of the judges designated to hear the case to assign
12 the case for hearing at the earliest practicable date, to
13 participate in the hearing and determination thereof, and
14 to cause the case to be in every way expedited.

15 **“SEC. 9013. CRIMINAL PENALTIES.**

16 “(a) **EXCESS CAMPAIGN EXPENSES.—**

17 “(1) It shall be unlawful for an eligible candidate of
18 a political party for Federal office in a Federal election
19 or any of his authorized committees knowingly and will-
20 fully to incur qualified campaign expenses in excess of
21 those incurred under section 9007 and the aggregate
22 payments to which the eligible candidates of a major
23 party are entitled under section 9004 with respect to
24 such election.

25 “(2) Any person who violates paragraph (1) shall

1 be fined not more than \$5,000, or imprisoned not more
2 than 1 year, or both. In the case of a violation by an
3 authorized committee, any officer or member of such
4 committee who knowingly and willfully consents to such
5 violation shall be fined not more than \$5,000, or im-
6 prisoned not more than 1 year, or both.

7 “(B) CONTRIBUTIONS.—

8 “(1) It shall be unlawful for an eligible candidate of
9 a major party in a Federal election or any of his author-
10 ized committees knowingly and willfully to accept any
11 contribution to defray qualified campaign expenses
12 (other than those received under section 9007), except
13 to the extent necessary to make up any deficiency in pay-
14 ments received out of the fund on account of the appli-
15 cation of section 9006 (d), or to defray expenses which
16 would be qualified campaign expenses but for subpara-
17 graph (C) of section 9002 (12).

18 “(2) It shall be unlawful for an eligible candidate
19 of a political party (other than a major party) in a Fed-
20 eral election or any of his authorized committees know-
21 ingly and willfully to accept and expend or retain contri-
22 butions to defray qualified campaign expenses in an
23 amount which exceeds the qualified campaign expenses
24 incurred with respect to such election by such eligible
25 candidate and his authorized committees.

1 “(3) Any person who violates paragraph (1) or
2 (2) shall be fined not more than \$5,000, or imprisoned
3 not more than 1 year, or both. In the case of a violation
4 by an authorized committee, any officer or member of
5 such committee who knowingly and willfully consents
6 to such violation shall be fined not more than \$5,000, or
7 imprisoned not more than 1 year, or both.

8 “(C) UNLAWFUL USE OF PAYMENTS.—

9 “(1) It shall be unlawful for any person who re-
10 ceives any payment under section 9006, or to whom any
11 portion of any payment received under such section is
12 transferred, knowingly and willfully to use, or authorize
13 the use of, such payment or such portion for any purpose
14 other than—

15 “(A) to defray the qualified campaign ex-
16 penses with respect to which such payment was
17 made, or

18 “(B) to repay loans the proceeds of which
19 were used, or otherwise to restore funds (other
20 than contributions to defray qualified campaign ex-
21 penses which were received and expended) which
22 were used, to defray such qualified campaign ex-
23 penses.

24 “(2) Any person who violates paragraph (1) shall

1 be fined not more than \$10,000, or imprisoned not more
2 than 5 years, or both.

3 “(d) FALSE STATEMENTS, ETC.—

4 “(1) It shall be unlawful for any person know-
5 ingly and willfully—

6 “(A) to furnish any false, fictitious, or fraudu-
7 lent evidence, books, or information to the Comp-
8 troller General under this subtitle, or to include in
9 any evidence, books, or information so furnished
10 any misrepresentation of a material fact, or to falsify
11 or conceal any evidence, books, or information rele-
12 vant to a certification by the Comptroller General
13 or an examination and audit by the Comptroller
14 General under this subtitle; or

15 “(B) to fail to furnish to the Comptroller Gen-
16 eral any records, books, or information requested
17 by him for purposes of this chapter.

18 “(2) Any person who violates paragraph (1) shall
19 be fined not more than \$10,000, or imprisoned not more
20 than 5 years, or both.

21 “(e) KICKBACKS AND ILLEGAL PAYMENTS.—

22 “(1) It shall be unlawful for any person know-
23 ingly and willfully to give or accept any kickback or any
24 illegal payment in connection with any qualified cam-

1 paign expense of an eligible candidate or his authorized
2 committees.

3 “(2) Any person who violates paragraph (1) shall
4 be fined not more than \$10,000, or imprisoned not more
5 than 5 years, or both.

6 “(3) In addition to the penalty provided by para-
7 graph (2), any person who accepts any kickback or
8 illegal payment in connection with any qualified cam-
9 paign expense of an eligible candidate or his authorized
10 committees shall pay to the Secretary, for deposit in the
11 general fund of the Treasury, an amount equal to 125
12 percent of the kickback or payment received.

13 “(f) UNAUTHORIZED EXPENDITURES.—

14 “(1) Except as provided in paragraph (2), it
15 shall be unlawful for any political committee which is
16 not an authorized committee with respect to an eligible
17 candidate of a political party for Federal office in a
18 Federal election knowingly and willfully to incur ex-
19 penditures to further the election of such candidate,
20 which would constitute qualified campaign expenses if
21 incurred by an authorized committee of such candidate,
22 in an aggregate amount exceeding \$1,000.

23 “(2) This subsection shall not apply to (A) ex-
24 penditures by a broadcaster regulated by the Federal
25 Communications Commission, or by a periodical publi-

1 cation, in reporting the news or in taking editorial posi-
 2 tions, or (B) expenditures by any organization described
 3 in section 501 (c), which is exempt from tax under sec-
 4 tion 501 (a) in communicating to its members the views
 5 of the organization.

6 “(3) Any political committee which violates para-
 7 graph (1) shall be fined not more than \$5,000, and any
 8 officer or member of such committee who knowingly and
 9 willfully consents to such violation and any other individ-
 10 ual who knowingly and willfully violates paragraph (1)
 11 shall be fined not more than \$5,000 or imprisoned not
 12 more than 1 year, or both.

13 “(g) UNAUTHORIZED DISCLOSURE OF INFORMA-
 14 TION.—

15 “(1) It shall be unlawful for any individual to dis-
 16 close any information obtained under the provisions of
 17 this chapter except as may be required by law.

18 “(2) Any person who violates paragraph (1) shall
 19 be fined not more than \$5,000, or imprisoned not more
 20 than 1 year, or both.

21 **“CHAPTER 96—FEDERAL ELECTION CAM-
 22 PAIGN FUND ADVISORY BOARD**

23 **“SEC. 9021. ESTABLISHMENT OF ADVISORY BOARD.**

24 “(a) ESTABLISHMENT OF BOARD.—There is hereby
 25 established an advisory board to be known as the Federal

1 Election Campaign Fund Advisory Board (hereinafter in
2 this section referred to as the 'Board'). It shall be the duty
3 and function of the Board to counsel and assist the Comp-
4 troller General of the United States in the performance of
5 the duties and functions imposed on him under the Federal
6 Election Campaign Fund Act.

7 “(b) COMPOSITION OF BOARD.—The Board shall be
8 composed of the following members:

9 “(1) the majority leader and minority leader of
10 the Senate and the Speaker and minority leaders of the
11 House of Representatives, who shall serve ex officio;

12 “(2) 2 members representing each political party
13 which is a major party (as defined in section 9002 (8)),
14 which members shall be appointed by the Comptroller
15 General from recommendations submitted by such politi-
16 cal party; and

17 “(3) 3 members representing the general public,
18 which members shall be selected by the members de-
19 scribed in paragraphs (1) and (2).

20 The terms of the first members of the Board described in
21 paragraphs (2) and (3) shall expire on the 60th day after
22 the date of the first Presidential election following January 1,
23 1976, and the terms of subsequent members described in par-
24 agraphs (2) and (3) shall begin on the 61st day after
25 the date of a Presidential election and expire on the 60th

1 day following the date of the subsequent Presidential election.

2 The Board shall elect a Chairman from its members.

3 “(c) COMPENSATION.—Members of the Board (other
4 than members described in subsection (b) (1)) shall re-
5 ceive compensation at the rate of \$75 a day for each day
6 they are engaged in performing duties and functions as such
7 members, including traveltime, and, while away from their
8 homes or regular places of business, shall be allowed travel
9 expenses, including per diem in lieu of subsistence, as author-
10 ized by law for persons in the Government service employed
11 intermittently.

12 “(d) STATUS.—Service by an individual as a member
13 of the Board shall not, for purposes of any other law of the
14 United States, be considered as service as an officer or em-
15 ployee of the United States.

16 **“CHAPTER 97—PRESIDENTIAL PRIMARY**
17 **MATCHING PAYMENT FUND**

“Sec. 9031. Short title.

“Sec. 9032. Definitions.

“Sec. 9033. Creation of fund.

“Sec. 9034. Entitlements.

“Sec. 9035. Limitations.

“Sec. 9036. Examinations and audits; repayments.

“Sec. 9037. Limitations on contributions by individuals and
on expenditures by certain other persons.

“Sec. 9038. Criminal penalties.

18 **“SEC. 9031. SHORT TITLE.**

19 “This chapter may be cited as the ‘Presidential Primary
20 Matching Payment Fund Act’.

1 **“SEC. 9032. DEFINITIONS.**

2 “For purposes of this chapter—

3 “(1) The term ‘qualified campaign expense’ means
4 an expense—

5 “(A) incurred by a candidate for nomination
6 for election to the office of President to further his
7 nomination for such office, or by an authorized
8 committee of such candidate to further his nomina-
9 tion to such office,

10 “(B) incurred within the matching payment
11 period (as defined in paragraph (2)), or incurred
12 before the beginning of such period to the extent
13 such expense is for property, services, or facilities
14 used during such period, and

15 “(C) neither the incurring nor payment of which
16 constitutes a violation of any law of the United States
17 or the State in which such exercise is incurred or
18 paid. An expense shall be considered as incurred by
19 a candidate or an authorized committee if it is in-
20 curred by a person authorized by such candidate or
21 such committee, as the case may be, to incur such
22 expense on behalf of such candidate or such com-
23 mittee.

24 “(2) The term ‘matching payment period’ means
25 the period beginning 14 months prior to the date of the

1 general election for President and ending on the date on
2 which the national convention of the party for whose
3 nomination the candidate is campaigning nominates its
4 candidate for President.

5 “(3) The term ‘authorized committee’ means, with
6 respect to a candidate for nomination for election to the
7 office of President, any political committee which is au-
8 thorized in writing by such candidate to incur expenses
9 to further the election of such candidate. Such authoriza-
10 tion shall be addressed to the chairman of such political
11 committee, and a copy of such authorization shall be filed
12 by such candidate with the Comptroller General. Any
13 withdrawal of any authorization shall also be in writing
14 and shall be addressed and filed in the same manner as
15 the authorization.

16 **“SEC. 9033. CREATION OF FUND.**

17 “(a) ESTABLISHMENT OF CAMPAIGN FUND.—There is
18 hereby established on the books of the Treasury of the
19 United States, as part of the Federal Election Campaign
20 Fund established by chapter 95 of this subtitle, a special
21 account to be known as the Presidential Primary Matching
22 Payment Fund (hereinafter referred to in this chapter as the
23 ‘fund’). The Secretary shall transfer to the fund such amounts
24 in the Federal Election Campaign Fund as may be necessary
25 to meet the entitlements of candidates under this chapter.

1 “(b) REPORT TO CONGRESS.—The Secretary of the
2 Treasury shall be the trustee of the fund and shall report
3 to the Congress not later than March 1 of each year on the
4 operation and status of the fund and of the Federal Election
5 Campaign Fund during the preceding year.

6 “SEC. 9034. ENTITLEMENTS.

7 “(a) MATCHING PAYMENT FOR CONTRIBUTIONS OF
8 \$100 OR LESS.—Any candidate for nomination for Presi-
9 dent, or his authorized committee, is entitled, upon certifica-
10 tion by the Comptroller General, to payments from the fund
11 for qualified campaign expenses beginning 14 months prior
12 to the date of the general election for President in an amount
13 equal to the amount of each contribution received by such
14 candidate or committee (disregarding any amount of con-
15 tributions from any person to the extent that such amount
16 exceeds \$100).

17 “(b) VOUCHER.—To be eligible for the entitlement
18 established by subsection (a), such candidate shall submit
19 to the Comptroller General, at such times and in such form
20 and manner as the Comptroller General may require, a
21 matching payment entitlement voucher. Such voucher shall
22 include the full name of any person making a contribution
23 together with the date, the exact amount of the contribution,
24 the complete address of the contributor and the occupation

1 and principal place of business, if any, for contributors of
2 more than \$100.

3 “(c) DETERMINATION AND CERTIFICATION BY COMP-
4 TROLLER GENERAL.—The Comptroller General shall—

5 “(1) make a determination, according to such pro-
6 cedures as he may establish, as to whether each contribu-
7 tion enumerated on such voucher is consistent with the
8 provisions of section 9034 (a) and 9035 of this chapter;
9 and

10 “(2) certify for payment by the Secretary to such
11 candidate an amount equal to the sum of the contribu-
12 tions enumerated on such voucher which meet the re-
13 quirements of subsection (c) (1).

14 “(d) PAYMENT BY SECRETARY.—Promptly upon certi-
15 fication, the Secretary shall make a payment from the fund
16 to such candidate in the amount certified by the Comptroller
17 General.

18 “(e) AUTHORIZED COMMITTEE.—For the purposes of
19 this section, the authorized committee of any candidate for
20 nomination for President may submit an entitlement voucher
21 pursuant to subsection (b) in behalf of such candidate, list-
22 ing contributions received by such committee eligible for
23 payment under this chapter.

1 **"SEC. 9035. LIMITATIONS.**

2 " (a) **CERTIFICATION BY THE COMPTROLLER GEN-**
3 **ERAL.**—The Comptroller General shall not certify pursuant
4 to section 9034 (c) (2) any portion of any contribution made
5 by any person to a candidate or committee entitled to pay-
6 ments under this chapter—

7 " (1) which, when added to other contributions
8 made by such person to such candidate or committee
9 in connection with the nomination of such candidate for
10 President, exceeds \$100; or

11 " (2) if payment from the fund of an amount equal
12 to the amount of such contribution, or portion thereof,
13 when added to any other payment from the fund to such
14 candidate or committee during the matching payment
15 period, is in excess of 5 cents multiplied by the voting
16 age population of the United States (as certified to the
17 Comptroller General by the Secretary of Commerce pur-
18 suant to section 104 (a) (5) of the Federal Election
19 Campaign Act of 1971).

20 " (b) **PAYMENT BY THE SECRETARY.**—The Secretary
21 shall make no payment to a candidate or committee entitled
22 to payments from the fund—

23 " (1) until the Comptroller General has certified
24 contributions submitted by such candidate or committee,

1 pursuant to section 9034 (b), in an aggregate amount
2 of \$100,000; and

3 “(2) earlier than 14 months prior to the date of the
4 general election for President.

5 “(3) QUALIFIED CAMPAIGN EXPENSES.—A candidate
6 shall be eligible for payments from the fund only—

7 “(1) to defray qualified campaign expenses in-
8 curred by such candidate or his authorized committee, or

9 “(2) to repay loans the proceeds of which were
10 used to defray such qualified campaign expenses, or
11 otherwise to restore funds (other than contributions to
12 defray qualified campaign expenses received and ex-
13 pended by such candidate or committee) used to defray
14 such qualified campaign expenses.

15 “(d) RETURN OF UNUSED FUNDS.—Amounts received
16 by a candidate from the fund may be retained for the liquida-
17 tion of all obligations to pay qualified campaign expenses in-
18 curred during the matching payment period for a period not
19 exceeding 6 months after the end of the matching payment
20 period; and all obligations having been liquidated, that
21 portion of any unexpended balance remaining in the candi-
22 date’s accounts which bears the same ratio to the total
23 unexpended balance as the total amount received from the
24 funds bears to the total of all deposits made into the candi-
25 date’s accounts shall be promptly repaid to the fund.

1 “(e) **RULES AND PROCEDURES.**—The Comptroller Gen-
2 eral shall make such rules and establish such procedures as
3 may be necessary to carry out the purposes of this chapter.
4 All such rules and procedures shall be published in the Fed-
5 eral Register not less than 30 days prior to their effective
6 date, and shall be available to the general public. The Comp-
7 troller General shall publish and make available forms for the
8 making of such reports and statements as may be required,
9 and a manual setting forth uniform methods of bookkeeping
10 and reporting for use by persons required to make reports and
11 statements under this chapter.

12 **“SEC. 9036. EXAMINATION AND AUDITS; REPAYMENTS.**

13 “(a) **EXAMINATION AND AUDITS.**—After each match
14 ing payment period, the Comptroller General shall conduct a
15 thorough examination and audit of the qualified campaign ex-
16 penses of the candidates receiving payments from the fund.

17 “(b) **REPAYMENTS.**—

18 “(1) If the Comptroller General determines that
19 any portion of the payments made to a candidate from
20 the fund was in excess of the aggregate payments to
21 which such candidate was entitled under sections 9034
22 and 9035, he shall so notify such candidate, and such
23 candidate shall pay to the Secretary an amount equal
24 to such portion.

25 “(2) If the Comptroller General determines that

1 any amount of any payment made to a candidate from
2 the fund was used for any purpose other than—

3 “(A) to defray the qualified campaign ex-
4 penses with respect to which such payment was
5 made, or

6 “(B) to repay loans the proceeds of which were
7 used or otherwise to restore funds (other than con-
8 tributions to defray qualified campaign expenses
9 which were received and expended) which were
10 used, to defray such qualified campaign expenses, he
11 shall notify such candidate of the amount so used,
12 and such candidate shall pay to the Secretary an
13 amount equal to such amount.

14 “(c) NOTIFICATION.—No notification shall be made by
15 the Comptroller General under subsection (b) with respect
16 to a matching payment period more than 3 years after the
17 end of such period.

18 “(d) DEPOSIT OF REPAYMENT.—All payments received
19 by the Secretary under subsection (b) shall be deposited by
20 him in the general fund of the Treasury.

21 **“SEC. 9037. LIMITATIONS ON CONTRIBUTIONS BY INDIVID-**
22 **UALS AND ON EXPENDITURES BY CERTAIN**
23 **OTHER PERSONS.**

24 “(a) No individual shall make any contributions dur-
25 ing any calendar year to or for the benefit of any candidate

1 which is in excess of the amount which, when added to the
2 total amount of all other contributions made by that individ-
3 ual during that calendar year to or for the benefit of a particu-
4 lar candidate, would equal \$3,000.

5 “(b) No individual shall during any calendar year
6 make, and no person shall accept, (1) any contribution to a
7 political committee, or (2) any contribution to or for the
8 benefit of any candidate, which, when added to all the other
9 contributions enumerated in (1) and (2) of this subsection
10 which were made in that calendar year, exceeds \$25,000.

11 “(c) (1) No person (other than an individual) shall
12 make any expenditure, during any calendar year for or on
13 behalf of a particular candidate which is in excess of the
14 amount which, when added to the total amount of all other
15 expenditures made by that person for or on behalf of that
16 candidate during that calendar year, would equal \$3,000.

17 “(2) This subsection shall not apply to the central cam-
18 paign committee or the State campaign committee of a can-
19 didate, to the national committee of a political party, to the
20 State committee of a major political party, or to the Repub-
21 lican or Democratic Senatorial Campaign Committee, the
22 Democratic National Congressional Committee, or the Na-
23 tional Republican Congressional Committee.

24 “(d) The limitations imposed by subsection (a) (1)
25 and by subsection (c) shall apply separately to each pri-

1 mary, primary runoff, general, and special election in which
2 a candidate participates.

3 “(e) (1) Any contribution made in connection with a
4 campaign in a year other than the calendar year in which
5 the election to which that campaign relates is held shall,
6 for purposes of this section, be taken into consideration and
7 counted toward the limitations imposed by this section for
8 the calendar year in which that election is held.

9 “(2) Contributions made to or for the benefit of a can-
10 didate nominated by a political party for election to the office
11 of Vice President shall be held and considered, for purposes
12 of this section, to have been made to or for the benefit of
13 the candidate nominated by that party for election to the
14 office of President.

15 “(f) For purposes of this section—

16 “(1) the term ‘political party’ means a political
17 party which in the next preceding Presidential election,
18 nominated candidates for election to the offices of Presi-
19 dent and Vice President, and the electors of which party
20 received in such election, in any or all of the States, an
21 aggregate number of votes equal in number to at least
22 10 percent of the total number of votes cast throughout
23 the United States for all electors for candidates for
24 President and Vice President in such election; and

1 “(2) the definitions in section 591 of title 18 shall
2 be applicable.

3 “(g) For purposes of the limitations contained in this
4 section, all contributions made by any person directly or in-
5 directly on behalf of a particular candidate, including contri-
6 butions which are in any way earmarked, encumbered, or
7 otherwise directed through an intermediary or conduit to that
8 candidate, shall be treated as contributions from that person
9 to that candidate.

10 “(h) Violation of the provisions of this section is punish-
11 able by a fine of not to exceed \$25,000, imprisonment for not
12 to exceed 5 years, or both.

13 **“SEC. 9038. CRIMINAL PENALTIES.**

14 “(a) **EXCESS CAMPAIGN EXPENSES.—**

15 “(1) It shall be unlawful for any candidate for
16 nomination for election to the office of President or any
17 of his authorized committees knowingly and willfully to
18 incur any expenses in connection with such nomination
19 in excess in the aggregate of \$15,000,000.

20 “(2) Any person who violates paragraph (1) shall
21 be fined not more than \$25,000, or imprisoned not more
22 than 5 years, or both. In the case of a violation by an
23 authorized committee, any officer or member of such
24 committee who knowingly and willfully consents to such

1 violation shall be fined not more than \$25,000, or im-
2 prisoned not more than 5 years, or both.

3 “(3) At the beginning of each calendar year (com-
4 mencing in 1975), as there become available necessary
5 data from the Bureau of Labor Statistics of the De-
6 partment of Labor, the Secretary of Labor shall certify
7 to the Comptroller General and publish in the Federal
8 Register the percent difference between the price index
9 for the 12 months preceding the beginning of such cal-
10 endar year and the price index for the base period. The
11 limit on campaign expenses in paragraph (1) shall be
12 increased by such percent difference. The limit so in-
13 creased shall be the amount in effect for such calendar
14 year.

15 “(A) The term ‘price index’ means the aver-
16 age over a calendar year of the Consumer Price
17 Index (all items United States city average) pub-
18 lished monthly by the Bureau of Labor Statistics.

19 “(B) The term ‘base period’ means the calen-
20 dar year 1973.

21 “(b) UNLAWFUL USE OF PAYMENTS.—

22 “(1) It shall be unlawful for any person who re-
23 ceives any payment from the fund, or to whom any por-
24 tion of any payment received from the fund is trans-

1 ferred, knowingly and willfully to use, or authorize the
2 use of, such payment or such portion for any purpose
3 other than—

4 “(A) to defray the qualified campaign ex-
5 penses with respect to which such payment was
6 made, or

7 “(B) to repay loans the proceeds of which
8 were used, or otherwise to restore funds (other than
9 contributions to defray qualified campaign expenses
10 which were received and expended) which were
11 used, to defray such qualified campaign expenses.

12 “(2) Any person who violates paragraph (1)
13 shall be fined not more than \$10,000, or imprisoned
14 not more than 5 years, or both.

15 “(c) FALSE STATEMENTS, ETC.—

16 “(1) It shall be unlawful for any person know-
17 ingly and willfully—

18 “(A) to furnish any false, fictitious, or fraudu-
19 lent evidence, books, or information to the Comp-
20 troller General under this subtitle or to include in
21 any evidence, books, or information so furnished
22 any misrepresentation of a material fact, or to
23 falsify or conceal any evidence, books, or informa-
24 tion relevant to a certification by the Comptroller

1 General or an examination and audit by the Comp-
2 troller General under this chapter; or

3 “(B) to fail to furnish to the Comptroller
4 General any records, books, or information requested
5 by him for purposes of this chapter.

6 “(2) Any person who violates paragraph (1) shall
7 be fined not more than \$10,000 or imprisoned not more
8 than 5 years, or both.

9 “(d) **KICKBACKS AND ILLEGAL PAYMENTS.—**

10 “(1) It shall be unlawful for any person know-
11 ingly and willfully to give or accept any kickback or
12 any illegal payment in connection with any qualified
13 campaign expense of a candidate receiving payment
14 from the fund or his authorized committees.

15 “(2) Any person who violates paragraph (1) shall
16 be fined not more than \$10,000, or imprisoned not more
17 than 5 years, or both.

18 “(3) In addition to the penalty provided by para-
19 graph (2), any person who accepts any kickback or
20 illegal payment in connection with any qualified cam-
21 paign expense of a candidate or his authorized commit-
22 tees shall pay to the Secretary, for deposit in the general
23 fund of the Treasury, an amount equal to 125 percent
24 of the kickback or payment received.”.

1 (b) The amendments made by subsection (a) of this
2 section shall take effect on January 1, 1974.

3 **SEC. 3. DESIGNATION OF INCOME TAX PAYMENTS TO**
4 **FEDERAL ELECTION CAMPAIGN FUND.**

5 (a) Effective with respect to taxable years ending on or
6 after December 31, 1973, section 6096 (a) (relating to des-
7 ignation of income tax payments to the Federal Election
8 Campaign Fund) is amended to read as follows:

9 **"SEC. 6096. DESIGNATION BY INDIVIDUAL.**

10 " (a) **IN GENERAL.**—For every individual (other than
11 a nonresident alien) whose income tax liability for the tax-
12 able year is \$2 or more, the amount of \$2 shall be paid over
13 to the Federal Election Campaign Fund in accordance with
14 the provisions of section 9006 (a), unless the individual desig-
15 nates that \$2 shall not be paid over to the fund. In the case
16 of a joint return of husband and wife having an income tax
17 liability of \$4 or more, the amount of \$4 shall be paid to the
18 fund, unless they designate that \$4 shall not be paid over to
19 the fund.

20 (b) The amendments made by this section shall apply
21 with respect to taxable years beginning after December 31,
22 1972. Any designation made under section 6096 of the
23 Internal Revenue Code of 1954 (as in effect for taxable
24 years beginning before January 1, 1973) for the account
25 of the candidates of any specified political party shall, for

1 purposes of section 9006 (a) of such Code, as amended, be
2 treated solely as a designation to the Federal Election Cam-
3 paign Fund.

4 **SEC. 4. INCREASE IN TAX CREDIT AND TAX DEDUCTION**
5 **FOR POLITICAL CONTRIBUTIONS.**

6 (a) Section 41 (b) (1) of the Internal Revenue Code
7 of 1954 (relating to maximum credit for contributions to
8 candidates for public office) is amended to read as follows:

9 “(1) **MAXIMUM CREDIT.**—The credit allowed by
10 subsection (a) for a taxable year shall not exceed \$25
11 (\$50 in the case of a joint return under section 6013).”.

