$577 BILLION DEBT LIMIT

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 8030

A BILL TO INCREASE THE TEMPORARY DEBT LIMITATION UNTIL NOVEMBER 15, 1975

JUNE 25, 1975

Printed for the use of the Committee on Finance

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$577 BILLION DEBT LIMIT

WEDNESDAY, JUNE 25, 1975

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

The committee met, pursuant to notice, at 10:15 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Talmadge, Byrd, Jr., of Virginia, Nelson, Bentsen, Haskell, Curtis, Dole, Packwood, and Roth, Jr.

The CHAIRMAN. This committee will come to order.

The committee is holding a hearing today on H.R. 8030, a bill to raise the temporary debt limit from $531 billion to $577 billion until November 15, 1975.

We are aware of the fact that there may be objection to bringing this measure before the Senate, and that the committee is under a burden of making the bill available for Senate consideration at the earliest moment, in the event that a parliamentary snarl over the New Hampshire contest would delay consideration of this measure, and therefore we have moved as expeditiously as we could. Immediately upon receiving the bill from the House, we scheduled this hearing.

I apologize to the Senators that they did not have earlier notice and also to the Secretary who I understand had to burn a lot of midnight oil and early morning oil to prepare his statement for us today.

Mr. Secretary, we appreciate all of your diligence and all of the work to prepare for us today. I suggest that you present your statement in the fashion that most suits your good judgment, and after that we will limit ourselves in the amount of time that we will interrogate you on this matter.

[The bill H.R. 8030, and a staff memorandum relating to H.R. 8030, follows:]

Union Calendar No. 160

94TH CONGRESS
1ST SESSION

H. R. 8030

[Report No. 94–312]

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1975

Mr. ULLMAN (for himself and Mr. SCHNEEBELI) introduced the following bill; which was referred to the Committee on Ways and Means

JUNE 19, 1975

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed *

A BILL

To increase the temporary debt limitation until November 15, 1975.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period beginning on the date of the enactment of this Act and ending on November 15, 1975, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall be temporarily increased by $177,000,000,000.

SEC. 2. Effective on the date of the enactment of this Act, the first section of the Act of February 19, 1975, entitled "An Act to increase the temporary debt limitation and to extend such temporary limitation until June 30, 1975" (Public Law 94–3), is hereby repealed.

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* Subsequently passed by the House without amendment.

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June 24, 1975

MEMORANDUM

TO : Members of the Committee on Finance

FROM : Michael Stern, Staff Director

SUBJECT: Increase in Temporary Debt Limit (H.R. 8030)

House Bill.--Under present law, the permanent debt limit is set at $400 billion, with a temporary additional limit of $131 billion, effective through June 30, 1975. H.R. 8030 would:

1. Increase the temporary debt limit from $531 billion to $577 billion; and

2. Set the period in which the new temporary debt limit applies from July 1, 1975 until November 15, 1975.

An earlier bill (H.R. 7545) to raise the temporary limit to $616.1 billion through June 30, 1976 was defeated on the House Floor.

Budget Outlook.--The actual fiscal year 1974 deficit on a Federal funds basis was $17.5 billion; the unified or consolidated deficit was $3.5 billion. The current estimates for the fiscal year 1975 deficit are $48.7 billion (Federal funds) and $42.6 billion (on a unified budget basis). For fiscal year 1976, the deficits are currently estimated at $57.9 billion (Federal funds) and $59.9 billion (unified basis). These figures are shown in the table below:

(dollars in billions)

	FY 1974	FY 1975		FY 1976	
	Actual	February Estimate	Current Estimate	February Estimate	Current Estimate
Federal funds:					
Receipts	$181.2	$186.0	$188.4	$199.3	$201.8
Outlays	198.7	229.0	237.1	254.2	259.7
Deficit (-)	-17.5	-43.0	-48.7	-54.9	-57.9
Unified budget:					
Receipts	264.9	278.8	281.0	297.5	299.0
Outlays	268.4	313.4	323.6	349.4	358.9
Deficit (-)	- 3.5	-34.6	-42.6	-51.9	-59.9

STATEMENT OF HON. WILLIAM E. SIMON, SECRETARY OF THE TREASURY OF THE UNITED STATES

Secretary SIMON. Thank you, Mr. Chairman.

We prepared this quite lengthy statement, and it is quite important. It extends far beyond just the usual request on the part of the Secretary of the Treasury to increase the debt ceiling, and I am not going to—due to the shortness of time this morning and the short notice given to everyone—go through it. However, I would like to summarize parts of it, because I think it is important and hope that you will have the opportunity to read it.

There are some pages I wish to read regarding the need for greater flexibility in debt management that I am seeking from this committee. In the past, secretaries have come to this Congress, as I do today, to request an increase in the debt limit. I have very grave doubts that this procedure has really insured the most productive consultation between the Congress and the Administration.

I would like to discuss with you today, as I did earlier with the Ways and Means Committee, some possible new departures. The new procedures prescribed in the Congressional Budget and Impoundment Control Act cover the debt ceiling issue.

We should have our debates here in Senate Finance and in the House Ways and Means Committees on the manner that we handle the debt financing, which is a complex issue. Even though my stewardship as Secretary of the Treasury with regard to debt management matters is presented to the Congress annually in an annual report, I think a debate on this subject from time to time would be more relevant and certainly more productive than just coming up on a debt ceiling, which I must admit is meaningless. It is nothing more than a recognition of past sins.

Comprehensive tables are attached to my statement, which show the amount of debt outstanding and the projected debt, looking as far as we can look. The tables show how we have indeed financed the debt in the past. The Congress, on May 14, passed the First Concurrent resolution on the fiscal 1976 budget. The $617.6 billion debt ceiling provided in that Resolution would be very acceptable to us.

We would like a better understanding here in the Congress and with the American people in the area of Treasury financing and debt management. Decisions are not arrived at in a room with two or three people, who are expert in this area. They are arrived at after consultation with a wide group of leaders in our financial community. The Government Borrowing Committee, the American Bankers Association, numbers among its membership senior bank officers from all over the United States, large and small. The Government Securities and Federal Agencies Committee, which I was a member of for many years when I was in the banking business, includes senior officials of investment banking firms, who are expert in the Government securities market. A number of these people have served in the Treasury Department as assistants to the Secretary for debt management, so they all have a very broad view of the market.

Both of these committees, as well as all other experts in the United States are in full agreement that the Treasury must tap all maturity sectors of the market and that its offerings must be designed to create and build an upward sloping yield curve. Now, if I have said that once before committees of Congress, I have said it 15 times—and it is an important point to make—and I am providing documented proof of why an upward-sloping yield curve is so important here in my testimony.

We agree completely with the experts' wisdom. We must not overload a particular area of the marketplace, but finance in a sensitive, responsible way in the areas where the—as a market participant would say—the market is "decadent."

The average maturity of our privately-held debt has declined from 5 years, 9 months in 1965 to 2 years, 9 months, presently. The importance of an upward-sloping yield curve cannot be underestimated.

I am quoting now the words of one of our advisory committees:

> Because the majority of institutional investors borrow short-term funds and invest them longer—this is true of commercial banks, of savings institutions, and others—anything that raises short-term rates destroys the incentive to invest longer term, be it in mortgages, corporate bonds, or stocks. This is because any action that makes short rates higher than otherwise simply increases the risks of investing long, and destroys the incentive or need to extend investment maturities.

I have attached to my statement charts indicating interest rates and what their performance has been this year while the Congress was debating whether the budget deficit would be $60 or $80 or $100 or $150 billion—all sorts of different figures were spoken of. I want to emphasize that people who make decisions in markets do not survive very long by acting on statements that are not based on facts.

Based on the Administration's projection of a $60 billion deficit in fiscal 1976, our new cash requirements, including off-budget financing, are going to total $73 billion this year, $38.2 billion in July–December, $34.5 billion January–June.

The simple facts are that on December 31, 1974, private investors held $181 billion of marketable Treasury obligations. By June 30, 1976, that is a year from now, they will have acquired another $80 to $90 billion of marketable securities. That is a 50 percent increase in this relatively short period of time, which is rather extraordinary when one understands investor preferences for diversification, et cetera.

In fiscal 1976, all Government borrowing, including State and local, is going to be 80 percent of capital market borrowing. This percentage could change depending on the ultimate size of the Federal deficit. If you consider Government borrowing relative to total funds raised—including mortgages and short-term credit—it would be 50 percent, a rather large number.

A table is attached to my statement showing the changes in the ownership of the public debt. I think that analysis of this data will support a conclusion by this committee and the Congress that the Treasury has been financing the deficit in a responsible and constructive manner. In this regard, I am personally deeply concerned by the notion I sometimes hear expressed that there is some simple answer to financing these deficits which is going to avert painlessly all of the risks which are inherent in financing operations of this magnitude. As I said before the Ways and Means Committee in our

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question-and-answer period, this optimism seems to work in inverse proportion to peoples' experience in the financial market. We are raising an unprecedented amount of money, and the sheer size of this financing is going to require the greatest flexibility with regard to the choice of maturities. You are all well aware of the statutory exception of $10 billion to the 4¼ percent ceiling on Treasury bond rates.

I am going to submit for the record, if I may, Mr. Chairman, the history of the 4¼ ceiling, which dates back to 1918. It is a very interesting document. It is only a few pages long. It will not take you long to read.

[The material referred to follows:]

Origin of the 4¼ Percent Interest Rate Ceiling

Introduction

Present law prescribes that only $10 billion worth of Treasury bonds held by the general public may have an interest rate in excess of 4¼ percent. The 4¼ percent interest rate ceiling has been in effect since 1918 when the Second Liberty Bond Act of 1917 was amended. Recently, Congress has acted several times to alleviate the constraint imposed by the original interest rate ceiling.

1. In 1967, the maximum maturity on Treasury notes was increased from 5 years to the present maximum of 7 years, thus exempting issues up to 7 years from the 4¼ percent limitation.
2. In 1971, the Treasury was authorized to issue up to $10 billion of bonds without regard to the 4¼ percent ceiling.
3. Then, in 1973, the $10 billion exemption was amended from the 4¼ percent ceiling so that it would apply to bonds outstanding in the hands of the public.

The Congress authorized the $10 billion exemption to observe the effects of eliminating the ceiling. It gave the Treasury the opportunity to establish whether increased flexibility will have desirable effects with respect to debt financing.

Background of the 4¼ Percent Interest Rate Ceiling

The present interest rate ceiling dates back to 1918. Until World War I, the Secretary of the Treasury was given little discretion in the actual implementation of public debt operations. The Congress was the main debt management authority for the Federal Government. Congress determined the interest rates, maturity structures, call features, and other characteristics of the debt. Periodically, Congress authorized the Treasury to use alternative types of securities with the terms specified by the authorizing legislation.

World War I brought a change in this situation. Congress altered its previous policy of specifying the terms and conditions of debt issues because of the large amounts of borrowing and number of loan operations required. In the first and the second Liberty Bond Acts, it gave the Secretary of the Treasury broad authority to determine the terms and conditions of issue such as conversion, redemption, and maturity.

Debates and discussions at the time concerning these acts show that both Congress and the Treasury were thinking almost exclusively of what interest rate would be necessary to successfully issue debt. They concluded in the spring of 1918 that an interest rate of 4¼ percent was adequate. The 4¼ percent was chosen in 1918 simply because it was the rate necessary to sell bonds in the closing months of World War I. Thus, conceptually the 4¼ percent rate was a necessary marketing rate—not a ceiling in the stricter sense. And, of importance in the current debate, its exact level was, and is, an historical accident.

During the early part of 1919, it became clear that additional financing would be required in the near future. A complicating factor in the financing was that the final session of the 65th Congress would terminate before the date of new financing. Secretary of the Treasury Glass requested that the interest rate ceiling be removed for notes and bonds so that financing could be achieved while Congress was in adjournment.

Before its adjournment, Congress responded to the Secretary's appeal by removing note issues from the interest rate ceiling and authorizing the Secretary's discretion in determining rates of interest. The use of bonds was not directly involved in the final financing of World War I. Once again, the restriction applying to bonds, but not notes is also an historical accident. In the years following the war, the question of the interest rate ceiling was no longer a relevant concern.

Although yields on Treasury securities exceeded 4¼ percent from time to time during the early 20's, the ceiling did not represent an impediment to Treasury financing, because the volume of issues was small and was financed entirely by notes and other short-term issues. For the most part, yields on Treasury securities remained well below 4¼ percent except for short periods during the 1950's (1953–1954, 1957–1958). After the mid 60's, the situation has been different, and the Treasury was unable to sell long-term securities until enactment of the $10 billion exemption in 1971.

SUMMARY

The original purpose of the interest rate ceiling has lost relevance in light of changed market conditions. The ceiling was intended to be a level necessary for financing in 1918 and represents merely the last time Congress acted to set Treasury interest rates.

Secretary SIMON. The reason that the 4¼ ceiling was there basically is that was the interest rate that was necessary to finance the U.S. Government during World War I. I suggest that 50 or 60 years later times have changed a little bit, and it is time to take another look at that.

Moreover, Treasury notes are not subject to an interest rate limitation. A note is a coupon security that matures in 1 to 7 years. The Congress on three occasions in the last 10 years has recognized the Treasury's need for greater flexibility.

In 1967, the maximum maturity was increased from 5 to 7 years in the definition of a note. In 1971, the Treasury was authorized to issue $10 billion in long-term bonds without regard to the 4¼ percent ceiling. In 1973, the $10 billion exemption was amended so it would apply only to bonds outstanding in the hands of the public, excluding government accounts.

We have used up $8½ billion of the $10 billion authority. This leaves $1½ billion of long-term authority for the massive financing task ahead.

We have to restructure our debt. The flexibility that I have now for conducting our borrowing operations is grossly inadequate.

The weight of practical experience market advice that we have received from all quarters is that we offer securities in all maturity areas to minimize the risk of an adverse impact on particular sectors of the market. Also there are erroneous conclusions about the impact of Treasury financing. For example there is a tendency for people to think of housing finance in terms of permanent, 30-year mortgage financing, but as every homebuilder knows, the availability of short-term construction financing is as important to getting the job started as the permanent financing is to get it completed.

Also, as we move forward into the recovery phase as we are now, there is additional reason for concern with our debt structure. It is obvious that a substantial portion of our financing in the future, as it has been in the past, is going to have to be handled in the short, intermediate area. There will be another Secretary of the Treasury coming here before you a few years from now who is going to complain bitterly about the concentration of Treasury issues in the short term. The options do not exist today to prevent the massive refinancing job that we are saddling this future Secretary of the Treasury with, just because of the sheer size of debt maturing in the short term.

In the first 6 months of this year 68 percent of the securities the Treasury has issued have been under 2 years and 26 percent have been in maturities 2 to 7 years. Only 6 percent of the securities that we have issued so far have been over 7 years, and the important thing, only 3 percent—actually slightly less—have been over 20 years. We have been, as I say, responsible and sensitive to what the market desires and what it can handle, without being disruptive.

If we concentrate our new offerings entirely in the short- and intermediate-term areas, when the economy has achieved a substantial measure of recovery, the problems of the Fed are going to be greatly complicated. As I said, it would also be the problem of the future Secretary of the Treasury.

There are already substantial build-ups in the amount of securities coming due each year. That is going to continue. I say "likely" in my testimony, but I change that to "going." Two years ago, the privately-held marketable debt maturing within a year amount to just $84 billion. Today, it is $119 billion.

Two years ago, our major refundings were quarterly, and now it looks like we are going to have significant coupon maturities every single month of the year.

We are not going to escape the future adverse consequences of necessary short-term financing. In my judgment, however—and I know this is the judgment shared by other market professionals—excessive amounts of short-term direct Treasury debt would contribute to another situation in which we could get an excessive rise in short-term interest rates with the whole panoply of economic consequences that developed in 1966, 1969, 1970 and again in 1973.

This is not an immediate problem, but as the recovery develops and private credit demands expand, commercial banks and other lenders are going to liquidate Treasury securities, just as they always have, to accommodate the private sector. Short-term Treasury debt is very near to money. Unless there is a substantial rise in interest rates, it is going to be readily liquidated at small cost to provide funds for other purposes. If Treasury financing needs are still large at that time and excess demand threatens to reignite inflationary pressures, the Fed will have to resist this liquidation by the private sector by allowing short-term rates to rise.

The alternative of Fed purchases from the private sector—in other words, monetization of the debt—could temporarily restrain the rise in rates, but only at the expense of future inflation.

I know the argument that we should refrain from long-term borrowing at this time when rates are historically high and wait until rates are lower. This has superficial appeal, but it really begs the question of why the Secretary would want to finance at 8 percent when he can finance at 5½ percent in the short-term area.

Long-term financing avoids the need for frequent future refundings. Prudent debt management requires any financial manager to make sure that he has a debt structure that it is balanced. Every corporate and municipal finance officer would be glad to tell you that, and that is the reason why in World War II we chose to finance with 2½ percent Victory Bonds versus ⅜ of 1 percent Treasury bills. It was a very, very wise decision. There are other reasons that also make this compelling.

What we are specifically recommending to the Chairman and the committee is that the exception to the 4¼ percent ceiling on long-term bonds be increased from $10 billion to $20 billion. I also recommend that the maximum maturity of Treasury notes be extended from the present 7 years to 10 years. The extension of the maximum note maturity, assuming that market conditions permit, could be a powerful tool in helping to arrest the decline in the average maturity.

There is also a notion that is widely recognized that constant short-term financing creates great inflationary pressures. If we finance the Government's vast deficits only in the short-term sector, it is going to look like we have indeed copped out to inflation.

The urgency of the need for greater debt management flexibility is underscored by the facts that I have already mentioned. I also request flexibility for the Secretary of the Treasury to vary the savings bond rate. Savings bonds now account for approximately 25 percent of the privately-held debt. It is a very stable form of debt. Its average life is about double that of our present marketable debt, and we think in fairness to the saver that the Secretary should have some flexibility.

There is a large debt management job before us, and I can assure you, Mr. Chairman, just as others have in the past and others will in the future, the Treasury will handle its part of the debt management job responsibly. I would like to ask you, please give us the tools to do this job.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I would like us to consider these amendments that you are suggesting. I know some of them I want to vote for. I may want to vote for all of them.

First, let me explain that the bill is not in the committee at this moment. I requested that the bill remain at the presiding officer's desk in the Senate because of the parliamentary situation that exists there, with one Senator threatening to hold up the decision on the debt limit until the New Hampshire contest is resolved. I am not sure the New Hampshire contest is going to be resolved any time soon, and I do not want to find ourselves in a situation where the Government cannot pay its employees or contractors.