12 (b) Section 218 (b) (1) of the Internal Revenue Code
13 of 1954 (relating to amount of deduction for contributions
14 to candidates for public office) is amended to read as follows:

15 “(1) **AMOUNT.**—The deduction under subsection
16 (a) shall not exceed \$100 (\$200 in the case of a joint
17 return under section 6013).”.

18 (c) The amendments made by subsections (a) and
19 (b) shall apply with respect to any political contribution
20 the payment of which is made after December 31, 1973.

**TITLE VIII OF PUBLIC LAW 92-178, AS AMENDED BY
PUBLIC LAW 93-53—FINANCING OF PRESIDENTIAL
ELECTION CAMPAIGNS**

SEC. 801. PRESIDENTIAL ELECTION CAMPAIGN FUND ACT.

The Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subtitle:

"Subtitle H—Financing of Presidential Election Campaigns

"Chapter 95. Presidential election campaign fund.

"Chapter 96. Presidential election campaign fund advisory board.

"CHAPTER 95—PRESIDENTIAL ELECTION CAMPAIGN FUND

"Sec. 9001. Short title.

"Sec. 9002. Definitions.

"Sec. 9003. Condition for eligibility for payments.

"Sec. 9004. Entitlement of eligible candidates to payments.

"Sec. 9005. Certification by Comptroller General.

"Sec. 9006. Payments to eligible candidates.

"Sec. 9007. Examination and audits; repayments.

"Sec. 9008. Information on proposed expenses.

"SEC. 9001. SHORT TITLE.

"This chapter may be cited as the 'Presidential Election Campaign Fund Act'.

"SEC. 9002. DEFINITIONS.

"For purposes of this chapter—

"(1) The term 'authorized committee' means, with respect to the candidates of a political party for President and Vice President of the United States, any political committee which is authorized in writing by such candidates to incur expenses to further the election of such candidates. Such authorization shall be addressed to the chairman of such political committee, and a copy of such authorization shall be filed by such candidates with the Comptroller General. Any withdrawal of any authorization shall also be in writing and shall be addressed and filed in the same manner as the authorization.

"(2) The term 'candidate' means, with respect to any presidential election, an individual who (A) has been nominated for election to the office of President of the United States or the office of Vice President of the United States by a major party, or (B) has qualified to have his name on the election ballot (or to have the names of electors pledged to him on the election ballot) as the candidate of a political party for election to either such office in 10 or more States. For purposes of paragraphs (6) and (7) of this section and purposes of section 9004(a)(2), the term 'candidate' means, with respect to any preceding presidential election, and individual who received popular votes for the office of President in such election.

"(3) The term 'Comptroller General' means the Comptroller General of the United States.

"(4) The term 'eligible candidates' means the candidates of a political party for President and Vice President of the United States who have met all applicable conditions for eligibility to receive payments under this chapter set forth in section 9003.

"(5) The term 'fund' means the Presidential Election Campaign Fund established by section 9006(a).

"(6) The term 'major party' means, with respect to any presidential election, a political party whose candidate for the office of President in the preceding presidential election received, as the candidate of such party, 25 percent or more of the total number of popular votes received by all candidates for such office.

"(7) The term 'minor party' means, with respect to any presidential election, a political party whose candidate for the office of President in the preceding presidential election received, as the candidate of such party, 5 percent or more but less than 25 percent of the total number of popular votes received by all candidates for such office.

"(8) The term 'new party' means, with respect to any presidential election, a political party which is neither a major party nor a minor party.

"(9) The term 'political committee' means any committee, association, or organization (whether or not incorporated) which accepts contributions or makes expenditures for the purpose of influencing, or attempting to influence, the nomination or election of one or more individuals to Federal, State, or local elective public office.

"(10) The term 'presidential election' means the election of presidential and vice-presidential electors.

"(11) The term 'qualified campaign expense' means an expense—

"(A) incurred (i) by the candidate of a political party for the office of President to further his election to such office or to further the election of the candidate of such political party for the office of Vice President, or both (ii) by the candidate of a political party for the office of Vice President to further his election to such office or to further the election of the candidate of such political party for the office of President, or both, or (iii) by an authorized committee of the candidates of a political party for the offices of President and Vice President to further the election of either or both of such candidates to such offices,

"(B) incurred within the expenditure report period (as defined in paragraph (12)), or incurred before the beginning of such period to the extent such expense is for property, services, or facilities used during such period, and

"(C) neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which such expense is incurred or paid.

An expense shall be considered as incurred by a candidate or an authorized committee if it is incurred by a person authorized by such candidate or such committee, as the case may be, to incur such expense on behalf of such candidate or such committee. If an authorized committee of the candidates of a political party for President and Vice President of the United States also incurs expenses to further the election of one or more other individuals to Federal, State, or local elective public office, expenses incurred by such committee which are not specifically to further the election of such other individual or individuals shall be considered as incurred to further the election of such candidates for President and Vice President in such proportion as the Comptroller General prescribes by rules or regulations.

"(12) The term 'expenditure report period' with respect to any presidential election means—

"(A) in the case of a major party, the period beginning with the first day of September before the election, or, if earlier, with the date on which such major party at its national convention nominated its candidate for election to the office of President of the United States, and ending 30 days after the date of the presidential election; and

"(B) in the case of a party which is not a major party, the same period as the expenditure report period of the major party which has the shortest expenditure report period for such presidential election under subparagraph (A).

"SEC. 9003. CONDITION FOR ELIGIBILITY FOR PAYMENTS.

"(a) IN GENERAL.—In order to be eligible to receive any payments under section 9006, the candidates of a political party in a presidential election shall, in writing—

"(1) agree to obtain and furnish to the Comptroller General such evidence as he may request of the qualified campaign expenses with respect to which payment is sought,

"(2) agree to keep and furnish to the Comptroller General such records, books, and other information as he may request,

"(3) agree to an audit and examination by the Comptroller General under section 9007 and to pay any amounts required to be paid under such section, and

"(4) agree to furnish statements of qualified campaign expenses and proposed qualified campaign expenses required under section 9008.

"(b) **MAJOR PARTIES.**—In order to be eligible to receive any payments under section 9006, the candidates of a major party in a presidential election shall certify to the Comptroller General, under penalty of perjury, that—

"(1) such candidates and their authorized committees will not incur qualified campaign expenses in excess of the aggregate payments to which they will be entitled under section 9004, and

"(2) no contributions to defray qualified campaign expenses have been or will be accepted by such candidates or any of their authorized committees except to the extent necessary to make up any deficiency in payments received out of the fund on account of the application of section 9006(d), and no contributions to defray expenses which would be qualified campaign expenses but for subparagraph (C) of section 9002(11) have been or will be accepted by such candidates or any of their authorized committees.

Such certification shall be made within such time prior to the day of the presidential election as the Comptroller General shall prescribe by rules or regulations.

"(c) **MINOR AND NEW PARTIES.**—In order to be eligible to receive any payments under section 9006, the candidates of a minor or new party in a presidential election shall certify to the Comptroller General, under penalty of perjury, that—

"(1) such candidates and their authorized committees will not incur qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party are entitled under section 9004, and

"(2) such candidates and their authorized committees will accept and expend or retain contributions to defray qualified campaign expenses only to the extent that the qualified campaign expenses incurred by such candidates and their authorized committees certified to under paragraph (1) exceed the aggregate payments received by such candidates out of the fund pursuant to section 9006.

Such certification shall be made within such time prior to the day of the presidential election as the Comptroller General shall prescribe by rules or regulations.

"SEC. 9004. ENTITLEMENT OF ELIGIBLE CANDIDATES TO PAYMENTS.

"(a) **IN GENERAL.**—Subject to the provisions of this chapter—

"(1) The eligible candidates of a major party in a presidential election shall be entitled to payments under section 9006 equal in the aggregate to 15 cents multiplied by the total number of residents within the United States who have attained the age of 18, as determined by the Bureau of the Census, as of the first day of June of the year preceding the year of the presidential election.

"(2)(A) The eligible candidates of a minor party in a presidential election shall be entitled to payments under section 9006 equal in the aggregate to an amount which bears the same ratio to the amount computed under paragraph (1) for a major party as the number of popular votes received by the candidate for President of the minor party, as such candidate, in the preceding presidential election bears to the average number of popular votes received by the candidates for President of the major parties in the preceding presidential election.

"(B) If the candidate of one or more political parties (not including a major party) for the office of President was a candidate for such office in the preceding presidential election and received 5 percent or more but less than 25 percent of the total number of popular votes received by all candidates for such office, such candidate and his running mate for the office of Vice President, upon compliance with the provisions of section 9003 (a) and (c), shall be treated as eligible candidates entitled to payments under section 9006 in an amount computed as provided in subparagraph (A) by taking into account all the popular votes received by such candidate for the office of President in the preceding presidential election. If eligible candidates of a minor party are entitled to payments under this subparagraph, such entitlement shall be reduced by the amount of the entitlement allowed under subparagraph (A).

"(3) The eligible candidates of a minor party or a new party in a presidential election whose candidate for President in such election receives, as such candidate, 5 percent or more of the total number of popular votes cast for the office of President in such election shall be entitled to payments under section 9006 equal in the aggregate to an amount which bears the same ratio to the amount computed under paragraph (1) for a major party as the number of popular votes received by such candidate in such election bears to the average number of popular votes received in such election by the candidates for President of the major parties. In the case of eligible candidates entitled

to payments under paragraph (2), the amount allowable under this paragraph shall be limited to the amount, if any, by which the entitlement under the preceding sentence exceeds the amount of the entitlement under paragraph (2).

“(b) LIMITATIONS.—The aggregate payments to which the eligible candidates of a political party shall be entitled under subsections (a) (2) and (3) with respect to a presidential election shall not exceed an amount equal to the lower of—

“(1) the amount of qualified campaign expenses incurred by such eligible candidates and their authorized committees, reduced by the amount of contributions to defray qualified campaign expenses received and expended or retained by such eligible candidates and such committees, or

“(2) the aggregate payments to which the eligible candidates of a major party are entitled under subsection (a) (1), reduced by the amount of contributions described in paragraph (1) of this subsection.

“(c) RESTRICTIONS.—The eligible candidates of a political party shall be entitled to payments under subsection (a) only—

“(1) to defray qualified campaign expenses incurred by such eligible candidates or their authorized committees, or

“(2) to repay loans the proceeds of which were used to defray such qualified campaign expenses, or otherwise to restore funds (other than contributions to defray qualified campaign expenses received and expended by such candidates or such committees) used to defray such qualified campaign expenses.

“SEC. 9005. CERTIFICATION BY COMPTROLLER GENERAL.

“(a) INITIAL CERTIFICATIONS.—On the basis of the evidence, books, records, and information furnished by the eligible candidates of a political party and prior to examination and audit under section 9007, the Comptroller General shall certify from time to time to the Secretary for payment to such candidates under section 9006 the payments to which such candidates are entitled under section 9004.

“(b) FINALITY OF CERTIFICATIONS AND DETERMINATIONS.—Initial certifications by the Comptroller General under subsection (a), and all determinations made by him under this chapter, shall be final and conclusive, except to the extent that they are subject to examination and audit by the Comptroller General under section 9007 and judicial review under section 9011.

“SEC. 9006. PAYMENTS TO ELIGIBLE CANDIDATES.

“(a) ESTABLISHMENT OF CAMPAIGN FUNDS.—There is hereby established on the books of the Treasury of the United States a special fund to be known as the ‘Presidential Election Campaign Fund’. The Secretary shall, as provided by appropriation Acts, transfer to the fund an amount not in excess of the sum of the amounts designated (subsequent to the previous Presidential election) to the fund by individuals under section 6096.

“(b) TRANSFER TO THE GENERAL FUND.—If, after a Presidential election and after all eligible candidates have been paid the amount which they are entitled to receive under this chapter, there are moneys remaining in the fund, the Secretary shall transfer the moneys so remaining to the general fund of the Treasury.

“(c) PAYMENTS FROM THE FUND.—Upon receipt of a certification from the Comptroller General under section 9005 for payment to the eligible candidates of a political party, the Secretary shall pay to such candidates out of the fund the amount certified by the Comptroller General. Amounts paid to any such candidates shall be under the control of such candidates.

“(d) INSUFFICIENT AMOUNTS IN FUND.—If at the time of a certification by the Comptroller General under section 9005 for payment to the eligible candidates of political party, the Secretary or his delegate determines that the moneys in the fund are not, or may not be, sufficient to satisfy the full entitlements of the eligible candidates of all political parties, he shall withhold from such payment such amount as he determines to be necessary to assure that the eligible candidates of each political party will receive their pro rata share of their full entitlement. Amounts withheld by reason of the preceding sentence shall be paid when the Secretary or his delegate determines that there are sufficient moneys in the fund to pay such amounts, or portions thereof, to all eligible candidates from whom amounts have been withheld, but, if there are not sufficient moneys in the fund to satisfy the full entitlement of the eligible candidates of all political parties, the amounts so withheld shall be paid in such manner that the eligible candidates of each political party receive their pro rata share of their full entitlement.

"SEC. 9007. EXAMINATIONS AND AUDITS; REPAYMENTS.

"(a) EXAMINATIONS AND AUDITS.—After each presidential election, the Comptroller General shall conduct a thorough examination and audit of the qualified campaign expenses of the candidates of each political party for President and Vice President.

"(b) REPAYMENTS.—

"(1) If the Comptroller General determines that any portion of the payments made to the eligible candidates of a political party under section 9006 was in excess of the aggregate payments to which candidates were entitled under section 9004, he shall so notify such candidates, and such candidates shall pay to the Secretary an amount equal to such portion.

"(2) If the Comptroller General determines that the eligible candidates of a political party and their authorized committees incurred qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party were entitled under section 9004, he shall notify such candidates of the amount of such excess and such candidates shall pay to the Secretary an amount equal to such amount.

"(3) If the Comptroller General determines that the eligible candidates of a major party or any authorized committee of such candidates accepted contributions (other than contributions to make up deficiencies in payments out of the fund on account of the application of section 9006(d) to defray qualified campaign expenses (other than qualified campaign expenses with respect to which payment is required under paragraph (2)) he shall notify such candidates of the amount of the contributions so accepted, and such candidates shall pay to the Secretary an amount equal to such amount.

"(4) If the Comptroller General determines that any amount of any payment made to the eligible candidates of a political party under section 9006 was used for any purpose other than—

"(A) to defray the qualified campaign expenses with respect to which such payment was made, or

"(B) to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses, he shall notify such candidates of the amount so used, and such candidate shall pay to the Secretary an amount equal to such amount.

"(5) No payment shall be required from the eligible candidates of a political party under this subsection to the extent that such payment, when added to other payments required from such candidates under this subsection, exceeds the amount of payments received by such candidates under section 9006.

"(c) NOTIFICATION.—No notification shall be made by the Comptroller General under subsection (b) with respect to a presidential election more than 3 years after the day of such election.

"(d) DEPOSIT OF REPAYMENTS.—All payments received by the Secretary under subsection (b) shall be deposited by him in the general fund of the Treasury.

"SEC. 9008. INFORMATION ON PROPOSED EXPENSES.

"(a) REPORTS BY CANDIDATES.—The candidates of a political party for President and Vice President in a presidential election shall, from time to time as the Comptroller General may require, furnish to the Comptroller General a detailed statement, in such form as the Comptroller General may prescribe, of—

"(1) the qualified campaign expenses incurred by them and their authorized committees prior to the date of such statement (whether or not evidence of such expenses has been furnished for purposes of section 9005), and

"(2) the qualified campaign expenses which they and their authorized committees propose to incur on or after the date of such statement.

The Comptroller General shall require a statement under this subsection from such candidates of each political party at least once each week during the second, third, and fourth weeks preceding the day of the presidential election and at least twice during the week preceding such day.

"(b) PUBLICATION.—The Comptroller General shall, as soon as possible after he receives each statement under subsection (a), prepare and publish a summary of such statement, together with any other data or information which he deems advisable, in the Federal Register. Such summary shall not include any information which identifies any individual who made a designation under section 6096.

"SEC. 9009. REPORTS TO CONGRESS; REGULATIONS.

"(a) **REPORTS.**—The Comptroller General shall, as soon as practicable after each presidential election, submit a full report to the Senate and House of Representatives setting forth—

"(1) the qualified campaign expenses (shown in such detail as the Comptroller General determines necessary) incurred by the candidates of each political party and their authorized committees;

"(2) the amounts certified by him under section 9005 for payment to the eligible candidates of each political party; and

"(3) the amount of payments, if any, required from such candidates under section 9007, and the reasons for each payment required.

Each report submitted pursuant to this section shall be printed as a Senate document.

"(b) **REGULATIONS, ETC.**—The Comptroller General is authorized to prescribe such rules and regulations, to conduct such examinations and audits (in addition to the examinations and audits required by section 9007(a)), to conduct such investigations, and to require the keeping and submission of such books, records, and information, as he deems necessary to carry out the functions and duties imposed on him by this chapter.

"SEC. 9010. PARTICIPATION BY COMPTROLLER GENERAL IN JUDICIAL PROCEEDINGS.

"(a) **APPEARANCE BY COUNSEL.**—The Comptroller General is authorized to appear in and defend against any action filed under section 9011, either by attorneys employed in his office or by counsel whom he may appoint without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and whose compensation he may fix without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title.

"(b) **RECOVERY OF CERTAIN PAYMENTS.**—The Comptroller General is authorized through attorneys and counsel described in subsection (a) to appear in the district courts of the United States to seek recovery of any amounts determined to be payable to the Secretary as a result of examination and audit made pursuant to section 9007.

"(c) **DECLARATORY AND INJUNCTIVE RELIEF.**—The Comptroller General is authorized through attorneys and counsel described in subsection (a) to petition the courts of the United States for declaratory or injunctive relief concerning any civil matter covered by the provisions of this subtitle or section 6096. Upon application of the Comptroller General, an action brought pursuant to this subsection shall be heard and determined by a court of three judges in accordance with the provisions of section 2284 of title 28, United States Code, and any appeal shall lie to the Supreme Court. It shall be the duty of the judges designated to hear the case to assign the case for hearing at the earliest practicable date, to participate in the hearing and determination thereof, and to cause the case to be in every way expedited.

"(d) **APPEAL.**—The Comptroller General is authorized on behalf of the United States to appeal from, and to petition the Supreme Court for certiorari to review, judgments or decrees entered with respect to actions in which he appears pursuant to the authority provided in this section.

"SEC. 9011. JUDICIAL REVIEW.

"(a) **REVIEW OF CERTIFICATION, DETERMINATION, OR OTHER ACTION BY THE COMPTROLLER GENERAL.**—Any certification, determination, or other action by the Comptroller General made or taken pursuant to the provisions of this chapter shall be subject to review by the United States Court of Appeals for the District of Columbia upon petition filed in such Court by any interested person. Any petition filed pursuant to this section shall be filed within thirty days after the certification, determination, or other action by the Comptroller General for which review is sought.

"(b) **SUITS TO IMPLEMENT CHAPTER.**—

"(1) The Comptroller General, the national committee of any political party, and individuals eligible to vote for President are authorized to institute such actions, including actions for declaratory judgment or injunctive relief, as may be appropriate to implement or contrive any provision of this chapter.

"(2) The district courts of the United States shall have jurisdiction of proceedings instituted pursuant to this subsection and shall exercise the same without regard to whether a person asserting rights under provisions of this

subsection shall have exhausted any administrative or other remedies that may be provided at law. Such proceedings shall be heard and determined by a court of three judges in accordance with the provisions of section 2284 of title 28, United States Code, and any appeal shall lie to the Supreme Court. It shall be the duty of the judges designated to hear the case to assign the case for hearing at the earliest practicable date, to participate in the hearing and determination thereof, and to cause the case to be in every way expedited.

“SEC. 9012. CRIMINAL PENALTIES.

“(a) EXCESS CAMPAIGN EXPENSES.—

“(1) It shall be unlawful for an eligible candidate of a political party for President and Vice President in a presidential election or any of his authorized committees knowingly and willfully to incur qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party are entitled under section 9004 with respect to such election.

“(2) Any person who violates paragraph (1) shall be fined not more than \$5,000, or imprisoned not more than one year or both. In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

“(b) CONTRIBUTIONS.—

“(1) It shall be unlawful for an eligible candidate of a major party in a presidential election or any of his authorized committees knowingly and willfully to accept any contribution to defray qualified campaign expenses, except to the extent necessary to make up any deficiency in payments received out of the fund on account of the application of section 9006(d), or to defray expenses which would be qualified campaign expenses but for subparagraph (C) of section 9002(11).

“(2) It shall be unlawful for an eligible candidate of a political party (other than a major party) in a presidential election or any of his authorized committees knowingly and willfully to accept and expend or retain contributions to defray qualified campaign expenses in an amount which exceeds the qualified campaign expenses incurred with respect to such election by such eligible candidate and his authorized committees.

“(3) Any person who violates paragraph (1) or (2) shall be fined not more than \$5,000, or imprisoned not more than one year, or both. In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

“(c) UNLAWFUL USE OF PAYMENTS.—

“(1) It shall be unlawful for any person who receives any payment under section 9006, or to whom any portion of any payment received under such section is transferred, knowingly and willfully to use, or authorize the use of, such payment or such portion for any purpose other than—

“(A) to defray the qualified campaign expenses with respect to which such payment was made, or

“(B) to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses.

“(2) Any person who violates paragraph (1) shall be fined not more than \$10,000, or imprisoned not more than five years, or both.

“(d) FALSE STATEMENTS, ETC.—

“(1) It shall be unlawful for any person knowingly and willfully—

“(A) to furnish any false, fictitious, or fraudulent evidence, books, or information to the Comptroller General under this subtitle, or to include in any evidence, books, or information so furnished any misrepresentation of a material fact, or to falsify or conceal any evidence, books, or information relevant to a certification by the Comptroller General or an examination and audit by the Comptroller General under this chapter ; or

“(B) to fail to furnish to the Comptroller General any records, books, or information requested by him for purposes of this chapter.

“(2) Any person who violates paragraph (1) shall be fined not more than \$10,000, or imprisoned not more than five years, or both.

“(e) KICKBACKS AND ILLEGAL PAYMENTS.—

“(1) It shall be unlawful for any person knowingly and willfully to give or accept any kickback or any illegal payment in connection with any qualified campaign expense of eligible candidates or their authorized committees.

“(2) Any person who violates paragraph (1) shall be fined not more than \$10,000, or imprisoned not more than five years, or both.

“(3) In addition to the penalty provided by paragraph (2), any person who accepts any kickback or illegal payment in connection with any qualified campaign expense of eligible candidates or their authorized committees shall pay to the Secretary, for deposit in the general fund of the Treasury, an amount equal to 125 percent of the kickback or payment received.

“(f) UNAUTHORIZED EXPENDITURES AND CONTRIBUTIONS.—

“(1) Except as provided in paragraph (2), it shall be unlawful for any political committee which is not an authorized committee with respect to the eligible candidates of a political party for President and Vice President in a presidential election knowingly and willfully to incur expenditures to further the election of such candidates, which would constitute qualified campaign expenses if incurred by an authorized committee of such candidates, in an aggregate amount exceeding \$1,000.

“(2) This subsection shall not apply to (A) expenditures by a broadcaster regulated by the Federal Communications Commission, or by a periodical publication, in reporting the news or in taking editorial positions, or (B) expenditures by any organization described in section 501(c) which is exempt from tax under section 501(a) in communicating to its members the views of that organization.

“(3) Any political committee which violates paragraph (1) shall be fined not more than \$5,000, and any officer or member of such committee who knowingly and willfully consents to such violation and any other individual who knowingly and willfully violates paragraph (1) shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

“(g) UNAUTHORIZED DISCLOSURE OF INFORMATION.—

“(1) It shall be unlawful for any individual to disclose any information obtained under the provisions of this chapter except as may be required by law.

“(2) Any person who violates paragraph (1) shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

“SEC. 9013. EFFECTIVE DATE OF CHAPTER.

“The provisions of this chapter shall take effect on January 1, 1973.

**“CHAPTER 96. PRESIDENTIAL ELECTION CAMPAIGN
FUND ADVISORY BOARD****“SEC. 9021. ESTABLISHMENT OF ADVISORY BOARD.**

“(a) ESTABLISHMENT OF BOARD.—There is hereby established an advisory board to be known as the Presidential Election Campaign Fund Advisory Board (hereinafter in this section referred to as the ‘Board’). It shall be the duty and function of the Board to counsel and assist the Comptroller General of the United States in the performance of the duties and functions imposed on him under the Presidential Election Campaign Fund Act.

“(b) COMPOSITION OF BOARD.—The Board shall be composed of the following members:

“(1) the majority leader and minority leader of the Senate and the Speaker and minority leader of the House of Representatives, who shall serve ex officio;

“(2) two members representing each political party which is a major party (as defined in section 9002(6)), which members shall be appointed by the Comptroller General from recommendations submitted by such political party; and

“(3) three members representing the general public, which members shall be selected by the members described in paragraphs (1) and (2).

The terms of the first members of the Board described in paragraphs (2) and (3) shall expire on the sixtieth day after the date of the first presidential election following January 1, 1973, and the terms of subsequent members described in paragraphs (2) and (3) shall begin on the sixty-first day after the date of a presi-

dential election and expire on the sixtieth day following the date of the subsequent presidential election. The Board shall elect a Chairman from its members.

"(c) **COMPENSATION.**—Members of the Board (other than members described in subsection (b)(1) shall receive compensation at the rate of \$75 a day for each day they are engaged in performing duties and functions as such members, including traveltime, and, while away from their homes or regular places of business, shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons in the Government service employed intermittently.

"(d) **STATUS.**—Service by an individual as a member of the Board shall not, for purposes of any other law of the United States be considered as service as an officer or employee of the United States."

SEC. 802. MISCELLANEOUS AMENDMENTS.

Section 6096 of the Internal Revenue Code of 1954 (relating to designation by individuals of income tax payments to Presidential Election Campaign Funds) is amended to read as follows:

"SEC. 6096. DESIGNATION BY INDIVIDUALS.

"(a) **IN GENERAL.**—Every individual (other than a nonresident alien) whose income tax liability for the taxable year is \$1 or more may designate that \$1 shall be paid over to the Presidential Election Campaign Fund in accordance with the provisions of section 9006(a). In the case of a joint return of husband and wife having an income tax liability of \$2 or more, each spouse may designate that \$1 shall be paid to the fund.

"(b) **INCOME TAX LIABILITY.**—For purposes of subsection (a), the income tax liability of an individual for any taxable year is the amount of the tax imposed by chapter 1 on such individual for such taxable year (as shown on his return), reduced by the sum of the credits (as shown in his return) allowable under sections 33, 37, 38, 40, and 41.

"(c) **MANNER AND TIME OF DESIGNATION.**—A designation under subsection (a) may be made with respect to any taxable year—

"(1) at the time of filing the return of the tax imposed by chapter 1 for such taxable year, or

"(2) at any other time (after the time of filing the return of the tax imposed by chapter 1 for such taxable year) specified in regulations prescribed by the Secretary or his delegate.

Such designation shall be made in such manner as the Secretary or his delegate prescribes by regulations except that, if such designation is made at the time of filing the return of the tax imposed by chapter 1 for such taxable year, such designation shall be made either on the first page of the return or on the page bearing the taxpayer's signature."

QUOTATIONS ON PUBLIC FINANCING

"As a general rule, those who wish to win favor with a Prince offer him the things they most value and in which they see that he will take most pleasure; so it is often seen that rulers receive presents of horses, arms, pieces of cloth of gold, precious stones, and similar ornaments worthy of their station" (Niccolo Machiavelli, *The Prince*, 1532).

"Judges and Senates have been bought with gold" (Alexander Pope *Essay on Man*, 1733).

"Corrupt influence is itself the principal spring of all prodigality and of all disorder; it loads us more than millions of debt; takes away vigor from our arms, wisdom from our councils, and every shadow of authority and credit from the most venerable parts of our Constitution" (Edmund Burke, Speech on Economic Reform, 1780).

"The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses of each of the great national parties" (President Theodore Roosevelt, State of the Union Message to Congress, December 3, 1907).

"I believe that our ultimate goal should be to finance the total expense for this vital function of our democracy with public funds, and to prohibit the use or acceptance of money from private sources. . . . We are ready to make a beginning. We should proceed with all prudent speed to enact those parts of such a program which appear to be feasible at this time" (President Lyndon Johnson, Message to Congress on "Public Participation in the Processes of Government," May 25, 1967).

"We have put a dollar sign on public service, and today many capable men who would like to run for office simply can't afford to do so. Many believe that politics in our country is already a game exclusively for the affluent. This is not strictly true; yet, the fact that we may be approaching that state of affairs is a sad reflection on our election system" (President Dwight D. Eisenhower, 1968).

"The talk of an "office market" and of putting high executive and diplomatic missions on the auction block—all this breeding of suspicion and cynicism—would disappear overnight if the primary cause of the evil were obliterated at its roots. If there are no bidders, there can be no auction" (Henry Cabot Lodge, *The Storm Has Many Eyes*, 1973).

"Under the existing laws, a large part of the money raised from the business community for political purposes is given in fear of what would happen if it were not given. A fair and honest law is one that would remove the need of any candidate to exert such pressures, as well as the need for any businessman to respond * * *. I urge the business community to get behind campaign financing legislation that will really work, and that will put a stop to pressures to which officers of companies are subject when solicited for campaign contributions" (George Spater, Chairman of the Board, American Airlines, July 6, 1973).

"The U.S. public for two decades has favored placing a top limit on campaign spending for presidential and congressional elections. Now, following disclosures from the Senate Watergate hearings, a substantial majority of the public is prepared to have the federal government provide a fixed amount of money for campaigns, prohibiting all contributions from private sources.

"In fact, a growing number of American citizens would favor such a plan, with 65 percent in the latest nationwide survey expressing support, compared to 53 percent in a survey taken in early June shortly after the Watergate hearings got underway.

"The big change since June has come about among Republicans, with 64 percent in the current survey favoring federal financing of campaigns compared to 44 percent in June, a change of 20 percentage points. Republicans now hold views closely comparable to those of Democrats" (George Gallup, September 29, 1973).

"The time has come to establish public financing of election campaigns for Federal office on a direct, systematic and substantial basis. Such a program would impose no great drain on the treasury * * *. I am afraid that nothing short of a significant degree of public financing will get at the root of the problem" (Henry Ford, II, Chairman of the Board, Ford Motor Company, October 18, 1973).

ILLUSTRATIVE EXAMPLES OF PUBLIC FINANCING FOR SENATE ELECTIONS UNDER THE PROPOSED AMENDMENT TO THE DEBT CEILING ACT

NOTE.—Some of the following 14 examples are adapted from actual Senate elections in recent years. Most of the examples are designed to illustrate the application of the dollar check-off to Senate elections involving relatively unusual situations. The dollar check-off, already applicable to Presidential general elections under existing law, was enacted in 1971 with close attention to its impact on the potential third-party presidential candidacy of Governor George Wallace. As the examples demonstrate, the formula worked out for Presidential elections can be easily applied to Senate elections.

Typically, however, minor party candidacies have not been a significant factor in the vast majority of recent Senate elections. The official results of Senate elections in 1968, 1970, and 1972 are tabulated at the end of the examples.

In these past three Congressional election years, there have been a total of 103 Senate elections. In 14 of the 33 races in 1972, in 12 of the 35 races in 1970, and in 16 of the 34 races in 1968, only two candidates were entered—Democratic and Republican. In the other 60 races, additional candidates representing some 30 other parties were also on the ballot in those years in various states. In those 60 races, there were only seven races in which the third candidate received more than 5% of the vote—Louisiana in 1972; Connecticut and New York in 1970; and Alabama, Alaska, Maryland and New York in 1968. In those seven races—seven out of 102 races in all—the third candidate would have qualified for partial public funding as a "minor" party candidate in the following election. In none of those seven races did the third party candidate receive more than 25% of the vote; therefore, no third party candidate would have qualified as a "major" party candidate entitled to full public funding in the following election.

The 14 examples follow:

1. In the 1968 Senate election, Candidate A of the Democratic Party defeated Candidate B of the Republican Party by 50% to 48%, and Candidate C of Party X received 2% of the vote.

When the Senate seat is up again in 1974, the Democratic Party and the Republican Party are "major" parties. Their candidates are each entitled to public funds in the amount of 15¢ per vote, based on the voting age population of the State. Since Candidate C failed to reach the 5% cut-off in 1968, Party X does not qualify for public funds in 1974.

2. Same as example (1) for 1968. In the 1974 election, Candidate A of the Democratic Party defeats Candidate B of the Republican Party by 46% to 44%, and Candidate C of Party X receives 10% of the vote.

Candidate C qualifies as a "minor" party candidate on the basis of his showing in the current election (1974), since he received more than 5% of the vote. He is therefore entitled to public funds on a retroactive reimbursement basis, even though he did not qualify for public funds in advance of the election because of the low showing of Party X in 1968. Candidate C would be entitled to 10/45, or 22%, of the amount of public funds given to each major party candidate, A and B. The amount is based Candidate C's proportional share of the average vote of the two major party candidates, and is calculated as follows: $10\% + (46\% + 44\%)/2 = 10/45 = 22\%$. Candidate C may use these public funds to make a partial reimbursement to the private contributors to his campaign in 1974.

3. In 1968, Candidate A of the Republican Party defeated Candidate B of the Democratic Party by 46% to 44%, and Candidate C of Party X won 10% of the vote.

In 1974, the candidates of the Democratic Party and the Republican Party are "major" party candidates and qualify for full public funds (15¢ per vote). The candidate of Party C is a "minor" party candidate and qualifies for partial public funds in 1974, in the amount of 22% of the entitlement of each major party candidate.

4. Same as examples (1) and (2), but Party X did not run a candidate in 1968.

Candidate C of Party X qualifies retroactively for public funds in 1974 as a "new" party candidate, on the basis of his 1974 showing. He is entitled to receive 22% of the amount of public funds given to each major party candidate.

5. Same as examples (1) and (2), but Candidate C of Party X in 1968 runs as an Independent in 1974 and receives 10% of the vote.

Candidate C qualifies retroactively for public funds on the same basis as if he were the candidate of a party. He receives 22% of the amount of public funds given to each major party candidate.

6. In the 1962 election, Candidate A of the Democratic Party defeated Candidate B of the Republican Party by 53% to 37%. Independent Candidate C won 8% of the vote, and Independent Candidate D won 1% of the vote. In the 1968 election, Senator A ran as an Independent and won the election with 54% of the vote. The candidate of the Democratic Party won 31% of the vote and the candidate of the Republican Party won 15% of the vote. (Based on recent Virginia Senate elections.)

If Senator A runs again as an Independent in 1974, he is entitled to full public funds (15¢ per vote), based on his 1968 showing as an Independent. The candidate of the Democratic Party in 1974 is also entitled to full public funds, because Party A qualifies as a "major" party on the basis of its 1968 showing. However, the candidate of the Republican Party in 1974 will qualify only for partial public funds, since it is a "minor" party based on its 1968 showing, even though it was a "major" party based on the 1962 election. In 1974, the Republican candidate is entitled to $15/(54+31)/2$, or 35% of the amount given to Senator A and to the Democratic candidate.

If the Republican candidate receives more than 25% of the vote in 1974, he qualifies retroactively as a "major" party candidate and is entitled to full public funds.

7. In 1968, Candidate A of the Republican Party defeated Independent Candidate B by 50.7% to 49.3%, and there was no candidate of the Democratic Party. (Adapted from the Virginia Governor's election in 1973.)

If Candidate B runs again as an Independent in 1974, he is entitled to full public funds. Senator A of the Republican Party will also be entitled to full public funds. If there is a candidate of the Democratic Party, he will not qualify for public funds unless he does so retroactively on the basis of his showing in the

1974 election. If Candidate B runs as the candidate of the Democratic Party in 1974, he qualifies for full public funds—not as a Democrat, but on the basis of his 1968 showing as an independent.

8. *In 1968, Candidate A of the Democratic Party defeated Candidate B of the Republican Party by 78% to 22% (Based on a recent West Virginia Senate election).*

In 1974, since the Democratic Party is the only “major” party on the basis of the 1968 results, the Republican Party will also qualify as a “major” party under a special provision of the amendment—it is the party with the next highest showing in the preceding election, even though its candidate in 1968 won less than 25% of the vote and would not ordinarily qualify as a “major” party.

9. *In 1968, Candidate A defeated Candidate B by 60–40%. Candidate A received 45% of his vote as the candidate of the Democratic Party, and 15% of his vote as the candidate of the Liberal Party. Candidate B received 24% of his vote as the candidate of the Republican Party, and 16% of his vote as the candidate of the Conservative Party.*

In 1974, the Democratic candidate qualifies as a “major” party candidate, and the Republican candidate also qualifies as a “major” party candidate under the special provision noted in example (8). The candidates of the Liberal and Conservative Parties qualify as “minor” party candidates. If B runs as the Conservative Party candidate, but not as the Republican Party candidate, he qualifies as a “major” party candidate, because he is entitled to accumulate his 1968 votes on an individual basis.

10. *In 1968, Candidate A of the Democratic Party won the election with 55% of the vote. Candidate B of the Republican Party won 19% of the vote and Independent Candidate C won 23% of the vote. (Based on a recent Louisiana Senate election.)*

In 1974, since the Democratic Party is the only “major” party on the basis of the 1968 results, the special provision of the amendment noted in example (8) allows the Republican party to qualify as a “major” party, even though it received less than 25% of the vote in 1968, and even though the Independent candidate made a better showing in 1968. If Candidate C runs again as an Independent in 1974, he qualifies for partial public funds as if he were a “minor” party candidate; the special provision does not benefit an Independent by allowing him to receive full public funding as if he were a “major” party candidate. On the other hand, as example (6) makes clear, if both an Independent candidate and the Democratic Party candidate qualify for full public funds on the basis of the preceding election, the special provision does not operate to allow the Republican candidate to qualify for full public funds. In other words, the special provision does not operate to create full public funding for a third candidate, where two candidates already qualify for full public funds on the basis of their showing in the preceding election.

11. *In 1968, Candidate A of the Democratic Party ran unopposed.*

In 1974, Senator A qualifies for full public funds, and no other candidate qualifies for any public funds. The special provision does not operate to allow a Republican candidate to qualify for full public funds, since the Party did not run a candidate in the preceding election. Depending on his showing in 1974, however, the Republican candidate may qualify retroactively for public funds.

12. *In 1962, Candidate A of the Democratic Party defeated Candidate B of the Republican Party by 54% to 43%. In 1968, the candidate of the Democratic Party received 37% of the vote; the candidate of the Republican Party received 24% of the vote; and Candidate C of the Conservative Party won the election with 39% of the vote. (Based on recent New York Senate elections.)*

In 1974, the candidates of the Conservative Party and the Democratic Party each qualify for full public funding as “major” party candidates, but the candidate of the Republican Party qualifies only for partial public funding as a “minor” party candidate.

13. *In 1968, Candidate A of the Republican Party defeated Candidate B of the Democratic Party by 60% to 38% and the candidate of the Conservative Party received 2% of the vote. In 1970, in the election for the other Senate seat in the State, the candidate of the Conservative Party won the election with 39% of the vote.*

In 1974, when the seat of Senator A is up again, the candidates of the Democratic Party and Republican Party qualify for full public funds as “major” party candidates. If the Conservative Party runs a candidate in 1974, he does not qualify for public funds. The Party failed to qualify as a “major” or “minor”

party in the preceding election for the seat in 1968, and its strong showing in the election for the State's other Senate seat in 1970 is irrelevant to the question of its entitlement to public funds in the election for the seat that is up in 1974.

14. In 1968, Candidate A of the Republican Party defeated Candidate B of the Democratic Party by 42% to 34%, and Candidate C of the Conservative Party received 26% of the vote. (Adapted from the Connecticut Senate election in 1970).

In 1974, the Republican, Democratic and Conservative Parties are each "major" parties, and their candidates are entitled to full public funding (15¢ per vote).

RECENT SENATE ELECTIONS—OFFICIAL VOTE RETURNS AS COMPILED BY CONGRESSIONAL QUARTERLY

ABBREVIATIONS FOR PARTY DESIGNATIONS

A—American
AI—American Independent
B—Buffalo
C—Conservative
CP—Consumer
COM—Communist
CST—Constitutional
CVV—Concerned Voters Voice
D—Democratic
DFL—Democratic-Farmer-Labor
DI—Dodd Independent
FP—Freedom and Peace
HR—Human Rights
IA—Independent American
IAL—Independent Alliance
IG—Industrial Government
Ind.—Independent

LRU—La Raza Unida
LU—Liberty Union
N—New
NC—National Conservative
ND—National Democratic
NDPA—National Democratic Party
- Alabama
P—Prohibition
PC—People's Constitutional
PF—Peace and Freedom
PP—People's
R—Republican
RL—Right to Life
SL—Socialist Labor
SW—Socialist Worker
TRT—Taxpayers Ticket

34 SENATE ELECTIONS IN 1972		34 SENATE ELECTIONS IN 1972					
	Votes	Per- cent	Votes	Per- cent			
Alabama:							
John Sparkman (D)	654,491	62.3	Dick Clark (D)	662,637 55.1			
Winton M. Blount (R)	347,523	33.1	Jack Miller (R)	530,525 44.1			
Herbert W. Stone (C)	6,838	0.6	William Rocab (AI)	8,954 0.7			
John L. LeFlore (ND)	31,421	3.0	Fred Richard Benton (IAL)	1,203 0.1			
Jerome B. Couch (P)	10,826	1.0	Kansas:				
Alaska:							
Gene Guess (D)	21,791	22.7	Arch O. Tetzlaff (D)	200,764 23.0			
Ted Stevens (R)	74,216	77.3	James B. Pearson (R)	662,591 71.4			
Arkansas:							
John L. McClellan (D)	386,398	60.9	Gene F. Miller (C)	35,510 4.1			
Wayne H. Babbitt (R)	248,238	39.1	Howard Hadin (P)	12,857 1.5			
Colorado:							
Floyd K. Haskell (D)	457,545	49.4	Kentucky:				
Gordon Allott (R)	447,957	48.4	Walter (Dee) Huddleston (D)	528,550 50.9			
Henry John Olshaw (IA)	7,353	0.8	Louie B. Nunn (R)	494,337 47.6			
Secundo (Sal) Salazar (LRU)	13,228	1.4	Helen Breeden (A)	8,707 0.9			
Delaware:							
Joseph R. Biden, Jr. (D)	116,006	50.5	William E. Bartley, Jr. (PP)	6,267 0.6			
J. Caleb Boggs (R)	112,844	49.1	Louisiana:				
Henry M. Majka (A)	803	0.3	J. Bennett Johnston, Jr. (D)	598,987 55.2			
Herbert B. Wood (P)	175	0.1	Ben C. Toledano (R)	206,846 19.1			
Georgia:							
Sam Nunn (D)	635,970	54.0	John J. McKeithen (Ind)	250,161 23.0			
Fletcher Thompson (R)	542,331	46.0	Hall M. Lyons (A)	28,910 2.7			
Idaho:							
William E. (Bud) Davis (D)	140,913	45.5	Maine:				
James A. McClure (R)	161,804	52.3	William D. Hathaway (D)	224,270 53.2			
Jean Stoddard (A)	6,885	2.2	Margaret Chase Smith (R)	197,040 46.8			
Illinois:							
Roman C. Pucinski (D)	1,721,901	37.3	Massachusetts:				
Charles H. Percy (R)	2,867,078	62.2	John J. Droney (D)	823,278 34.7			
Edward C. Gross (SL)	13,384	0.3	Edward W. Brooke (R)	1,505,932 53.5			
Arnold F. Bechetti (COM)	6,103	1.2	Donald Gurewitz (SW)	41,369 1.8			
Dakin Williams (Write-in)	396	0.0	Michigan:				
			Frank J. Kelley (D)	1,577,178 46.3			
			Robert P. Griffin (R)	1,781,065 52.3			
			Patrick V. Dillinger (AI)	23,121 .7			
			Thomas D. Dennis, Jr. (COM.)	1,908 .0			
			Barbara Halpert (HR)	19,118 .5			
			James Sim (SL)	2,127 .1			
			Linda Nordquist (SW)	2,389 .1			

34 SENATE ELECTIONS IN 1972			35 SENATE ELECTIONS IN 1970		
	Votes	Per- cent		Votes	Per- cent
Minnesota:			Alaska:		
Walter F. Mondale (D).....	981,320	56.7	Stevens, Ted (R).....	47,908	59.6
Philip Hansen (R).....	742,121	42.8	Kay, Wendell P. (D).....	32,456	40.4
Karl H. Heck (IG).....	8,192	.5	Arizona:		
Mississippi:			Fannin, Paul (R).....	228,284	56.0
James O. Eastland (D).....	375,102	58.1	Grossman, Sam (D).....	179,512	44.0
Gil Carmichael (R).....	249,799	38.7	California:		
Prentiss Walker (Ind).....	14,662	2.3	Murphy, George (R).....	2,877,617	44.3
C. L. McKinley (Ind).....	6,203	.9	Tunney, John V. (D).....	3,496,558	53.9
Montana:			Ripley, Charles C. (AI).....	61,251	.9
Lee Metcalf (D).....	163,609	52.0	Scheer, Robert (PF).....	56,731	.9
Henry S. Hibbard (R).....	151,316	48.0	Connecticut:		
Nebraska:			Weicker, Lowell P. (R).....	454,721	41.7
Terry M. Carpenter (D).....	265,922	46.8	Duffey, Joseph D. (D).....	368,111	33.8
Carl T. Curtis (R).....	301,841	53.2	Dodd, Thomas J. (DI).....	266,497	24.5
New Hampshire:			Delaware:		
Thomas J. McIntyre (D).....	184,495	56.9	Roth, William V. (R).....	94,979	58.8
Wesley Powell (R).....	139,852	43.1	Zimmerman, Jacob (D).....	64,740	40.1
New Jersey:			Gies, Donalds (A).....	1,720	1.1
Paul J. Krebs (D).....	963,573	34.4	Florida:		
Lifford P. Case (R).....	1,743,854	62.5	Cramer, William C. (R).....	772,817	46.1
A. Howard Freund (A).....	40,980	1.5	Chiles, Lawton (D).....	902,438	53.9
Julius Levin (SL).....	10,058	.4	Hawaii:		
Charles W. Wiley (CVV).....	33,442	1.2	Fong, Hiram L. (R).....	124,163	51.6
New Mexico:			Heffel, Cecil (D).....	116,597	48.4
Jack Daniels (D).....	173,815	46.0	Illinois (special election):		
Pete V. Dominici (R).....	204,253	54.0	Smith, Ralph T. (R).....	1,519,718	42.2
North Carolina:			Stevenson, Adlai E. III (D).....	2,065,054	57.4
Nick Galifianakis (D).....	677,293	46.0	Henderson, Lynn (SW).....	8,859	.2
Jesse A. Helms (R).....	795,248	54.0	Fisher, Louis (SL).....	5,564	.2
Oklahoma:			Indiana:		
Ed Edmondson (D).....	478,212	47.6	Roudebush, Richard L. (R).....	866,707	49.9
Dewey F. Bartlett (R).....	516,934	51.4	Hartke, R. Vance (D).....	870,990	50.1
William G. Roach (A).....	5,769	.6	Maine:		
Joe C. Phillips (Ind).....	2,264	.2	Bishop, Neil S. (R).....	123,906	38.3
Paul E. Trent (Ind).....	1,969	.2	Muskie, Edmund S. (D).....	199,954	61.7
Oregon:			Maryland:		
Wayne L. Morse (D).....	425,036	46.2	Beall, J. Glenn, Jr. (R).....	484,960	50.7
Mark O. Hatfield (R).....	494,671	53.7	Tydings, Joseph D. (D).....	460,422	48.1
Rhode Island:			Wilder, Harvey (AI).....	10,988	1.1
Claiborne Pell (D).....	221,942	53.7	Massachusetts:		
John H. Chafee (R).....	188,990	45.7	Spaulding, Josiah A. (R).....	715,978	37.0
Patrick M. DeTemple (AW).....	458	0.1	Kennedy, Edward M. (D).....	1,202,857	62.2
John Quattrocchi (Ind).....	2,041	0.5	Gilfedder, Lawrence (SL).....	10,378	.5
South Carolina:			Shaw, Mark R. (P).....	5,944	.3
Eugene N. Zeigler (D).....	241,056	36.7	Michigan:		
Strom Thurmond (R).....	415,806	66.3	Romney, Leonore (R).....	858,438	32.9
South Dakota:			Hart, Philip A. (D).....	1,744,672	66.8
James Abourezk (D).....	174,773	57.0	Lodico, Paul (SW).....	3,861	.1
Robert Hirsch (R).....	131,613	43.0	Sim, James (SL).....	3,254	.1
Tennessee:			Minnesota:		
Ray Blanton (D).....	440,599	37.8	MacGregor, Clark (R).....	568,025	41.6
Howard H. Baker, Jr. (R).....	716,539	61.5	Humphrey, Hubert H. (DFL).....	788,256	57.8
Dan East (Ind).....	7,026	0.6	Strebe, Nancy (SW).....	6,122	.4
Texas:			Braatz, William (IG).....	2,484	.2
Barefoot Sanders (D).....	1,511,985	44.3	Mississippi:		
John G. Tower (R).....	1,822,877	53.4	Stennis, John C. (D).....	286,622	88.4
Flores Amaya (LRU).....	63,543	1.9	Thompson, William R. (Ind.).....	37,593	11.6
Tom Leonard (SW).....	14,464	0.4	Missouri:		
Vermont (special election, Jan. 7, 1972):			Danforth, John C. (R).....	617,903	48.1
Robert T. Stafford (R).....	45,646	65.7	Symington, Stuart (D).....	655,431	51.0
Randolph T. Major (D).....	23,787	34.3	Chapman, Gene (A).....	10,065	.8
Virginia:			DiGirolamo, E. J. (Ind.).....	513	.....
William B. Spong, Jr. (D).....	643,963	46.1	Montana:		
William Lloyd Scott (R).....	718,337	51.5	Wallace, Harold E. (R).....	97,809	39.5
Horace E. Henderson (Ind.).....	33,912	2.4	Mansfield, Mike (D).....	150,060	60.5
West Virginia:			Nebraska:		
Jennings Randolph (D).....	486,310	66.5	Hruska, Roman L. (R).....	240,894	52.5
Louis Leonard (R).....	245,531	33.5	Morrison, Frank B. (D).....	217,681	47.5
Wyoming:			Nevada:		
Mike M. Vinich (D).....	40,753	28.7	Raggio, William J. (R).....	60,838	41.2
Clifford P. Hansen (R).....	101,314	71.3	Cannon, Howard W. (D).....	85,187	57.6
			DeSelle, Harold G. (IA).....	1,743	1.2