If the debt limit expires, this Government would have needlessly placed itself in a very embarrassing situation before its citizens and before the rest of the world. Would you agree with that, Mr. Secretary?

Secretary SIMON. Yes, sir, I do. You could not pay Congressmen either.

The CHAIRMAN. Or their employees either. I simply want to do all I can to make sure that the Senate will have the opportunity to pass a debt limit bill. That is why I did not ask that the bill be referred to the committee, but the committee can propose amendments that can be offered on behalf of the committee on the floor, if that suits the judgment of the majority on this committee.

Now, Mr. Secretary, I always ask for a series of charts and I would like if you would just simply bring us up to date. It would help to show the comparison of relative factors and to relate the debt to the growth of the economy and matters of that sort. I would appreciate it if you would make that material available to us.

Secretary SIMON. We sent that up earlier to you, Mr. Chairman, so I think you have everything that you need, and I will submit this for the record. If there is additional material that you would like, we would be delighted to——

The CHAIRMAN. I ask that it be made a part of the record at this point.

[The following material was subsequently supplied by the Department of the Treasury:]

TABLES ON ESTIMATED GROSS AND NET GOVERNMENT AND PRIVATE DEBT

Table	*Subject*
1)	Estimated Gross Government and Private Debt, by Major Categories
2)	Estimated Per Capita Gross Government and Private Debt
3)	Estimated Gross Government and Private Debt related to Gross National Product
4)	Estimated Net Government and Private Debt, by Major Categories
5)	Estimated Per Capita Net Government and Private Debt
6)	Estimated Net Government and Private Debt related to Gross National Product
7)	Estimated Federal Debt related to Population and Prices
8)	Privately held Federal Debt related to Gross National Product
9)	Changes in Per Capita Real Gross National Product

See footnotes at end of tables.

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF DEBT ANALYSIS

June 5, 1975

TABLE 1.—Estimated Gross Government and Private Debt, by Major Categories

(Dollar amounts in billions)

Dec. 31	Private[1]			State and local	Federal[2]			Total gross debt	Percent federal of total
	Individual	Corporate	Total		Public	Agency	Total		
1929	$72.9	$107.0	$179.9	$17.8	$16.3	$1.2	$17.5	$215.2	8.1
1930	71.8	107.4	179.2	18.9	16.0	1.3	17.3	215.4	8.0
1931	64.9	100.3	165.2	19.5	17.8	1.3	19.1	203.8	9.4
1932	57.1	96.1	153.2	19.7	20.8	1.2	22.0	194.9	11.3
1933	51.0	92.4	143.4	19.5	23.8	1.5	25.3	188.2	13.4
1934	49.8	90.6	140.4	19.2	28.5	4.8	33.3	192.9	17.3
1935	49.7	89.8	139.5	19.6	30.6	5.6	36.2	195.3	18.5
1936	50.6	90.9	141.5	19.6	34.4	5.9	40.3	201.4	20.0
1937	51.1	90.2	141.3	19.6	37.3	5.8	43.1	204.0	21.1
1938	50.0	86.8	136.8	19.8	39.4	6.2	45.6	202.2	22.6
1939	50.8	86.8	137.6	20.1	41.9	6.9	48.8	206.5	23.6
1940	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24.3
1941	55.6	97.5	153.1	20.0	57.9	7.7	65.6	238.7	27.5
1942	49.9	106.3	156.2	19.2	108.2	5.5	113.7	289.1	39.3
1943	48.8	110.3	159.1	18.1	165.9	5.1	171.0	348.2	49.1
1944	50.7	109.0	159.7	17.1	230.6	3.0	233.6	410.4	56.9
1945	54.7	99.5	154.2	16.0	278.1	1.5	279.6	449.8	62.2
1946	59.9	109.3	169.2	16.1	259.1	1.6	260.7	446.0	58.5
1947	69.4	128.9	198.3	17.5	256.9	0.7	257.6	473.4	54.4
1948	80.6	139.4	220.0	19.6	252.8	1.0	253.8	493.4	51.4
1949	90.4	140.3	230.7	22.2	257.1	0.8	257.9	510.8	50.5
1950	104.3	167.7	272.0	25.3	256.7	1.1	257.8	555.1	46.4
1951	114.3	191.9	306.2	28.0	259.4	0.8	260.2	594.4	43.8
1952	129.4	202.9	332.3	31.0	267.4	0.9	268.3	631.6	42.5
1953	143.2	212.9	356.1	35.0	275.2	0.8	276.0	667.1	41.4
1954	157.2	217.6	374.8	40.2	278.8	0.7	279.5	694.5	40.2
1955	180.1	253.9	434.0	46.3	280.8	1.4	282.2	762.5	37.0
1956	195.5	277.3	472.8	50.1	276.6	1.7	278.3	801.2	34.7
1957	207.6	295.8	503.4	54.7	274.9	3.2	278.1	836.2	33.3
1958	222.9	312.0	534.9	60.4	289.9	2.4	292.3	887.6	32.9
1959	245.0	341.4	586.4	66.6	290.8	5.7	296.5	949.5	31.2
1960	263.3	365.1	628.4	72.0	290.2	6.4	296.6	997.0	29.7
1961	284.8	391.5	676.3	77.6	296.2	6.8	303.0	1056.9	28.7
1962	311.9	421.5	733.4	83.4	303.5	7.8	311.3	1128.1	27.6
1963	345.8	457.1	802.9	89.5	309.3	8.1	317.4	1209.8	26.2
1964	380.1	497.3	877.4	95.5	317.9	9.1	327.0	1299.9	25.2
1965	415.7	551.9	967.6	103.1	320.9	9.8	330.7	1401.4	23.6
1966	444.2	617.3	1061.5	109.4	329.3	14.0	343.3	1514.2	22.7
1967	476.3	672.9	1149.2	117.3	344.7	20.1	364.8	1631.3	22.4
1968	513.8	779.1	1292.9	127.2	358.0	15.1	373.1	1793.2	20.8
1969	548.6	912.7	1461.3	137.9	368.2	13.8	382.0	1981.2	19.3
1970	586.2	997.7	1583.9	149.2	389.2	12.5	401.7	2134.8	18.8
1971	647.6	1084.7	1732.3	167.0	424.1	11.0	435.1	2334.4	18.6
1972	734.3	1230.8	1965.1	181.2	449.3	11.8	461.1	2607.4	17.7
1973	821.9	1413.8	2235.7	193.5	469.9	11.6	481.5	2910.7	16.5
1974	880.1	1584.2	2464.3	209.3	492.7	11.4	504.1	3177.7	15.9

See footnotes at end of tables.

TABLE 2. – Estimated Per Capita Gross Government and Private Debt[3]

(Amounts in dollars)

Dec. 31	Private[1]			State and local	Federal[2]			Total gross debt
	Individual	Corporate	Total		Public	Agency	Total	
1929	$598	$878	$1477	$146	$133	$9	$143	$1767
1930	583	872	1455	153	129	10	140	1750
1931	523	808	1331	157	143	10	153	1643
1932	457	769	1227	157	166	9	176	1561
1933	406	735	1141	155	189	11	201	1498
1934	394	716	1110	151	225	37	263	1526
1935	390	705	1096	154	240	44	284	1534
1936	395	709	1105	153	268	46	314	1572
1937	396	700	1096	152	289	45	334	1583
1938	385	668	1053	152	303	47	351	1557
1939	388	663	1051	153	320	52	372	1577
1940	399	671	1070	152	339	54	393	1616
1941	415	728	1143	149	432	57	489	1782
1942	368	785	1153	141	799	40	839	2135
1943	355	803	1159	131	1208	37	1245	2536
1944	364	784	1149	123	1659	21	1681	2954
1945	389	708	1097	113	1979	10	1990	3202
1946	422	770	1192	113	1825	11	1836	3142
1947	479	890	1370	120	1775	4	1780	3271
1948	547	946	1494	133	1717	6	1724	3351
1949	603	936	1540	148	1716	5	1722	3410
1950	684	1101	1786	166	1685	7	1693	3645
1951	738	1239	1977	180	1674	5	1680	3837
1952	821	1287	2109	196	1697	5	1702	4008
1953	893	1329	2223	218	1718	4	1723	4164
1954	964	1334	2299	246	1710	4	1714	4260
1955	1085	1530	2615	279	1692	8	1700	4595
1956	1157	1641	2799	296	1637	10	1647	4743
1957	1207	1719	2927	318	1598	18	1617	4862
1958	1274	1784	3058	345	1657	13	1671	5075
1959	1377	1919	3297	374	1635	32	1667	5339
1960	1457	2020	3478	398	1606	35	1641	5518
1961	1550	2131	3681	422	1612	37	1649	5753
1962	1672	2259	3931	447	1627	41	1668	6047
1963	1827	2415	4242	472	1634	42	1677	6392
1964	1980	2591	4572	497	1656	47	1704	6774
1965	2139	2840	4979	530	1651	50	1701	7212
1966	2259	3140	5400	556	1675	71	1746	7703
1967	2396	3386	5783	590	1734	101	1835	8209
1968	2559	3881	6441	633	1783	75	1858	8934
1969	2706	4503	7209	680	1816	68	1884	9775
1970	2861	4869	7731	728	1899	61	1960	10420
1971	3127	5238	8366	806	2048	53	2101	11274
1972	3516	5893	9409	867	2151	56	2207	12485
1973	3906	6719	10626	919	2233	55	2288	13834
1974	4153	7475	11629	987	2325	53	2378	14995

See footnotes at end of tables.

TABLE 3. – Gross Government and Private Debt Related to Gross National Product

Dec. 31	Gross [4] National Product (millions $)	Private [1]: Individual	Private [1]: Corporate	Private [1]: Total	State and local	Federal [3]: Public	Federal [3]: Agency	Federal [3]: Total	Total gross debt
		(Ratios of debt to Gross National Product (%))							
1929	$96.7	75.4	110.7	186.0	18.4	16.9	1.2	18.1	222.5
1930	83.1	86.4	129.2	215.6	22.7	19.3	1.6	20.8	259.2
1931	66.9	97.0	149.9	246.9	29.1	26.6	1.9	28.6	304.6
1932	56.8	100.5	169.2	269.7	34.7	36.6	2.1	38.7	343.1
1933	60.3	84.6	153.2	237.8	32.3	39.5	2.5	42.0	312.1
1934	68.6	72.6	132.1	204.7	28.0	41.5	7.0	48.5	281.2
1935	77.4	64.2	116.0	180.2	25.3	39.5	7.2	46.8	252.3
1936	86.5	58.5	105.1	163.6	22.7	39.8	6.8	46.6	232.8
1937	87.6	58.3	103.0	161.3	22.4	42.6	6.6	49.2	232.9
1938	87.6	57.1	99.1	156.2	22.6	45.0	7.1	52.1	230.8
1939	94.8	53.6	91.6	145.1	21.2	44.2	7.3	51.5	217.8
1940	107.6	49.3	82.7	132.0	18.8	41.8	6.7	48.5	199.3
1941	138.8	40.1	70.2	110.3	14.4	41.7	5.5	47.3	172.0
1942	179.0	27.9	59.4	87.3	10.7	60.4	3.1	63.5	161.5
1943	202.4	24.1	54.5	78.6	8.9	82.0	2.5	84.5	172.0
1944	217.4	23.3	50.1	73.5	7.9	106.1	1.4	107.5	188.8
1945	196.0	27.9	50.8	78.7	8.2	141.9	0.8	142.7	229.5
1946	221.4	27.1	49.4	76.4	7.3	117.0	0.7	117.8	201.4
1947	245.0	28.3	52.6	80.9	7.1	104.9	0.3	105.1	193.2
1948	261.2	30.9	53.4	84.2	7.5	96.8	0.4	97.2	188.9
1949	260.5	34.7	53.9	88.6	8.5	98.7	0.3	99.0	196.1
1950	311.3	33.5	53.9	87.4	8.1	82.5	0.4	82.8	178.3
1951	338.2	33.8	56.7	90.5	8.3	76.7	0.2	76.9	175.8
1952	361.0	35.8	56.2	92.1	8.6	74.1	0.2	74.3	175.0
1953	360.8	39.7	59.0	98.7	9.7	76.3	0.2	76.5	184.9
1954	379.8	41.4	57.3	98.7	10.6	73.4	0.2	73.6	182.9
1955	409.7	44.0	62.0	105.9	11.3	68.5	0.3	68.9	186.1
1956	433.2	45.1	64.0	109.1	11.6	63.9	0.4	64.2	184.9
1957	438.1	47.4	67.5	114.9	12.5	62.7	0.7	63.5	190.9
1958	469.2	47.5	66.5	114.0	12.9	61.8	0.5	62.3	189.2
1959	496.8	49.3	68.7	118.0	13.4	58.5	1.1	59.7	191.1
1960	503.5	52.3	72.5	124.8	14.3	57.6	1.3	58.9	198.0
1961	542.8	52.5	72.1	124.6	14.3	54.6	1.3	55.8	194.7
1962	574.7	54.3	73.3	127.6	14.5	52.8	1.4	54.2	196.3
1963	611.8	56.5	74.7	131.2	14.6	50.6	1.3	51.9	197.8
1964	654.0	58.1	76.0	134.2	14.6	48.6	1.4	50.0	198.8
1965	719.8	57.8	76.7	134.4	14.3	44.6	1.4	45.9	194.7
1966	772.6	57.5	79.9	137.4	14.2	42.6	1.8	44.4	196.0
1967	825.0	57.7	81.6	139.3	14.2	41.8	2.4	44.2	197.7
1968	898.6	57.2	86.7	143.9	14.2	39.8	1.7	41.5	199.6
1969	953.7	57.5	95.7	153.2	14.5	38.6	1.4	40.1	207.7
1970	1009.8	58.1	98.8	156.9	14.8	38.5	1.2	39.8	211.4
1971	1099.1	58.9	98.7	157.6	15.2	38.6	1.0	39.6	212.4
1972	1226.8	59.9	100.3	160.2	14.8	36.6	1.0	37.6	212.5
1973	1351.4	60.8	104.6	165.4	14.3	34.8	0.9	35.6	215.4
1974	1424.0	61.8	111.3	173.1	14.7	34.6	0.8	35.4	223.2

See footnotes at end of tables.

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TABLE 4.—Estimated Net Government and Private Debt, by Major Categories

Dec. 31	Private[1] Individual	Corporate	Total	State and local	Federal[2]	Total net debt	Percent federal of total (%)
1916	$36.3	$40.2	$76.5	$4.5	$1.2	$82.2	1.5
1917	38.7	43.7	82.4	4.8	7.3	94.5	7.7
1918	44.5	47.0	91.5	5.1	20.9	117.5	17.8
1919	43.9	53.3	97.2	5.5	25.6	128.3	20.0
1920	48.1	57.7	105.8	6.2	23.7	135.7	17.5
1921	49.2	57.0	106.2	7.0	23.1	136.3	16.9
1922	50.9	58.6	109.5	7.9	22.8	140.2	16.3
1923	53.7	62.6	116.3	8.6	21.8	146.7	14.9
1924	55.8	67.2	123.0	9.4	21.0	153.4	13.7
1925	59.6	72.7	132.3	10.3	20.3	162.9	12.5
1926	62.7	76.2	138.9	11.1	19.2	169.2	11.3
1927	66.4	81.2	147.6	12.1	18.2	177.9	10.2
1928	70.0	86.1	156.1	12.7	17.5	186.3	9.4
1929	72.9	88.9	161.8	13.6	16.5	191.9	8.6
1930	71.8	89.3	161.1	14.7	16.5	192.3	8.6
1931	64.9	83.5	148.4	16.0	18.5	182.9	10.1
1932	57.1	80.0	137.1	16.6	21.3	175.0	12.2
1933	51.0	76.9	127.9	16.3	24.3	168.5	14.4
1934	49.8	75.5	125.3	15.9	30.4	171.6	17.7
1935	49.7	74.8	124.5	16.1	34.4	175.0	19.7
1936	50.6	76.1	126.7	16.2	37.7	180.6	20.9
1937	51.1	75.8	126.9	16.1	39.2	182.2	21.5
1938	50.0	73.3	123.3	16.1	40.5	179.9	22.5
1939	50.8	73.5	124.3	16.4	42.6	183.3	23.2
1940	53.0	75.6	128.6	16.4	44.8	189.8	23.6
1941	55.6	83.4	139.0	16.1	56.3	211.4	26.6
1942	49.9	91.6	141.5	15.4	101.7	258.6	39.3
1943	48.8	95.5	144.3	14.5	154.4	313.2	49.3
1944	50.7	94.1	144.8	13.9	211.9	370.6	57.2
1945	54.7	85.3	140.0	13.4	252.5	405.9	62.2
1946	59.9	93.5	153.4	13.7	229.5	396.6	57.9
1947	69.4	109.6	179.0	15.0	221.7	415.7	53.3
1948	80.6	118.4	199.0	17.0	215.3	431.3	49.9
1949	90.4	118.7	209.1	19.1	217.6	445.8	48.8
1950	104.3	142.8	247.1	21.7	217.4	486.2	44.7
1951	114.3	163.8	278.1	24.2	216.9	519.2	41.8
1952	129.4	172.3	301.7	27.0	221.5	550.2	40.3
1953	143.2	180.9	324.1	30.7	226.8	581.6	39.0
1954	157.2	184.1	341.3	35.5	229.1	605.9	37.8
1955	180.1	215.0	395.1	41.1	229.6	665.8	34.5
1956	195.5	234.1	429.6	44.5	224.3	698.4	32.1
1957	207.6	249.1	456.7	48.6	223.0	728.3	30.6
1958	222.9	262.0	484.9	53.7	231.0	769.6	30.0
1959	245.0	287.0	532.0	59.6	241.4	833.0	29.0
1960	263.3	306.3	569.6	64.9	239.8	874.3	27.4
1961	284.8	328.3	613.1	70.5	246.7	930.3	26.5
1962	311.9	353.5	665.4	77.0	253.6	996.0	25.5
1963	345.8	383.6	729.4	83.9	257.5	1070.8	24.0
1964	380.1	417.1	797.2	90.4	264.0	1151.6	22.9
1965	415.7	463.2	878.9	98.3	266.4	1243.6	21.4
1966	444.2	517.8	962.0	104.8	271.8	1338.6	20.3
1967	476.3	562.6	1038.9	112.8	286.4	1438.1	19.9
1968	513.8	653.0	1166.8	122.7	291.9	1581.4	18.5
1969	548.6	764.8	1313.4	133.3	289.3	1736.0	16.7
1970	586.2	836.4	1422.6	144.8	301.1	1868.5	16.1
1971	647.6	909.1	1556.7	162.8	325.9	2045.4	15.9
1972	734.3	1030.8	1765.1	176.9	341.2	2283.2	14.9
1973	821.9	1185.7	2007.6	189.5	349.1	2546.2	13.7
1974	880.1	1330.6	2210.7	205.6	360.8	2777.1	13.0

See footnotes at end of tables.