35 SENATE ELECTIONS IN 1970			34 SENATE ELECTIONS IN 1968		
	Votes	Per- cent		Votes	Per- cent
New Jersey:			Alabama:		
Gross, Nelson G. (R).....	903,026	42.2	Hooper, Perry (R).....	201,227	22.0
Williams, Harrison A. (D).....	1,157,074	54.0	Allen, James B. (D).....	638,774	70.0
Job, Joseph F. (Ind.).....	58,992	2.8	Schwenn, Robert P. (NDPA).....	72,669	8.0
O'Grady, William J. (NC).....	12,938	.6	Alaska:		
Mans, Joseph S. (Ind.).....	6,066	.3	Rasmuson, Elmer (R).....	30,286	37.4
Levin, Julius (SL).....	4,009	.2	Gravel, Mike (D).....	36,527	45.1
New Mexico:			Gruening, Ernest (write-in).....	14,118	17.4
Carter, Anderson (R).....	135,004	46.6	Arizona:		
Montoya, Joseph M. (D).....	151,486	52.3	Goldwater, Barry (R).....	274,607	57.2
Higgs, William L. (PC).....	3,382	1.2	Elson, Roy (D).....	205,338	42.8
New York:			Arkansas:		
Goodell, Charles (R-L).....	1,434,472	24.3	Bernard, Charles T. (R).....	241,739	40.9
Ottinger, Richard L. (D).....	2,171,232	36.8	Fulbright, J. W. (D).....	349,965	59.1
Buckley, James L. (C-IAL).....	2,288,190	38.8	California:		
Johnson, Arnold (COM).....	4,097	.....	Rafferty, Max (R).....	3,329,148	46.9
Dawson, Kipp (SW).....	3,549	.....	Cranston, Alan (D).....	3,680,352	51.8
Emanuel, John (SL).....	3,204	.....	Jacobs, Paul (PF).....	92,965	1.3
North Dakota:			Colorado:		
Kleppe, Thomas S. (R).....	82,996	37.8	Dominick, Peter H. (R).....	459,952	58.6
Burdick, Quentin N. (D).....	134,519	61.3	McNichols, Stephen L. R. (D).....	325,584	41.4
Kleppe, Russell (Ind.).....	2,045	.9	Connecticut:		
Ohio:			May, Edwin H., Jr. (R).....	551,455	45.7
Taft, Robert A., Jr. (R).....	1,565,682	49.7	Ribicoff, Abraham A. (D).....	655,043	54.3
Metzenbaum, Howard M. (D).....	1,495,262	47.4	Florida:		
Kay, Richard B. (AI).....	61,261	1.9	Gurney, Edward J. (R).....	1,131,499	55.9
O'Neill, John (SL).....	29,069	.9	Collins, LeRoy (D).....	892,637	44.1
Pennsylvania:			Georgia:		
Scott, Hugh (R).....	1,874,106	51.4	Patton, E. Earl, Jr. (R).....	256,796	22.5
Sester, William G. (D).....	1,653,774	45.4	Talmadge, Herman (D).....	885,093	77.5
Gaydos, Frank W. (CST).....	85,813	2.4	Hawaii:		
MacFarland, W. Henry (AI).....	18,275	.5	Thiessen, Wayne C. (R).....	34,008	15.0
Johansen, Herman A. (SL).....	4,375	.1	Inouye, Daniel K. (D).....	189,248	83.4
Maisel, Robin (SW).....	3,970	.1	Lee, Oliver M. (PF).....	3,671	1.6
Mimms, William R. (CP).....	3,932	.1	Idaho:		
Rhode Island:			Hansen, George V. (R).....	114,394	39.7
McLaughlin, John J. (R).....	107,351	31.5	Church, Frank (D).....	173,482	60.3
Pastore, John O. (D).....	230,469	67.5	Illinois:		
Fanton, David N. (PF).....	2,406	.7	Dirksen, Everett McKinley (R).....	2,358,947	53.0
Fein, Daniel B. (SW).....	996	.3	Clark, William G. (D).....	2,073,242	46.6
Tennessee:			Fisher, Louis (SL).....	17,542	.4
Brock, William E. (R).....	562,645	51.3	Indiana:		
Gore, Albert (D).....	519,858	47.4	Ruckelshaus, William (R).....	988,571	48.1
Pitard, Cecil R. (A).....	8,691	.8	Bayh, Birch (D).....	1,060,456	51.7
East, Dan R. (Ind).....	5,845	.5	Malcolm, L. Earl (P).....	2,844	.1
Texas:			Levitt, Ralph (SW).....	1,247	.1
Busch, George (R).....	1,035,794	46.5	Iowa:		
Bentsen, Lloyd (D).....	1,194,069	53.5	Stanley, David M. (R).....	568,469	49.7
Utah:			Hughes, Harold E. (D).....	574,884	50.2
Burton, Lawrence J. (R).....	159,004	42.5	Higens, Verne M. (P).....	727	.1
Moss, Frank E. (D).....	210,207	56.2	Kansas:		
Freaman, Clyde B. (AI).....	5,092	1.4	Dole, Robert (R).....	490,911	60.1
Vermont:			Robinson, William I. (D).....	315,911	38.7
Prouty, Winston L. (R).....	91,198	58.9	Hyskell, Joseph F. (P).....	10,262	1.3
Hoff, Philip H. (D).....	62,271	40.2	Kentucky:		
Meyer, William H. (LU).....	1,416	.9	Cook, Marlow W. (R).....	484,260	51.4
Virginia:			Peden, Katherine (D).....	448,960	47.6
Graland, Ray (R).....	145,031	15.3	Olson, Duane F. (Ind).....	9,645	1.0
Rawlings, George C. (D).....	295,057	31.2	Louisiana: Long, Russell B. (D).....		
Byrd, Harry F. Jr. (Ind).....	506,633	53.5	518,586	(1)	
Washington:			Maryland:		
Elicker, Charles W. (R).....	170,790	16.0	Mathias, Charles McC., Jr. (R).....	541,893	47.8
Jackson, Henry M. (D).....	879,385	82.4	Brewster, Daniel B. (D).....	443,367	39.1
Massey, William (SW).....	9,255	.9	Mahoney, George P. (Ind.).....	148,467	13.1
Fisk, Edison S. (B).....	7,377	.7	Missouri:		
West Virginia:			Curtis, Thomas B. (R).....	850,544	48.9
Dodson, Elmer H. (R).....	99,658	22.4	Eggleton, Thomas F. (D).....	887,414	51.1
Byrd, Robert C. (D).....	345,965	77.6	Nevada:		
Wisconsin:			Fike, Ed (R).....	69,068	45.2
Erickson, John E. (R).....	381,297	28.5	Bible, Alan (D).....	83,622	54.8
Proxmire, William (D).....	948,445	70.8	New Hampshire:		
Hou-Sey, Edmond E. (A).....	6,137	.5	Cotton, Norris (R).....	170,163	59.3
Boardman, Elizabeth (Ind).....	2,022	.2	King, John W. (D).....	116,816	40.7
Quinn, Martha (SW).....	580	.....	New York:		
Wiggert, Adolf (SL).....	428	.....	Javits, Jacob (R-L).....	3,269,772	49.7
Wyoming:			O'Dwyer, Paul (D).....	2,150,695	32.7
Wold, John S. (R).....	53,279	44.2	Buckley, James L. (C).....	1,139,402	17.3
McGee, Gale S. (D).....	67,207	55.8	Ferguson, Homer (FP).....	8,775	.1
			Emanuel, John (SL).....	7,964	.1
			Garza, Hedda (SW).....	4,979	.1

See footnote at end of table.

34 SENATE ELECTIONS IN 1968			34 SENATE ELECTIONS IN 1968		
	Vote	Per- cent		Vote	Per- cent
North Carolina:			Pennsylvania—Continued		
Somers, Robert V. (R).....	566,934	39.4	Perry, Benson (SL).....	7,198	.2
Ervin, Sam J., Jr. (D).....	870,406	60.6	Chartov, Pearl (SW).....	2,743	.1
North Dakota:			South Carolina:		
Young, Milton R. (R).....	154,968	64.8	Parker, Marshall (R).....	248,780	38.1
Lashkowitz, Hershchel (D).....	80,815	33.8	Hollings, Ernest F. (D).....	404,060	61.9
Mutch, Duane (TRT).....	3,393	1.4	South Dakota:		
Ohio:			Gubbrud, Archie (R).....	120,951	43.2
Saxbe, William B. (R).....	1,928,964	51.5	McGovern, George (D).....	158,961	56.8
Gilligan, John J. (D).....	1,814,152	48.5	Utah:		
Oklahoma:			Bennett, Wallace F. (R).....	225,075	53.7
Bellmon, Henry (R).....	470,120	51.7	Weitenmann, Milton L. (D).....	192,168	45.8
Monroney, A. S. Mike (D).....	419,658	46.2	Phillips, Bruce D. (PF).....	2,109	.5
Washington, George (A).....	19,341	2.1	Vermont: Aiken, George D. (R-D).....		
Oregon:			157,154	(1)	
Packwood, Robert W. (R).....	408,646	50.2	Washington:		
Morse, Wayne (D).....	406,353	49.8	Metcalf, Jack (R).....	435,894	35.3
Pennsylvania:			Magnuson, Warren G. (D).....	796,183	64.4
Schweiker, Richard S. (R).....	2,399,762	51.9	Hogenauer, Irwin R. (N).....	2,762	.2
Clark, Joseph S. (D).....	2,117,662	45.8	Leonard, Debbie (SW).....	1,224	.1
Gaydash, Frank W. (CST).....	96,742	2.1	Wisconsin:		
			Leonard, Jerris (R).....	633,910	38.3
			Nelson, Gaylord (D).....	1,020,931	61.7

1 Unopposed.

1973 TAX FORMS PROPOSED BY THE IRS

NOTE.—The following pages demonstrate the 1973 versions of Form 1040 and the Short Form 1040A proposed by the Internal Revenue Service, as published in Section 2 of the Tax Guide, Research Institute of America (October 18, 1973). Both forms contain the dollar check-off for 1973 on page one of the tax return, and both forms also make provision for taxpayers to use the check-off retroactively for 1972 as well, if they failed to do so on their 1972 returns.

Under the terms of Amendment 651, the public financing amendment, only four changes, easily made, would be required in each form:

- Change "Presidential" to "Federal".
- Change "if you wish to designate \$1 of your taxes" to "if you do not wish \$1 of your taxes to be designated".
- Change "if spouse wishes to designate \$1" to "if spouse does not wish \$1 to be designated".
- Change "\$1" to "\$2".

1040 US Department of the Treasury—Internal Revenue Service Individual Income Tax Return 1973

For the year January 1–December 31, 1973, or other taxable year beginning 1973, ending 19

Name (if joint return, give first names and initials of both) Last name COUNTY OF RESIDENCE Your social security number Present home address (Number and street, including apartment number, or rural route) Spouse's social security no. 04, town or post office, State and ZIP code Occupation Yours Spouse's

Filing Status—check only one: 1 Single 2 Married filing joint return (even if only one had income) 3 Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here 4 Unmarried Head of Household 5 Widower (or) with dependent child (Your spouse died 19) Exemptions Regular / 66 or over / Blind: 6a Yourself 6b Spouse 6c First names of your dependent children who lived with you 6d Number of other dependents (from line 27) 7 Total exemptions claimed

8 Presidential Election Campaign Fund.—Check if you wish to designate \$1 of your taxes for this fund. If joint return, check if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note below.

Income table with lines 9-15. 9 Wages, salaries, tips, and other employee compensation. 10a Dividends (See instructions on page 5). 10b Less exclusions. Balance. 11 Interest income. 12 Income other than wages, dividends, and interest (from line 38). 13 Total (add lines 9, 10c, 11, and 12). 14 Adjustments to income (such as "sick pay," moving expenses, etc. from line 43). 15 Subtract line 14 from line 13 (adjusted gross income).

16 Tax, check if from: Tax Tables 1-12, Tax Rate Schedule X, Y, or Z, Schedule D, Schedule G, Form 4726 OR Form 4972

Tax, Payments and Credits table with lines 16-22. 17 Total credits (from line 54). 18 Income tax (subtract line 17 from line 16). 19 Other taxes (from line 61). 20 Total (add lines 18 and 19). 21a Total Federal income tax withheld (attach Forms W-2 or W-2P to front). 21b 1973 estimated tax payments (include amount allowed as credit from 1972 return). 21c Amount paid with Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. 21d Other payments (from line 65). 22 Total (add lines 21a, b, c, and d).

23 If line 20 is larger than line 22, enter BALANCE DUE IRS (Check here if Form 2210, Form 2210F, or statement is attached. See instructions on page 8.) 24 If line 22 is larger than line 20, enter amount OVERPAID. 25 Amount of line 24 to be REFUNDED TO YOU. 26 Amount of line 24 to be credited on 1974 estimated tax.

Note: 1972 Presidential Election Campaign Fund Designation.—Check if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check if spouse did not designate on 1972 return but now wishes to do so.

Sign here: Your signature, Date, Preparer's signature (after tax is prepared), Date, Address (and ZIP Code), Preparer's Reg. No., State, or Lic. No.

With sec. 6013(b)(3) check or money order. Attach here. Please attach Copy B of Forms W-2 here.



Short Form 1040A U.S. Individual Income Tax Return Department of the Treasury Internal Revenue Service 1973

Name (if joint return, give first names and initials of both) Last name COUNTY OF RESIDENCE Your social security number
Present home address (Street and street, including apartment number, or rural route) Spouse's social security no.
City, town or post office, State and ZIP code Occ. status Yours > Spouse's >

Filing Status—check only one: 1 Single 2 Married filing joint return (even if only one had income) 3 Married filing separately. If spouse is also filing, give spouse's social security number in designated space above and enter full name here > 4 Unmarried Head of Household 5 Widow(er) with dependent child (tax spouse died > 19...) Exemptions Regular / 65 or over / Blind 6a Yourself 6b Spouse 6c First names of your dependent children who lived with you 7 Total exemptions claimed

8 Presidential Election Campaign Fund.—Check if you wish to designate \$1 of your taxes for this fund. If joint return, check if spouse wishes to designate \$1. Note: This will not increase your tax or reduce your refund. See note on back.

9 Wages, salaries, tips, and other employee compensation 10a Dividends 10b Less exclusion 11 Interest income 12 Total (add lines 9, 10c, and 11) (Adjusted Gross Income) 13 If line 12 is \$18,000 or more, enter 15% of line 12 but not more than \$2,000 (\$1,000 if line 3 checked) 14 Subtract line 13 from line 12 15 Multiply total number of exemptions claimed on line 7 by \$750 16 Taxable income (subtract line 15 from line 14) (Figure tax on amount on line 16 using Tax Rate Schedule X, Y, or Z, and enter on line 17.)

17 Tax, check if from: Tax Tables 1-12 OR Tax Rate Schedule X, Y, or Z 18 Credit for contributions to candidates for public office 19 Income tax (subtract line 18 from line 17). If less than zero, enter zero 20a Total Federal income tax withheld (attach Forms W-2 to front) b Excess FICA tax withheld (two or more employers—see instructions on page 4) c 1973 estimated tax payments (include amount allowed as credit from 1972 return) 21 Total (add lines 20a, b, and c) 22 If line 19 is larger than line 21, enter BALANCE DUE IRS 23 If line 21 is larger than line 19, enter amount OVERPAID 24 Amount of line 23 to be REFUNDED TO YOU 25 Amount of line 23 to be credited on 1974 estimated tax

26 Total number of dependents listed in column (a). Enter here and on line 6c. Note: 1972 Presidential Election Campaign Fund Designation.—Check if you did not designate \$1 of your taxes on your 1972 return, but now wish to do so. If joint return, check if spouse did not designate on 1972 return, but now wishes to do so.

Under penalty of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Signature of preparer (other than taxpayer) is based on all information of which he has any knowledge.

Sign here Taxpayer's signature (other than taxpayer) Spouse's signature (if filing jointly, BOTH must sign even if only one had income) Address (and ZIP Code) Preparer's name, title, or firm, Inc. 10-02000-2

Senator BENNETT. There are two members of the panel that have not yet been heard.

STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator CRANSTON. I would just say very briefly, Mr. Chairman, I am delighted to join with the other Senators, all in all nine of both parties, that have joined in supporting this measure.

The tragic erosion of popular confidence in our institutions of Government, including the electoral process, makes it essential that we act now, and that we act decisively, to decrease and hopefully to eliminate the insidious influence of large private campaign contributions on our elected officials.

Last year, when the Federal Elections Campaign Act of 1973 was on the floor of the Senate, a great number of Senators rose in support of public financing of Federal election campaigns. The months since that debate have seen a deluge of new evidence pointing to support for an immediate change in our present system—not the least of which was the resignation of the Vice President of the United States.

In testimony presented this morning, we see submitted a proposal to extend provisions of existing law to cover Presidential primaries as well as general election campaigns for Members of Congress. This bill depends on the checkoff which you had so much to do with originating, which is the first tremendous step in this direction. While I do not believe that this proposal is the ultimate answer to ending the inequities of our elective system as it exists today, I do believe it embodies a compromise which can achieve a consensus in the Congress, and which the American people can accept.

The health of our Nation demands that we act now.

[Senator Cranston's prepared statement follows:]

STATEMENT BY HON. ALAN CRANSTON, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Mr. Chairman, I join this morning with my distinguished colleagues in proposing that a substantial expansion in the Presidential Election Campaign Fund Act be adopted as part of the Debt Ceiling Bill now before this Committee. The tragic erosion of popular confidence in our institutions of government, including the electoral process, makes it essential that we act now, and that we act decisively, to decrease and hopefully to eliminate the insidious influence of large private campaign contributions on our elected officials.

Last June, when S. 372, the Federal Elections Campaign Act of 1973 was on the floor of the Senate, a great number of Senators rose in support of public financing of federal election campaigns. The months since that debate have seen a deluge of new evidence pointing to support for an immediate change in our present system—not the least of which was the resignation of the Vice President of the United States.

In testimony presented this morning, we see submitted a proposal to extend provisions of existing law to cover presidential primaries as well as general election campaigns for members of Congress. While I do not believe that this proposal is the ultimate answer to ending the inequities of our elective system as it exists today, I do believe it embodies a compromise which can achieve a consensus in the Congress, and which the American people can accept.

The health of our nation demands we act now.

Senator MONDALE. Senator Schweiker?

**STATEMENT OF HON. RICHARD S. SCHWEIKER, A U.S. SENATOR
FROM THE STATE OF PENNSYLVANIA**

Senator SCHWEIKER. Thank you very much, Mr. Chairman. I'm pleased to initially have joined Senator Mondale in S. 2238, the Mondale-Schweiker bill, which is one of the ingredients of this proposal, and as he mentioned before the chairman came in, I think we all are indebted to the chairman of this committee for his initial idea some years back when it was not a very popular cause.

It has obviously gotten a lot more popular, and I am delighted to join with Senator Kennedy and Senator Scott in coalescing to find an answer to a very serious problem. I think the details have already been explained. I would like to say this: I think our Government is facing the most serious crises of confidence caused by Watergate as well as some other problems in energy, food, and international areas, that demand confidence of the people in their Government.

I can think of no single step that this committee or the Senate or the Congress can take to more assure the people that the Government has learned from Watergate, that we are to reform our procedures and policies from Watergate, than to begin by this very important public financing proposal. I believe this would do much toward letting the people back home know that we intend to correct and reform our system, our practices, and our way of doing things, and I think it would be very instrumental in beginning to restore the confidence of Government to the people back home. And that is why I think it is u that we do attach it to the debt ceiling bill, and do make it a top priority.

Thank you.

**STATEMENT OF HON. WALTER F. MONDALE, A U.S. SENATOR FROM
THE STATE OF MINNESOTA**

Senator MONDALE. Thank you, Mr. Chairman.

I earlier put in the record my statement in support of this measure,* and I would like to make one point.

Senator Kennedy referred to the broad bipartisan nature of support in Congress that is developing for some type of public financing, and I think that type of coalition is also showing up in the American community at large.

We speak in terms of what huge campaign contributions do to compromise and sometimes corrupt American Government. But it is also the case that those who are giving, the donors, the businessmen, are also the victims of this system, and are getting increasingly tired of the extortion and shakedowns that they are being presented with.

The president of American Airlines the other day said that under the existing laws the large part of the money raised from the business community—raised for political purposes—is given in fear of what would happen if it were not given. I fully support, he said, the proposals made by Common Cause and many legislators of both parties

*See p. 5.

to reform the existing election laws relating to the support of political candidates. I urge the business community to get behind campaign financing legislation that will really work—that will put a stop to pressures to which officers of companies are subject when solicited for campaign contributions.

Henry Ford, who runs a small auto company in Detroit, said, "I believe the time has come to establish public financing of election campaigns for Federal office on a direct, systematic, and substantial basis."

While these hearings are going on, the Senate Watergate Committee has been hearing from a number of corporate executives who came in and testified about how they were approached. A common pattern has developed, and that is that there was a shakedown list, and each of them were approached with an assessment or a quota. They were told what they were expected to contribute, and it was made clear that if they did not do it, they were in trouble, and this kind of tawdry, and I think unforgivable, performance, is, I think, going to be increasingly a part of the American political system unless we do something about it.

We will have to protect the American Government, and above all, we have to protect the American people, from the compromise and corruption of the present system, and I think we also have to protect the business community.

Now we are all coming together. We see it. The facts are there, and I think we must act.

The CHAIRMAN. Let me thank the four of you for the very deep thought and attention that you have given to this subject. I appreciate the kind words that were said about me in the course of the testimony. I have thought for many years that we are never going to be able to make this Government properly responsive to the public will and the public needs until we make the decision to be more dependent upon the votes of the people and less dependent on the money that the people put up in the campaign.

You have helped by suggesting some answers that I, for one, have been seeking for many years. I am not sure whether we have the final answers to this, but you have advanced the thinking in this area by showing how some of these questions could be answered.

I am sure the Secretary, hearing your testimony, is going to tell us that we should not deal with this problem in the debt limit bill. If I were him, I think I would be testifying the same way; I would not want anyone to put anything on my bill, since I think this is more urgent. I have been confronted with both sides of this question many times. I will certainly study this proposal in the time we have available to us.

Senator Bennett?

Senator BENNETT. Thank you, Mr. Chairman.

Since I have announced that I am not going to run again, I can talk about this problem with objectivity. I do not think in 20 minutes without general notice to the public that we are going to consider the problem of completely changing our method of financing national campaigns. This committee ought not to say that, without giving anybody a practical chance to point out the deficiencies of the proposal, we should adopt it.

I think if this is serious, and I recognize that it is, it should be offered on its own merits with due and ample notice to everybody concerned so that they can come in and either approve it or suggest changes, or state their reasons why it should not be done.

To me, this is kind of backdoor legislation. I think we are developing another pattern in the Senate, which I think is very dangerous, which is legislation on vetoproof bills, which is supposed to put added pressure on the Congress and the President, so that the ordinary opportunity to go through the whole legislative process including veto is denied.

Now, I hope some day the President will veto a debt ceiling bill, and we will decide who is responsible for the conditions that would follow the veto of the debt ceiling bill.

My mind is open on the question of the improvement of the financing of campaigns. But I am unalterably opposed to this kind of a maneuver which, as I say, makes it impossible for others with other ideas or opponents of the bill to have ample notice, so that they can come forward and present their point of view. And if this should survive the conference, I would certainly recommend to the President that this is a time to find out whether we can always hold the debt ceiling extension hostage to any proposal that somebody feels cannot stand on its own merits in open legislative discussion.

The CHAIRMAN. Well, that is both sides of the argument.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Just a brief observation and then a question. First, I think it is very important that a firm ceiling be put on campaign expenditures. I think a firm ceiling must be put on the amount of funds that an individual can contribute to a campaign. I think the Senate passed a pretty strong bill in that regard.

I question the wisdom of going into public financing, in the sense that those of us who will benefit from it, Members of the Senate and the House, are the ones who will be voting on the issue. We will be dipping into the Treasury for our own benefit.

Now, the question I wanted to ask is this. I notice from Senator Scott's synopsis of his statement—I was not here to hear his testimony—the question of matching grants. Is this along the line of Congressman Udall's proposal dealing with matching grants?

It seems to me that if we are going into public financing, that the question of matching grants has a great deal of merit because that in itself may tend to put a limit on what we in Congress can vote ourselves.

And does this new bill differ from the original Senate proposal or the one before the Senate a few months ago, which as I recall did not have matching grants in it?

Senator KENNEDY. The matching grant provisions in the proposal apply only to Presidential primaries. Senator Mondale and the others may speak to that.

With regard to Senate and House elections, the initial Kennedy-Scott proposal offered on the Senate floor last July, has not been altered or changed. The matching grant provisions do not apply to Senate and House general elections, just as they do not apply to presidential general elections under existing law.

Senator MONDALE. What we are trying to deal with is the question of free access to Presidential primaries. Anyone who wants to run, obviously should be able to run in a Presidential primary. Then the question was, How on earth do you determine how much money the person should get? And so we decided the fairest thing to do was to say, let us see how much money he is able to raise in modest quantities from the general public, which is some indication of how credible a candidate he is, whether he is a frivolous candidate or not, and then match up to \$100 the amount which a person receives, provided that he first raises \$100,000 in private contributions of \$100 or less. And it was our way of trying to deal with the problem of frivolous candidates and still let everyone get into the race if they wanted to.

If I may make one point, it is true that the Senate passed a bill designed to try to make the present system of private contributions as honest as we could make it. That bill has not yet passed the House. I would hope that it would. But in any event, we found out something when we finished, and that is that if you make the system of private financing honest, nobody can get enough money to get elected. So that if you want a system of private financing that is honest, you have to couple it with some kind of public financing, or there is no way that anyone can be elected, unless you happen to be a very safe incumbent.

And for that reason we have found that we need public financing as well.

Senator SCHWEIKER. Mr. Chairman, if I may supplement, since this is out of our Mondale-Schweiker bill proposal, it simply means that to be considered a Presidential candidate, you have to get 1,000 people who will give \$100. That then is a triggering device that you are a viable candidate. From that point on in time you can be equally matched in money up to \$15 million. So for as much individual money at \$100 a throw that a person can raise up to \$7½ million, he can get another \$7½ million from the Government.

I think there is a lot of merit in it for the reasons Senator Mondale said, and I think that it does sort out the men from the boys, and yet give us a fair system.

Senator BYRD. I think it has a lot of merit, if it is deemed wise to appropriate tax funds.

Senator KENNEDY. Again, Senator Byrd, with regard to Senate and House general elections, there are no matching grants. What our group has tried to do is to find a common approach to House, Senate, and Presidential races. There is some question as to whether we should have extended it to include matching grants for primaries for the House and Senate, but we felt there was no consensus here.

Senator BYRD. If the Congress does go to public financing, it seems to me this matching grant proposal has a great deal of merit, and when this is considered in detail, perhaps the sponsors would be willing to consider the matching grant idea for the congressional and senatorial candidates also.

Thank you, Mr. Chairman.

Senator GRAVEL. Mr. Chairman, let me congratulate my colleagues.

Senator BENNETT. Senator Stevenson came in. I suppose he would like to testify.

The CHAIRMAN. Well, why do we not let Senator Gravel make his statement, and then Senator Stevenson can make his.

How do you want to do it?

Senator GRAVEL. If my colleague has a statement, I would like to hear it.

**STATEMENT OF HON. ADLAI E. STEVENSON III, A U.S. SENATOR
FROM THE STATE OF ILLINOIS**

Senator STEVENSON. I was going to add a word in response to Senator Byrd's comment. We are all united in support of a principle, and that principle is public financing for all Federal elections.

The concern is big money, not the \$1 contribution, the \$5, the \$10 contribution. We are concerned, all of us, about the corrupting influence of big money, and the only way to get rid of it is by substituting in some degree public financing.

The bill that I and Senator Mathias introduced—S. 1954—provided for partial rather than total public financing of campaigns. I see nothing corrupting or potentially corrupting about small campaign contributions. In fact, I think the small campaign contributions are a very healthy form of public participation.

The CHAIRMAN. Could I interrupt you at that point, Senator, and make a suggestion?

How about the situation where a single interest is organized with let us say 10,000 people, where they can call on every one of them anytime they want to to put up \$50 a piece. That can amount to a lot of money. And in some industry drives they do that most effectively.

Senator STEVENSON. I would knock them all out, all intermediaries, especially the party organizations. That is another detail of this amendment with which I disagree. I think it is wrong to make an exception for political parties, but not for the Council for a Livable World, or the ADA, or the National Association of Manufacturers. I think we should knock out every single intermediary between the candidate and the money.

Just as soon as you permit any entity—including labor unions—to collect small contributions, aggregate them, and then spend them in campaigns, you run the risk of compromising the integrity and impartiality of the candidate.

To get back to what Senator Byrd was suggesting, there are a number of ways in which you can permit small contributions. And I might add that I think that there are some constitutional risks inherent in attempting to prohibit a \$1 contribution. At some point, the potential for corruption makes it clearly constitutional to prohibit the contribution. It is just as constitutional as the prohibition against bribery.

What has to be done, it seems to me, is to draw that line. Is there anything inherently corrupting or potentially corrupting in a \$5 contribution, a \$10 contribution, a \$50 contribution, a \$100 contribution? When you get to \$1,000 or \$3,000, well then, yes. Then, I think clearly under the Constitution Congress has the right to draw that line.

You could, Senator Byrd—and I mention this because I know it would especially interest you—provide for a maximum limit of \$3,000 on contributions, and then provide for one-third public financing of campaigns, and between limited private contributions and the one-

third public financing of campaigns also succeed in reducing the cost to the Treasury by two-thirds, as compared to 100 percent public financing. And you would end up at that point with, I think, no real threat from large contributions to the integrity of the political process, and an annual cost over the 4-year cycle of only about \$25 million a year for public financing of all Presidential and congressional general elections.

Senator BYRD. That would be an improvement, I think, and would tend to put a ceiling on the amount the Treasury would be called upon.

Without something like that my fear is that there just is not any limit to what we in the Congress can vote ourselves, and vote presidential candidates in the Congress.

Senator STEVENSON. Well, these are, as you indicated, details. And I am confident that they can be resolved. But what is really important is to adopt the principle and to demonstrate a determination to rid our politics of this most corrupting influence.

Senator GRAVEL. Mr. Chairman, I want to compliment my colleagues for the effort they have made with this legislation.

I would like to set the record straight about the checkoff—it was under the President's veto that the checkoff was deferred so that it would not apply to the last Presidential election. Had we implemented the checkoff the way Congress desired, or the way other committees desired, we probably would not have had the scandals in these last 2 years. I can recall standing on the floor of the Senate when the conferees came back after caving into the pressure of a potential Presidential veto. It is unfortunate that we did not hold firm because I think we could have forced a veto—and sometimes that is necessary so that the people can clearly see where everybody stands.

Then, after we had the checkoff, it was deferred until the 1976 election, sabotaged by the IRS in the way they laid it out on the forms. They guaranteed that it would not succeed.

There has been debate as to whether or not we need hearings. Let me just say that there are no better authorities on this subject than the 100 Members of the United States Senate and the 435 Members of the House. There is nobody that is more knowledgeable, more experienced on this subject than those who have gone through an election campaign. We do not need hearings for people to come to tell us what is wrong. We know. What we have lacked is the necessary climate in the public to make us act. In fact, in 1971, similar legislation was introduced and you could not get any cosponsors.

Now, I think the climate is there. The debt ceiling bill, if it is veto-proof, is a good vehicle for this legislation. If we do not take any action on this moral problem, I think we would be lacking in our resolve.

That is the situation.

The CHAIRMAN. Since the veto matter came up, and since I was a conferee when this matter came to a head in the previous Congress, I think I should make it clear I voted for the arrangement that came from the conference because I was convinced beyond any doubt that that bill would be vetoed and that we would not have the votes to override the veto. My thought at that point was that we should bring forth as much as we could, recognizing what facts of life were at that moment. I think all of these things that have been said have merit in

varying degrees. We ought to take all of them into consideration and see whether we have here the best answer to the problem, because in the last analysis these things should be decided not on the basis of who is right, but on the basis of what is right. And if we have the right answers, we ought to try to move forward with them.

Senator BENNETT. Mr. Chairman, Senator Packwood has asked me to express his appreciation to the Senators who testified this morning, saying that he will study the record and look forward to prompt consideration. He regrets he was unable to be here this morning, but prior commitments made that impossible.

The CHAIRMAN. I want to thank Senator Cranston for the encouragement that he has given me in this area. I suffered enough wounds in this battle and had about decided to retire from the field when Senator Cranston urged me that we try to undertake this matter again and this time try to make some progress.

Thank you very much, gentlemen, for your testimony.

Senator SCHWEIKER. Thank you very much.

The CHAIRMAN. Next we will hear from the Secretary of the Treasury, Hon. George Shultz, and the Director of the Office of Management and Budget, Hon. Roy L. Ash.

Mr. Shultz, we are very pleased to have you with us again today, and we are also happy to welcome you, Mr. Ash, to explain the debt limit bill to us and respond to questions of the Senators about this matter.

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF THE TREASURY

Secretary SHULTZ. Thank you, Mr. Chairman, members of the committee. I have a relatively brief statement because I know that the members of this committee fully understand the need for final congressional action on the debt limit before the temporary limit expires on November 30. However, I do want to emphasize the urgency of this matter.

We now anticipate, and tables I and II* indicate, that the debt subject to limit will exceed the present temporary limit of \$465 billion during the last week of November unless we take extraordinary measures to retire debt. Our cash balances may need to be reduced below a prudent level at a time when cash operations may be unusually large and uncertain.

This would be contrary to the orderly and economical management of the Government's finances. It would serve no positive purpose.

Consequently, I urge final action before the last week in November, even though we will not be threatened with a total breakdown in our ability to finance before December 1.

As I am sure you are aware, the House Committee reduced our request for a new temporary ceiling of \$480 billion through June 30 to a figure of \$478 billion. The committee proposal was reduced further on the House floor to a figure of \$475.7 billion.

See p. 97.

Let me say that I can sympathize with the sense of frustration that led to the action on the House floor. But acts of frustration do not lead to wise decisions.

We have projected a roughly balanced unified budget in fiscal 1974, and I will explain that in more detail further on. However, I am the first to emphasize that outcome of a balanced budget is by no means assured. I am aware, and you are aware, of the continuing pressures to increase Federal outlays even beyond the projected \$270 billion figure, which is itself a massive \$23½ billion increase over the fiscal 1973 total.

I am keenly aware of the many urgent programs which must stand aside or be cut back in favor of even more urgent programs, if we are to hold outlays to \$270 billion.

But we cannot escape the fact that excessive Federal spending is one of the important roots of our inflationary problem. We cannot escape the fact that even this late in the session the Congress has been unable to implement procedures which would assure Congressional overview of both outlay and receipt totals to assure that they are consistent with the economic health of the country.

These are the reasons I can sympathize with the sense of frustration in the House. We in this administration feel a similar sense of frustration with about 75 percent of the expenditures being uncontrollable. This allows us to work on only the remaining 25 percent and forces many tough decisions. However, I cannot agree that venting our mutual frustration in a lower debt ceiling is the answer.

We can, if we must, live with the House figures for several months. But as early as March—even if our budget projections are fully met and no extraordinary debt transactions are necessary—we would be operating under strong debt limit pressure. I cannot contemplate handling the finances of the Federal Government prudently under those pressures for the extended period from mid-March through mid-June, with little or no margin for contingencies and with minimum cash balances.

I must advise this committee, therefore, that the limit provided by the House, in the event of any adverse contingencies, will bring us back to the Congress as early as February next year. In the best of circumstances, operating within the lower limit could be unnecessarily costly. At worst, it will directly impede substantive programs and make it impossible to handle the debt in an orderly way.

Not least, to avoid an unnecessary proliferation of debt limit hearings, I hope that this committee will approve our original request of a \$480 billion temporary debt limit through June 30, 1974.

I should note too, that our authority to borrow from the Federal Reserve has expired and its future is still quite uncertain. And I am advised that there is no real prospect in the remainder of this session that we will get that standard borrowing authority which we have had for years, which gives us a margin and flexibility very useful, for example, right now when the dollar has been strengthening and when foreign governments have been selling our securities, and we need to do quick refinancing. It is very useful to have that ability.

This is an added factor, making it more difficult to manage the debt and cash position in the most economical fashion. It emphasizes the need to carry somewhat extra cash balances, for we have no

alternative means of raising cash on a day-to-day basis should our estimates be wrong, or if an emergency arises.

Now let me explain in more detail the assumptions upon which we based our \$480 billion request. We have projected a roughly balanced unified budget in fiscal 1974. Tables III and IV* describe the changes in receipts and outlays since our January and June estimates.

At this point, 7 months before the end of the fiscal year, any expenditures and income forecasts must imply a range of possibilities about the projection.

Our estimate of both revenue and expenditure at \$270 billion fall in the low range of probabilities. There is a real risk that revenues may fall shy of \$270 billion and expenditures may exceed that figure. Also, we must recognize the possibility that of the \$2.2 billion requested as a supplemental appropriation, arising from the Mid-East war, as much as \$600 million could be spent before June 30.

In other words, if we take these two projections and we take the revenue estimate and say how probable is it that we will be at \$270 and how probable at \$259, \$268, and so on, we would have to say that the revenue estimate is on the high end of the probabilities as we see them, although we think it is certainly a figure that we can put forward to this committee in good conscience.

And on the other hand, the outlay estimates, as you look at the picture and try to make estimates of what may happen down the road, is on the low end of the probability; so we have to get an interaction of these two probabilities, neither one of which is strong, but both of which are possible.

In spite of those factors, we believe that by making a firm resolve, and by hard work and cooperation between the Executive and the Congress, it is possible to bring in a balanced budget. However, as I said, the outcome is by no means assured.

I am particularly concerned that, without the most vigilant effort, expenditures could exceed our projection. Already, as the Director of the Office of Management and Budget will explain in greater detail—and as shown on table V—certain congressional appropriations in excess of the President's budget and higher interest costs for the debt have forced us to estimate expenditures for fiscal 1974 more than \$1 billion larger than our June projections.

I believe it is as evident to you as it is to me that there are strong pressures for still greater spending. They should be resisted, but they can successfully be resisted only by the strongest cooperative efforts of the Congress and the administration. My sense of the Congress is that that objective is widely shared. In requesting a debt limit of \$480 billion, I am counting on that effort and that cooperation in holding expenditures to the projected level and making the possibility of a balanced budget an operative reality.

As you know, changes in the public debt are related more directly to the Federal funds than the unified budget. Table VI shows the relationship between these budgetary concepts.

As indicated, the Federal funds budget—which includes receipts and expenditures handled by the Government as "owner"—is projected to be in deficit by some \$15.1 billion, despite the fact that tax

*See p. 98.

and other receipts from the public are projected to exceed payments to the public by about \$6 billion.

The Federal funds budget is in deficit because some \$21 billion will be paid from the Federal funds budget in interest and other payments to the trust funds. As a result of these intragovernmental payments, the trust funds will, in turn, have a large surplus, offsetting the Federal funds deficit. Since this trust fund surplus is invested in Government securities, the public debt will rise, despite the balance in the unified budget.

Table I translates this outlook into projected levels of the debt month by month, assuming a \$6 billion cash balance and a \$3 billion margin for contingencies. The peak month-end figure is \$478 billion. I would note that the month-end indebtedness is sometimes exceeded within a month, as shown in table II, making the \$480 billion request appropriate.

Such a debt limit will, in fact, provide a tight ceiling. Obviously, the dollar flows in a \$270 billion budget are considerably larger than ever before—double the total only 9 years ago. An error of only 1 percent in estimates on either revenues or expenditures would amount to \$2.7 billion. As indicated in table VIII, the assumption of a constant \$6 billion cash balance and the traditional \$3 billion margin for contingencies provides a margin for flexibility, in relative terms little more than half of that provided in the early 1960's.

I would remind you, too, our forecasts depend in large measure on what the Congress actually votes to spend, as well as on the performance of the economy. The Congress has not yet completed final action on several appropriation bills, including the two largest, Defense and HEW, although I understand that action on the HEW bill is to be soon forthcoming. There are a number of other bills which must yet be considered and could have a major impact on 1974 spending.

Finally, Mr. Chairman, in managing the debt, we are inevitably subject to uncertainties arising from potentially sharp fluctuations in our cash needs stemming from sudden changes or disturbances in domestic or international markets. Although such contingencies seldom arise, the recent and welcome strength of the dollar in international currency markets indicates the potential need for a margin to take care of these contingencies. It has already caused us to borrow in our domestic money markets some \$1.2 billion more than we had anticipated as recently as 3 weeks ago. In looking many months ahead, we do need a reasonable margin for operating flexibility for handling such unexpected needs—even though the needs may be temporary and are not related to changes in the basic flow of receipts or expenditures.

While considering the debt limit, I want also to draw the committee's attention to the problem of assuring a fair rate of return on U.S. savings bonds.

This program is a cornerstone of our debt management policy, and savings bonds represent nearly one-fourth of the total public debt in the hands of the general public.

In order to maintain the strength of the program, we must be fair to the tens of millions of payroll savers and other buyers of savings bonds.

As a result of the interest rate pressures in the economy and the changes in ceiling rates on thrift and bank deposits in July, savings

bonds rates are now out of line with other rates. As a result, savings bonds sales have declined and redemptions have risen.

There is an ambiguity in the statutory language controlling the maximum rate on savings bonds. One interpretation suggests that we have no authority to raise savings bonds rates above 5½ percent. In the light of that interpretation, we have not felt able to raise the rate without explicit Congressional support.

The Ways and Means Committee has now concluded and clearly stated that, in fact, we can raise the rate to 6 percent under present law.

While I would much prefer complete removal of the ceiling, so that savings bonds rates could in the future be altered, as necessary, more promptly, if this committee and the Senate concur in the House interpretation, the difficulty would be solved for the time being.

In conclusion, let me urge upon you, first, an increase in the temporary debt limit to \$480 billion through June 30, 1974 and, second, removal of the savings bonds rate ceiling. These are measures clearly needed for the effective management of the public finance.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Shultz.

Senator Gravel.

Senator GRAVEL. Thank you very much, Mr. Chairman.

Mr. Secretary, have these calculations and projections you have here taken into account the situation that may well develop, and likely will develop—probably into a degree of recession as a result of the energy crisis that we are experiencing?

Have you calculated this in these figures?

Secretary SHULTZ. These figures do not reflect calculations stemming from the Mid-East crisis and the oil boycott. We are in the process of trying to work that carefully through to see what the impact is likely to be and to see how the impact can be in a sense directed at the less essential aspects of our life—and of course, the President spoke to that subject in his speech—so that we can keep the economy going.

Now, there have been lots of very dire and foreboding statements made. I think, myself, it is too soon to be predicting the kind of rise in unemployment rates that some have projected, and at least on a first blush, it looks to me as though we do the things in the conservation area that are tough to do and require changes to be made, we can pretty effectively protect the economy from major adverse impacts.

But in direct answer to your question, we have not yet had the time to factor this into these calculations; but they would make the arguments for giving us room in the debt ceiling even stronger, because they would suggest that our receipts might fall below that.

Senator GRAVEL. That is the reason for the question, that possibly you have not allowed sufficient float or latitude in these figures for that purpose.

Secretary SHULTZ. That is possible. Of course, the bulk of your fiscal 1974 receipts come on the basis of calendar 1973 income; that is the personal income tax and the corporate income tax are paid on the prior calendar year's revenue. And we have a reasonable calculation of what that would be by this time.

Of course, we do have payroll deductions, estimated taxes that do come in; so certainly the next calendar year is a factor. But calendar 1973 is the most important determinant.

Senator GRAVEL. We are having a special problem, Mr. Secretary. The chairman has appointed me chairman of the Subcommittee on Energy. Obviously, this committee is not going to try and do the tasks that many other committees in Congress are doing in this area; but what we hope to focus on are, of course, the revenue side of it.

I think it is very easy to pick up plans as to how to spend money. We are very good at it. It is how to raise money that becomes most acute, and I think that is where this subcommittee and this finance committee can make a contribution.

The incentive is to provide—and I know I will be introducing legislation dealing in energy trust funds, which would fall very much within your discipline. My staff has been unsuccessful up to now in getting your staff to agree that you would be available to testify before that subcommittee in the coming weeks to give us the counsel of the administration, and certainly of yourself. I feel that you are a person in the present administration who could suggest what some of these incentives could be.

The administration, in the President's message, deals with making a distribution of scarcity; but when we talk of making our Nation self-sufficient, I hope that the administration has a plan beyond the rhetoric to do this. That is why we are seeking, through your staff, to invite you to come forward with some suggestions and counsel from the administration.

This is our dilemma: if you do not show up at these hearings, or if your people do not particularly want to make a contribution, how are we to look upon the Administration or the President's statement about making the Nation self-sufficient?

Maybe you could help us with an appointment, and maybe arranging something as we go.

Secretary SHULTZ. Well, Senator, we obviously in the Treasury do have a major interest in this whole subject, particularly in the financial and economic aspects, including the basic balance-of-payments impacts and many considerations connected with that.

We have also in the past been rather heavily involved in the subject of energy. If you desire, the Treasury certainly will be pleased and privileged to appear before your committee, either myself or Bill Simon, or we will make whatever expertise we have available for your subcommittee without a doubt.

The President has reorganized the subject of energy, and Governor Love is the chairman of the energy group. And since we had been working on it, and now he is, and we have to sort of transfer this over, we have tried to have a low profile on the subject, and to suggest to you and others that we have testified before a great deal, that they should ask him to testify instead. And we would support him and give our information to him. But if you want us to appear, well, we will certainly—one of us will be very pleased to appear.

Senator GRAVEL. Well, Governor Love has agreed to testify. I can only reiterate the thesis that I am putting forth, and that is, that he will be great on spending the money, but I think any plan to raise money is going to have to go across your desk. And we would be very interested in knowing what plans the administration has of securing the necessary funds to implement a national resolve to make this Nation self-sufficient, and that would have to come from Treasury, not from Governor Love.

So I think the matter rests with yourself along with Governor Love. This is not to diminish the Task Force in the President's plan; but anything we do is going to take some money and some incentive, and that is going to come from you, Mr. Secretary.

Secretary SHULTZ. We will be glad to appear, either myself or Bill Simon and our staff. We will be glad to work with yours and provide whatever help we can.

Senator GRAVEL. Very good. We will look forward to your recommendations and would appreciate it. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Just a few brief questions. May I ask the Secretary, in the projected figures do you include under the expenditure side the \$2.4 billion which the administration has requested for Israel and for Southeast Asia?

Secretary SHULTZ. Well maybe Mr. Ash can respond to that more directly. I would point out that that is Budget authority, and the \$270 billion is an outlay estimate, and we expect that something on the order of \$600 million out of the \$2.2 billion would wind up as outlays on fiscal 1974.

Mr. ASH. And I can only add, that it is included as one of the items of Secretary Shultz's statement, in table V.*

Senator BYRD. Now, wait just a minute. You have indicated—yes.

Mr. ASH. Look on table V about three-fourths of the way down. First I should explain table V. Table V. reconciles the outlook that we had on June the 1st, that outlays might total \$268.7 billion, to the outlay estimated of today, that outlays for the fiscal year might total \$270 billion.

One of the items of adjustment indicated is military aid to Israel and Cambodia, \$600 million, and that is within the expected total expenditures of the \$270 billion.

Senator BYRD. Now, as I understand it then, the \$2.4 billion obligational authority which you request, only \$600 million will be spent in the 1974 fiscal year?

Mr. ASH. That is correct.

Senator BYRD. Now, how about your proposal for a \$3 to \$4 billion increase in Defense appropriations?

Mr. ASH. There have been discussions that I have read, as you have I am sure, in the newspapers on this subject. There is no proposal of that kind at this moment that has come before the President or has been completed in any stage.

Senator BYRD. Well, I think that is important information because the press indicates that such a proposal has been put forward, and I have gotten a good bit of mail on it; so I am glad to clear up this matter that no proposal has come before the President, and he has not proposed an increase of \$3 to \$4 billion in the defense appropriation.

Mr. ASH. That is correct. At this stage, the Defense Department has been doing some completely internal work on the subject. Whether this will lead to a request for that amount, or some other amount, or to no amount has not yet been determined within the Defense

*See p. 99.

Department, and certainly, nothing has come beyond that at this moment.

Senator BYRD. Thank you. That is very helpful.

Now, do the figures include the President's request of either last week or the week before last for an additional \$1.5 billion to the World Bank?

Secretary SHULTZ. Well, this is a request for the so-called fourth replenishment of IDA. And if that is approved, the first outlays that might occur from that would probably not take place until fiscal 1976, and then they would be on the order of \$140 million or so.

Thus this is a request for authorization for that replenishment and would not have any impact whatever in fiscal 1974.

Senator BYRD. No impact on this particular budget?

Secretary SHULTZ. No, none. Absolutely none.

Senator BYRD. Well, that brings to mind perhaps Congress would be wise to consider this in 1975, since it is not going to be involved until 1976 anyway.

Secretary SHULTZ. Well, if I may, I testified yesterday in the House on this, and I will testify before the Senate Foreign Relations Committee on it on Monday. This proposal is the result of a lengthy negotiation with all of the other countries that are members of the World Bank and who make contributions to it. And among other things, we negotiated a reduced U.S. share from 40 percent, which has been our traditional share, to a third.

We think that it is important to go ahead with this, and that we have basically struck a pretty good deal for the United States here, while maintaining the strength of our participation in these efforts. And in order for it to come about, we have to get ourselves into the position of being able to agree with the other countries. We ideally need to have that ability to agree prior to June 30 of this coming year, because the ability to make commitments under these funds runs out as far as the World Bank is concerned.

So we are anxious to go through the authorization process as promptly as we can, and then in some manner get agreement or have something go through the appropriating committee so that they, too, have their crack at the subject, so that we are able to speak authoritatively for the United States on this matter.

We have been very explicit with the other countries, that, in negotiating there, I was speaking for the President but that the Congress finally had to act on this. And until the Congress did, the United States could not sign up and commit itself to these sums.

So we are now in the process of coming to you. We believe that expeditious consideration of this is very important.

Senator BYRD. What is the capital of the World Bank now?

Secretary SHULTZ. This particular amount refers to the IDA, International Development Association, and is the soft loan window of the World Bank.

But what its subscribed capital is, we can get that for the record, if we may, Senator.

Senator BYRD. Yes; if you could supply for the record the capital of the World Bank now.

Secretary SHULTZ. Yes, sir, we can do that.

Senator BYRD. And how much the United States has put into the World Bank over a period of time.

Senator BENNETT. Mr. Chairman—Senator, I think you would also want the capital of IDA, because this is IDA rather than the World Bank.

Senator BYRD. I also want the facts on the World Bank itself, as differentiated from its subsidiary.

Secretary SHULTZ. Suppose we put into the record at this point a sort of descriptive statement about the financial flows involved in the World Bank and IDA, if you would like?

Senator BYRD. That is all right. What I want are the actual figures.

Secretary SHULTZ. Yes.

Senator BYRD. As to the capital of both IDA and the World Bank, how much the United States has put into each of those, and how much all the other countries combined have put in.

[The following information was subsequently supplied:]

Since its establishment on December 27, 1945, member countries—122 as of June 30, 1973—purchased subscriptions in the International Bank for Reconstruction and Development (World Bank) in the amount of \$30,397 million, of which 90% was in the form of callable guarantee capital, banking IBRD bond placements in private capital markets, and 10% was paid in non-interest bearing letters of credit to be drawn down as needed. The share of the United States was 26% of the total or \$7,809 million, 90% of which is in callable guarantee capital and unlikely ever to become a cash outlay. Loans from the IBRD are long-term at market rates of interest.

Contributions to the concessional lending (long-term, low-interest loans) affiliate of the World Bank, the International Development Association, either paid in or due in non-interest bearing letters of credit, amounted to \$5,266 million as of June 30, 1973. The U.S. share of this was 39 percent or \$2,072 million since IDA's founding in 1960. Only the wealthier or industrialized countries contributed to the IDA which lends to the poorest of its 112 member countries, i.e., those with an income per capita of \$375 per year or less.

Below is a schedule of past contributions:

	Total (millions)	U.S. share	
		Amount (millions)	Percent
1961 initial subscription.....	\$751	\$320	43
1966 first replenishment.....	745	312	42
1969 2d replenishment.....	1,202	480	40
1972 3d replenishment.....	2,445	960	39
From IBRD profits and other.....	123		
Total.....	5,266	2,072	39

Secretary SHULTZ. Well, broadly speaking, the United States has contributed 40 percent of the money, and that has been our share as it was set up originally.

In this fourth replenishment negotiation, we held that other countries had become more able to carry a bigger share of this burden, and that we should not have to bear 40 percent. And we negotiated with them, and have agreement on the U.S. share declining to one-third. And we think that that reflects an appropriate sort of burden sharing.

And so, our future IDA share will be less than it has been in the past.

Senator BYRD. It is also correct, is it not, that the great total of the funds that have been disbursed by IDA have gone to India, and Pakistan?

Secretary SHULTZ. India has gotten about 40 percent of the IDA money.

Senator BYRD. The total money?

Secretary SHULTZ. That is right. This is, of course, money flows to countries with per capita income of \$375 per year or less; that is, it goes to the very poor parts of the world.

Senator BYRD. I note in this year's budget—I do not know exactly who to address this question to—but I note that in this year's budget there is roughly \$8 billion for the Export-Import Bank.

Now, why would such a large amount as that be required in this one budget?

Secretary SHULTZ. That is not in the budget, I do not think.

Mr. ASH. Senator, that is, I believe the authority to make loans to that level. It has nothing to do with Federal Government outlays or use of Federal Government moneys to that amount.

Senator BYRD. Well, you have an item of \$3.8 billion for long-term credits. Then you have an item of \$2.2 billion for regular operations, and then you have an item of \$1.6 billion for short-term operations. And they add up to somewhere around \$8 billion.

Secretary SHULTZ. Is this the budget of the Eximbank?

Senator BYRD. This is the Eximbank.

Mr. ASH. The Eximbank operations are outside the Federal Government's budget. The bank conducts its own business, and in the process uses its own revenue and borrowings to in turn make its own loans, and does not depend upon the Federal budget to provide funds for its operations.

Senator BYRD. Well, why would this be in the new request for authorizations and appropriations?

Mr. ASH. The Bank still requires, of course, congressional authorization to do the business that it does; but it does not do so by drawing upon the resources of the budget, except for those that it already has in earlier years; and now it uses them in the conduct of its day-to-day and year-to-year business.

Senator BYRD. I would like to get back to this in a moment, but my time has expired.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Chairman, I would rather wait until after Mr. Ash has testified, and then I will see if I have any questions.

The CHAIRMAN. I have a number of questions to ask, but I will defer my questions until a little later.

(Tables attached to Mr. Shultz' prepared statement follow.)