TABLE 5.—Estimated Per Capita Net Government and Private Debt[8]

Dec. 31	Private[1] Individual	Private[1] Corporate	Private[1] Total	State and local	Federal[3]	Total net debt
1916	$356	$394	$750	$44	$11	$806
1917	374	423	797	46	70	915
1918	431	455	886	49	202	1138
1919	420	509	930	52	244	1227
1920	451	541	993	58	222	1274
1921	453	525	978	64	212	1255
1922	462	532	994	71	207	1273
1923	479	559	1038	76	194	1310
1924	488	588	1077	82	184	1344
1925	514	627	1142	88	175	1406
1926	534	649	1183	94	163	1441
1927	557	682	1239	101	152	1494
1928	580	714	1295	105	145	1546
1929	598	730	1328	111	135	1575
1930	583	725	1308	119	134	1562
1931	523	673	1196	128	149	1474
1932	457	640	1098	132	170	1401
1933	406	612	1018	129	193	1341
1934	394	597	991	125	240	1357
1935	390	587	978	126	270	1375
1936	395	594	989	126	294	1410
1937	396	588	985	124	304	1414
1938	385	564	949	124	311	1385
1939	388	561	949	125	325	1400
1940	399	570	969	123	337	1431
1941	415	622	1038	120	420	1578
1942	368	676	1045	113	751	1910
1943	355	695	1051	105	1124	2281
1944	364	677	1042	100	1525	2667
1945	389	607	996	95	1797	2889
1946	422	658	1080	96	1616	2794
1947	479	757	1237	103	1532	2872
1948	547	804	1351	115	1462	2929
1949	603	792	1396	127	1452	2976
1950	684	937	1622	142	1427	3192
1951	738	1057	1795	156	1400	3352
1952	821	1093	1914	171	1405	3492
1953	893	1129	2023	191	1415	3630
1954	964	1129	2093	217	1405	3716
1955	1085	1295	2381	247	1383	4012
1956	1157	1386	2543	263	1327	4134
1957	1207	1448	2655	282	1296	4234
1958	1274	1498	2772	307	1320	4400
1959	1377	1613	2991	335	1357	4684
1960	1457	1695	3152	359	1327	4839
1961	1550	1787	3337	383	1343	5064
1962	1672	1895	3567	412	1359	5339
1963	1827	2027	3854	443	1360	5658
1964	1980	2173	4154	471	1375	6001
1965	2139	2383	4523	505	1371	6400
1966	2259	2634	4894	533	1382	6810
1967	2396	2831	5228	567	1441	7237
1968	2559	3253	5813	611	1454	7879
1969	2706	3773	6480	657	1427	8565
1970	2861	4082	6943	706	1469	9120
1971	3127	4390	7518	786	1574	9879
1972	3516	4935	8451	847	1633	10932
1973	3906	5635	9542	900	1659	12101
1974	4153	6279	10432	970	1702	13105

See footnotes at end of tables.

TABLE 6.—Estimated Net Government and Private Debt Related to Gross National Product

Dec. 31	Gross[4] National Product (millions $)	Private[3]			State and local	Federal[5]	Total net debt
		Individual	Corporate	Total			
		(Ratios of debt to Gross National Product (%))					
1929	$96.7	75.4	91.9	167.3	14.1	17.1	198.4
1930	83.1	86.4	107.5	193.9	17.7	19.9	231.4
1931	66.9	97.0	124.8	221.8	23.9	27.7	273.4
1932	56.8	100.5	140.8	241.4	29.2	37.5	308.1
1933	60.3	84.6	127.5	212.1	27.0	40.3	279.4
1934	68.6	72.6	110.1	182.7	23.2	44.3	250.1
1935	77.4	64.2	96.6	160.9	20.8	44.4	226.1
1936	86.5	58.5	88.0	146.5	18.7	43.6	208.8
1937	87.6	58.3	86.5	144.9	18.4	44.7	208.0
1938	87.6	57.1	83.7	140.8	18.4	46.2	205.4
1939	94.8	53.6	77.5	131.1	17.3	44.9	193.4
1940	107.6	49.3	70.3	119.5	15.2	41.6	176.4
1941	138.8	40.1	60.1	100.1	11.6	40.6	152.3
1942	179.0	27.9	51.2	79.1	8.6	56.8	144.5
1943	202.4	24.1	47.2	71.3	7.2	76.3	154.7
1944	217.4	23.3	43.3	66.6	6.4	97.5	170.5
1945	196.0	27.9	43.5	71.4	6.8	128.8	207.1
1946	221.4	27.1	42.2	69.3	6.2	103.7	179.1
1947	245.0	28.3	44.7	73.1	6.1	90.5	169.7
1948	261.2	30.9	45.3	76.2	6.5	82.4	165.1
1949	260.5	34.7	45.6	80.3	7.3	83.5	171.1
1950	311.3	33.5	45.9	79.4	7.0	69.8	156.2
1951	338.2	33.8	48.4	82.2	7.2	64.1	153.5
1952	361.0	35.8	47.7	83.6	7.5	61.4	152.4
1953	360.8	39.7	50.1	89.8	8.5	62.9	161.2
1954	379.8	41.4	48.5	89.9	9.3	60.3	159.5
1955	409.7	44.0	52.5	96.4	10.0	56.0	162.5
1956	433.2	45.1	54.0	99.2	10.3	51.8	161.2
1957	438.1	47.4	56.9	104.2	11.1	50.9	166.2
1958	469.2	47.5	55.8	103.3	11.4	49.2	164.0
1959	496.8	49.3	57.8	107.1	12.0	48.6	167.7
1960	503.5	52.3	60.8	113.1	12.9	47.6	173.7
1961	542.8	52.5	60.5	113.0	13.0	45.5	171.4
1962	574.7	54.3	61.5	115.8	13.4	44.1	173.3
1963	611.8	56.5	62.7	119.2	13.7	42.1	175.0
1964	654.0	58.1	63.8	121.9	13.8	40.4	176.1
1965	719.8	57.8	64.4	122.1	13.7	37.0	172.8
1966	772.6	57.5	67.0	124.5	13.6	35.2	173.3
1967	825.0	57.7	68.2	125.9	13.7	34.7	174.3
1968	898.6	57.2	72.7	129.8	13.7	32.5	176.0
1969	953.7	57.5	80.2	137.7	14.0	30.3	182.0
1970	1009.8	58.1	82.8	140.9	14.3	29.8	185.0
1971	1099.1	58.9	82.7	141.6	14.8	29.7	186.1
1972	1226.8	59.9	84.0	143.9	14.4	27.8	186.1
1973	1351.4	60.8	87.7	148.6	14.0	25.8	188.4
1974	1424.0	61.8	93.4	155.2	14.4	25.3	195.0

See footnotes at end of tables.

TABLE 7.—Estimated Federal Debt Related to Population and Prices

Dec. 31	Outstanding Federal debt			Per capita Federal debt [3]			Real per capita Federal debt [8]		
	Gross [2]	Net [4]	Privately held net [5]	Gross [2]	Net [4]	Privately held net [5]	Gross [2]	Net [4]	Privately held net [5]
1929	$17.5	$16.5	$16.0	$143	$135	$131	$434	$409	$397
1930	17.3	16.5	15.8	140	134	128	452	431	413
1931	19.1	18.5	17.7	154	149	142	547	530	507
1932	22.0	21.3	19.4	176	170	155	698	676	616
1933	25.3	24.3	21.9	201	193	174	794	763	687
1934	33.3	30.4	28.0	263	240	221	1018	929	856
1935	36.2	34.4	32.0	284	270	251	1067	1014	943
1936	40.3	37.7	35.3	314	294	275	1167	1091	1022
1937	43.1	39.2	36.6	334	304	284	1203	1094	1022
1938	45.6	40.5	37.9	351	312	291	1299	1154	1080
1939	48.8	42.6	40.1	372	325	306	1386	1210	1139
1940	52.2	44.8	42.6	393	337	321	1449	1244	1183
1941	65.6	56.3	54.0	489	420	403	1644	1411	1353
1942	113.7	101.7	95.5	840	751	705	2579	2307	2166
1943	171.0	154.4	142.9	1245	1125	1041	3709	3349	3099
1944	233.6	211.9	193.1	1681	1525	1390	4902	4447	4052
1945	279.6	252.5	228.2	1990	1797	1624	5675	5125	4632
1946	260.7	229.5	206.1	1836	1616	1452	4418	3889	3493
1947	257.6	221.7	199.1	1780	1532	1376	3940	3391	3045
1948	253.8	215.3	192.0	1724	1462	1304	3721	3156	2815
1949	257.9	217.6	197.7	1722	1452	1320	3785	3193	2901
1950	257.8	217.4	196.6	1693	1427	1291	3515	2965	2681
1951	260.2	216.9	193.1	1680	1400	1246	3293	2745	2443
1952	268.3	221.5	196.8	1702	1405	1249	3308	2731	2427
1953	276.0	226.8	200.9	1723	1415	1254	3325	2732	2420
1954	279.5	229.1	204.2	1714	1405	1252	3324	2724	2428
1955	282.2	229.6	204.8	1700	1383	1234	3284	2672	2383
1956	278.3	224.3	199.4	1647	1328	1180	3093	2493	2216
1957	278.1	223.0	198.8	1617	1296	1155	2946	2363	2106
1958	292.3	231.0	204.7	1671	1320	1170	2993	2365	2096
1959	296.5	241.4	214.8	1667	1357	1207	2942	2395	2131
1960	296.6	239.8	212.4	1641	1327	1175	2855	2308	2044
1961	303.0	246.7	217.8	1649	1343	1185	2851	2321	2049
1962	311.3	253.6	222.8	1668	1359	1194	2849	2321	2039
1963	317.4	257.5	223.9	1677	1360	1183	2817	2286	1987
1964	327.0	264.0	227.0	1704	1375	1183	2829	2284	1964
1965	330.7	266.4	225.6	1702	1371	1161	2772	2233	1891
1966	343.3	271.8	227.5	1746	1382	1157	2752	2179	1824
1967	364.8	286.4	237.3	1835	1441	1194	2808	2204	1826
1968	373.1	291.9	238.9	1858	1454	1190	2715	2124	1738
1969	382.0	289.3	232.1	1884	1427	1145	2594	1964	1576
1970	401.7	301.1	239.0	1960	1469	1166	2558	1917	1522
1971	435.1	325.9	255.1	2101	1574	1232	2652	1987	1555
1972	461.1	341.2	269.9	2207	1633	1292	2695	1994	1577
1973	481.5	349.1	268.6	2288	1659	1276	2567	1861	1432
1974	504.1	360.8	280.1	2378	1702	1321	2378	1702	1321

See footnotes at end of tables.

TABLE 8.—Privately Held Federal Debt Related to GNP

[Dollar amounts in billions of dollars]

Dec. 31	Gross national product [4]	Privately held debt [6]	Ratio of debt to GNP (%)	Year-to-year price changes [7] (%)
1929	$96.7	$16.0	16.5	....
1930	83.1	15.8	19.0	−6.0
1931	66.9	17.7	26.5	−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	−2.8
1939	94.8	40.1	42.3	−.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	18.5
1947	245.0	199.1	81.3	8.7
1948	261.2	192.0	73.5	2.6
1949	260.5	197.7	75.9	−1.8
1950	311.3	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	.7
1954	379.8	204.2	53.8	−.4
1955	409.7	204.8	50.0	.4
1956	433.2	199.4	46.0	2.9
1957	438.1	198.8	45.4	3.0
1958	469.2	204.7	43.6	1.7
1959	496.8	214.8	43.2	1.5
1960	503.5	212.4	42.2	1.5
1961	542.8	217.8	40.1	.6
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	719.8	225.6	31.3	1.9
1966	772.6	227.5	29.4	3.3
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	1009.8	239.0	23.7	5.5
1971	1099.1	255.1	23.2	3.4
1972	1226.8	269.9	22.0	3.4
1973	1351.4	268.6	19.9	8.8
1974	1424.0	280.1	19.7	12.2

See footnotes at end of tables.

TABLE 9.—Changes in Per Capita Real Gross National Product

Dec. 31	GNP in billions of 1958 dollars	GNP per capita constant 1958 dollars [3]	GNP per capita, change from year ago: Constant 1958 dollars	GNP per capita, change from year ago: Percent
1929	$203.6	$1672		
1930	183.5	1491	$−181	−10.8
1931	169.3	1365	−126	−8.5
1932	144.2	1155	−210	−15.4
1933	141.5	1127	−28	−2.4
1934	154.3	1221	94	8.4
1935	169.5	1332	111	9.1
1936	193.0	1507	175	13.2
1937	203.2	1577	70	4.7
1938	192.9	1486	−91	−5.8
1939	209.4	1600	114	7.7
1940	227.2	1714	114	7.1
1941	263.7	1969	255	14.9
1942	297.8	2200	231	11.7
1943	337.1	2456	256	11.6
1944	361.3	2601	145	5.9
1945	355.2	2529	−72	−2.8
1946	312.6	2202	−327	−12.9
1947	309.9	2142	−60	−2.8
1948	323.7	2199	57	2.7
1949	324.1	2164	−35	−1.6
1950	355.3	2333	169	7.8
1951	383.4	2475	142	6.1
1952	395.1	2508	33	1.3
1953	412.8	2577	69	2.8
1954	407.0	2497	−80	−3.1
1955	438.0	2640	143	5.7
1956	446.1	2641	1	.1
1957	452.5	2631	−10	−.4
1958	447.3	2558	−73	−2.8
1959	474.9	2671	113	4.4
1960	487.7	2699	28	1.1
1961	497.2	2707	8	.3
1962	529.8	2840	133	4.9
1963	551.0	2912	72	2.5
1964	581.1	3028	116	4.0
1965	617.8	3180	152	5.0
1966	658.1	3348	168	5.3
1967	675.2	3398	50	1.5
1968	706.6	3521	123	3.6
1969	725.6	3580	59	1.7
1970	722.5	3527	−53	−1.5
1971	746.3	3605	78	2.2
1972	792.5	3795	190	5.3
1973	839.2	3989	194	5.1
1974	821.2	3875	−114	−2.8

[1] Private corporate debt includes the debt of certain federally sponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLBs in 1949; FHLBs in 1951; FNMA—Secondary market operations, FICBs and BCOOPs in 1968. The total debt for these agencies amount to $0.7 billion on 12/31/47, $3.5 billion on 12/31/60, $38.8 billion on 12/31/70, $59.8 billion on 12/31/73, and $76.4 billion on 12/31/74.

[2] Total Federal securities includes public debt securities and budget agency securities.

[3] Per capita debt is calculated by dividing debt figures by population of conterminous U.S. Beginning 1949, population includes armed forces overseas, Hawaii and Alaska.

[4] Implied level of GNP for end of year. Calculated as an average of the fourth and first 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 December 31 levels.

[5] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).

[6] Borrowing from the public less Federal Reserve holdings.

[7] Measured by all item consumer price index, December to December basis.

[8] Per capita debt expressed in December 1974 prices (consumer price index for all items).

NOTE.—Detail may not add to totals because of rounding.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

The CHAIRMAN. Now, I do want to ask about one other thing in your statement. You say: "The alternative of Federal Reserve purchases from the private sector, monetization of the debt, could temporarily restrain such a rise in rates but only at the expense of adding to the inflationary potential."

A lot of people have been upset, Mr. Secretary, about your statement that you did not know whether it would be possible for the Government to finance this large a debt or this sudden an increase in the debt, and the thought occurred to me that by law it could be done if we simply required the Federal Reserve to buy Government bonds, as it did back in the days when President Truman used such a device to hold interest rates down.

Now, they said that would be inflationary because every time a dollar finds its way into banks that dollar could be loaned out four or five times over, but I would think that if you would accompany that device with a limitation on the lending ratios, the reserve ratio at the bank, you might make that system work.

Secretary SIMON. Could I say something, Mr. Chairman?

The CHAIRMAN. I would like to get your reaction to that.

Secretary SIMON. First of all, I never did say—let me disagree—that we could not finance this debt. On the contrary, I have said just the opposite. When the Federal Government comes into the financial markets, it moves to the head of the line. It is the premier borrower in the world, indeed, and it enjoys the highest credit rating. My concern was that these extraordinary deficit levels that were being talked about last winter would place a terrible burden on the other borrowers who need this money for capital expansion and other productive uses.

As far as legislation would require the Federal Reserve to increase the money supply, Mr. Chairman, I think there is pretty well unanimous opinion among all schools of economists on this subject that if money supply expands at too rapid a rate for a period of time the direct result is inflation. As I say, that is quite unanimous. There might be a difference of opinion about what the money supply growth should be as we are pulling out of the recession and into the recovery period, but there is no disagreement that I know of on what the long term should be.

And this money supply creation, the monetization of debt would occur just at the time—because there is a 9-month lag approximately—just at the time the recovery was taking place. It would be clearly inflationary.

The CHAIRMAN. Well, this Government has the power to limit the amount that the banks can loan. We agree on that, do we not?

Secretary SIMON. They have what they call a "reserve requirement," that the Fed can adjust to take care of that.

The CHAIRMAN. And all of that derives itself from a provision in the Constitution which says that Congress will create money and regulate the value of it, is that not correct?

We then farm that authority out to the Federal Reserve, and the Federal Reserve in turn tells the banks how much money they can lend, based on deposits in those banks.

Secretary SIMON. In effect they do that through reserve requirements, yes, Mr. Chairman.

The CHAIRMAN. I heard Paul Douglas, back in the days he was serving here, express the view that when the Federal Reserve buys bonds, it pumps more money into circulation, and that money can then be multiplied by 4 or 5 to 1, by the lending and the reserve required on it by the banks. But if one were to tighten up on the reserve requirements, it would seem to me that one would tend to offset somewhat the inflationary impact of the Federal Reserve buying its own bonds, that is putting money into supply by buying Government bonds.

Secretary SIMON. Of course, if you tighten up on the reserve requirements, you just tighten up on the ability of the commercial banks to lend to the private sector at the expense of the Government sector. We are doing that anyway just by the very fact that the Government is going to preempt so many borrowers.

It is a necessary process. There are always people who want to borrow who cannot borrow. There is a class of disadvantaged, whether they be poor quality, cannot afford to pay the interest rate—there are lots of reasons.

The CHAIRMAN. Well, all I am saying is that if you are trying to get down to ultimates, if you cannot persuade somebody to buy the bond or lend the Federal Government the money, you can require that the Federal Reserve buy it. That has been done before, there is nothing new about it. Then you can tighten up through the Federal Reserve on the amount of money that the banks can lend out, and by doing that you can offset to a very considerable degree the inflationary impact of the Federal Government buying its own bonds.