TABLE I.—PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1974
 BASED ON ESTIMATED BUDGET OUTLAYS OF \$270,000,000,000 AND RECEIPTS OF \$270,000,000,000
 (In billions of dollars)

	Operating cash balance	Public debt subject to limitation	With \$3,000,000,000 margin for contingencies
ACTUAL			
1973:			
June 30.....	12.6	459.1	.....
July 31.....	7.2	460.0	.....
Aug. 31.....	3.1	462.8	.....
Sept. 30.....	8.3	462.4	.....
Oct. 31.....	5.7	463.4	.....
Nov. 12.....	2.9	459.8	.....
ESTIMATED			
1973:			
Nov. 30.....	6.0	467	.....
Dec. 31.....	6.0	467	.....
1974:			
Jan. 31.....	6.0	467	470
Feb. 28.....	6.0	471	474
Mar. 31.....	6.0	473	476
Apr. 30.....	6.0	468	471
May 31.....	6.0	475	478
June 30.....	6.0	468	471

TABLE II.—PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1974
 BASED ON ESTIMATED BUDGET OUTLAYS OF \$270,000,000,000 AND RECEIPTS OF \$270,000,000,000
 (In billions of dollars)

	Operating cash balance	Public debt subject to limitation	With \$3,000,000,000 margin for contingencies
ACTUAL			
1973:			
June 30.....	12.6	459.1	.....
July 31.....	7.2	460.0	.....
Aug. 31.....	3.1	462.8	.....
Sept. 30.....	8.3	462.4	.....
Oct. 31.....	5.7	463.4	.....
Nov. 12.....	2.9	459.8	.....
ESTIMATED			
Nov. 30.....	6.0	467	.....
Dec. 11.....	6.0	467	.....
Dec. 31.....	6.0	467	.....
1974:			
Jan. 10.....	6.0	469	472
Jan. 31.....	6.0	467	470
Feb. 15.....	6.0	466	469
Feb. 28.....	6.0	471	474
Mar. 8.....	6.0	472	475
Mar. 31.....	6.0	473	476
Apr. 10.....	6.0	475	478
Apr. 30.....	6.0	468	471
May 15.....	6.0	469	472
May 31.....	6.0	475	478
June 11.....	6.0	477	480
June 30.....	6.0	468	471

TABLE III.—COMPARISON OF FISCAL YEAR 1974 RECEIPTS AS ESTIMATED IN JANUARY 1973, MAY 1973, MID-SESSION REVIEW, AND CURRENTLY

(In billions of dollars)

	January 1973 budget	Change from January 1973 budget	May 1, 1973 estimate	Change from May estimate	Mid-session review	Change from mid-session review	Current estimate
Individual income taxes.....	111.6	+3.7	115.3	+0.7	116.0	+1.0	117.0
Corporation income tax.....	37.0	+3.0	40.0	+1.5	41.5	+2.5	44.0
Employment taxes and contributions.....	67.9	.....	67.9	+5	68.4	+0.5	67.9
Unemployment insurance.....	6.3	-.1	6.2	.....	6.2	.....	6.2
Contributions for other insurance and retirement.....	4.0	.....	4.0	.....	4.0	.....	4.0
Excise taxes.....	16.8	.....	16.8	.....	16.8	.....	16.8
Estate and gift taxes.....	5.0	+4	5.4	.....	5.4	+4	5.8
Customs duties.....	3.3	+2	3.5	.....	3.5	.....	3.5
Miscellaneous receipts.....	4.1	-.2	3.9	+3	4.2	+6	4.8
Total budget receipts.....	256.0	+7.0	263.0	+3.0	266.0	+4.0	270.0
Underlying income assumptions—calendar year 1973:							
GNP.....	1,267	.....	1,283	.....	1,283	.....	+1,288
Personal income.....	1,018	.....	1,030	.....	1,030	.....	+1,033
Corporate profits before tax.....	108	.....	116	.....	116	.....	+129

¹ Includes +\$200,000,000 for anticipated legislation required to write off liability carried on outstanding silver certificates.

² Includes +\$300,000,000 for deferral to fiscal year 1975 of proposed legislation dealing with private school tuition credits and +\$300,000,000 for substitution of pension reform legislation passed by the Senate for pension reform legislation proposed by the administration (primarily reflecting later effective dates).

³ Consists of -\$600,000,000 for dropping proposed legislation to increase taxes under the Railroad Retirement Tax Act and +\$100,000,000 for enacted legislation to increase the social security tax base, effective Jan. 1, 1975.

⁴ These incomes reflect, in part, historical revisions reported by the Department of Commerce in July 1973 and, therefore, are not directly comparable with prior income assumptions.

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

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

TABLE IV.—FISCAL YEAR 1974 UNIFIED BUDGET RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT

(In billions of dollars)

	January 1973 estimate	Change from January 1973 estimate	May 1 estimate	Change from May estimate	Mid-session review	Change from mid-session review	Current estimate
Receipts.....	256.0	+7.0	263.0	+3.0	266.0	+4.0	270.0
Outlays.....	268.7	.....	268.7	(¹)	268.7	+1.3	270.0
Deficit (-).....	-12.7	+7.0	-5.7	+3.0	-2.7	+2.7	.....

¹ Less than \$50,000,000.

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

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

TABLE V.—FISCAL YEAR 1974 OUTLAYS

[Billions of dollars]

June 1 estimate.....	268.7
Completed congressional actions:	
Food stamp liberalization and repeal of wheat processing charges.....	1.1
Veterans programs, including inactions on proposed savings.....	0.4
Advance of Federal pay raise.....	0.3
Social security and medicaid benefits.....	0.2
School lunch and child nutrition amendments.....	0.2
Agriculture environmental, etc., appropriations (excluding food stamp add-on above).....	0.2
Other completed actions.....	0.4
Subtotal, completed congressional actions.....	2.9
Other changes:	
Interest paid on the debt.....	1.5
Interest received and other undistributed intragovernmental transactions.....	-0.7
Farm price supports.....	-1.2
Medicaid cost increases.....	0.6
Military aid to Israel and Cambodia.....	0.6
Veterans readjustment benefits.....	0.4
Federal employee retirement funds.....	0.2
Federal Housing Administration fund.....	0.2
Outer Continental Shelf rents and royalties (offset against outlays).....	-2.3
Financial asset sales.....	-0.9
Other changes (net).....	-0.1
Subtotal, other changes.....	-1.6
Current estimate.....	270.0

TABLE VI.—CHANGE IN BUDGET RECEIPTS AND OUTLAYS, BY FUND GROUP

[Fiscal years; in billions of dollars]

	1972 actual	1973 actual	1974		Change
			June estimate	Current estimate	
Receipts:					
Federal funds.....	148.8	161.4	181.0	185.6	4.6
Trust funds.....	73.0	92.2	106.1	106.0	-.2
Intragovernmental transactions.....	-13.2	-21.3	-21.1	-21.6	-.5
Total.....	208.6	232.2	266.0	270.0	4.0
Outlays:					
Federal funds.....	178.0	186.4	199.8	200.7	.9
Trust funds.....	67.1	81.5	90.1	90.9	.8
Intragovernmental transactions.....	-13.2	-21.3	-21.1	-21.6	-.5
Total.....	231.9	246.5	268.7	270.0	1.3
Surplus or deficit (-):					
Federal funds.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds.....	5.9	10.7	16.1	15.0	-1.0
Total.....	-23.2	-14.3	-2.7	(1)	2.7

¹ Less than \$50,000,000.

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

TABLE VII.—CHANGE IN BUDGET SURPLUS OR DEFICIT (—) BY FUND GROUP

(Fiscal years; in billions of dollars)

	1972 actual	1973 actual	1974		Change
			June estimate	Current estimate	
Federal funds:					
Transactions with the public.....	-16.2	-3.9	1.9	5.9	4.0
Transactions with trust funds.....	-12.9	-21.1	-20.7	-20.9	-.2
Total.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds:					
Transactions with the public.....	-7.1	-10.4	-4.7	-5.9	-1.2
Transactions with Federal funds.....	12.9	21.1	20.7	20.9	.2
Total.....	5.9	10.7	16.1	15.0	-1.0
Budget total:					
Federal funds.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds.....	5.9	10.7	16.1	15.0	-1.0
Total.....	-23.2	-14.3	-2.7	(¹)	2.7

¹ Less than \$50,000,000.

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

TABLE VIII.—RELATION OF MARGIN FOR CONTINGENCIES TO UNIFIED BUDGET OUTLAYS, FISCAL YEARS

(Dollar amounts in billions)

Fiscal year:	Outlays	\$3,000,000,000 contingency margin as percent outlays	Cash balance in debt limit forecast	Estimated cash balance plus margin for contingencies	Estimated cash balance and contingency margin as percent outlays
1962.....	\$106.8	2.8	\$3.5	\$6.5	6.1
1963.....	111.3	2.7	4.0	7.0	6.3
1964.....	118.6	2.5	4.0	7.0	5.9
1965.....	118.4	2.5	4.0	7.0	5.9
1966.....	134.7	2.2	4.0	7.0	5.2
1967.....	158.3	1.9	4.0	7.0	4.4
1968.....	178.8	1.7	4.0	7.0	3.9
1969.....	184.5	1.6	4.0	7.0	3.8
1970.....	196.6	1.5	6.0	9.0	4.6
1971.....	211.4	1.4	6.0	9.0	4.3
1972.....	231.9	1.3	6.0	9.0	3.9
1973.....	246.6	1.2	6.0	9.0	3.7
1974 ¹	270.0	1.1	6.0	9.0	3.3

¹ Estimated.

The CHAIRMAN. Mr. Ash, at this point would you like to make your statement?

STATEMENT OF ROY L. ASH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. ASH. Thank you, Mr. Chairman.

Since much of what I would say is very similar to what was included in Secretary Shultz' statement, if you will agree, I will submit it for the record, and then we can go on to further discussion.

The CHAIRMAN. Without objection then, we will do that.
 [The prepared statement of Roy L. Ash follows:]

STATEMENT OF HON. ROY L. ASH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman and Members of the Committee, in support of the requested increase of the statutory debt limit, I will discuss the 1974 budget outlook and its effect on the debt.

When we appeared before you in June to request that the debt limitation be increased, we presented the results of our Mid-Session Review of the 1974 Budget. At that time, we estimated a unified budget deficit of \$17.8 billion in fiscal year 1973 and \$2.7 billion in fiscal year 1974. For the two years, the combined total of the deficits was \$17 billion less than we had estimated in January. Now, fiscal year 1973 is over, and we have taken a new look at fiscal year 1974.

REVISED FISCAL YEAR 1974 ESTIMATES

The 1974 estimates contained in the Mid-Session Review were necessarily tentative. We did not know then what the 1973 budget results would be, and the Congress had not completed action on any of the regular 1974 appropriation bills.

Even now the situation is not clear. The Congress has yet to complete final action on several appropriation bills, including Defense and foreign assistance. The Congress is also still considering a number of other bills that could have a major impact on 1974 spending. In addition, there are the usual uncertainties about estimates made this early in a year.

While the budget outlook cannot be entirely clear at the moment, our objective is very clear. The continuing threat of inflation leaves no choice; a balanced budget in fiscal year 1974 must be our mutual goal. Fiscal restraint is imperative for the foreseeable future if we are to bring inflation under effective control.

We believe that a balanced budget in fiscal year 1974 is achievable if the Congress and the Executive work in concert and are resolute in their determination to hold the line on spending. One thing is certain, however; we will have to work at it. A balanced budget will not come easily.

Receipts

In June, budget receipts for 1974 were estimated at \$266 billion. Since then, prices have increased faster than we anticipated, causing an upward revision in expected price changes for the year. Primarily for this reason, there has been a further upward revision in our receipts estimate to about \$270 billion, \$4 billion above the June estimate. This is, we believe, an adequate upper limit on spending in fiscal year 1974.

Outlays

The Administration's resolve to keep total spending under firm control is reflected in the current estimate of \$270 billion for fiscal year 1974. The Mid-Session Review estimate was \$268.7 billion. Since then, as the following table indicates, completed congressional actions have added nearly \$3 billion. Increases in such relatively uncontrollable outlays as net interest, Medicaid, veterans benefits, employee retirement benefits, and FHA payments have amounted to more than \$2 billion, and the 1974 outlay impact of increased military aid to Israel and Cambodia is estimated to exceed \$½ billion. Higher than anticipated rents and royalties from the Outer Continental Shelf lands, increased financial asset sales, and decreases in farm price supports will offset about \$4½ billion of the total increase. The net result of these several changes is a current estimate of approximately \$270 billion for 1974 outlays.

Fiscal year 1974 outlays

[Billions of dollars]

June 1 estimate.....	268.7
Completed congressional actions:	
Food stamp liberalization and repeal of wheat processing charges.....	1.1
Veterans programs, including inactions on proposed savings.....	0.4
Advance of Federal pay raise.....	0.3
Social security and Medicaid benefits.....	0.2
School lunch and child nutrition amendments.....	0.2
Agriculture-Environmental, etc., appropriations (excluding food stamp add-on above).....	0.2
Other completed actions.....	0.4
Subtotal, completed congressional actions.....	2.9
Other changes:	
Interest paid on the debt.....	1.5
Interest received and other undistributed intragovernmental transactions.....	-0.7
Farm price supports.....	-1.2
Medicaid cost increases.....	0.6
Military aid to Israel and Cambodia.....	0.6
Veterans readjustment benefits.....	0.4
Federal employee retirement funds.....	0.2
Federal Housing Administration fund.....	0.2
Outer Continental Shelf rents and royalties (offset against outlays).....	-2.3
Financial asset sales.....	-0.9
Other changes (net).....	-0.1
Subtotal, other changes.....	-1.6
Current estimate.....	270.0

The relentless upward pressure on Federal spending will not cease in the days ahead. For one thing, the uncontrollable outlays of the Federal Government are not immune to the effects of inflation. If we have underestimated these effects, uncontrollable outlays will be higher than we now anticipate. Should these outlays be higher, offsetting reductions will have to be made elsewhere if the objective of a balanced budget is to be realized.

The main threat to a balance comes not from uncontrollable outlays, however; it comes from legislation currently pending before the Congress and from inaction by the Congress on savings proposed by the Administration. Unavoidably, therefore, the main burden of the responsibility for achieving a balanced budget this year rests on the Congress.

Bills that are currently being considered by the Congress, together with congressional inaction on savings proposed by the President, could easily add \$4 billion to 1974 spending. These bills and inactions include:

- a proposed social security benefit increase, \$0.0 billion;
- inaction on proposed savings in HEW and Veterans programs \$1.0 billion;
- Labor-HEW appropriations, \$1.7 billion;
- emergency employment, \$0.4 billion;
- urban mass transit operating subsidies, \$0.3 billion;
- Federal employee's benefits, \$0.4 billion;
- loss of planned Postal Service payment to Civil Service Commission, \$0.3 billion.

The statutory limitation on the debt requested by the President assumes that a balanced budget will be realized this fiscal year. It assumes, therefore, that the Congress will not take actions that increase Federal spending beyond about \$270 billion, or, that if increases are voted, offsetting decreases will be enacted, too—but not in national defense programs.

This last point is crucial. The President has said time and again that it would be a fatal mistake to attempt to balance the budget by adding to domestic programs and taking that amount out of defense. In constant dollars, the defense budget—which is one of the prices we pay for freedom—is already \$10 billion less than in 1964, before the Vietnam war began. Further cuts would risk weakening our national security.

BUDGET TOTALS

The following table compares the current estimates with the estimates used in June.

BUDGET TOTALS
(In billions of dollars)

	1973		1974	
	June estimate	Actual	June estimate	Current estimate
Budget receipts.....	232.0	232.2	266.0	270
Budget outlays.....	249.8	246.5	268.7	270
Deficit (-).....	-17.8	-14.3	-2.7	

As was noted earlier, in June the deficit for the two-year period was estimated at \$20½ billion. Our current estimates contemplate a \$14½ billion deficit for the two-year period.

We must not be lulled into complacency by the upward revisions in estimated receipts, which account for the improvement in the budget outlook since June. Because these higher receipts result from higher than anticipated price increases, the need for spending restraint is greater, not less.

FEDERAL FUNDS TOTALS

The Federal funds part of the budget, which is the basis on which estimates of the public debt and the debt limit are calculated, also shows an improved position since June. The 1973 deficit proved to be about \$3 billion below the June estimate, and the currently estimated deficit for 1974 is more than \$3½ billion below the earlier estimate. (Additional information on the budget by funds groups is shown in the attached Tables 1 and 2.)

(In billions of dollars)

	Fiscal year 1973		Fiscal year 1974	
	June estimate	Actual	June estimate	Current estimate
Receipts.....	160.9	161.4	181.0	185.6
Outlays.....	188.8	186.4	199.8	200.7
Deficit (-).....	27.9	-25.0	-18.8	-15.0

CONCLUSION

The proposed statutory debt limit is calculated on the assumption that the fiscal year 1974 budget will be balanced at approximately \$270 billion. While both the receipts and the outlay estimates are tentative and subject to change, the balance that they show is achievable if the Congress does not vote the spending increases that it is currently considering.

It is imperative that we not allow 1974 spending to rise further. The months that have passed since June have confirmed the wisdom of the policy of fiscal restraint and the urgency of the need for the Congress and the Administration to join in a concerted effort to assure that restraint is achieved. To repeat, we must not be lulled into complacency by the upward revisions in estimated receipts. These revisions result from higher than anticipated price increases and make the need for spending restraint more urgent, not less.

We are confident that the Congress will join us in making spending restraint in 1974 a matter of the highest priority. Passage of the requested statutory limitation on the Federal debt will be a clear sign of concurrence by the Congress in the objective of holding spending to around \$270 billion.

TABLE 1.—CHANGE IN BUDGET RECEIPTS AND OUTLAYS, BY FUND GROUP

(Fiscal years; in billions of dollars)

	1972 actual	1973 actual	1974		Change
			June estimate	Current estimate	
Receipts					
Federal funds.....	148.8	161.4	181.0	185.6	4.6
Trust funds.....	73.0	92.2	106.1	106.0	-.2
Intragovernmental transactions.....	-13.2	-21.3	-21.1	-21.6	-.5
Total.....	208.6	232.2	266.0	270.0	4.0
Outlays:					
Federal funds.....	178.0	186.4	199.8	200.7	.9
Trust funds.....	67.1	81.5	90.1	90.9	.8
Intragovernmental transactions.....	-13.2	-21.3	-21.2	-21.6	-.5
Total.....	231.9	246.5	268.7	270.0	1.3
Surplus or deficit (-):					
Federal funds.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds.....	5.9	10.7	16.1	15.0	-1.0
Total.....	-23.2	-14.3	-2.7	(¹)	2.7

¹ Less than \$50,000,000.

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

TABLE 2.—CHANGE IN BUDGET SURPLUS OR DEFICIT (-) BY FUND GROUP

(Fiscal years; in billions of dollars)

	1972 actual	1973 actual	1974		Change
			June estimate	Current estimate	
Federal funds:					
Transactions with the public.....	-16.2	-3.9	1.9	5.9	4.0
Transactions with trust funds.....	-12.9	-21.1	-20.7	-20.9	-.2
Total.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds:					
Transactions with the public.....	-7.1	-10.4	-4.7	-5.9	-1.2
Transactions with Federal funds.....	12.9	21.1	20.7	20.9	.2
Total.....	5.9	10.7	16.1	15.0	-1.0
Budget total:					
Federal funds.....	-29.1	-25.0	-18.8	-15.0	3.7
Trust funds.....	5.9	10.7	16.1	15.0	-1.0
Total.....	-23.2	-14.3	-2.7	(¹)	2.7

¹ Less than \$50,000,000.

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

The CHAIRMAN. Senator Gravel.

Senator GRAVEL. I have no questions.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

To get back to the Export-Import Bank, since this \$8 billion figure is included in the budget, I would assume that—

Secretary SHULTZ. It was not included in the budget. I believe that is the budget for the Eximbank. It is not a part of the stated Federal budget.

Mr ASH. Senator, in the budget for fiscal year 1974, on page 288, which contains the listings of the items that make up the budget, there

is a heading "Export-Import Bank," and you will note that it shows no amount at all of Federal funds expended for the operations of the Export-Import Bank.

Senator BYRD. Are there guarantees?

Mr. ASH. There are no cash flows that have to do with either the guarantees or the operations of the Export-Import Bank. It is a self-financing operation at this stage. Its own borrowing and its own collections from previously made loans are adequate to pay for its continuing operations without calling upon the Federal budget to bear any portion of that.

Senator BYRD. Well, does the Federal Government guarantee any of those loans?

Mr. ASH. Yes, sir. I do not know the amounts, but there are guarantees.

Secretary SHULTZ. The Eximbank guarantees—and, of course, the Eximbank has behind it the Federal Government. So if it were not for the Federal Government's presence, the Eximbank could not do what it is doing.

Senator BYRD. So that is what I am getting at. It is part of the Government's financing.

Secretary SHULTZ. Right. And if what you are getting to is the question of financing off the budget by many agencies, Eximbank being the example that you have, well, there are a lot. And I think that that is a problem. It is a problem to which we addressed ourselves, among other things, in the proposal for a Federal financing bank to better articulate these. And we are disappointed that the Federal financing bank does not seem to be going through at a very powerful way. It nevertheless seems to have a good prospect at least to get that vehicle going.

But I think you are identifying an important problem.

Senator BYRD. I think the Eximbank is a very important part of Government. It is part of—I guess you would say it is part of the so-called backdoor financing of the Government.

Secretary SHULTZ. Yes, exactly.

Senator BYRD. And it is an indirect obligation of the Government, and the Government is the endorser.

Secretary SHULTZ. Right. The only point I was making is that in adding up these numbers to get the \$270 billion, it is not in that budget, but it is a part of the Government, and a very important and essential part of the Government, we think.

Senator BYRD. But it is not a part of the \$270 billion?

Secretary SHULTZ. Right, exactly.

Senator BYRD. I think just one other question or two. Do I read your table right, interest paid on the national debt? You are predicting a decrease from the \$27.5 billion, or is that an increase?

Mr. ASH. This is an increase, Senator. It is an increase from the estimate made in June. Of course, the estimate made in June was itself higher than the estimate made earlier in January when the budget was submitted.

Senator BYRD. You originally in January submitted \$26 billion, as I recall. You later raised it to \$27.5 billion.

Mr. ASH. Now it is nearer to \$29 billion.

Senator BYRD. This is an increase?

Mr. ASH. This is a further increase in the expected interest outlays in this fiscal year, by \$1½ billion. All of the items that on table V that are positive are increases in expenditures. All the items that are negative are reductions.

Senator BYRD. Well, I was reading it inaccurately, so that would bring the interest charges you anticipate then would be \$29 billion for the current fiscal year?

Mr. ASH. Very near that.

Senator BYRD. Which is an increase of \$3 billion or more than 10 percent since your estimate in January.

Mr. ASH. That is correct.

Senator BYRD. That is a tremendous increase.

Mr. ASH. It certainly is.

Senator BYRD. And that is included in the \$270 billion figure?

Mr. ASH. That is right.

Senator BYRD. Now, I note that the projection for the corporate income tax collections, you project an increase of 22 percent from \$36 billion to \$44 billion, as compared to the last fiscal year. That is, of course, a very substantial increase. Of course, the companies seem to be doing well, and I guess maybe that is a realistic assumption.

But if it is, it is going to mean that fiscal 1975, I would think, we may be pretty hard hit in that year.

Secretary SHULTZ. We will have to come to that.

Senator BYRD. And the personal income tax you figure will be up 13 percent this year compared to last year.

Secretary SHULTZ. Yes. I am sure you are right.

Senator BYRD. If this energy crisis does have substantial effect on the economy, it will also have substantial effect on your revenue estimate.

Secretary SHULTZ. Yes, it will certainly. And as I was saying with Senator Gravel, it would tend to have a greater impact on the fiscal 1975 estimates than 1974 because so much of what is owed in fiscal 1974 is based on the calendar year that is practically over already.

Senator BYRD. So to put it another way, would it probably be accurate to say that however fiscal year 1974 may turn out, that 1975 is likely to turn out less well?

Secretary SHULTZ. Well, I am trying to caution against jumping too fast to that conclusion, because I have believed for some time that we have a real and important and difficult long-term energy problem. We must do some very sharp and important and significant things about it.

And I also believe that, particularly with the Arab boycott, we have a significant and difficult short-term problem, and we have to do some things about that.

I have not reached the conclusion as yet that the problem that we have is one that cannot be handled by measures that still allow our economy to move ahead powerfully; that is, an awful lot of energy can be saved by changing our patterns of behavior in ways that do not seem to be overly burdensome, if we can just figure out how to induce people to do them.

And when you consider that with 6 percent of the world's population, we consume 30 percent of the energy, you just have to believe

that there are ways in which we could use a little less without disrupting ourselves too badly.

So I say, let us be realistic and candid with ourselves. We have a real problem on our hands, but let us also try to handle it in a way that does not disrupt our economy. And I think that if we get about it, we have a reasonable chance of doing that.

Senator BYRD. Thank you, sir.

Thank you, Mr. Chairman.

Senator BENNETT. I have just a couple of questions.

Has the Treasury ever had to put out money to back up the Ex-imbank?

Has it ever had to finance its guarantees?

Secretary SHULTZ. No.

Senator BENNETT. Have you included in these figures any part of the President's proposed \$10 billion for research and development for energy?

Mr. ASH. The part that relates to this fiscal year is included in these numbers. The numbers include what was already in the fiscal 1974 budget plus one supplemental of approximately \$100 million to augment the research and development program this fiscal year.

The main thrust of the 5-year program, however, bears upon future years and will be in the budgets of those future years. We are spending, as you may know, Senator, about \$900 million a year right now in energy research and development. Those amounts are in the budget.

Senator BENNETT. No further questions, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I used to feel extremely gloomy about the public debt until I thought of obtaining from the Treasury a wealth of information on the subject which has made me feel a great deal better about the whole situation. In fact, from a starting point where it looked as though the world was going to come to an end before the beginning of the next year, I have been persuaded that this is the wealthiest, strongest Nation on the face of the Earth, offering more opportunities to its people than any nation in history; and that even in spite of some of the things that come our way, such as the energy crisis that we are experiencing right now, when I study the whole thing in perspective, I conclude that this Nation is in good shape.

I know that it sounds strange to say this when we are facing an energy crisis, and when you have said that the national debt was more than it ever was, but there are just a lot of things that most people do not take into consideration. For example, a great deal of this national debt is debt that the Federal Government owes the Federal Government, such as borrowings from the trust funds and the bonds held by the Federal Reserve. When you subtract out the debt that the Government owes to itself, and narrow it down to what the Government actually owes to corporations and individuals, the debt does not look as bad as one might think.

For example, in table 6 which you have provided at my request, I note that in 1945 the net Federal debt was 62 percent of the total of all public and private debt in the United States. I see that in 1972 it was 15 percent. In relative terms, it is only one-quarter of what it was back at that time.

Now, just if you stop right there, that would look like a very good thing, would it not?

Secretary SHULTZ. Yes, sir.

The CHAIRMAN. My colleague, Senator Bennett, points out that the reason that looks so good is because there has been such a great increase in the private debt structure, so that the private debt has outraced the public debt. But when you relate that to personal income, whether on a per capita basis or whether on an overall basis—or if you want to relate it to a similar, relevant factor, you relate it to the gross national product—once again you come up with a showing that this is just a part of what happens when a nation grows mighty, with a larger economy.

Now, does not most of that add up to that?

Secretary SHULTZ. Well, certainly I think, Mr. Chairman, the figures you cite show that the burden of the debt and its relative importance have declined; and I think we certainly welcome that. The country, I think, benefits from having some debt; and Alexander Hamilton, the first Secretary of the Treasury, enunciated that idea and welcomed some national debt.

I think it is clear, however, if you look at the growth of the national debt, that it has taken place very heavily in periods of war; and we have had surges then; and then in the nonwar periods we have not had any string of surpluses, but have not had the huge deficits that we have had during wartime period.

The CHAIRMAN. I would like to ask, Mr. Secretary, that under your direction you have the appropriate persons in your Department give us a commentary on the series of charts that you have provided to us, such as the one that I mentioned to you, to help place in context for students of this problem what the significance of each one of these charts is and to give some indication of how each relates to the other, because I think they are all relevant to one another.

I discuss this matter with people who are very concerned about the debt, and after I have pointed out certain aspects of it, they feel just a great deal better about the whole situation. They can usually say that they have had a good night's rest for the first time in a year when you explain some of these things to them.

I would welcome your commentaries, and we will be asking for some additional information along this line from you.

I feel basically that this debt problem gets down to the case that we ought to look at this matter from time to time and see where we stand. We ought to review it and point out to the American people what the problems and the dangers are. And also, once in a while, I think it would be nice for somebody to point out some of the good things about it.

Some have suggested that the Treasury be required to state all of our contingent liabilities. My attitude about that is that it is all right to state the contingent liabilities if you will also put down all the contingent assets, but I get so tired of looking just at the gloomy side of things without ever looking at the bright side once in a while.

When you take the whole thing in perspective, it looks to me that we are in a lot better shape than some people seem to think.

Now, I would like to ask you about just one or two other matters. Mr. Secretary, at the beginning of this administration, estimates of the

full employment budget were presented by your predecessor when appearing before this committee on the debt limit; I note the absence of such a table in your statement, and also from Mr. Ash's. What has happened to this estimate?

Secretary SHULTZ. The full employment budget is in surplus, and we think that is appropriate at this moment in time; and we will be glad to present those estimates to you. And we feel that the merit of using the full employment revenues as a way of putting some discipline on spending during periods when we knew we were going to have a deficit has to some extent, proved its worth here, because as we have now moved into a period close to full employment, we see those revenues have come up, and they do give us a prospect of a balanced budget at the time when we need it.

[The following was subsequently supplied for the record:]

FULL EMPLOYMENT BUDGET

As shown in the table below, the FY 1974 full-employment budget was estimated in June to be in surplus by \$5 billion. Our current estimate shows the FY 1974 full-employment surplus to be about \$10 billion, twice the June estimate. The increase in the surplus results almost entirely from higher-than-anticipated inflation, which has swelled the receipts estimate upward from the June estimate of \$273 billion to the current estimate of about \$279 billion. The effect on the surplus of the \$6 billion increase in full-employment receipts is partially offset by a \$1 billion increase in full-employment outlays.

FISCAL YEAR 1974 FULL EMPLOYMENT BUDGET ESTIMATES

(In billions of dollars)

	June	Current
Outlays.....	268	269
Receipts.....	273	279
Surplus.....	5	10

BUDGET SURPLUS OR DEFICIT, 1960-74

(In billions of dollars)

Fiscal year—	Federal funds	Trust funds	Unified budget	Full employment
1960.....	+0.8	-0.5	+0.3	(¹)
1961.....	-4.2	.8	-3.4	(¹)
1962.....	-6.9	-.2	-7.1	+3.3
1963.....	-6.6	1.8	-4.8	+5.7
1964.....	-8.6	2.6	-5.9	+2.7
1965.....	-3.9	2.3	-1.6	+2.8
1966.....	-5.1	1.3	-3.8	-6.2
1967.....	-14.9	6.2	-8.7	-10.7
1968.....	-28.4	3.2	-25.2	-25.3
1969.....	-5.5	8.7	+3.2	-.4
1970.....	-13.1	10.3	-2.8	+3.1
1971.....	-29.9	6.8	-23.0	+4.9
1972.....	-29.1	5.9	-23.2	-3.9
1973.....	-25.0	10.7	-14.3	+1.0
1974 estimate.....	-15.1	15.2	(¹)	+12.5

¹ Not available.

² Less than \$50,000,000.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis.

The CHAIRMAN. Mr. Ash, your statement shows that the changes in outlay estimates for specific programs this fiscal year since the budget was submitted in January. I note the absence of a table that shows the January estimates changes since then, and the present estimates by agency or by functional category. Do you have such a table with you?

Mr. ASH. I do not have one with me. Would you like to have additional data?

The CHAIRMAN. Yes; I would like you to submit a table with agency or functional or both types of estimates of outlays for fiscal year 1974.

[The following was subsequently supplied for the record:]

1974 CURRENT ESTIMATE BY AGENCY¹

[Outlays in millions of dollars]

	January budget	Change	Midsession review	Change	Current estimate
Defense and military assistance.....	79.0	-0.2	78.8	0.6	79.4
Agriculture.....	9.6	- .4	9.2	- .1	9.0
Commerce.....	1.4	.1	1.5	(²)	1.5
Health, Education, and Welfare.....	93.8	(²)	93.8	.6	94.4
Housing and Urban Development.....	4.8	- .3	4.5	- .4	4.1
Interior.....	(²)	- .6	- .6	-2.0	-2.6
Justice.....	1.7	(²)	1.8	-----	1.8
Labor.....	8.1	- .4	7.7	.7	8.4
State.....	.7	(²)	.7	(²)	.7
Transportation.....	8.1	.1	8.2	.1	8.3
Treasury.....	32.6	1.6	34.2	1.5	35.7
Corps of Engineers.....	1.6	.1	1.7	- .1	1.6
Atomic Energy Commission.....	2.4	(²)	2.4	- .1	2.3
Environmental Protection Agency.....	2.1	.4	2.5	(²)	2.6
GSA.....	.5	- .8	- .3	- .1	- .4
NASA.....	3.1	(²)	3.2	(²)	3.2
Veterans Administration.....	11.7	.3	12.0	.9	12.8
Foreign Economic Assistance.....	2.2	-----	2.2	(²)	2.2
Other agencies.....	12.6	1.0	13.6	.4	14.0
Allowances for contingencies and Civilian agency pay raises.....	1.8	- .9	.8	-----	.8
Undistributed intragovernmental transactions.....	-9.1	-----	-9.1	- .7	-9.8
Total.....	268.7	(²)	268.7	1.2	270.0

¹ Details may not add to totals due to rounding.

² Less than 50,000,000.

The CHAIRMAN. Mr. Ash, you heard the earlier testimony of these five Senators concerning campaign financing. To the extent that the Senate is willing to cooperate, I would be willing to cooperate in trying to keep your bill a clean bill, or a bill whose amendments are relevant only to what has been passed.

I personally expect to seek to appraise the sentiment of the Senate and accommodate the Senate. It would seem to me that we might be able to accommodate those Senators, at least in part.

I will have to ask to be excused for just a few minutes. I understand that there is a close vote in the Senate right now. I will be right back after the vote.

[A brief recess was taken.]

The CHAIRMAN. The amendment was one to require rationing of gasoline by January 15; and I voted against it on the theory that you people probably have the competence to determine at what point rationing must be necessary. If I voted wrong, I wish you would advise me.

Secretary SHULTZ. You voted right as usual, Mr. Chairman.

The CHAIRMAN. Let me explore this matter with you; you have had a moment to think about it while I was over voting. In the area that Senator Kennedy and his cosponsors were talking of, does it occur to you that there might be an area of compromise? Could we extend public presidential campaign financing to cover the Presidential primaries or some of the presidential primaries?

It seems to me that the President has proposed in his speech to the Nation that something along that line should be done, and that he wanted to cooperate with it. Even on short notice, it would seem to me that perhaps we could enact some aspects of this proposal and make some forward progress.

Can you give us any suggestion along that line?

Secretary SHULTZ. Well, Mr. Chairman, I am sure that the President wants to work with the Congress on this subject. He has made proposals as you noted.

I have not studied that bill, and I am really not the type that would have an opinion worth listening to on that kind of subject anyway. I never raised any and I only ran for office once, so I am not in that ball game.

As far as putting it on the debt ceiling is concerned, I could not possibly state the case better than Mr. Bennett did; both as to I should think the desire to consider a subject as important as that one carefully in its own right; and second, from the standpoint of this debt ceiling bill to maintain the notion of a clean bill, and not getting ourselves in the habit of loading it up with the things that do not have anything to do with the debt ceiling.

The CHAIRMAN. Mr. Secretary and Mr. Ash, you have been helpful to us today, and we appreciate it. I hope that you can provide us with the additional information that I have requested as soon as you can have it properly put together.

I think I have asked you for one additional chart to add to one of those that you provided us; and I would like to ask that the record incorporate the charts that are provided by the Treasury, and include the additional explanatory material that I asked to receive from you.

(Mr. Ash's prepared statement with attached tables appears at page 101. The charts provided by the Treasury Department with the explanatory material requested by the Chairman follow. Hearing continues on page 122.)

ANALYSIS OF CERTAIN DATA RELATING TO THE PUBLIC DEBT

The dollar amount of the Federal debt, including both the public debt and Federal agency debt, has increased very greatly in the decades since the end of World War II. This increase, however, has been dwarfed by the growing capacity of the Nation to support the debt. In addition, the growth in the Federal debt has been far less either in dollar or percentage terms than the growth in other forms of debt.

In December 1946, the Federal debt, including both public debt and agency debt, was \$260½ billion which constituted 58 percent of all gross Government and private debt. By December 1972 gross Federal debt had increased to \$461 billion, but it then constituted only 18 percent of the gross Government and private debt. State and local debt, corporate debt and individual debt in the same period rose from \$185 billion to \$2,083 billion, an increase of 11 times, whereas the increase in the Federal debt was only 1¼ times.

On a per capita basis, the Federal debt in the same period from the end of 1946 to the end of 1972 rose from \$1,825 to \$2,200, an increase of \$375 per person, or 21 percent. Other debt, however, in the same period increased from \$1,297 per capita to \$9,935 per capita. Related to the GNP as a measure of the Nation's ability to carry the debt, the gross Federal debt declined from 117.8 percent of GNP in 1946 to 37.8 percent at the end of 1972. During the same period other types of debt rose steadily in relation to GNP although in total there was little change in the ratio of total gross Government and private debt to gross national product.

The significance of the Federal debt has declined to an even larger extent on a net rather than a gross basis. In December 1946 the net Federal debt was \$229.5 billion. In December 1972 it was \$341.2 billion, an increase of \$111.7 billion, or 49 percent. However, by December 1972 the net Federal debt was only 15.3 percent of net Government and private debt outstanding. On a per capita basis, the increase in the Federal debt was nearly matched by the increase in population and at the end of 1972 was only 1 percent greater per capita than at the end of 1946. Other forms of debt, however, increased from \$1,170 per capita to \$9,003 per capita in the same period, an increase of 7.7 times.

Relating to the gross national product in the same period, Federal debt has declined from 103.7% at the end of 1946 to only 28.0% at the end of 1972. Total net Government and private debt, however, has shown relatively little change in relation to GNP in the same period, and at the end of 1972 was 182.5% of gross national product compared to 179.1% at the end of 1946.

None of the preceding comparisons relates the Federal debt to price changes which have taken place over the years. If price changes are taken into account, however, the real per capita debt, expressed in December 1972 prices, has fallen very substantially. The gross debt has declined by 39% and the net debt by 49%.

One final observation is that large increases in the Federal debt have been associated with periods of war and periods in which the economy is in recession and a stimulative fiscal policy was appropriate. If the Federal Government were unwilling to operate at a deficit in such periods but attempted to balance the budget either by sharp reductions in outlays or substantial increases in taxes, the result would be to accentuate the rise in unemployment and cause a drop in production. Leaving aside the wartime debt, however, it would appear that a countercyclical fiscal policy does not lead to any significant increase in the burden of the debt and, indeed, without the wartime incurred debt there likely would have been a sharp decline in per capita debt and the ratio of debt to GNP.

TABLE 1.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

	December 1946		December 1960		December 1970		December 1972	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Federal debt:								
Public.....	\$259	58	\$290	29	\$389	18	\$449	18
Federal agency.....	1½	(¹)	6½	1	12½	1	12	(¹)
Total.....	260½	58	296½	30	401½	19	461	18
State and local debt.....	16	4	72	7	149	7	181	7
Corporate debt.....	109½	24	365	37	993	47	1,187	47
Individual debt.....	60	13	263	26	576	27	715	28
Total.....	446	100	996½	100	2,119½	100	2,544	100

¹ Less than ½ of 1 percent.

Note: Detail may not add to total due to rounding.

TABLE 2.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

Dec. 31—	Private			State and local	Federal			Total	Percent Federal of total
	Indi- vidual	Corpo- rate ¹	Total		Public	Agency	Total		
1929.....	\$72.9	\$107.0	\$179.9	\$17.8	\$16.3	\$1.2	\$17.5	\$215.2	8
1930.....	71.8	107.4	179.2	18.9	16.0	1.3	17.3	215.4	8
1931.....	64.9	100.3	165.2	19.5	17.8	1.3	19.1	203.8	9
1932.....	57.1	96.1	153.2	19.7	20.8	1.2	22.0	194.9	11
1933.....	51.0	92.4	143.4	19.5	23.8	1.5	25.3	188.2	13
1934.....	49.8	90.6	140.4	19.2	28.5	4.8	33.3	192.9	17
1935.....	49.7	89.8	139.5	19.6	30.6	5.6	36.2	195.3	19
1936.....	50.6	90.9	141.5	19.6	34.4	5.9	40.3	201.4	20
1937.....	51.1	90.2	141.3	19.6	37.3	5.8	43.1	204.0	21
1938.....	50.0	86.8	136.8	19.8	39.4	6.2	45.6	202.2	22
1939.....	50.8	86.8	137.6	20.1	41.9	6.9	48.8	206.5	24
1940.....	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24
1941.....	55.6	97.5	153.1	20.0	57.9	7.7	65.6	238.7	27
1942.....	49.9	106.3	156.2	19.2	108.2	5.5	113.7	289.1	39
1943.....	48.8	110.3	159.1	18.1	165.9	5.1	171.0	348.2	49
1944.....	50.7	109.0	159.7	17.1	230.6	3.0	233.6	410.4	57
1945.....	54.7	99.5	154.2	16.0	278.1	1.5	279.6	449.8	62
1946.....	59.9	109.3	169.2	16.1	259.1	1.6	260.7	446.0	58
1947.....	69.4	128.9	198.3	17.5	256.9	.7	257.6	473.4	54
1948.....	80.6	139.4	220.0	19.6	252.8	1.0	253.8	493.4	51
1949.....	90.4	140.3	230.7	22.2	257.1	.8	257.9	510.8	50
1950.....	104.3	167.7	272.0	25.3	256.7	1.1	257.8	555.1	46
1951.....	114.3	191.9	306.2	28.0	259.4	.8	260.2	594.4	44
1952.....	129.4	202.9	332.3	31.0	267.4	.9	268.3	631.6	42
1953.....	143.2	212.9	356.1	35.0	275.2	.8	276.0	667.1	41
1954.....	157.2	217.6	374.8	40.2	276.8	.7	279.5	694.5	40
1955.....	180.1	253.9	434.9	46.3	280.8	1.4	282.2	763.4	37
1956.....	195.5	277.3	472.8	50.1	276.6	1.7	278.3	801.2	35
1957.....	207.6	295.8	503.4	54.7	274.9	3.2	278.1	836.2	33
1958.....	222.9	312.0	534.9	60.4	282.9	2.4	285.3	880.6	32
1959.....	245.0	341.4	586.4	66.6	290.8	5.7	296.5	949.5	31
1960.....	263.3	365.1	628.4	72.0	290.2	6.4	296.6	997.0	30
1961.....	284.8	391.5	676.3	77.6	296.2	6.8	303.0	1,056.9	29
1962.....	311.9	421.5	733.4	83.4	303.5	7.8	311.3	1,128.1	28
1963.....	345.8	457.1	802.2	89.5	309.3	8.1	317.4	1,209.1	26
1964.....	380.1	497.3	877.4	95.5	317.9	9.1	327.0	1,299.9	25
1965.....	415.7	551.9	967.6	103.1	320.9	9.8	330.7	1,401.4	24
1966.....	444.2	617.4	1,061.6	109.4	329.3	14.0	343.3	1,514.3	23
1967.....	476.2	672.9	1,149.1	117.9	344.7	20.1	364.9	1,631.9	22
1968.....	513.9	779.0	1,292.9	128.4	358.0	15.1	373.1	1,794.4	21
1969.....	548.4	912.7	1,461.1	137.1	368.2	13.8	382.0	1,980.2	19
1970.....	575.9	992.9	1,568.8	149.2	389.2	12.5	401.6	2,119.6	19
1971.....	631.0	1,072.8	1,703.8	167.3	424.1	11.0	435.2	2,306.3	19
1972.....	714.7	1,187.0	1,901.7	180.7	449.3	11.8	461.1	2,543.5	18

Source: Commerce and Treasury Departments.

¹ Includes debt of federally sponsored agencies excluded from the budget which amounted to \$7,000,000,000 on Dec. 31, 1947; \$30,600,000,000 on Dec. 31, 1969; \$38,900,000,000 on Dec. 31, 1970; and \$40,700,000,000 on Dec. 31, 1971; and \$43,600,000,000 on Dec. 31, 1972.

TABLE 3.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT, 1929 TO PRESENT

End of calendar year	Government debt						Private debt				Total Government and private debt	
	Amounts outstanding (billions)			Per capita ^a			Amounts outstanding (billions)		Per capita ^a		Amount outstanding (billions)	Per capita
	Federal ¹	State and local	Total	Federal	State and local	Total	Corporate business ²	Individual and noncorporate business	Corporate business	Individual and noncorporate business		
1929	\$17.5	\$17.8	\$35.3	\$143	\$145	\$288	\$107.0	\$72.9	\$874	\$595	\$215.2	\$1,757
1930	17.3	18.9	36.2	140	153	293	107.4	71.8	868	581	215.4	1,742
1931	19.1	19.5	38.6	153	157	310	100.3	64.9	805	521	203.8	1,636
1932	22.0	19.7	41.7	176	157	333	96.1	57.1	767	456	194.9	1,555
1933	25.3	19.5	44.8	201	155	355	92.4	51.0	733	404	188.2	1,493
1934	33.0	19.2	52.2	260	151	411	90.6	49.8	714	392	192.9	1,520
1935	36.2	19.6	55.8	283	153	437	89.8	49.7	703	389	195.3	1,529
1936	40.3	19.5	59.9	313	152	466	90.9	50.6	707	394	201.4	1,566
1937	43.1	19.6	62.7	333	151	484	90.2	51.1	697	395	204.0	1,576
1938	45.6	19.8	65.4	349	152	501	86.8	50.0	665	383	202.2	1,549
1939	48.8	20.1	68.9	371	153	524	86.8	50.8	660	386	206.5	1,569
1940	52.2	20.2	72.4	393	152	545	89.0	53.0	670	399	214.4	1,615
1941	65.6	20.0	85.6	489	149	638	97.5	55.6	727	414	238.7	1,779
1942	113.7	19.2	132.9	837	141	978	106.3	49.9	782	367	289.1	2,128
1943	171.0	18.1	189.1	1,242	131	1,374	110.3	48.8	801	355	348.2	2,529
1944	233.6	17.1	250.7	1,678	123	1,801	109.7	50.7	783	364	410.4	2,947
1945	279.6	16.0	295.6	1,987	114	2,101	99.5	54.7	707	389	449.8	3,197
1946	260.7	16.1	276.8	1,825	113	1,938	109.3	59.9	765	419	446.0	3,123
1947	257.6	17.5	275.1	1,771	120	1,891	128.9	69.4	886	477	473.4	3,254

1948	253.8	19.6	273.4	1,715	132	1,847	139.4	80.6	942	545	493.4	3,334
1949	257.9	22.2	280.1	1,713	147	1,860	140.3	90.4	932	600	510.8	3,393
1950	257.8	25.3	283.1	1,685	165	1,850	167.7	104.3	1,096	682	555.1	3,627
1951	260.2	28.0	288.2	1,671	180	1,851	191.9	114.3	1,232	734	594.4	3,817
1952	268.3	31.0	299.3	1,694	196	1,890	202.9	129.4	1,281	817	631.6	3,988
1953	276.0	35.0	311.0	1,714	217	1,931	212.9	143.2	1,322	889	667.1	4,142
1954	279.5	40.2	319.7	1,705	245	1,950	217.6	157.2	1,327	959	694.5	4,236
1955	282.2	46.3	328.5	1,691	275	1,961	253.9	180.1	1,522	1,079	762.5	4,552
1956	278.3	50.1	328.4	1,638	294	1,925	277.3	195.5	1,632	1,151	801.2	4,656
1957	278.1	54.7	332.8	1,609	315	1,918	295.8	207.6	1,712	1,201	836.2	4,820
1958	285.3	60.4	345.7	1,624	342	1,960	312.0	222.9	1,776	1,269	880.6	4,992
1959	296.5	66.6	363.1	1,653	371	2,024	341.4	245.0	1,903	1,366	949.5	5,293
1960	296.6	72.0	368.6	1,627	395	2,022	365.1	263.3	2,002	1,444	997.0	5,469
1961	303.0	77.6	380.6	1,635	419	2,054	391.5	284.8	2,112	1,537	1,056.9	5,704
1962	311.3	83.4	394.7	1,654	443	2,097	421.5	311.9	2,240	2,658	1,128.8	5,994
1963	317.4	89.5	406.9	1,663	469	2,131	457.1	345.8	2,395	1,812	1,209.8	6,337
1964	327.0	95.5	422.5	1,690	494	2,183	497.3	380.1	2,570	1,965	1,299.9	6,718
1965	330.7	103.1	433.8	1,688	526	2,214	551.9	415.7	2,818	2,124	1,401.8	7,156
1966	343.3	109.4	452.7	1,736	553	2,290	617.4	444.2	3,123	2,247	1,514.3	7,660
1967	364.9	117.9	482.8	1,827	590	2,417	672.9	476.2	3,370	2,385	1,631.9	8,172
1968	373.1	128.4	501.5	1,850	637	2,487	779.0	513.9	3,862	2,548	1,794.4	8,896
1969	382.0	137.1	519.1	1,875	673	2,547	912.7	548.4	4,478	2,691	1,980.2	9,716
1970	401.6	149.2	550.8	1,950	724	2,673	992.9	575.9	4,820	2,796	2,119.6	10,289
1971	435.2	167.3	602.5	2,091	804	2,895	1,072.8	631.0	5,155	3,032	2,306.3	11,083
1972	461.1	180.7	641.7	2,200	862	3,062	1,187.0	714.7	5,663	3,410	2,543.5	12,135

¹ Total Federal securities, including public debt and Budget Agency securities.

² Debt divided by the population of the conterminous United States and including Armed Forces overseas. Alaska is included beginning 1959 and Hawaii beginning in 1960.

³ Includes debt of federally sponsored agencies excluded from the Budget.

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

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

TABLE 4.—GROSS GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

End of calendar year	Gross national product (billions) ¹	Ratios of debt to gross national product (percent)				Total
		Federal	State and local	Corporate	Individual and noncorporate	
1929.....	\$96.7	18.1	18.4	110.7	75.4	222.5
1930.....	83.1	20.8	22.7	129.2	86.4	259.2
1931.....	66.9	28.6	29.1	149.9	97.0	304.6
1932.....	56.8	38.7	34.7	169.2	100.5	343.1
1933.....	60.3	42.0	32.3	153.2	84.6	312.1
1934.....	68.6	48.1	28.0	132.1	72.6	280.8
1935.....	77.4	46.8	25.3	116.0	64.2	252.3
1936.....	86.5	46.6	22.7	105.1	58.5	232.8
1937.....	87.6	49.2	22.4	103.0	58.3	232.9
1938.....	87.6	52.1	22.6	99.1	57.1	230.8
1939.....	94.8	51.5	21.2	91.6	53.6	217.8
1940.....	107.6	48.5	18.8	82.7	49.3	199.3
1941.....	138.8	47.3	14.4	70.2	40.1	172.0
1942.....	179.0	63.5	10.7	59.4	27.9	161.5
1943.....	202.4	84.5	8.9	54.5	24.1	172.0
1944.....	217.4	107.5	7.9	50.1	23.3	188.8
1945.....	196.0	142.6	8.2	50.8	27.9	229.5
1946.....	221.4	117.8	7.3	49.4	27.1	201.4
1947.....	245.0	105.1	7.1	52.6	28.3	193.2
1948.....	261.2	97.2	7.5	53.4	30.9	188.9
1949.....	260.5	99.0	8.5	53.9	34.7	196.1
1950.....	311.2	82.8	8.1	53.9	33.5	178.9
1951.....	338.2	76.9	8.3	56.7	33.8	175.8
1952.....	361.0	74.3	8.6	56.2	35.8	175.0
1953.....	360.8	76.5	9.7	59.0	39.7	184.9
1954.....	379.8	73.6	10.6	57.3	41.4	182.9
1955.....	409.7	68.9	11.3	62.0	44.0	185.9
1956.....	433.2	64.2	11.6	64.0	45.1	184.9
1957.....	438.1	63.5	12.5	67.5	47.4	190.8
1958.....	469.2	60.8	12.9	66.5	47.5	187.6
1959.....	496.8	59.7	13.4	68.7	49.3	190.8
1960.....	503.4	58.9	14.3	72.5	52.3	197.7
1961.....	542.8	55.8	14.3	72.1	52.5	194.7
1962.....	574.7	54.2	14.5	73.3	54.3	196.6
1963.....	611.8	51.9	14.6	74.7	56.5	197.9
1964.....	654.0	50.0	14.6	76.0	58.1	199.1
1965.....	719.2	46.0	14.3	76.7	57.8	194.9
1966.....	772.6	44.4	14.2	79.9	57.5	196.0
1967.....	825.0	44.2	14.3	81.5	57.7	197.8
1968.....	898.6	41.5	14.3	86.7	57.2	199.7
1969.....	953.7	40.1	14.4	95.7	57.5	207.7
1970.....	1,009.5	39.9	14.8	98.6	57.2	210.6
1971.....	1,098.4	39.8	15.3	98.1	57.7	210.9
1972.....	1,220.8	37.8	14.8	97.2	58.6	208.4

¹ Implied level end of year, calculated as the average of the 4th and 1st calendar quarters at seasonally adjusted annual rates for the years 1939 through present. Prior to 1939, averages of 2 calendar year figures are used as the best approximation of Dec. 31 levels.

Source: Office of the Secretary, Office of Debt Analysis, Oct. 9, 1973.

TABLE 5.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT OUTSTANDING, BY MAJOR CATEGORIES

[Dollar amounts in billions]

	December 1946		December 1960		December 1970		December 1972	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Federal debt.....	\$229.5	57.9	\$239.8	27.4	\$301.1	16.2	\$341.2	15.3
State and local debt.....	13.7	3.5	64.9	7.4	144.8	7.8	176.5	7.9
Corporate debt ¹	93.5	23.6	306.3	35.0	832.4	44.9	995.9	44.7
Individual and noncorporate debt.....	59.9	15.1	263.3	30.1	575.9	31.1	714.7	32.1
Total.....	396.6	100.0	874.1	100.0	1,854.2	100.0	2,228.3	100.0

¹ Includes debt of privately owned federally sponsored agencies.
Note: Detail may not add to total due to rounding.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, June 6, 1973.