Secretary SIMON. I think, Mr. Chairman—and I must admit it has been many years since I read the Douglas debates in the Senate, and I was a great admirer of the Senator—that we paid a terrible price for keeping interest rates artificially low to finance World War II. All we did was postpone high interest rates in the inevitable inflation that followed. They removed the peg in March 1951 which effectively stopped the Fed from pegging the rate of interest and making sure that the Treasury could finance.

The CHAIRMAN. What I am really concerned about, Mr. Secretary—and I hope the committee will give me consent to ask this one additional question—is this fear expressed by some citizens, based on your statements in speeches made to various business groups in which you indicate that you have very serious doubts that the Government can finance its deficit.

Secretary SIMON. No, sir, that is not what I have said. We can go back to all of the testimony. I have said I have never had any doubt about the Government's ability to finance. What I worry about, is the private sector and their ability to finance during this period of a year to a year and a half from now.

And what you are suggesting, even though I am hearing it for the first time, is just an indirect preemption of the private sector in their demands on the capital market.

We will get ours. There is no doubt about that. But, at the expense of others.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Mr. Secretary, about 2 months ago I read a statement attributed to Chairman George Mahon, of the House Appropriations Committee, who said that our Government would have to borrow in the next 18 months $167 billion. Is that correct?

Secretary SIMON. I read Chairman Mahon's statement at that time, and yes, he made a lot of assumptions that may or may not be true. I do not think that number is relevant anymore. I think that the very healthy debate that we had in Congress during January through April of this year, made everyone quite aware of the dangers of the escalating deficit which was astronomical at that time. It was everybody's favorite game; pick a number.

Senator TALMADGE. If the Government has to borrow anything near that magnitude, what will it do to interest rates?

Secretary SIMON. Well, any additional borrowing by the Federal Government will create an upward bias on interest rates, and this upward bias on interest rates will be compounded by private borrowing demand generated by the economic upturn. It is pretty unanimous that we are embarking on recovery right now. That is why we have to work now to do two things.

First we must keep the present budget deficit as low as we possibly can—because, for the most part, it is unavoidable due to the recession, lower tax revenues and unemployment.

But, more important than that, we have to make sure that the deficit is temporary in nature. What scares me is the prospect that these deficits—as a result of Federal spending that is built in—will continue for the balance of this decade. All one has to do is go take a look at what is going on in the credit markets today. We are at the bottom of the deepest recession in 40 years, and double-A corporate rates are at 8¾ percent. As we start the economic recovery and private demands start to increase we are at, starting from another new, higher interest rate level—higher than the level we started from in 1969-1970; higher than the 6 percent we started from in the credit crunch of 1966.

Senator TALMADGE. Now, apparently, the recession has cooled down to some degree the inflationary spiral that was so rampant a few months ago. But I think it is still in the area of about 7 percent, is it not?

Secretary SIMON. It would be under 6 in our most recent data, Senator Talmadge. We have succeeded in bringing the inflation rate down from the extraordinary double-digits to this level. It is going to remain sticky at 6 percent—give or take a little bit—level, and it is going to take time to work it down from from there.

Senator TALMADGE. Has the same slowdown occurred in most of the other industrialized nations of the world?

Secretary SIMON. Those who have taken the proper measures—Germany started to pursue anti-inflationary policies long before we did and they had better success than we have had. Actually, theirs never went up as much as ours; the high of the German inflation rate was under 7 percent, when everybody in the world was experiencing inflation rates anywhere from 12 to 25 percent.

Senator TALMADGE. What about Japan? Has theirs slowed down substantially?

Secretary SIMON. It is in the process, yes, sir.

Senator TALMADGE. Britain, I believe, continues very high.

Secretary SIMON. Well, Britain has adopted different policies than some countries have, and their inflation rate today is at 25 percent.

Senator TALMADGE. How much is the exorbitant price we are paying to OPEC nations for petroleum contributing to inflation?

Secretary SIMON. Well, the best measure of that, Senator Talmadge, is in the wholesale price index. Some people like to use the consumer price index, but the wholesale price index does not have services in it, and therefore is more relevant. I would say, on a one-shot basis—and remember there are the fiscal and monetary reasons for our very high inflation rates as well as food and fuel effects—on a one-time basis, petroleum accounts for about a third. That is the silly part about attempting to justify a further increase in the price of oil today, based on inflation. Here are these countries saying, "inflation is forcing us to raise the price of oil again," when their actions are what contributed so significantly to inflation. I do not understand that kind of logic.

Senator TALMADGE. What have OPEC nations done to these vast reserves that they have accumulated?

Secretary SIMON. They have invested the money, as we have discussed in many testimonies, in a very conservative fashion. It is in their best interest to do so. Last year, in 1974, the United States received over $11 million of the OPEC surplus—about half of that in Government bonds, and the rest of it in bank deposits and other areas.

Senator TALMADGE. I have no further questions, Mr. Chairman. Thank you, Mr. Secretary.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Secretary, we appreciate your appearance here today. As I understand it, one of the amendments that you feel strongly about is that we raise the amount of bonds that can be issued at more than 4¼ percent interest from $10 billion to $20 billion. Is that correct?

Secretary SIMON. Yes, sir.

Senator CURTIS. Do you feel that, in addition to making the debt more manageable, this action will actually save money for the Treasury.

Secretary SIMON. Yes, it will.

Senator CURTIS. In what way?

Secretary SIMON. In the long run, it will assist us by giving us flexibility in the marketplace so that we will not put pressures on any particular maturity area after we use the remaining $1.5 billion of authority we have to issue long term bonds. An over-reliance on the bill area pushes up short-term interest rates, and that has a very disruptive effect. It destroys the incentive for people to lend long, which means the private sector has to——

Senator CURTIS. In other words, under the existing law, if you cannot get the money at 4¼ percent, you are forced to issue Treasury notes not to exceed 7 years, and there is no ceiling at all. Is that right?

Secretary SIMON. That is correct, sir.

Senator CURTIS. You are also recommending that Treasury notes be issued for 10 years instead of 7.

Secretary SIMON. That is correct, sir.

Senator CURTIS. And the third amendment is to remove the 6 percent ceiling on savings bonds.

Secretary SIMON. Yes, sir.

Senator CURTIS. Do you feel we owe that to the small saver?

Secretary SIMON. I most certainly do. I think we have been unfair to the small saver for a long, long time. We must recognize the equity question on the one hand and the importance of the savings bond program in our overall debt management on the other—savings bonds account for 25 percent of our privately-held debt, and are a very stable form of debt. And we would like that to grow. If we want it to grow, we have to offer a rate of interest that more nearly reflects market conditions. It goes both ways; interest rates go up and down.

Senator CURTIS. These are the three principal amendments you are urging?

Secretary SIMON. Yes, sir.

Senator CURTIS. Mr. Chairman, I believe we have a quorum here. May I inquire—and I do not want to cut anybody off—but realizing the hectic situation in regard to the schedule, I want to inquire at what point would the Chair like to entertain a motion on these amendments?

The CHAIRMAN. What is the judgment of the committee? It is all right with me to vote on them now, if the committee wants to.

Senator PACKWOOD. Mr. Chairman, I agree with Senator Curtis. I have no questions to ask. We go through this subject every six months or so, when we go through the debt limit, and before we are stopped from meeting by an objection on the Senate floor, I would like to take whatever action——

The CHAIRMAN. We are talking about three relevant amendments in the area of debt management. It is all right with me to vote on them.

Senator CURTIS. I do not want to shut off anybody's questions, even afterwards, as far as that goes, to establish the record.

The CHAIRMAN. Does anybody object to voting on the amendments?

Senator BYRD. I do not object, but I want to vote on them one by one.

Senator CURTIS. The one is to remove the ceiling on bonds that can be issued at more than 4¼ percent. The limit now is $10 billion. It would raise that to $20 billion. That is one amendment. The other amendment is, Treasury notes now cannot be issued for longer than 7 years. That would be raised to 10. That would be the second amendment. The third one would be to remove the 6 percent ceiling on savings. I shall not push it now, because I do not want to cut anybody off.

The CHAIRMAN. Well, many times I have opposed the third one, but the more I think about it, I have been inclined to the view that the small E bond holder was being discriminated against; and I have come to see that you ought to pay him as much as you pay the big fellow who can afford to buy a big bond. So, I have no objection to the amendments myself.

Senator CURTIS. The only point I am raising is, does anybody object to having the motion placed now? You can vote any way you want to.

The CHAIRMAN. Well, why do we not vote on each one of them? Put the first one.

Senator CURTIS. All right.

I move that we raise the $10 billion to $20 billion on the amount of bonds that can be issued for a rate of interest greater than 4¼ percent.

The CHAIRMAN. All in favor say aye.

[Chorus of ayes.]

Senator HASKELL. I would like to be recorded as voting present, Mr. CHAIRMAN.

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. The ayes have it.

Senator CURTIS. Mr. Chairman, I move that the length of Treasury notes be extended from 7 years to 10 years?

Senator BYRD. May I ask a question in that regard, Mr. Chairman?

The CHAIRMAN. Yes.

Senator BYRD. Mr. Secretary, most of your bonds and notes are considerably less than 7 years now, are they not?

Secretary SIMON. Yes, sir, they are, Senator Byrd.

Senator BYRD. What do you hope to gain by increasing it from 7 years to 10 years.

Secretary SIMON. It gives us the additional flexibility of being able to issue longer intermediate securities without having to use part of the $10 billion authority to issue any securities maturing in more than 7 years. It has become a viable maturity area in recent years. When interest rates skyrocketed, corporations and banks in particular began using this 5 to 10-year area with much success; and as this maturity area has become acceptable to investors. We can take good advantage of this maturity area, along with others. It just gives us additional flexibility to smooth out a yield curve without using up the $10 billion exception to the 4¼ percent ceiling. I would hesitate to sell an 8, 9, or 10-year bond and use up some of the very valuable long-term authority that we have. So, as a result that is an area that we just have never been present in.

Senator BYRD. Thank you. I second the motion of the Senator from Nebraska.

The CHAIRMAN. All in favor say aye.

[Chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

Senator HASKELL. Mr. Chairman, I would like to vote present.

Senator BENTSEN. On the third one, I would like to ask a question before we vote on it.

Senator CURTIS. Yes. It is to remove the 6 percent ceiling on savings.

Senator BENTSEN. I very strongly supported the first two, and I may support the third one. But I do have some concern, as expressed by the Chairman and others, and as you have stated in your statement, Mr. Secretary, about some of the thrift institutions and the competition therewith. And you are then saying—you are recommending the removal of regulation Q-type ceilings. The trouble with these thrift institutions, is they really get whipsawed with their short-term savings and their long-term investments; and you take off regulation Q, and then they get to competing for these savings accounts, and they get into real trouble.

Now, of course, I know if you take the full thrust of the Hunt Commission recommendations, perhaps you resolve some of this. Would you elaborate a little more on this?

Secretary SIMON. You know, this is why I thought it would be very helpful to talk about debt management and savings bonds instead of coming up on debt ceiling twice a year before the two knowledgeable committees, the Ways and Means and the Senate Finance. Changing the debt limit is really a charade, a recognition of what has already been spent—we are not going to run out of money in the Federal Government. I would expect that any Secretary of the Treasury would, just as I would, before I ever increased the savings bond rate—that is for all savings bonds—come up and testify before the two relevant committees on this issue, knowing that this is a sensitive subject as far as the thrift institutions are concerned. Now, the thrift institutions basically are going to be penalized any time the Treasury bill rate starts to move up in the area of 6½ to 7 percent, because that is when the disintermediation, in our experience, begins to occur. We do not need, due to the other benefits of savings bonds, to be truly market-competitive. All we would like is the flexibility—because it is a good selling tool—to let the people know that they are going to receive, along with the other benefits, a close-to-market rate of interest, keeping in mind that the thrift institutions cannot be penalized. But people buy savings bonds for longer periods of time than they keep money in the thrift institutions. We would not want to try to compete with the consumer certificates that banks issue. This is a matter in which we should come up and consult with the Congress.

Senator BENTSEN. Well, you see, I am concerned with the housing market, and I am concerned about jobs there; and I am concerned about having long-term mortgage money available. So I would like your feeling. I really have not decided how to vote on this, and I would like to have your feeling as to what impact this would have on thrift institutions now, if they had taken off regulation Q.

Secretary SIMON. It would have absolutely none, because I have no intention of raising the rate now, Senator Bentsen. It is now required. The disruption would occur if the Secretary of the Treasury came up here during a period of sharply rising interest rates to seek legislation to raise the savings bond rate. People would say, "well, he is going to raise it right now. Let us wait and see, and pull our money out of the thrift institutions." It is always good to make a decision to grant flexibility when change is not needed. Discussion should be held before the flexibility is utilized by any Secretary of the Treasury, rather than in an emergency. It is a recognition, as I say, of the needed flexibility and equity to the saver when interest rates rise.

The Secretary should also be sensitive about interest rates going the other way as well.

Senator BENTSEN. Then let me make one side comment, Mr. Chairman, if you would indulge me on that. I share the concern with the members of this Committee and the Secretary about being able to finance this deficit. But what we must also consider is the fact that this year capital spending by private enterprise is substantially down, despite the forecast of Dr. Greenspan last fall, when he said it was going to be up. Private borrowing is substantially down, and if we are going to be able to finance a deficit, it is going to be at a time such as this when we are using only 65 to 60 percent of our productive capacity. In addition, the consumer confidence index is down and over 8 million people are out of work. It is not going to be easy to finance the deficit, but I have some confidence we can, because business borrowing is down. If business borrowing was up, then I think we would be in a very serious bind.

Secretary SIMON. I agree with you, Senator Bentsen; and that is a concern when business borrowing commences to increase.

Senator BENTSEN. I have no further comments.

The CHAIRMAN. I am going to make it clear; I am going to vote for the amendment, for very simple reasons. First, I do not think it is fair to tell a small saver who is participating in a payroll savings plan, that just because he can only buy about $12 worth of bonds a month, that he has to settle for a 6 percent rate, while a fellow who can buy a $100,000 bond can get an 8 percent rate, and maybe more. That does not seem right to me. And, second, I do not think the Treasury bond ought to be just a sorry deal for somebody who loans his money to Uncle Sam, such as the man who is loaning his money to Uncle Sam at 6 percent, when he could go right down to a bank or savings and loan that is insured by the U.S. Government, and put his money on deposit there, and get a much better return. While I have strongly opposed raising these interest rates, I have about concluded that when you have 6 percent inflation, the poor fellow is not making a nickel on the interest, if you look at the depreciation in the value of his capital to begin with. In real terms, he has not made anything.

Senator BENTSEN. Mr. Chairman, I am concerned about hitting the housing market right now.

The CHAIRMAN. Well, it is all right for us to all vote for it for different reasons. All in favor say aye.

[Chorus of ayes.]

The CHAIRMAN. All opposed, no.

[No response.]

The CHAIRMAN. The ayes have it.

Now, these will be proposed as committee amendments. The bill stays in the calendar, and advances to a second reading, and then it will be called from the calendar; and we will offer these as committee amendments, all three of them.

Now, if there is no further voting to be done, Senator Byrd, you might want to ask some additional questions about this debt. You are usually very concerned about it. I listen, always, very studiously to your thoughts on this, even though we do not always agree.

Senator BYRD. I just want to get a few facts. Mr. Secretary, what would be the interest cost to the government for this fiscal year, ending next week?

Secretary SIMON. When we calculate interest costs on a fiscal year, Senator Byrd, we do it without trying to forecast what interest rates may do. We assume that the present interest rate structure in the marketplace will continue and then we estimate how much debt will go in the short end, how much in the intermediate, and how much in the long end of the market. Interest on the public debt is estimated at $32.8 billion in the 1975 fiscal year, and approximately $36 billion for fiscal year 1976.

Senator BYRD. That is the same estimate that you made in January or February. There has been no change in that?

Secretary SIMON. No, sir.

Senator BYRD. What is your new estimate as to the Federal fund receipts for fiscal 1976, and the same thing for Federal fund outlays?

Secretary SIMON. Federal funds receipts for 1976 are estimated at $201.8 billion, outlays $259.7 billion.

Senator BYRD. So the outlays, you figure, would be up about $5 billion over what you had estimated several months ago?

Secretary SIMON. Yes, and fiscal 1976 is still fuzzy. It depends on a lot of actions and inactions and assumptions, based on the budget the President sent up to the Congress and what subsequently has happened, Senator Byrd.

Senator BYRD. And what are your current foreign liabilities? If you need to go back a month or two, I would like the most recent figure you have handy. The last I have is September 1974, which is $110 billion.

Secretary SIMON. We are looking it up in our Treasury Bulletin now.

Senator BYRD. We will come back to that. The next question is this; did I understand you correctly that the average maturity of your government obligations has declined from five years five months to two years five months?

Secretary SIMON. Two years nine months from five years nine months. It is in my testimony.

Senator BYRD. How much has the value of the dollar depreciated since 1969?

Secretary SIMON. 41 percent.

Senator BYRD. 41 percent since 1969? What was the inflation rate when President Nixon put on price controls on August 15, 1971?

Secretary SIMON. It was in the 3½ percent area, Senator.

Senator BYRD. 3½ percent?

Secretary SIMON. Approximately.

Senator BYRD. So it is approximately double now what it was at that point?

Secretary SIMON. Yes, sir.

Senator BYRD. Now, what do you estimate will be the national debt on June 30, 1976?

Secretary SIMON. $607 billion, approximately, Senator.

Senator BYRD. Then, the way I calculate that, in a six-year period—namely 1971 through 1976—in that six-year period, 36 percent of the total national debt will have been accumulated?

Secretary SIMON. I have not done that arithmetic.

Senator BYRD. Well, it adds up. The deficits add up to $221 billion.

Secretary SIMON. I am sure that does not—well, it obviously does not include off-budget financing, Senator Byrd.

Senator BYRD. No, that does not include off-budget financing.

Secretary SIMON. No, sir.

Senator BYRD. Are you suggesting it would be a larger percentage or a smaller percentage than the 36 percent?

Secretary SIMON. It would be larger. I think the total number in the past 10 years, if my memory serves me, is about a quarter of a trillion dollars that we have borrowed; that is off-budget financing and direct Treasury financing. That is a 10-year period, Senator.

Senator BYRD. That would not directly affect the total debt, that is, the debt that we are talking about?

Secretary SIMON. No, not under the unified budget concept, it does not. It ought to, but it does not.

Senator BYRD. That is what I thought. That is what I am getting at. It appears to me that if our total debt were calculated, it would be $607 billion.

Secretary SIMON. That is direct Treasury debt?

Senator BYRD. Direct Treasury debt.

Secretary SIMON. Yes, sir.

Senator BYRD. And that $221 billion of that will have been created during the six-year period, 1971 through 1976. As I view it, then, it would be another way of saying that it would be 35 percent of our total debt has been accumulated during that time.

Secretary SIMON. Our debt, I believe, has doubled over the last eight years from the last arithmetic I did. It really is growth in Federal spending that has been quite alarming during this period.

Senator BYRD. And your view is that, despite the large total of the debt, that total does not represent the real total national indebtedness?

Secretary SIMON. No, it is not, because there is no doubt in my mind, whether you want to call it moral obligation or otherwise, the off-budget financings of the Federal Government would be honored by the Federal Government.

Senator BYRD. Have we been able to get that figure on foreign liability yet?

Secretary SIMON. The total which you are referring to on a balance of payments basis is $121 billion, approximately.

Senator BYRD. $124 billion?

Secretary SIMON. $121 billion.

Senator BYRD. That is at the end of the last month, perhaps?

Secretary SIMON. Yes, sir.

Senator BYRD. Thank you, Mr. Secretary.

Secretary SIMON. Thank you, Senator Byrd.

Senator DOLE. Mr. Chairman, I do not have any questions. I know the Secretary's time constraints. I know we resolved the amendments problem.

The CHAIRMAN. Senator Nelson? Senator Packwood?

Senator PACKWOOD. I do not have any questions.

Senator Nelson. I figure if Senator Dole has no questions, then I will pass too.

The CHAIRMAN. I must say, the members have really gone easy on you, Mr. Secretary. They have voted for your amendments, and they have not asked you any questions. If you can do that well every day, you will make out extremely well.

Secretary SIMON. Yes, I would be home free, Mr. Chairman.

The CHAIRMAN. It might be that by starting out with the senior members, we wore the juniors out before we got to them.

Secretary SIMON. It is crowding out.

Senator DOLE. We are saving our fire for the Senate floor.

The CHAIRMAN. I think they are almost exhausted from fighting over the New Hampshire contest and went light on you today. But, Mr. Secretary, I personally think that we ought to have a debt limit. I think that one can raise a question as to whether we should depart from the rule of relevance, but I do think that when this Government increases its authorization to go more deeply into debt, as it was with the old Liberty Bond Act, that we ought to take a look at where we stand, how we hope to finance the debt; and give some thought to what the interest rate will have to be and what the burden will have to be on future generations in the event they cannot reduce it. And also, we should consider the suggestions that you might want to make with regard to better debt management.

Now, I understand your frustration when someone puts a major amendment on a debt limit bill, as some of us have done from time to time, to finance the election of a President or some such thing as that. And I can only tell you that the same is true of any revenue bill. It is always subject to someone coming in with his favorite amendment, looking for a bill that he thinks might be on its way to the President's desk, and thinking, well, now, if this is one the President might sign, and I would like to put my amendment on one that would reach the President's desk. And I have seen that to be the case, whether it be the Republicans in the Minority or the Democrats in the Minority, I have seen that trend of those who from time to time want to amend a bill to put something onto it. At the moment, I think I would be inclined to resist any non-relevant amendments. I believe the ones we have agreed to, by any fair judgment, are relevant to the bill.

Secretary SIMON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary.

That concludes this morning's session.

Senator BYRD. Mr. Chairman, I would like to ask unanimous consent to put a table of receipts and outlays into the record.

The CHAIRMAN. Without objection, agreed.

[The table referred to by Senator Byrd and the prepared statement with attachments of Secretary Simon follows:]

Deficits in Federal Funds and Interest on the National Debt 1957–1976 Inclusive

[Billions of dollars]

PREPARED FOR SENATOR HARRY F. BYRD, JR., OF VIRGINIA

Year	Receipts	Outlays	Surplus (+) or deficit (−)	Debt interest
1957	68.8	67.1	+1.7	7.3
1958	66.6	69.7	−3.1	7.8
1959	65.8	77.0	−11.2	7.8
1960	75.7	74.9	+.8	9.5
1961	75.2	79.3	−4.1	9.3
1962	79.7	86.6	−6.9	9.5
1963	83.6	90.1	−6.5	10.3
1964	87.2	95.8	−8.6	11.0
1965	90.0	94.8	−3.9	11.8
1966	101.4	106.5	−5.1	12.6
1967	111.8	126.8	−15.0	14.2
1968	114.7	143.1	−28.4	15.6
1969	143.3	148.8	−5.5	17.7
1970	143.2	156.3	−13.1	20.0
1971	133.7	163.7	−30.0	21.6
1972	148.8	178.0	−29.2	22.5
1973	161.4	186.4	−25.0	24.2
1974	181.2	198.7	−17.5	29.3
1975*	188.4	237.1	−48.7	32.9
1976*	201.8	259.7	−57.9	36.0

*Estimated figures.
Source: Office of Management and Budget and Department of the Treasury.

June 25, 1975.

Statement of Hon. William E. Simon, Secretary of the Treasury

Mr. Chairman and Members of This Distinguished Committee: It is again time to consider the borrowing authority of the Treasury Department.

The present temporary debt ceiling of $531 billion, which was enacted by the Congress on February 19, will expire at the end of this month. On July 1, in the absence of new legislation, the Treasury will be unable to issue any new debt obligations of any kind, either to refund maturing issues or to raise needed new money.

In the past, Secretaries of the Treasury have come to the Congress—as I have today—to request an increase in the debt limit only when the Treasury was close to running out of borrowing authority. I doubt, however, whether this procedure has really insured the most productive consultation between the Congress and the Administration. For that reason, I would like to discuss with you today, as I did earlier with the Ways and Means Committee, some possible new departures.

Under the new procedures prescribed in the Congressional Budget and Impoundment Control Act of 1974, the Congress has now established its own timetable for determining the government's aggregate receipts, outlays, deficit, and debt. As the new congressional budget and debt limit process is placed into effect, it would seem to me appropriate for this Committee to consider shifting its focus from the amount of the debt to the way in which the debt is managed; that is, to the timing of debt issues, the size of denominations, the maturity structure, and the marketing techniques.

While a detailed account of the stewardship of the Secretary of the Treasury with regard to these debt management matters is already presented to the Congress each year in the Annual Report of the Secretary of the Treasury on the State of Finances, we would be happy to work with this Committee in any way that it sees fit in scheduling oversight hearings for the review of these important governmental activities in greater depth.

In this regard, I should note the considerable discussion in recent months of the potential impact of large federal deficits on the prospects for economic recovery.

Dr. McCracken put the matter succinctly when he noted before the Joint Economic Committee earlier this year that:

> If the financial community has been slow to appreciate the role of fiscal policy in the management of the economy, economists have been slow to face fully the implications of the fact that Treasury financing and private borrowing do compete for funds in the same money and capital markets. And Treasury requirements are now large enough so that their impact on financing in the private sector must be faced quite explicitly.

For the fiscal year 1976, the whole Congress has already spoken with regard to the debt limit. The congressional budget resolution for fiscal 1976, which was adopted by the Congress on May 14 provided for an $86.6 billion increase in the debt limit to a figure of $617.6 billion for the fiscal year ending June 30, 1976.

I understand that this congressional action does not have the force of law in the sense of providing the Treasury with borrowing authority after the end of this month. Yet, as I said to the Ways and Means Committee, I wonder whether it would not be more productive if we just accepted that number and got down to a more substantive discussion of the real issues of debt management.

We all know that there is no widespread inclination to use the debt ceiling as a real determinant of federal spending and taxing. Decisions on those subjects are made by the Congress in other legislation, and once the taxes are set and the spending is mandated, the government has no choice but to borrow to cover the differences between its revenues and outlays.

I could, therefore, accept the $617.6 billion figure as a reasonable estimate of the peak borrowing of the Treasury in the next fiscal year despite the fact, which you all know, that the fiscal 1976 budget deficit figure adopted by the Congress in its May 14 action is significantly larger than the deficit proposed by the President.

In suggesting that Ways and Means also adopt the $617.6 billion figure, I was influenced by several considerations.

First, I had understood that the Congress in setting its debt ceiling figure was concentrating on a forecast of the June 30, 1976, debt level. Normally, however, the debt is as much as $5 billion higher a few weeks earlier in mid-June just before the heavy June tax receipts are received.

Second, I understood that the Congress was operating with an estimate which was about $5 billion lower than our current estimate of Federal borrowing which is subject to the debt ceiling even though the purpose is to finance Federal agency programs which have been placed outside the budget.

Table 1 attached to my statement shows our estimates, based on the President's proposed budget program in 1976, of debt subject to statutory limitation at the end of each month through fiscal year 1976, as well as the peak debt in mid-june 1976. Our estimates include all Treasury borrowing to finance both budget and off-budget programs and make the usual assumptions of a $6 billion cash balance and $3 billion margin for contingencies. The table shows our peak debt limit need on June 15 at $613 billion, compared to the congressional figure of $617.6 billion. Given the uncertainty in estimates and the fact that the debt limit does not control spending, I questioned whether this relatively small difference was worth an extensive legislative exercise.

Indeed, in view of the new congressional procedures, the Committee should consider doing away with separate legislation on the debt ceiling and concentrating on our debt management operations.

As members of this committee know, the House yesterday approved an increase in the debt limit to $577 billion through November 15, effective on the date of enactment. I am glad to be able to endorse this action as evidencing a reaffirmation of the policy adopted in the Congressional Budget and Impoundment Control Act.

Obviously, I believe that the President's views on the size of the budget deficit in fiscal 1976 should and will prevail. But it seems to me that the House action is a highly responsible act in that it provides the borrowing authority required by the budgetary targets adopted by the Congress on May 14.

It also seems to me to be significant that the expiration of the temporary limit under the House bill essentially coincides with the date for the final congressional resolution on the budget totals. This since the Congress will speak to the debt limit in that resolution, that action on the debt limit itself will be a pro forma action, and an opportunity will be afforded for the review of our debt management operations and economic and financial developments in some more detail than heretofore has been feasible.

In light of the very large deficits that we have been financing and will need to finance in the coming year, whether we look at the congressional numbers or the

President's, I think it is important for the Congress and the American people to understand what the Treasury has been doing in the area of debt management.

In making our financing decisions, we have sought and obtained the best advice of practical and experienced market participants and financial leaders.

The Government Borrowing Committee of the American Bankers Association numbers among its membership senior bank officers from banks in all geographical areas of the country and of a wide range of sizes from the very largest to relatively small banks. Commercial banks are the largest private purchasers of Government securities. Advice on bank demands for new government securities is vital.

The Government Securities and Federal Agencies Committee of the Securities Industry Association similarly includes senior officials of institutions active in the government securities market, a number of whom have served also in responsible positions in government—several in the Treasury as Assistants to the Secretary for Debt Management. This Committee also has a broad view of the market.

The members of both advisory committees have been in full agreement that the Treasury must tap all maturity sectors of the market and that its offerings should be designed to create and build an upward sloping yield curve to appeal to nonbank investors and to improve the maturity structure of the debt. They have pointed out also that such policies would provide some protection against excessive monetary growth.

We have not followed the specific recommendations of the advisory committees in all respects, for the ultimate judgments have been ours, as they should be. But their advice has been valuable, and the results of our financing operations have indeed been satisfactory.

I agree completely with the wisdom of their consistent advice that to raise the tremendous sums we require, without extreme disturbance to our financial structure, we must issue securities in all the different maturity ranges; and we must do our best to halt the long continued concentration of our debt in short-dated securities. In that regard, it is a matter of concern to me that the average maturity of the privately-held marketable debt has been allowed to deteriorate to the point that the average maturity at the end of June will be 2 years and 9 months compared to 5 years and 9 months just a decade ago and 10 years and 5 months in June 1947.

The importance of an upward sloping yield curve should not be underestimated. In the words of one committee:

> Because the majority of institutional investors borrow short-term funds and invest them longer—this is true of commercial banks, of savings institutions and others—anything that raises short-term rates destroys the incentive to invest longer term, be it in mortgages, corporate bonds, or stocks. This is because any action that makes short rates higher than otherwise simply increases the risks of investing long, and destroys the incentive or need to extend investment maturities.

I particularly call your attention to the attached charts showing the recent course of interest rates. As these charts indicate, intermediate and longer-term interest rates rose steadily from mid-February until the announcement on May 1 of our May refunding and cash financing program.

The Treasury was accused of having "talked up" these interest rates and has also been blames by some for the market difficulties encountered by corporate and other borrowers in this period.

There is, in fact, very little, if any, lasting market effect from a statement by the Secretary of the Treasury or any other person regarding the course of future market rates unless the facts support his conclusions.

Those who make decisions in markets do not survive for long by acting on statements that are not based on fact. Market reactions to statements which are not based on facts are temporary and self-correcting. The key to fundamental market moves is what market participants perceive as the realities of current and prospective financial conditions. These, in turn, are determined by existing and anticipated conditions affecting the supply and demand for savings, including the present and prospective Federal deficits.

I would like to point out that as Secretary of the Treasury it is my responsibility to maintain the financial integrity of the U.S. Government and, in so doing, to speak out whenever that integrity is threatened. Unfortunately, the cause of a problem is too frequently attributed to the messenger rather than to the message itself. As the Wall Street Journal said in an editorial, it's like blaming the obstetrician for the high birth rate. As you all well know, in the period between February and May, it appeared that the Federal deficits for fiscal 1975 and fiscal 1976 would be increased by congressional tax and spending actions almost without limit. That was the factor in this period that was clearly responsible for the rise in interest rates.

The market rally following our May financing announcement was based on the downward revision in the anticipated Federal deficit resulting from larger than anticipated corporate and individual tax receipts and the immediate relief to the market that was provided by the reduction in our estimated borrowing requirements for the two months of May and June.

The further factor which has since helped to lower rates, is the growing sign of greater congressional recognition of the financial and economic dangers of excessive budget deficits. Our experience has clearly indicated that further reductions in interest rates from now on depend on maintaining a firm grasp on the budget situation, on continued progress against inflation, and on continued progress in improving the financial structure of our business firms. All of these things are essential to achieving a solidly based and long-lasting recovery of the economy.

Based on the Administration's projection of a $60 billion deficit in fiscal 1976, our new cash requirements, including off-budget financing, will total nearly $73 billion—$38.2 billion in the July–December 1975 half year and $34.5 billion in the January–June 1976 half year. This has not been generally recognized, except by active market participants. The simple facts are these: On December 31, 1974, private investors held $181 billion of marketable Treasury obligations. By June 30, 1976—18 months later—they will have acquired another $80–90 billion more of marketable Treasuries.

In Fiscal 1976 all Government borrowing, including State and Local, is expected to amount to about 80 percent of the net borrowings in the securities market; and the Federal sector alone will account for 50 percent or more of the total funds raised in all credit markets.

Tables and charts are attached to my statement showing changes in the ownership of total outstanding Treasury debt over the past year; offerings of new marketable securities by maturity since January 1; the schedule of obligations maturing in the next 12 months; and historical information on new issues, maturities, and new money financing for recent years.

Also attached to my statement are transcripts of financing press conferences this year.

I believe that analysis of this data will support a conclusion by this committee and the Congress that the Treasury has been financing the deficit in a responsible and constructive manner. In this regard, however, I must say that I am personally deeply concerned by the notion I sometimes hear expressed that there is some simple answer to financing the deficits which will avert painlessly all risks which are inherent in operations of this magnitude.

In addition to raising an unprecedented amount of new money, we will also have substantial refunding requirements in fiscal 1976, as Table 4 shows. Apart from the $93 billion of privately-held regular weekly and monthly bills, $26.0 billion of privately-held coupon issues will mature in fiscal year 1976.

Thus, our gross financing job will total over $190 billion.

The sheer size of this financing job requires the greatest flexibility with regard to the choice of maturities for every new securities offering. And yet, under present law, however, there is a statutory limitation of $10 billion on the amount of bonds held by the general public with interest rates in excess of 4¼ percent. Moreover, Treasury notes, which are not subject to an interest rate limitation, are restricted to a maximum maturity of 7 years. Bear in mind that, since 1965, interest yields required by the market on longer-term Treasury securities have been in excess of 4¼ percent, and the Congress on three occasions in this decade has recognized Treasury needs for greater flexibility in its debt management operations.

> In 1967, the maximum maturity on Treasury notes was increased from 5 years to the present maximum of 7 years, thus exempting issues up to 7 years from the 4¼ percent limitation.
>
> In 1971, the Treasury was authorized to issue up to $10 billion of bonds without regard to the 4¼ percent ceiling.
>
> Then, in 1973, the $10 billion exemption from the 4¼ percent ceiling was amended so that it would apply only to bonds outstanding in the hands of the public. The effect was to exclude any bonds held by government accounts, including the Federal Reserve Banks, in calculating the amount outstanding against the $10 billion limitation.

The Treasury has used $8.5 billion of the $10 billion bond authority. This leaves a balance of only $1.5 billion.

In light of the magnitude of our projected refunding and new money needs in fiscal year 1976 and beyond—and also in light of the basic need to restructure the debt to redress the neglect of past years—the flexibility which I now have for conducting our borrowing operations is grossly inadequate.

The weight of practical and experienced market advice, as I have already indicated, is that we should offer securities in all maturity areas to minimize the risk of an adverse impact on any particular sector. Indeed, unless we can offer securities in all the maturity ranges to a wide range of investor interests, debt management is made more difficult and the ultimate cost of financing our deficits is likely to be increased. Obviously, this means a market judgment is called for at the time of any financing, and if our choices are restricted by inadequate authority to issue a range of securities, such choices are made more difficult and the results are likely to be less satisfactory.

In this connection, I should mention the sometimes erroneous conclusions about the impact of Treasury financing operations on particular sectors of the economy. There is a tendency, for example, to think of housing finance in terms of permanent, 30-year mortgage financing, but as every home builder knows, the availability of short-term construction financing is as important to getting a job started as the permanent financing is to getting the job completed. We also know that the deposit flow to financial institutions, such as savings and loan associations, is far more sensitive to the competition of shorter-term Treasury obligations than to the competition of longer-term obligations. Indeed, every sector of the economy, every aspect of our financial markets, is so interrelated that undue concentration of Treasury financing in any particular maturity area can have adverse effects throughout the whole market—which could largely have been avoided by a better choice of new securities.

As we move forward into the recovery phase, there is an additional reason for concern with our debt structure.