TABLE 6.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

(Dollar amounts in billions)

Dec. 31—	Private			State and local	Federal	Total	Percent Federal of total
	Individual	Corporate ¹	Total				
1916.....	\$36.3	\$40.2	\$76.5	\$4.5	\$1.2	\$82.2	1
1917.....	38.7	43.7	82.4	4.8	7.3	94.5	8
1918.....	44.5	47.0	91.5	5.1	20.9	117.5	18
1919.....	43.9	53.3	97.2	5.5	25.6	128.3	20
1920.....	48.1	57.7	105.8	6.2	23.7	135.7	17
1921.....	49.2	57.0	106.2	7.0	23.1	136.3	17
1922.....	50.9	58.6	109.5	7.9	22.8	140.2	16
1923.....	53.7	62.6	116.3	8.6	21.8	146.7	15
1924.....	55.8	67.2	123.0	9.4	21.0	153.4	14
1925.....	59.6	72.7	132.3	10.3	20.3	162.9	12
1926.....	62.7	76.2	138.9	11.1	19.2	169.2	11
1927.....	66.4	81.2	147.6	12.1	18.2	177.9	10
1928.....	70.0	86.1	156.1	12.7	17.5	186.3	9
1929.....	72.9	88.9	161.8	13.6	16.5	191.9	9
1930.....	71.8	89.3	161.1	14.7	16.5	192.3	9
1931.....	64.9	83.5	148.4	16.0	18.5	182.9	10
1932.....	57.1	80.0	137.1	16.6	21.3	175.0	12
1933.....	51.0	76.9	127.9	16.3	24.3	168.5	14
1934.....	49.8	75.5	125.3	15.9	30.4	171.6	18
1935.....	49.7	74.8	124.5	16.1	34.4	175.0	20
1936.....	50.6	76.1	126.7	16.2	37.7	180.6	21
1937.....	51.1	75.8	126.9	16.1	39.2	182.2	22
1938.....	50.0	73.3	123.3	16.1	40.5	179.9	23
1939.....	50.8	73.5	124.3	16.4	42.6	183.3	23
1940.....	53.0	75.6	128.6	16.4	44.8	189.8	24
1941.....	55.6	83.4	139.0	16.1	56.3	211.4	27
1942.....	49.9	91.6	141.5	15.4	101.7	258.6	39
1943.....	48.8	95.5	144.3	14.5	154.4	313.2	49
1944.....	50.7	94.1	144.8	13.9	211.9	370.6	57
1945.....	54.7	85.3	140.0	13.4	252.5	405.9	62
1946.....	59.9	93.5	153.4	13.7	229.5	396.6	58
1947.....	69.4	109.6	179.0	15.0	221.7	415.7	53
1948.....	80.6	118.4	199.0	17.0	215.3	431.3	50
1949.....	90.4	118.7	209.1	19.1	217.6	445.8	49
1950.....	104.3	142.8	247.1	21.7	217.4	486.2	45
1951.....	114.3	163.8	278.1	24.2	216.9	519.2	42
1952.....	129.4	172.3	301.7	27.0	221.5	550.2	40
1953.....	143.2	180.9	324.1	30.7	226.8	581.6	39
1954.....	157.2	184.1	341.3	35.5	229.1	605.9	38
1955.....	180.1	215.0	395.1	41.1	229.6	665.8	35
1956.....	195.5	234.1	429.6	44.5	224.3	698.4	32
1957.....	207.6	249.1	456.7	48.6	223.0	728.3	31
1958.....	222.9	262.0	484.9	53.7	231.0	769.6	30
1959.....	245.0	287.0	532.0	59.6	241.4	833.0	29
1960.....	263.3	306.3	569.6	64.9	239.8	874.2	27
1961.....	284.8	328.3	613.1	70.5	246.7	930.3	27
1962.....	311.9	353.5	665.4	77.0	253.6	996.0	25
1963.....	345.8	383.6	729.5	83.9	257.5	1,070.9	24
1964.....	380.1	417.1	797.2	90.4	264.0	1,151.6	23
1965.....	415.7	463.2	878.9	98.3	266.4	1,243.6	21
1966.....	444.2	517.8	962.0	104.8	271.8	1,338.6	20
1967.....	476.2	562.7	1,038.9	113.4	286.5	1,438.8	20
1968.....	513.9	652.9	1,166.8	123.9	291.9	1,582.6	18
1969.....	548.4	764.8	1,313.2	132.6	289.3	1,735.1	17
1970.....	575.9	832.4	1,408.3	144.8	301.1	1,854.2	16
1971.....	631.0	899.3	1,530.3	163.0	325.9	2,019.2	16
1972.....	714.7	995.9	1,710.6	176.5	341.2	2,228.3	15

¹ Includes debt of privately owned, federally sponsored agencies excluded from the budget which amounted to \$700,000,000 on Dec. 31, 1947; \$30,500,000,000 on Dec. 31, 1969; \$38,900,000,000 on Dec. 31, 1970; \$40,700,000,000 on Dec. 31, 1971; and \$43,600,000,000 on Dec. 31, 1972.

Source: Commerce and Treasury Departments.

TABLE 7.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT 1916 TO PRESENT

End of calendar year	Government debt						Private debt				Total Gov't & private debt (billions)	
	Amounts outstanding (billions)			Per capita ¹			Amounts outstanding (billions)		Per capita ²			
	Federal ¹	State and local	Total	Federal	State and local	Total	Corporate business ²	Individual and noncorporate business	Corporate business	Individual and noncorporate business	Amount outstanding	Per Capita
1916.....	\$1.2	\$4.5	\$5.7	\$12	\$44	\$56	\$40.2	\$36.3	\$391	\$353	\$82.2	\$800
1917.....	7.3	4.8	12.1	70	46	116	43.7	38.7	420	372	94.5	909
1918.....	20.9	5.1	26.0	199	49	248	47.0	44.5	448	425	117.5	1,121
1919.....	25.6	5.5	31.1	242	52	294	53.3	43.9	504	415	128.3	1,213
1920.....	23.7	6.2	29.9	220	58	278	57.7	48.1	537	447	135.7	1,262
1921.....	23.1	7.0	30.1	211	64	275	57.0	49.2	522	450	136.3	1,247
1922.....	22.8	7.9	30.7	205	71	277	58.6	50.9	528	459	140.2	1,263
1923.....	21.8	8.6	30.4	193	76	269	62.6	53.7	554	475	146.7	1,298
1924.....	21.0	9.4	30.4	183	82	264	67.2	55.8	584	485	153.4	1,334
1925.....	20.3	10.3	30.6	174	88	262	72.7	59.6	623	511	162.9	1,397
1926.....	19.2	11.1	30.3	161	93	254	76.2	62.7	639	526	169.2	1,419
1927.....	18.2	12.1	30.3	152	101	253	81.2	66.4	678	554	177.9	1,485
1928.....	17.5	12.7	30.2	144	105	249	86.1	70.0	711	578	186.3	1,538
1929.....	16.5	13.6	30.1	135	111	246	88.9	72.9	726	595	191.9	1,567
1930.....	16.5	14.7	31.2	133	119	252	89.3	71.8	722	581	192.3	1,555
1931.....	18.5	16.0	34.5	149	128	277	83.5	64.9	670	521	182.9	1,468
1932.....	21.3	16.6	37.9	170	132	302	80.0	57.1	638	456	175.0	1,396
1933.....	24.3	16.3	40.6	193	129	322	76.9	51.0	610	404	168.5	1,336
1934.....	30.4	15.9	46.3	240	125	365	75.5	49.8	595	392	171.6	1,352
1935.....	34.4	16.1	50.5	269	126	395	74.8	49.7	585	389	175.0	1,370
1936.....	37.7	16.2	53.9	293	126	419	76.1	50.6	592	394	180.6	1,405
1937.....	39.2	16.1	55.3	303	124	427	75.8	51.1	585	395	182.2	1,407
1938.....	40.5	16.1	56.6	310	123	434	73.3	50.0	562	383	179.9	1,379
1939.....	42.6	16.4	59.0	324	125	448	73.5	50.8	559	386	183.3	1,393
1940.....	44.8	16.4	61.2	337	123	461	75.6	53.0	569	399	189.8	1,429

1941	56.3	16.1	72.4	420	120	540	83.4	55.6	622	414	211.4	1,576
1942	101.7	15.4	117.1	749	113	862	91.6	49.9	674	367	258.6	1,903
1943	154.4	14.5	168.9	1,122	105	1,227	95.5	48.8	694	355	313.2	2,275
1944	211.9	13.9	225.8	1,522	100	1,622	94.1	50.7	676	364	370.6	2,662
1945	252.5	13.4	265.9	1,795	95	1,890	85.3	54.7	606	389	405.9	2,885
1946	229.5	13.7	243.2	1,607	96	1,703	93.5	59.9	655	419	396.6	2,777
1947	221.7	15.0	236.7	1,524	103	1,627	109.6	69.4	753	477	415.7	2,853
1948	215.3	17.0	232.3	1,455	115	1,570	118.4	80.6	800	545	431.3	2,914
1949	217.6	19.1	236.7	1,445	127	1,572	118.7	90.4	788	600	445.8	2,961
1950	217.4	21.7	239.1	1,421	142	1,562	142.8	104.3	933	682	486.2	3,177
1951	216.9	24.2	241.1	1,393	155	1,548	163.8	114.3	1,052	734	519.2	3,334
1952	221.5	27.0	248.5	1,399	170	1,569	172.3	129.4	1,088	817	550.2	3,474
1953	226.8	30.7	257.5	1,408	191	1,599	180.9	143.2	1,123	889	581.6	3,611
1954	229.1	35.5	264.6	1,397	217	1,604	184.1	157.2	1,123	959	605.9	3,696
1955	229.6	41.1	270.7	1,376	245	1,616	215.0	180.1	1,289	1,079	665.8	2,975
1956	224.3	44.5	268.8	1,320	261	1,576	234.1	195.5	1,378	1,151	698.4	4,094
1957	223.0	48.6	271.6	1,290	280	1,565	249.1	207.6	1,441	1,201	728.3	4,198
1958	231.0	53.7	284.7	1,315	304	1,614	262.0	222.9	1,491	1,269	769.6	4,363
1959	241.4	59.6	301.0	1,346	332	1,678	287.0	245.0	1,600	1,366	833.0	4,643
1960	239.8	64.9	304.7	1,315	356	1,671	306.3	263.3	1,680	1,444	874.2	4,790
1961	246.7	70.5	317.2	1,331	380	1,712	328.3	284.8	1,771	1,537	930.3	5,021
1962	253.6	77.0	330.6	1,348	409	1,757	353.5	311.9	1,879	1,658	996.0	5,295
1963	257.5	83.9	341.4	1,349	439	1,788	383.6	345.8	2,010	1,812	1,070.9	5,611
1964	264.0	90.4	354.4	1,364	467	1,832	417.1	380.1	2,156	1,965	1,151.6	5,952
1965	266.4	98.3	364.7	1,360	502	1,862	463.2	415.7	2,365	2,123	1,243.6	6,350
1966	271.8	104.8	376.6	1,375	530	1,905	517.8	444.2	2,619	2,247	1,338.6	6,771
1967	286.5	113.4	399.9	1,435	568	2,002	562.7	476.2	2,818	2,385	1,438.8	7,205
1968	291.9	123.9	415.8	1,447	614	2,062	652.9	513.9	3,237	2,548	1,582.6	7,846
1969	289.3	132.6	421.9	1,420	651	2,070	764.8	548.4	3,753	2,691	1,735.1	8,514
1970	301.1	144.8	445.9	1,462	703	2,165	832.4	575.9	4,041	2,796	1,854.2	9,001
1971	325.9	163.0	488.9	1,566	783	2,349	899.3	631.0	4,321	3,032	2,019.2	9,703
1972	341.2	176.5	517.7	1,628	842	2,470	995.9	714.7	4,751	3,410	2,228.3	10,631

¹ Borrowing from the public.
² Debt divided by the population of the counterminous United States and including Armed Forces overseas. Alaska is included beginning 1959 and Hawaii beginning in 1960.
³ Includes debt of federally sponsored agencies excluded from the Budget.

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

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

TABLE 8.—NET GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

End of calendar year	Gross national product (billions) ¹	Ratios of debt to gross national product (percent)				Total
		Federal	State and local	Corporate	Individual and noncorporate	
1929.....	\$96.7	17.1	14.1	91.9	75.4	199.4
1930.....	83.1	19.9	17.7	107.5	86.4	234.7
1931.....	66.9	27.7	23.9	124.8	97.0	273.4
1932.....	56.8	37.5	29.2	140.8	100.5	308.1
1933.....	60.3	40.3	27.0	127.5	84.6	279.4
1934.....	68.6	44.3	23.2	110.1	72.6	250.1
1935.....	77.4	44.4	20.8	96.6	64.2	226.1
1936.....	86.5	43.6	18.7	88.0	58.5	208.8
1937.....	87.6	44.7	18.4	86.5	58.3	208.0
1938.....	87.6	46.2	18.4	83.7	57.1	205.4
1939.....	94.8	44.9	17.3	77.5	53.6	193.4
1940.....	107.6	41.6	15.2	70.3	49.3	176.4
1941.....	138.8	40.6	11.6	60.1	40.1	152.3
1942.....	179.0	56.8	8.6	51.2	27.9	144.5
1943.....	202.4	76.3	7.2	47.2	24.1	154.7
1944.....	217.4	97.5	6.4	43.3	23.3	170.5
1945.....	196.0	128.8	6.8	43.5	27.9	207.1
1946.....	221.4	103.7	6.2	42.2	27.1	179.1
1947.....	245.0	90.5	6.1	44.7	28.3	169.7
1948.....	261.2	82.4	6.5	45.3	30.9	165.1
1949.....	260.5	83.5	7.3	45.6	34.7	171.1
1950.....	311.2	69.9	7.0	45.9	33.5	156.2
1951.....	338.2	64.1	7.2	48.4	33.8	153.5
1952.....	361.0	61.4	7.5	47.7	35.8	152.4
1953.....	360.8	62.9	8.5	50.1	39.7	161.2
1954.....	379.8	60.3	9.3	48.5	41.4	159.5
1955.....	409.7	56.0	10.0	52.5	44.0	162.4
1956.....	433.2	51.8	10.3	54.0	45.1	161.1
1957.....	438.1	50.9	11.1	56.9	47.4	166.0
1958.....	469.2	49.2	11.4	55.8	47.5	163.8
1959.....	496.8	48.6	12.0	57.8	49.3	167.5
1960.....	503.4	47.6	12.9	60.8	52.3	173.6
1961.....	542.8	45.4	13.0	60.5	52.5	171.3
1962.....	574.7	44.1	13.4	61.5	54.3	173.3
1963.....	611.8	42.1	13.7	62.7	56.5	175.0
1964.....	654.0	40.4	13.8	63.8	58.1	176.1
1965.....	719.2	37.0	13.7	64.4	57.8	172.9
1966.....	772.6	35.2	13.6	67.0	57.5	173.3
1967.....	825.0	34.7	13.7	68.2	57.7	174.8
1968.....	898.6	32.5	13.8	72.7	57.2	176.1
1969.....	953.7	30.3	13.9	80.2	57.5	182.0
1970.....	1,009.5	29.9	14.4	82.7	57.2	184.2
1971.....	1,098.4	29.8	14.9	82.2	57.7	184.6
1972.....	1,220.8	28.0	14.5	81.6	58.5	182.5

¹ Implied level end of year, calculated, as the average of the 4th and 1st calendar quarters at seasonally adjusted annual rates for the years 1939 through present. Prior to 1939, averages of 2 calendar year figures are used as the best approximation of Dec. 31 levels.

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

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, Oct. 9, 1973.

TABLE 9.—ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES, 1900-72

	Federal debt (billions)			Per capita Federal debt ¹			Real per capita Federal debt ²		
	Gross ¹	Net ²	Privately held net ³	Gross ¹	Net ²	Privately held net ³	Gross ¹	Net ²	Privately held net ³
June 30:									
1900.....	\$1.3	\$1.3	\$1.3	\$17	\$17	\$17	⊙	⊙	⊙
1901.....	1.2	1.2	1.2	16	16	16	⊙	⊙	⊙
1902.....	1.2	1.2	1.2	15	15	15	⊙	⊙	⊙
1903.....	1.2	1.2	1.2	14	14	14	⊙	⊙	⊙
1904.....	1.1	1.1	1.1	14	14	14	⊙	⊙	⊙
1905.....	1.1	1.1	1.1	14	14	14	⊙	⊙	⊙
1906.....	1.1	1.1	1.1	13	13	13	⊙	⊙	⊙
1907.....	1.1	1.1	1.1	13	13	13	⊙	⊙	⊙
1908.....	1.2	1.2	1.2	13	13	13	⊙	⊙	⊙
1909.....	1.1	1.1	1.1	13	13	13	⊙	⊙	⊙
1910.....	1.1	1.1	1.1	12	12	12	⊙	⊙	⊙
1911.....	1.2	1.2	1.2	12	12	12	⊙	⊙	⊙
1912.....	1.2	1.2	1.2	13	13	13	⊙	⊙	⊙
1913.....	1.2	1.2	1.2	12	12	12	\$51	\$51	\$51
1914.....	1.2	1.2	1.2	12	12	12	50	50	50
1915.....	1.2	1.2	1.2	12	12	12	49	49	49

See footnotes at end of table.

TABLE 9.—ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES, 1900-72—Continued

	Federal debt (billions)			Per capita Federal debt ⁴			Real per capita Federal debt ⁵		
	Gross ¹	Net ²	Privately held net ³	Gross ¹	Net ²	Privately held net ³	Gross ¹	Net ²	Privately held net ³
Dec. 31:									
1916.....	\$1.2	\$1.2	\$1.1	\$12	\$12	\$11	\$44	\$44	\$40
1917.....	7.3	7.3	7.2	70	70	69	217	217	214
1918.....	21.0	20.9	20.7	200	199	198	515	513	510
1919.....	25.8	25.6	25.3	244	242	239	548	544	537
1920.....	24.0	23.7	23.4	223	220	218	489	482	478
1921.....	23.5	23.1	22.9	215	211	210	528	518	516
1922.....	23.2	22.8	22.4	209	205	202	522	512	505
1923.....	22.2	21.8	21.7	196	193	192	482	474	472
1924.....	21.5	21.0	20.5	187	183	178	461	451	438
1925.....	20.8	20.3	19.9	178	174	171	422	412	405
1926.....	19.9	19.2	18.9	167	161	159	401	387	382
1927.....	18.6	18.2	17.6	155	152	147	381	373	361
1928.....	18.4	17.5	17.3	152	144	143	377	357	355
1929.....	17.5	16.5	16.0	143	135	131	354	334	324
1930.....	17.3	16.5	15.8	140	133	128	369	351	338
1931.....	19.1	18.5	17.7	153	149	142	446	434	414
1932.....	22.0	21.3	19.4	176	170	155	571	552	503
1933.....	25.3	24.3	21.9	201	193	174	648	623	561
1934.....	33.3	30.4	28.0	260	240	221	823	759	699
1935.....	36.2	34.4	32.0	283	269	250	871	828	769
1936.....	40.3	37.7	35.3	313	293	275	951	891	836
1937.....	43.1	39.2	36.6	333	303	283	982	894	835
1938.....	45.6	40.5	37.9	349	310	290	1,058	939	879
1939.....	48.8	42.6	40.1	371	324	305	1,128	988	930
1940.....	52.2	44.8	42.6	393	337	321	1,184	1,015	967
1941.....	65.6	56.3	54.0	489	420	402	1,343	1,154	1,104
1942.....	113.7	101.7	95.5	837	749	703	2,108	1,887	1,771
1943.....	171.0	154.4	142.9	1,242	1,122	1,038	3,029	2,737	2,532
1944.....	233.6	211.9	193.1	1,678	1,522	1,387	4,005	3,632	3,310
1945.....	279.6	252.5	228.2	1,987	1,795	1,622	4,643	4,194	3,790
1946.....	260.7	229.5	206.1	1,825	1,607	1,433	2,607	3,176	2,832
1947.....	257.6	221.7	199.1	1,771	1,524	1,369	3,214	2,766	2,485
1948.....	253.8	215.3	192.0	1,715	1,455	1,297	3,030	2,571	2,292
1949.....	257.9	217.6	197.7	1,713	1,445	1,313	3,081	2,599	2,362
1950.....	257.8	217.4	196.6	1,685	1,421	1,285	2,866	2,417	2,185
1951.....	260.2	216.9	193.1	1,671	1,393	1,240	2,682	2,236	1,990
1952.....	268.3	221.5	196.8	1,694	1,399	1,243	2,697	2,227	1,979
1953.....	276.0	226.8	200.9	1,714	1,408	1,247	2,712	2,228	1,973
1954.....	279.5	229.1	204.2	1,705	1,397	1,246	2,711	2,221	1,981
1955.....	282.2	229.6	204.8	1,691	1,376	1,227	2,676	2,177	1,941
1956.....	278.3	224.3	199.4	1,638	1,320	1,174	2,520	2,031	1,806
1957.....	278.1	223.0	198.8	1,609	1,290	1,150	2,405	1,928	1,719
1958.....	285.3	231.0	204.7	1,624	1,315	1,165	2,385	1,931	1,711
1959.....	296.5	241.4	214.8	1,653	1,346	1,197	2,392	1,948	1,732
1960.....	296.6	239.8	212.4	1,627	1,315	1,165	2,321	1,876	1,662
1961.....	303.0	246.7	217.8	1,635	1,331	1,175	2,316	1,885	1,664
1962.....	311.3	253.6	222.8	1,654	1,348	1,184	2,313	1,885	1,656
1963.....	317.4	257.5	223.9	1,663	1,349	1,173	2,887	1,886	1,613
1964.....	327.0	264.0	227.0	1,690	1,364	1,173	2,299	1,856	1,596
1965.....	330.7	266.4	225.6	1,688	1,360	1,152	2,254	1,816	1,538
1966.....	343.3	271.8	227.5	1,736	1,375	1,151	2,240	1,774	1,485
1967.....	364.9	286.4	237.3	1,827	1,435	1,188	2,289	1,798	1,489
1968.....	373.1	291.9	238.9	1,850	1,447	1,182	2,213	1,731	1,414
1969.....	382.0	289.3	232.1	1,874	1,420	1,140	2,108	1,597	1,282
1970.....	401.6	301.1	239.0	1,950	1,462	1,160	2,083	1,562	1,239
1971.....	435.2	325.9	255.1	2,091	1,566	1,227	2,162	1,620	1,269
1972.....	461.1	341.2	269.9	2,200	1,628	1,288	2,200	1,628	1,288

¹ Total Federal securities outstanding, unified budget concept.

² Borrowing from the public, unified budget concept. Gross Federal debt less securities held by Government accounts.

³ Borrowing from the public less Federal Reserve holdings.

⁴ Debt divided by population of the coterminous United States, and including Armed Forces overseas.

⁵ Per capita debt expressed in December 1972 prices (consumer price index for all items).

⁶ Not available.

TABLE 10.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

[Dollar amounts in billions]

	Gross national product ¹	Privately held debt ²	Ratio of debt to GNP	Year-to- year price changes ³
Dec. 31—Continued				
1929.....	\$96.7	\$16.0	16.5	0.2
1930.....	83.1	15.8	19.0	-6.0
1931.....	66.9	17.7	26.4	-9.5
1932.....	56.8	19.4	34.2	-10.3
1933.....	60.3	21.9	36.3	.5
1934.....	68.6	28.0	40.8	2.0
1935.....	77.4	32.0	41.3	3.0
1936.....	86.5	35.3	40.8	1.2
1937.....	87.6	36.6	41.8	3.1
1938.....	87.6	37.9	43.3	-6.8
1939.....	94.8	40.1	42.3	-1.5
1940.....	107.6	42.6	39.6	1.0
1941.....	138.8	54.0	38.9	9.7
1942.....	179.0	95.5	53.4	9.3
1943.....	202.4	142.9	70.6	3.2
1944.....	217.4	193.1	88.8	2.1
1945.....	196.0	228.2	116.4	2.3
1946.....	221.4	206.1	93.1	18.2
1947.....	245.0	199.1	81.3	9.0
1948.....	261.2	192.0	73.5	2.7
1949.....	260.5	197.7	75.9	-1
1950.....	311.2	196.6	63.2	5.8
1951.....	338.2	193.1	57.1	5.9
1952.....	361.0	196.8	54.5	.9
1953.....	360.8	200.9	55.7	.6
1954.....	379.8	204.2	53.8	-1.5
1955.....	409.7	204.8	50.0	.4
1956.....	433.2	199.4	46.0	2.9
1957.....	438.1	198.8	45.4	3.3
1958.....	469.2	204.7	43.6	1.8
1959.....	496.8	214.8	43.2	1.5
1960.....	503.4	212.4	42.2	1.5
1961.....	542.8	217.8	40.1	.7
1962.....	574.7	222.8	38.8	1.2
1963.....	611.8	223.9	36.6	1.6
1964.....	654.0	227.0	34.7	1.2
1965.....	719.2	225.6	31.4	1.9
1966.....	772.6	227.5	29.4	3.4
1967.....	825.0	237.3	28.8	3.0
1968.....	898.6	238.9	26.6	4.7
1969.....	953.7	232.1	24.3	6.1
1970.....	1,009.5	239.0	23.7	5.5
1971.....	1,098.4	255.1	23.2	3.4
1972.....	1,220.8	269.9	22.1	3.4

¹ Implied level of gross national product, Dec. 31.² Borrowing from the public less Federal Reserve holdings, unified budget concept.³ Measured by the all item consumer price index, December to December basis.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, Oct. 9, 1973.

The CHAIRMAN. We will try to act on this legislation as expeditiously as we can, and at least try to get it on the President's desk before the debt limit expires.

Secretary SHULTZ. Thank you.

The CHAIRMAN. Mr. Secretary, one other thing has come to mind. I am convinced that we definitely will have to raise the interest rates on the savings bonds. I think we ought to raise them, so as to let the people who hold these small bonds make as much as people who can buy the larger Government securities.

What is the highest effective rate that you are paying on new U.S. Government issues today?

Mr. VOLCKER. Well, it depends upon the maturity sector. We sold some issues recently at about 7 percent. Right now we are paying more than that in the very short term area. But let me illustrate, that as it does go up and down; it went up by 1 percent in the last couple of weeks.

The CHAIRMAN. What is the highest that it has been this year?

Mr. VOLCKER. It has been in some areas of the market, up around 8½ percent.

The CHAIRMAN. I do not like to go that high in interest rates, but it is a fact of life, and I have my severe doubts that we are justified in requiring that a rate of interest for small savers that is below that which large investors are able to receive. How do you feel about that?

Would you be willing to say that you would see that these Series E bonds would bear the highest interest rate that you are paying for Government borrowing?

Secretary SCHULTZ. Well, in our discussion before the Ways and Means Committee we proposed that the ceiling be just removed.

The CHAIRMAN. That amounts to putting the matter in your lap.

Secretary SCHULTZ. Well, then we would sit down with the Finance Committee, the Ways and Means Committee, or make it a part of the conference report or however, to do it, and outline the considerations that ought to go into any change in the interest rate, and identify rates that are relevant for comparison, and try to bracket approximately where we think this rate ought to be. And then we would administer it that way; to a degree like we would administer investing the Social Security Trust Funds.

There is a formula that guides the investment portfolio that the Congress has set out; and while we do not think you would want a rigid formula that does not absolutely predict it, we think you can fully well identify what the bend would be. And that is what we would ask to have done. But they did not see fit to do it. We still think that that is a good idea.

The CHAIRMAN. We will talk about that question in executive session.

Thank you very much, Mr. Secretary.

[Whereupon, at 12 noon, the committee adjourned.]