It is obvious that a substantial portion of our financing in the future, as in the past, will have to be handled in the short and intermediate area. In fact, in the first 6 months of this year we have issued $47.6 billion of new marketable securities excluding exchange offerings to the Federal Reserve and Government accounts and counting only the net additions to bills. Of this total, $32.5 billion—68 percent—has been in maturities of less than 2 years; $12.4 billion—26 percent—has been in maturities of 2–7 years; and only $2.7 billion—less than 6 percent—has been in maturities over 7 years; that is, in the bond area. Only $1.5 billion, 3 percent of the total, has been in long-term maturities over 20 years.

But if we concentrate our new offerings entirely in the short- and intermediate-term areas, then, when the economy has achieved a substantial measure of recovery, the problems of the Federal Reserve will be greatly complicated, as would the problems of future Secretaries of the Treasury. The already substantial build-up in the amount of securities coming due in each year is going to continue. Two years ago, the privately-held marketable debt maturing within a year amounted to just $84 billion. Today, the figure is $119 billion. Two years ago our major refundings were quarterly, but it is now likely that we will soon have significant coupon maturities in every month of the year.

We cannot escape all of the future adverse consequences of necessary short-term financing. In my judgment, however—and I know this is a judgment shared by other market professionals—excessive amounts of short-term Treasury debt could contribute to another situation in which we could get an excessive rise in short-term interest rates, with the whole panoply of adverse economic and financial consequences such as developed in 1966, 1969–70, and again in 1973.

This is obviously not an immediate problem, but as the recovery develops and private credit demands expand, commercial banks and other lenders will attempt to liquidate Treasury securities to obtain funds for lending to the private sector.

Short-term Treasury debt is very near to money and, unless there is a substantial rise in interest rates, it can be readily liquidated at small cost to provide funds for other purposes. If Treasury financing needs are still large at that time and excess demand threatens to reignite inflationary pressures, the Federal Reserve System will have to resist this liquidation by the private sector by allowing short-term interest rates to rise.

The alternative of Federal Reserve purchases from the private sector—monetization of the debt—could temporarily restrain such a rise in rates, but only at the expense of adding to the inflationary potential.

I know the argument that we should refrain from long-term borrowing at this time when rates are historically high and wait until a time when rates are lower. Despite the superficial appeal of this argument, to preclude the Treasury from the sound debt management practices available to virtually all other financial market participants will inevitably lead to undesirable and damaging results.

It may seem strange that any Secretary of the Treasury would wish to borrow at a rate of near 8 percent in the long-term market when he could borrow at a rate of 5 percent or less with 91-day bills, an apparent cost difference of 3 percent, which could translate into many millions of dollars of interest in a year's time.

Such mechanical-type calculations beg the question.

In the first place, long-term financing avoids the need for frequent future refundings of debt at unpredictable rates of interest. Short-term rates are volatile and their volatility would be increased by concentrating Federal financing unduly in the short-term area. Such volatility would harm not only Treasury finance but the financing of private borrowers. This is one reason that the Treasury chose to do a substantial part of World War II financing with 2½ percent bonds, when the alternative was financing with ⅜ of 1 percent bills. The immediate budget cost was less of a concern than the consideration for future economic stability; but undoubtedly, with the subsequent rises in interest rates, the long-run cost of bond financing was less than the cost of continually rolling over the bills.

Second, and more important, short-term Treasury debt is a near-money, so that to achieve the same economic effects, Federal Reserve policy must be relatively more restrictive if the amount of short-term Treasury debt outstanding is larger. If we finance all of our debt in the short-term area, therefore, we will create a prospect that future interest rates will be higher throughout all financial markets than if we finance a meaningful portion of our debt in the longer-term area.

Thus, the apparent interest saving from short-term financing can be an illusion, whether we are concerned about the budget alone or whether we take the point of view of the economy as a whole, and I might add that nearly every corporate or municipal Treasurer who has relied on short-term financing in the last few years will share this view.

Beyond this, an inability of the Treasury Department to utilize all maturity sectors, including the long-term sector, would be interpreted by the market, and the public generally, as indicative of a lack of will to deal with the inflation which is still our basic, long-run economic problem. Whether that were or were not a valid concern, it would be an important psychological barrier to the future reductions in longer-term rates, which I perceive as essential if we are to restore health to the housing industry and are to encourage the business investment which is needed if this country's economic progress is not to falter. Long-term interest rates have continued to reflect ingrained inflationary expectations. Our financing should be conducted in a way that will help to overcome those expectations—not in a way which will tend to confirm them.

For these reasons, I believe the time is now appropriate to increase the amount of bonds that may be issued without regard to the 4¼ percent ceiling on rates and to extend the maximum maturity of Treasury notes.

I specifically recommend, with regard to the 4¼ percent ceiling, that the exception be increased from $10 billion to $20 billion. I wish to emphasize as strongly as I can that market conditions are unpredictable, so that the amount of longer-term issues which might be issued in any specific period could vary greatly, depending upon market demands. The record indicates, however, that we have been responsible and sensitive to financial and economic conditions in our use of the exception to the 4¼ percent limit. We will continue to be responsible and sensitive.

I also strongly recommend that the maximum maturity of Treasury notes be extended from the present 7 years to 10 years. This extension of the maximum note maturity, assuming that market conditions permit, could be a powerful tool in helping to arrest the decline in the average maturity of the debt and reduce the concentration in short-term issues which has taken place in recent years.

In addition, I want to urge that early consideration be given to removing the 6 percent rate ceiling on Savings Bonds. Such action would allow the rate on Savings Bonds to be varied from time to time in accordance with changing financial circumstances in the interest of both savers and taxpayers. Thus, we could provide greater assurance to the Savings Bond investor that his Government will continue to give him a fair rate of return on his investment. Greater flexibility to adjust Savings Bonds rates could also make a significant contribution to the Government's overall debt management objectives. Savings Bonds account for about one-fourth of the total privately held Treasury debt, and the average Savings Bonds investor holds his security for a longer period than investors in marketable Treasuries and is thus an important source of stability to debt management.

Such flexibility would obviously need to be exercised with due regard to the impact of Savings Bonds rate changes on depositary institutions. As experience has demonstrated, however, there is no way permanently to insulate these institutions from the effects of changing economic circumstances. We have, therefore, proposed a Financial Institutions Act, which will allow the removal of Regulation Q-type ceilings by providing the thrift institutions with expanded powers which will improve their ability to compete without a Federal crutch.

The urgency of the need for greater debt management flexibility is, I believe, underscored by the fact that I have already mentioned. During this calendar year, out of the $47.6 billion of marketable securities issued to the public, $32.5 billion has been in maturities of less than 2 years. This is 68 percent of the total in money market instrument. $12.4 billion has been in maturities of 2 to 7 years. This is 26 percent of the total. And only $2.7 billion, less than 6 percent of the total, has been in the bond area over 7 years. In fact of all our market financing, only $1.5 billion, just 3 percent, has been in maturities of over 20 years.

There is a large debt management job before us. The Treasury will handle its part of the debt management job responsibly. I urge you to act promptly to give us the tools to do the job.

TABLE 1.—PUBLIC DEBT SUBJECT TO LIMITATION FISCAL YEAR 1976

BASED ON ESTIMATED BUDGET RECEIPTS OF $299.0 BILLION, OUTLAYS OF $358.9 BILLION, UNIFIED BUDGET DEFICIT OF $59.9 BILLION, AND OFF-BUDGET OUTLAYS OF $14.2 BILLION

[In billions of dollars]

	Operating cash balance	Public debt subject to limitation	With usual $3 billion margin for contingencies
1975		Estimated	
June 30	6	533	536
July 31	6	540	543
Aug. 31	6	548	551
Sept. 30	6	547	550
Oct. 31	6	553	556
Nov. 30	6	560	563
Dec. 31	6	567	570
1976			
Jan. 31	6	569	572
Feb. 29	6	579	582
Mar. 31	6	591	594
Apr. 15	6	600	603
Apr. 30	6	593	596
May 31	6	605	608
June 15 (peak)	6	610	613
June 30	6	607	610

TABLE 2.–CHANGES IN OWNERSHIP OF TREASURY PUBLIC DEBT SECURITIES

[Par values [1] in billions of dollars]

End of month	Outstanding Lv.	Outstanding Chg.	Fed. and GA Lv.	Fed. and GA Chg.	Total privately held Lv.	Total privately held Chg.	Commercial banks [2] Lv.	Commercial banks [2] Chg.	Individuals [3] Lv.	Individuals [3] Chg.	Insurance companies Lv.	Insurance companies Chg.	Mutual savings banks Lv.	Mutual savings banks Chg.	Corporations [4] Lv.	Corporations [4] Chg.	State and local governments Lv.	State and local governments Chg.	Foreign and international [5] Lv.	Foreign and international [5] Chg.	Other investors [6] Lv.	Other investors [6] Chg.
1974																						
May	474.7	2.8	215.3	4.1	259.4	−1.3	54.4	−2.4	80.0	0.8	6.0	0.1	2.6	−0.1	11.2	0.7	29.2	−0.9	57.3	1.4	18.6	−1.1
June	475.1	.4	218.7	3.4	256.4	−3.0	53.2	−1.2	80.7	.7	5.9	−.1	2.6	0	10.8	.4	28.3	.9	57.7	.4	17.3	−1.3
July	475.3	.2	215.6	−3.1	259.7	3.3	53.9	.7	81.6	.9	5.7	−.2	2.6	0	11.3	.5	28.8	.5	56.9	−.8	18.8	1.5
Aug	481.8	6.5	222.8	7.2	259.0	−.7	53.0	−.9	82.6	1.0	5.7	0	2.6	0	11.0	−.3	29.2	.3	56.0	.9	19.0	.2
Sept	481.5	−.3	221.6	−1.2	259.8	.8	52.9	−.1	83.3	.7	5.8	.1	2.5	−.1	10.5	−.5	29.3	.1	56.0	0	19.5	.5
Oct	480.2	−1.3	217.8	−3.8	262.5	2.7	53.5	.6	83.8	.5	5.9	.1	2.5	0	11.2	.7	28.8	.5	56.6	.6	20.3	.8
Nov	485.4	5.2	220.0	3.2	265.3	2.8	54.5	1.0	84.3	.5	5.9	0	2.5	0	11.0	−.2	28.7	−.1	58.3	1.7	20.1	−.2
Dec	492.7	7.3	221.7	1.7	271.0	5.7	56.5	2.0	84.8	.5	6.1	.2	2.5	0	11.0	0	29.2	.3	58.4	.1	22.4	2.3
1975																						
Jan	494.1	1.4	220.4	−1.3	273.8	2.8	54.5	−2.0	85.3	.5	6.2	.1	2.6	.1	11.3	.3	30.0	.8	61.5	3.1	22.3	−.1
Feb	499.7	5.6	220.8	.4	278.9	5.1	56.9	2.4	85.3	0	6.2	0	2.7	.1	11.4	.1	30.5	.5	64.6	3.1	21.3	−1.0
Mar	509.7	10.0	219.9	−.9	289.8	10.9	62.0	5.1	85.7	.4	6.6	.4	2.9	.2	12.0	.6	29.7	−.8	65.0	.4	25.9	4.6
Apr	516.7	7.0	225.9	6.0	290.9	1.1	63.0	1.0	86.1	.4	6.7	.1	3.2	.3	12.5	.5	29.8	.1	64.9	−.1	24.7	−1.2
May	528.2	11.5	226.5	.6	301.7	10.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

[1] United States savings bonds are included at current redemption value.

[2] Consists of commercial banks, trust companies, and stock savings banks in the United States and in Territories and island possessions. Figures exclude securities held in trust departments.

[3] Includes partnerships and personal trust accounts.

[4] Exclusive of banks and insurance companies.

[5] Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974 the figures exclude noninterest-bearing notes issued to the International Monetary Fund.

[6] Consists of savings and loan associations, nonprofit institutions, corporate pension trust funds, and dealers and brokers. Also included are certain government deposit accounts and government-sponsored agencies.

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

June 18, 1975.

TABLE 3.—OFFERINGS OF MARKETABLE SECURITIES[1] JANUARY-JUNE, 1975

[Amounts in billions of dollars]

Maturity	Amount	Percent of total
Total offerings	*$47.6*	100.0
Under 2 years	*32.5*	68.3
Bills	*15.7*	33.0
13, 26-week bills	11.7	....
52-week bills	2.4	....
Other bills	1.6	....
Coupons	*16.8*	35.2
1 year-3 mo., issued 1/9	.8	....
1 year-6 mo., issued 3/3	1.7	....
2 year-0 mo., issued 3/3	1.7	....
1 year-2 mo., issued 3/25	1.6	....
2 year-0 mo., issued 3/31	2.3	....
1 year-8 mo., issued 4/8	1.5	....
2 year-0 mo., issued 4/30	1.6	....
2 year-0 mo., issued 5/27	2.1	....
1 year-5 mo., issued 6/6	1.6	....
2 year-0 mo., to be issued 6/30	2.0	....
2–7 years	*12.4*	*26.0*
4 year-4 mo., issued 1/7	1.3	....
3 year-3 mo., issued 2/18	3.3	....
6 year-0 mo., issued 2/18	1.8	....
6 year-8 mo., issued 3/19	1.8	....
3 year-3 mo., issued 5/15	2.8	....
7 year-0 mo., issued 5/15	1.5	....
7–20 years	*1.2*	*2.6*
15 year-1 mo., issued 4/7	1.2	....
Over 20 years	*1.5*	*3.2*
20/25 year-0 mo., issued 2/18	.8	....
25/30 year-0 mo., issued 5/15	.7	....

[1] Includes net additions only to bills and excludes exchange offerings to Federal Reserve and Government Accounts.

Source: Office of the Secretary, Office of Debt Analysis.

June 13, 1975.

TABLE 4.—MARKETABLE MATURITIES THROUGH JUNE 30, 1976

ISSUED OR ANNOUNCED THROUGH JUNE 30, 1975

[In billions of dollars]

	Outstanding	Privately held
Treasury bills	*$126.9*	*93.2*
Regular weekly	100.5	NA
52-week	26.4	NA
Coupons and other	*37.0*	*26.0*
1975:		
5⅞% note 8/15/75	7.7	4.6
8⅜% note 9/30/75	2.0	1.9
1½% note 10/1/75	(*)	(*)
7% note 11/15/75	3.1	2.4
7% note 12/31/75	1.7	1.5
1976:		
January 31 bill [1]	1.6	1.5
6¼% note 2/15/76	3.7	.9
5⅞% note 2/15/76	4.9	3.5
8% note 3/31/76	2.3	2.1
1½% note 4/1/76	(*)	(*)
6½% note 5/15/76	2.7	1.9
5¾% note 5/15/76	2.8	2.2
6% note 5/31/76	1.6	1.5
8¾% note 6/30/76	2.7	2.0
Total	163.9	119.2

[1] Treasury bills in two-year note cycle slot.
*Less than $50 million.
NA = Not available.

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

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

June 18, 1975.

TABLE 5.—TREASURY ISSUES, MATURITIES AND NEW MONEY FISCAL YEAR 1973–75

[In millions of dollars]

	Jul.–Dec. 1972	Jan.–June 1973	Total	Jul.–Dec. 1973	Jan.–June 1974	Total	Jul.–Dec. 1974	Jan.–June 1975p	Total
Gross issues	*144,374*	*134,745*	*279,119*	*142,145*	*141,228*	*283,373*	*167,379*	*187,419*	*354,798*
Bills	125,297	120,660	245,957	132,111	128,981	261,092	144,307	149,565	293,872
Coupons	19,077	14,085	33,162	10,034	12,247	22,281	23,072	37,854	60,926
Gross maturities	*131,565*	*140,915*	*272,480*	*134,562*	*144,349*	*278,911*	*147,651*	*154,632*	*302,283*
Bills	115,975	124,463	240,438	124,490	131,740	256,230	130,854	140,859	271,713
Coupons	15,590	16,452	32,042	10,072	12,609	22,681	16,797	13,773	30,570
Net (+ or − issues)	12,809	−6,170	6,639	7,583	−3,121	4,462	19,728	32,787	52,515
Issued to private:									
Bills (net)	9,322	−3,803	5,519	7,621	−2,759	4,862	13,453	[1] 8,706	22,159
Coupons to foreign [2]	15,327	6,683	22,010	8,102	9,810	17,912	14,561	31,955	46,516
							(200)	(985)	(1,185)
Total	24,649	2,880	27,529	15,723	7,051	22,774	28,014	40,664	68,678
Maturities privately held:									
Coupons	11,798	9,114	20,912	8,095	10,061	18,156	8,568	7,215	15,783
New money from private	12,851	−6,234	6,617	7,628	−3,010	4,618	19,446	33,446	52,892

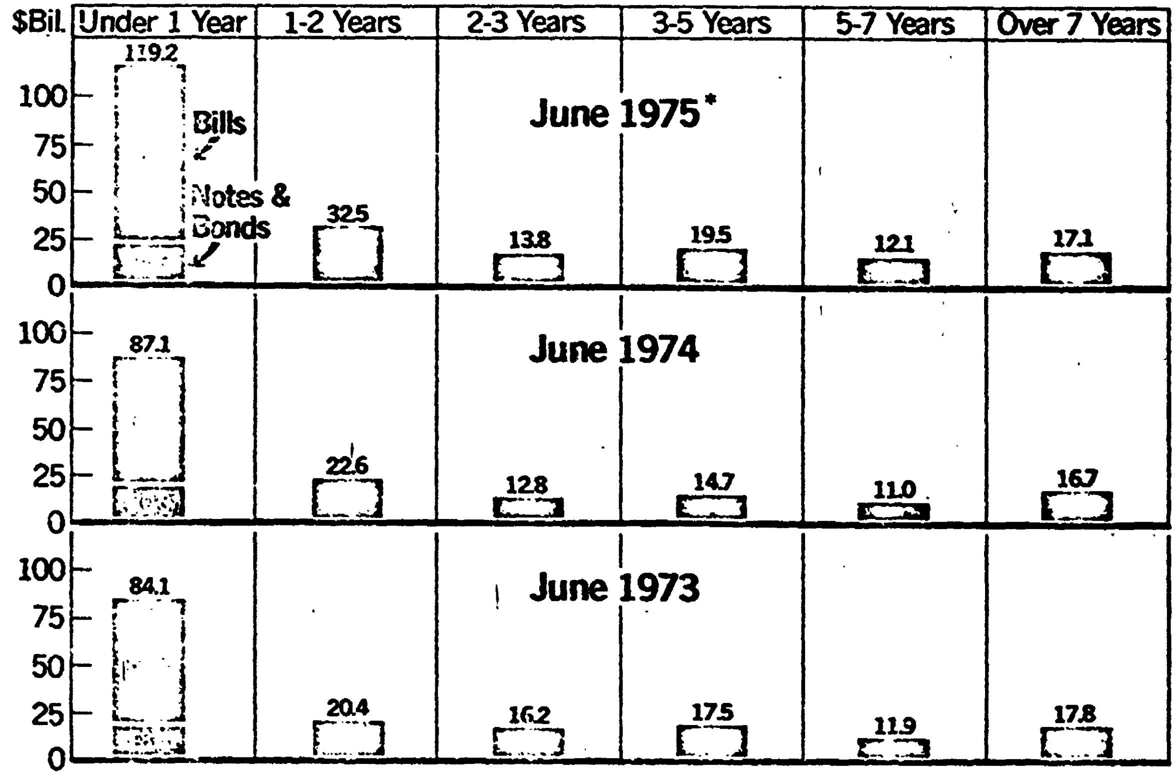
[1] Assumes rollover of $4,506 million regular bills maturing June 26, 1975.
[2] Included in coupons issued to private.

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

June 13, 1975.

CHART 1

MATURITY DISTRIBUTION OF PRIVATELY HELD TREASURY MARKETABLE DEBT



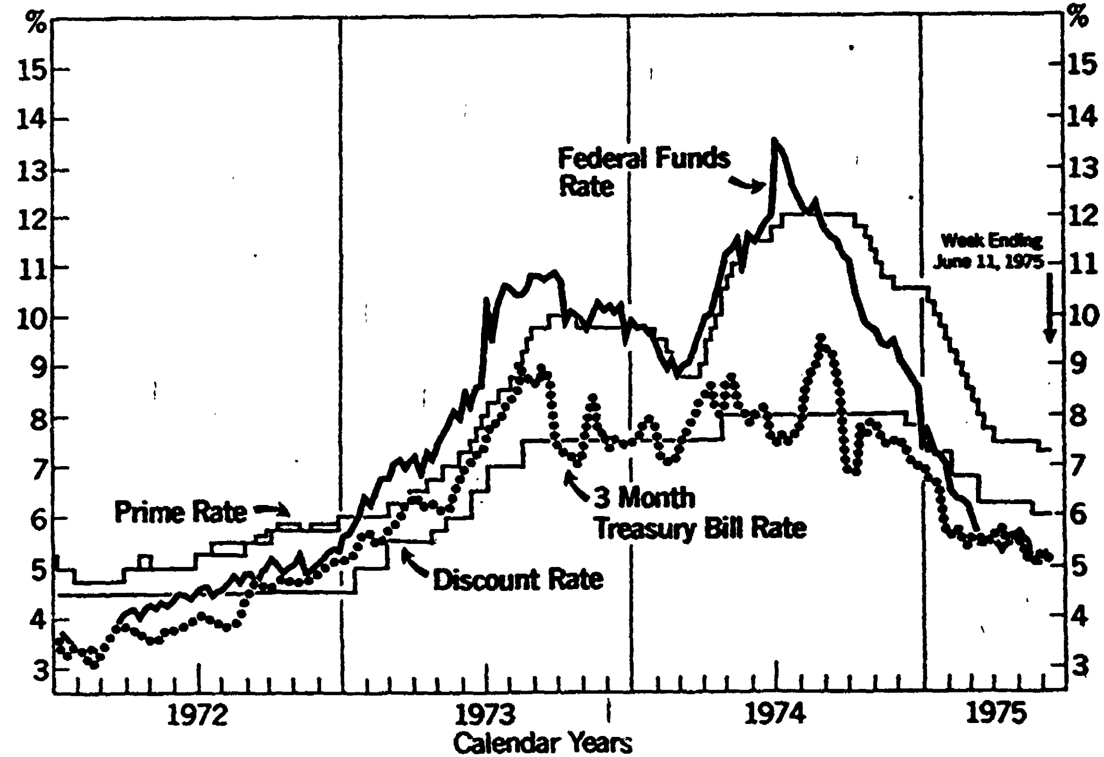
* Estimated

42

CHART 2

SHORT TERM INTEREST RATES

Weekly Averages



Office of the Secretary of the Treasury
Office of Debt Analysis

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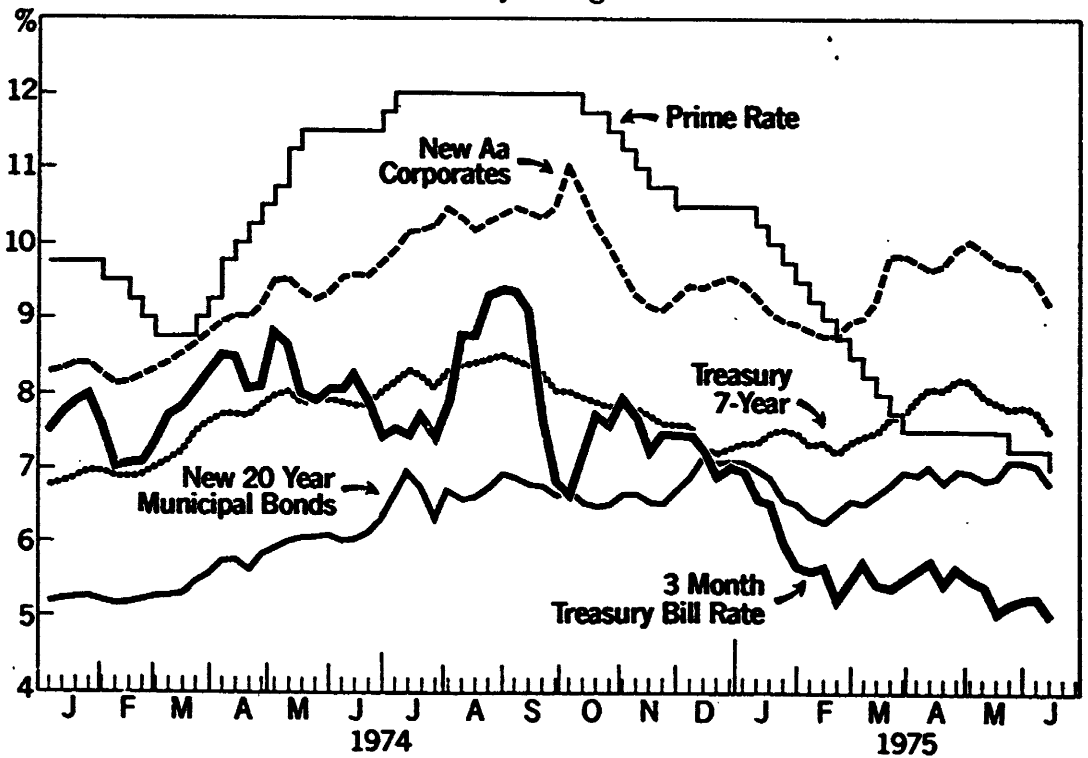
CHART 3

INTEREST RATES

Weekly Averages



Office of the Secretary of the Treasury
Office of Debt Analysis

NEWS CONFERENCE

BY

UNDER SECRETARY JACK F. BENNETT

TREASURY FINANCING PLANS

JANUARY 22, 1975

UNDER SECRETARY BENNETT: As you know, the Secretary is speaking, right now, to the Ways and Means Committee on the President's Economic and Energy Program and he will be speaking again, tomorrow morning, to the Ways and Means Committee on the Treasury Financing Plans through Fiscal Year '76, and on the need for a substantial increase in the debt ceiling. And, in view of his appearances, I will concentrate today just on the financing situation in the current half-year period.

During this period of the year, traditionally, we have limited net financing needs. For example, from 1970 through 1974, our net needs really varied around zero, from a high of $3.9 billion one year to a low of a negative $5 billion last year. But this year, we have a growth industry. The forecast increase in our Treasury marketable debt this half year period is $28 billion. Now, that is on top of the $17 billion of maturing, longer term coupon issues and, of course, on top of the regular bill cycles.

Now, these are the borrowing plans based on the President's program. Of course, if the Congress were to increase the deficit, the borrowings would be even larger than the $28 billion.

So far this year, out of the $28 billion needed in this half year, we have already borrowed $3.3 billion through a couple of short coupon issues and increases in the regular bills.

Today, I would like to announce plans for raising $5.3 billion of new money between now and early March, in addition to the refundings.

Obviously, the $3.3 billion we have already raised, and the $5.3 billion that I want to announce today, leave about $19 billion more to be financed later in this half-year period.

Some of that increase will probably come in the "bill" area. We plan to retain the flexibility to vary the amount of weekly announcement on the bills.

We have been using that flexibility, lately, only in the upper direction, and we will probably do so again in the coming weeks--but not always in exactly the same amount.

Two weeks ago, we announced an increase of $200 million. Yesterday, we announced an increase of $300 million.

In addition, we probably have to have some additional coupon issues, but we do not anticipate any such issue--other than the ones being announced today--before mid-March. Such an issue remains a possibility for late March or April.

Now I would like to get down to the three announcements for today.

Firstly: The one-year bill offering--which is scheduled to be paid for on February 11th--to replace the $1.8 billion maturing--will be increased, by $300 million, to $2.1 billion.

This is not an advance announcement. The formal announcement will be out on January 30.

MEMBER OF THE PRESS: That was--those numbers, again?

UNDER SECRETARY BENNETT: There is $1.8 billion maturing on February 11. We are going to refund that and raise $300 million--that is increase it to $2.1 billion. We will formally announce it later, but I want to announce now the full package of our financing plans--other than the weekly bills --through early March.

The second thing that I would like to announce is in the paper you have: the three securities to be issued on Tuesday, Februrary 18th.

As you see, there is a total of $5.5 billion and, since there is little over $3-1/2 billion of publicly held notes maturing, it will be raising almost $2 billion by that operation. Each of these three are going to be auctioned on a yield basis. As you can see, the three are the $3 billion, 3-1/4 years, maturing May 1978; $1-3/4 billion, 6-year note, maturing in 1981; and the $3/4 billion--the 25 year bond--maturing in the year 2000. Although that security is callable in 1995, it does go into the year 2000. This is our first venture into the year 2000 and beyond.

We also--as we did last time--are providing that at the option of the investor, payment for up to one-half of the bond can be deferred for a few weeks; literally through March 3rd.

In view of the decline in interest rates, and the lengths of these securities we are issuing, you will note that they will be issued in denominations as low as $1,000.

Thirdly: I would like to announce, now, that we expect to sell $3 billion of notes for payment on March 3, in addition to the refunding I have just announced. I expect that we will issue the formal announcement of these notes on Februrary 11, and we will auction them on February 19.

There will be two note issues, each of $1-1/2 billion; the first will mature the last day of February 1977. That is, in two years. The other, on August 31, 1976. That is, in eighteen months. So there are two issues: one for two years, and one for 18 months.

Now, you can see that these two new notes resemble the two-year notes that we have been issuing on a regular cycle in an amount of about $2 billion on the last day of each quarter.

In the coming months, we will be studying the possibility of establishing regular month-end, rather than quarter-end cycle, two year notes; and these two notes to be issued on March 3 would, obviously, fit neatly into such a cycle.

If we do this--if we establish this cycle--it might still be appropriate that the amounts issued in the third month of each quarter might be a bit larger than the others, because there may be more demand for the quarter-end notes.

In any event, of course, we will have a regular quarter note maturing at the end of March.

Now, I would be happy to consider any questions, but the Wire Services may like to go now. I suggest that they observe an embargo until 4:35 p.m.--all right?

MR. PLUM: Fine!

MEMBER OF THE PRESS: Make it 4:45!

UNDER SECRETARY BENNETT: 4:45?

MEMBER OF THE PRESS: Right.

UNDER SECRETARY BENNETT: That's all right with me. 4:45.

MEMBER OF THE PRESS: That is even better.

UNDER SECRETARY BENNETT: Any questions?

MEMBER OF THE PRESS: Would you give us some more details on the debt limit?

UNDER SECRETARY BENNETT: No! Those will be announced tomorrow.

MEMBER OF THE PRESS: Would this financing carry you beyond the debt limit if it is not raised?

UNDER SECRETARY BENNETT: Oh, yes! The present debt ceiling is $495 billion. We are almost $495 billion right now, and we have another $28 billion right here.

MEMBER OF THE PRESS: And when does the $495 billion last until?

UNDER SECRETARY BENNETT: Well, literally, under the law, it would expire March 31, 1975.

MEMBER OF THE PRESS: March 31.

Well, that means that even the financing announced today will take you over the top. I mean, the one that is in our piece of paper.

UNDER SECRETARY BENNETT: The total package we announced today will take us over the top. Yes.

MEMBER OF THE PRESS: So you would need an increase before February 18, would you not?

UNDER SECRETARY BENNETT: There are some variations in our cash. I think you better wait and let the Secretary go into that in greater detail tomorrow.

MEMBER OF THE PRESS: The Secretary told the Ways and Means Committee today that February 18 was the date.

UNDER SECRETARY BENNETT: He did?

MEMBER OF THE PRESS: Yes!

UNDER SECRETARY BENNETT: That is news to me.

MEMBER OF THE PRESS: Yes, sir.

ANOTHER MEMBER OF THE PRESS: You said that you did not--you will have some more coupon stuff--but not before mid-March.

UNDER SECRETARY BENNETT: Right!

MEMBER OF THE PRESS: I assume that means with the exception of the third item that you have announced?

UNDER SECRETARY BENNETT: With the exception of the things we announced today.

MEMBER OF THE PRESS: The one-and-a-half --
Yes?

UNDER SECRETARY BENNETT: There will be no more coupons before mid-March. We haven't decided the financing after that. We have not decided the weekly bills even from now until March, but we do want to announce that there will be no more coupons, in all probability before mid-March.

MEMBER OF THE PRESS: Would you expect every weekly bill to be increased by something?

UNDER SECRETARY BENNETT: Well, we are going to vary it, but they have all been increased lately.

MEMBER OF THE PRESS: I missed the first part of this. You may have answered this questions, but is the new cash that is in the refinancing part of the $3.3 billion you said you have borrowed?

UNDER SECRETARY BENNETT: No! What I said was that we need approximately $28 billion new cash this half year. We have already raised $3.3 billion. We are proposing, in these three steps I announced today, to raise $5.3 billion. That leaves another $19 billion to pick up. Some of that $19 billion will come from bills. The rest will come after early March.

MEMBER OF THE PRESS: The $28 billion that you began with is the Treasury's marketable debt borrowing base. Is that about equal to what the budget deficit is going to be in this half year?

UNDER SECRETARY BENNETT: It includes the borrowing by the Treasury on behalf of the Federal Financing Bank, of course, which is not in it.

MEMBER OF THE PRESS: The $28 billion includes the Federal Financing Bank?

UNDER SECRETARY BENNETT: No! It includes borrowing by the Treasury to lend to the Federal Financing Bank. It does not -- we have not at this point forecast any market borrowing by the Federal Financing Bank. It would probably cost more if the Federal Financing Bank borrowed through the market, so we are only planning to borrow through the Treasury.

MEMBER OF THE PRESS: Would the $28 billion of total borrowing be the most for any such period --- the highest ever for a six-month period?

UNDER SECRETARY BENNETT: Well, it certainly is outside of the ball park for the first half.

Let me just check one thing.

Now, my numbers only go back to 1970, but it is clearly well above any half year that is on this record through 1970. I would doubt if we have anything that large in the years before that.

MEMBER OF THE PRESS: How about the war years?

UNDER SECRETARY BENNETT: Did you say something?

MEMBER OF THE PRESS: I was thinking back in World War II.

UNDER SECRETARY BENNETT: I would think so. I don't have the literal record.

MEMBER OF THE PRESS: How much has the Federal Financing Bank borrowed from the Treasury and how much is it authorized to borrow?

UNDER SECRETARY BENNETT: The Federal Financing Bank, so far, has borrowed about $1.5 billion on the market, and $3.5 billion from the Treasury.

I am sorry. $3 billion from the Treasury; $1.5 billion from the market, at this point.

MEMBER OF THE PRESS: And how much is it authorized to borrow from the Treasury?

UNDER SECRETARY BENNETT: It is authorized to borrow from the market $15 billion.

It has no limit on borrowing from the Treasury.

MEMBER OF THE PRESS: If, perchance, the Congress should not enact the tax rebate and, instead enact a reduction of withholding taxes which would be strung out through the whole year for the same rough amount, your number here would be somewhat smaller, would it not, in the first half?

UNDER SECRETARY BENNETT: It depends on how soon it started, I suppose. I am sure Congress could take action that would increase this.

MEMBER OF THE PRESS: Or decrease it?

UNDER SECRETARY BENNETT: Or decrease it -- either one.

MEMBER OF THE PRESS: If they don't enact it -- this includes $6 billion worth of rebate in May, doesn't it?

UNDER SECRETARY BENNETT: Yes! This is, literally, based on the program as he presented it.

MEMBER OF THE PRESS: Mr. Bennett, what kind of impact do you expect a borrowing of this size to have on interest rates in the market?

UNDER SECRETARY BENNETT: Well, it is difficult to balance. On the one hand, the kind of activity we have been having, you notice, has been pusing them down. This size of borrowing pushes in the other direction. What is the net? I don't propose, at this moment, to forecast.

MEMBER OF THE PRESS: Are you contemplating any changes in the treatment of tax and loan accounts except for the reducing average life of those deposits as you have been doing regularly?

UNDER SECRETARY BENNETT: We will be talking to the Congress, soon, on the tax and loan accounts.

MEMBER OF THE PRESS: Would you consider moving in the opposite direction and making those accounts more valuable to the banks, so they would be better able to help you financing?

UNDER SECRETARY BENNETT: I would not think so.

MEMBER OF THE PRESS: You say you don't know?

UNDER SECRETARY BENNETT: I would not think we would be moving in the other direction. We are moving, rather, in the direction of paying directly for services, and keeping all the balances and not using that as a way of inducing some investors to buy -- to provide services. We are moving away from the tie-in deal, in other words.

MEMBER OF THE PRESS: This, conceivably, could set short term interest rates climbing again?

UNDER SECRETARY BENNETT: Well, you have, again, opposing forces. In other words, there has just been a reduction in the reserve requirements, and this moves in the other direction, but what is the net? That markets have known that we were coming -- we have been anticipated with these new announcements -- we had to have more borrowing.

MEMBER OF THE PRESS: I was not here for the last meeting.

What is the purpose of, giving the bond buyers a couple of extra weeks to pay half of their subscription?

UNDER SECRETARY BENNETT: There is plenty of time for those who get money on the 18th to place it. We thought there might be some people, if given a little more time to scrape it together and plan it, who would be willing to buy the securities, if they could pay for it in two installments. Of course, in recent periods, the largest we have financed of a very long term security was $600 million. We are stepping this up to $750 million.

MEMBER OF THE PRESS: On the $1,000 minimum, what was it? I know you switched back and forth a few times?

UNDER SECRETARY BENNETT: What is what?

MEMBER OF THE PRESS: The $1,000 minimum -- you switched back and forth in past auctions -- the last auction -- the note auction -- what was last minimum?

UNDER SECRETARY BENNETT: The last thing we had, the minimum was $5,000 early this month.

MEMBER OF THE PRESS: When was it last $1,000?

UNDER SECRETARY BENNETT: Sorry.

MEMBER OF THE PRESS: When was it last a $1,000 note?

UNDER SECRETARY BENNETT: 1979 was the $1,000 note, was it not?

MR. SNYDER: That is right! 1979.

UNDER SECRETARY BENNETT: Early this month, we had two notes: 1976 and 1979. 1976 we did for a $5,000 minimum. The 1979 we did for a $1,000 minimum.

MEMBER OF THE PRESS: Do you expect the next round of financing to maintain the top notch?

UNDER SECRETARY BENNETT: The next round of financing? On these two in early March -- we have not decided on the details on those.

MEMBER OF THE PRESS: Mr. Bennett, you had referred to some figures for second half borrowings for the past few years.

I wonder if you could just read us what those figures are?

UNDER SECRETARY BENNETT; No! The Secretary is going to go into all that tomorrow.

MEMBER OF THE PRESS: What the borrowings were? Just the figures on what the borrowings were for the second six months of the fiscal year?

UNDER SECRETARY BENNETT: He will be going into what our projections are. I can read you what they were in previous years.

MEMBER OF THE PRESS: No! I am interested in comparing figures -- the borrowing for the last period of this fiscal year compared to, say, the previous two years.

UNDER SECRETARY BENNETT: Well, I can't give you the figure for our projected borrowing for the last half of this year.

If you are interested in the borrowing for the last half of the previous --

MEMBER OF THE PRESS: Okay!

UNDER SECRETARY BENNETT: Is that what you want?

MEMBER OF THE PRESS: Yes!

UNDER SECRETARY BENNETT: What I will be reading you, here, are figures for net increase in Treasury marketable borrowing in the last half of calendar years.

Is that what you want?

UNDER SECRETARY BENNETT: No! I wanted the last half of the fiscal year.

UNDER SECRETARY BENNETT: I can read you the last half of fiscal years -- the current half-year period.

MEMBER OF THE PRESS: Right!

UNDER SECRETARY BENNETT:

1970: - $1.5 billion

1971: + $3.9 billion

1972: - $2.5 billion

1973: + $1.1 billion

1974: - $5 billion

1975: + $28 billion

MEMBER OF THE PRESS: Thank you.

UNDER SECRETARY BENNETT: Those figures included all of the securities that we issued to foreign governments, some of which were called "specials".

MEMBER OF THE PRESS: Have you any projection about Agency borrowing in this half year? More? Less? Normal?

UNDER SECRETARY BENNETT: We have a projection.

I am sorry. I don't know whether I should release that number because Ash and Simon are testifying on this. I don't want to steal the things they are putting on.

MEMBER OF THE PRESS: Is it possible to say whether it will be less than the first half of last year?

If not, "Okay".

I am just wondering if this might ease a little of the pressure.

UNDER SECRETARY BENNETT: Yes.

I don't have the detailed numbers and Mr. Snyder tells me they are not good, anyhow. So I guess I better not give them to you.

MEMBER OF THE PRESS: Why do you have the February 18 date for the new securities?

UNDER SECRETARY BENNETT: Well, they mature on the 15th, which is a Saturday. Monday the 17th is a holiday.

MEMBER OF THE PRESS: You don't need the money over that 3-day period.

UNDER SECRETARY BENNETT: They don't get paid off until the actual outflow.

It is a 3-day weekend.

I think I will see you more often this year!

(Whereupon, the Press Briefing was concluded at 4:45 pm).

NEWS CONFERENCE BY UNDER SECRETARY JACK F. BENNETT TREASURY FINANCING PLANS FEBRUARY 24, 1975

UNDER SECRETARY BENNETT: Gentlemen and ladies, I am grateful for your coming today because we have an awful lot of financing to do and we figure that the more we can inform our potential customers the better off we will be.

We have to give a lot of careful attention to this and maybe do some innovative things. For that reason, we had an unusual meeting today with our two advisory committees.

We have a Securities Industry Association Advisory Committee and an American Bankers Association Advisory Committee. They usually come in once every three months before our quarterly announcements. We had them in again today, not to talk specific announcements but to have them view the total problem for the whole year and give us their thinking.

That package I gave you there is a package they were given and I thought you might find it useful to have. We gave them a little bit of background, which I also would like to give you to bring you up to date on the size of financing needs.

We last met a month ago on the 22nd of January and the financings which we announced then and had announced earlier would raise $10.6 billion for this current half-year period.

At that time we said that we anticipated we would be issuing no new coupon issues, before mid-March, that is issues over one year, beyond those then being announced. And that is still our anticipation.

But, we do anticipate the need to borrow in the coupon area, about $7 billion worth between the middle of March and the middle of April. Now, that would be in addition to what we raise in the bill area.

So far this year we have used our flexibility to vary the weekly and monthly bill announcements always in the upward direction and we have raised this year $3.1 billion in increases on the bills as they mature. We will probably continue to raise money but I don't want to specify the exact amount because we need some flexibility in the bill area. I hope we don't need much flexibility with respect to that announcement of $7 billion. There is some uncertainty about that, particularly in the estimates of tax receipts.

There is a lot of uncertainty, of course, about the impact of congressional action, but that primarily comes after the middle of April.

The House Ways and Means Committee tax bill, H.R. 2166, would leave us with an estimated $4.4 billion additional borrowing requirement this half year above the President's Program. If the President's Energy Program were blocked, that would add another $1.1 billion.

Congress has already taken some action with respect to food stamps which would add $200 million in this half year.

Now, there have been some actions, of course, other than Congressional actions. The President announced the release of the Highway Trust Fund, but that has only $100 million effect during this half year period. There have been a lot of other things. We took in less from an off shore lease and there have been variations in taxes.

The President's Program as proposed would have left us with a borrowing need in this half year of about $28 billion, a little over $28 billion, of which, we have done $10.6 billion and I am announcing today that we will be doing $7 billion. That will leave another $11 billion to be done in the bill area or in later coupon issues.

Measures that Congress could take could take easily that $11 billion to $21 billion if I add all these different things together.

The second half of the year, of course, is even more uncertain. You recall the President's Program called for borrowing net new money in the second half of the year of $37 billion. That number would be obviously bigger to the extent that Congress does not agree with his rescission proposals.

But the main reason I wanted to talk to you today, was about the specifics of the financing that we're thinking of for the period mid-March to mid-April. I'd like to not make any formal announcement of those in the sense that we're putting out the formal announcement today. I'd like to pass around a piece of paper that tells you what we're now thinking of. This is not a commitment to do exactly these things.

We will make the formal announcements and commitments as we get closer to the dates, but this is our present thinking and I think it might be helpful if the market knew it so they can be prepared. We could change the amounts or the dates or the times but this is definitely our current thinking.

Pass that around, Jack, will you.

These announcements that you are about to see are for five different coupon issues. Two of them are further filling in the two-year note cycle on the end of a month that we began in recent weeks.

One of them is the regular quarter end two-year refunding. The other two are longer coupons. One for almost seven years and one for over 15 years.

Now, please bear in mind that while these are going on we will probably also be raising additional funds in the bill area.

Now, the first one shown there, for payment on March 19 would be a reopening of a note that is now outstanding and matures in 1981. The others are new securities.

The third one, which is the regular quarter end is a Treasury refinancing of a Federal Financing Bank piece of paper that is maturing. When that piece of paper matures the Federal Financing Bank will not have any securities held by the public. They will all be held by Treasury.

QUESTION: Why is there net--you have a net cash to be raised on that third item of a billion?

UNDER SECRETARY BENNETT: Well, there is $1.2 billion publicly held of the FFB bill that is maturing on the 31st of March. We are issuing it to the public for $2.2 billion so we are only raising $1 billion of net new money from the public.

Now, on that particular security since it is existing, the Fed and other holders have some in addition to the public holdings.

QUESTION: So you are actually raising $8.2 in that period, you will be auctioning $8.2?

UNDER SECRETARY BENNETT: Yes.

Now, during this period ahead, in additon to the bills we will actually be auctioning, we will be auctioning $12 billion. We have the regular refunding on the 15th of May. We have these two quarter end refundings and we have tax anticipation bills and cash management bills maturing in April and June, so that adds up to $12 billion in addition to the $7 billion here, all in addition to what we do in bills.

QUESTION: But those are just roll-overs.

UNDER SECRETARY BENNETT: The $12 billion that is coming up is just a roll-over. So, between now and the end of this half year, we have $12 billion of ordinary roll-overs, $7 billion of coupons I am announcing today, plus $11 to $21 billion some portion of which will be coupons. The coupons presumably will be after the middle of April but the bills will start before then.

QUESTION: Is it $7 today or is it $8 today?

UNDER SECRETARY BENNETT: I think the left-hand columns add up to $8 billion--try it and see.

QUESTION: The items you listed that Congress is in the process of doing or in the case of food stamps has done, add up to only just under $6 billion and yet you said there could easily be an additional $11 billion for this past half year.

UNDER SECRETARY BENNETT: I said from $11 billion to $21 billion.

QUESTION: An additional $10, right?

UNDER SECRETARY BENNETT: Well, I mentioned also the Highway Trust Fund as one.

QUESTION: Yes.

UNDER SECRETARY BENNETT: And, in addition to that we lost some money on the off-shore lease sales. We may lose some more.

QUESTION: You are also talking about revenue shortfalls?

UNDER SECRETARY BENNETT: Well, wait a minute. There is an addition to the rest of the program. There is the President's $17 billion for the fiscal 1976. There is another $27 billion for the remainder of this half-year that is still up for consideration in addition to the tax bill.

QUESTION: The rescissions.

UNDER SECRETARY BENNETT: The rescissions.

QUESTION: How about the revenue in-flow, is that falling short of the rescissions?

UNDER SECRETARY BENNETT: At the moment we don't have any particular revenue additions.

QUESTION: Is the reason that the House Tax Bill would impose upon you an estimated $4.4 billion more than the President's Program, the fact that the rebate comes all in one go.

UNDER SECRETARY BENNETT: Well, both larger and sooner, the total tax.

QUESTION: If that is approved, would the $28 billion figure you have been using for the first half of the year be revised to what, $32.4?

UNDER SECRETARY BENNETT: Well, the tax bill alone would take this figure of $28 billion up $4.4 billion. It depends on how many things you added on top. If you added on the rescission or energy, I am not predicting. I am just trying to say what some of these effects would be on the total need.

QUESTION: I don't see where you get another $4.4 billion from the Ways and Means tax bill. How do you break that down?

UNDER SECRETARY BENNETT: Well, the $4.4 billion is in this half year. It would not be as large an effect in the second half.

QUESTION: Except for bills, are you giving the market assurance that you won't raise any more than $7 billion in this time period?

UNDER SECRETARY BENNETT: I am giving them a strong expectation. I don't want to give a full assurance. Just as last time we thought it was useful to say to the market we did not anticipate it would be necessary to come back for coupon issues before mid-March and as it turned out we didn't. We want the market to have this because this is a lot of notes and bonds to absorb but it is not a guarantee.

QUESTION: How much of these additions that you have outlined here will be carried over into subsequent 6-month periods as well? You orginally estimated, I think it was $90 billion over the next 18 months.

UNDER SECRETARY BENNETT: Well, the tax bill, for example, would also have a small additional impact in terms of our borrowing in the second half. This is not just a transfer from the second half to the first half.

QUESTION: Is it possible to estimate what the total impact is over this 18-month period?

UNDER SECRETARY BENNETT: I can give you an estimate on the second half. It is a couple of hundred million, but I don't have an estimate for the first half of 1976.

QUESTION: Did you have a breakdown on the $4.4 billion?

UNDER SECRETARY BENNETT: How much of it is the withholding and how much is the rebate you mean?

QUESTION: Why it should be $4.4 billion more than the present rebate in the last half-year?

UNDER SECRETARY BENNETT: Well, let's say in the two halves of the year it is $4.6 billion. Is Fitzpatrick back there somewhere? Do you have a breakdown of the $4.4 billion?

(Off-the-record discussion)

Well, here is a little bit of the answer. The individual rebate in the President's Program was $4.9 billion and in the tax bill is $8.1 billion.

QUESTION: It is because it all comes in one payment?

UNDER SECRETARY BENNETT: This is the amount in this half-year. Ours was in one payment. A little bit has slopped over.

QUESTION: Your half of yours would have been in the second half-year.

UNDER SECRETARY BENNETT: No. There was a slop-over effect. We had individual rebates altogether of $4.9 billion in the first part and $7.3 billion in the second half because of the slop-over. It was nominally split but some of it would not get cashed until the second half.

Now, where is the tax withholding effect on there?

(Off-the-record discussion)

I don't know the details.

QUESTION: I am not clear which one of these five is what you'd call a regular quarterly.

UNDER SECRETARY BENNETT: March 31. You see we have established in the last couple of years a regular quarterly cycle. At the end of every calendar quarter we had a two-year note, generally in the $2 billion range. This one, which happened to be the only Federal Financing Bank issue on the Treasury date was smaller. It was $1.5 billion, but the Fed owns $300 million of it, so it is $1.2 billion publicly held.

QUESTION: And it was a Federal Financing Bank issue instead of a regular quarterly?

UNDER SECRETARY BENNETT: As we announced last time we began to fill in the space between the quarters. Two of these issues that I announced today are the same type of a animal, filling in quarters. Now, there are still some holes left in a 2-year monthly cycle but four will be filled in, in addition to the regular quarter end issues that were already there.

QUESTION: You talked about innovation earlier. Can you give us any ideas what sort of ideas you are considering at this stage?

UNDER SECRETARY BENNETT: Well, one is this monthly two-year cycle.

To some extent it is an innovation to be doing this much longer term coupon in between the regular refundings. We had lots of other ideas given to us today to think about in terms of cycles further out. People have raised the idea of going back to perpetuals and they have generally canvassed the whole framework of Treasury financings.

QUESTION: Did the advisory committees that you talked to today, did members of them express any preference for a longer issue.

UNDER SECRETARY BENNETT: Let me say that this piece of paper I have given you is not something I gave them. They were not aware. We developed this since we met them.

QUESTION: What I mean is did they suggest that the market might --

UNDER SECRETARY BENNETT: There is a basic refrain in both committees and a lot of other advice we are getting that at the moment we have an opportunity to issue some longer term securities. They can't be sure that later this year when the economy starts picking up that we will be able to and should not ignore this opportunity.

They also feel that we have to try to preserve a yield curve if we are going to provide an adequate incentive for the investors to lengthen their debt and the intermediaries to lengthen theirs.

QUESTION: Did your advisory committees express any fears or qualms about money raising operations of Treasury, particularly the $10 billion?

UNDER SECRETARY BENNETT: We did not ask them whether this was too much money or too little.

QUESTION: And they did not volunteer anything either.

UNDER SECRETARY BENNETT: We did not ask them. They are technical.

QUESTION: Do you have any estimates about private financing?

UNDER SECRETARY BENNETT: Well, that package we gave you has a recent estimate of the Treasury projected flow of funds for the year.

QUESTION: What do you anticipate market reaction to be?

UNDER SECRETARY BENNETT: Well, I hope that it will be favorable in the sense that we are coming clean with the needs. I don't think tha amount that we are announcing today should be a surprise to anyone because we indicated last time what the amounts would be. So what we are trying to do today is give plenty of notice so that the investors can get ready and find a place for it.

Okay. Thank you very much.

(Whereupon, at 5:05 p.m. the press conference was concluded.)

NEWS CONFERENCE

BY

UNDER SECRETARY JACK F. BENNETT

REVIEW OF APRIL FINANCING

MARCH 31, 1975

UNDER SECRETARY BENNETT: Good afternoon. I appreciate your coming around.

We think it is helpful to discuss the Treasury Financing Plan in advance to help investors prepare for the market. I would like to discuss our short-term financial outlook.

At the time of the President's Message early this year, we had a conference, you may recall, and projected $28 billion of net new money borrowing by the Treasury in this current half year.

Our best guess -- the one on which we are working at the moment -- is that that number will be about $41 billion in this half year, including the effects of the new Tax Legislation and assuming that the one-time payments to Social Security recipients are appropriated in time to be paid in this half year.

MEMBER OF THE PRESS: How much are they?

UNDER SECRETARY BENNETT: $1.7 billion.

Now, of that $41 billion, we have now accomplished -- or at least announced -- $23.3 billion so far this year.

Now, that, of course, is in addition to roll-overs of maturing securities. So far this year, we have already had the $4.8 billion of maturing, privately held, securities other than bills.

Normally, these days, we talk about the "new money."

We, also, have maturing regular securities in the remainder of this half year as well. We have $10.7 billion maturing between now and the end of this fiscal year.

But the main thing is that we now must project about $17-1/2 billion of net new money borrowing between now and mid-year. Out of that $17-1/2 billion, I would like to give today a projection of our financing from now up until our mid-May regular refunding. That is a projection apart from the regular weekly bills. This projection is not a firm promise, but it is our best information.

You will recall that in the last press conference of this type, -- that was on February 24 -- we announced projected borrowing through April 15 of five coupon securities and, in fact, since then, we have announced exactly those five securities. We did move earlier, the date of payment of the last one by six days. We did come through with the exact same securities and, of course, over that period, as we expected, we have made some variations in the weekly bills.

Now, the projection for this period from now until mid-May contains just two issues, other than the weekly bills. Each of these issues will be for $1.5 billion.

The first one is the one announced today, for which you have the handout there. That is a bill to be issued on April 14 for 9-1/2 months to mature at the end of next January.

I would like to make clear that, with this bill, we are not attempting to re-establish a 9-month bill cycle; rather, we are moving further in the direction of establishing a regular month-end two-year note cycle by filling in some of the blanks.

I would expect that this 9-1/2 month bill will be rolled-over, when it matures, into a regular two-year month-end note.

Moreover, the second issue -- which we are projecting today, is a note to be issued on April 30, for exactly two years, to mature on April 30, 1977. You can see that, with that, we are filling in some of the holes in this two-year cycle.

Chuck, will you pass around that table, the spacing chart.

We have the short end of the spacing chart that you might look at. You can see that, beginning the first of next year, we have already filled in about eleven of the available month-end slots. There are still five to go.

MEMBER OF THE PRESS: What was that?

UNDER SECRETARY BENNETT: On this chart which Chuck is passing out, we see that starting the first of next year up until two years from now there are about 16 month ends. We will have, with this announcement, filled in eleven of the available month-end slots with these two-year type securities. There are still about five open.

MEMBER OF THE PRESS: Why not 24?

UNDER SECRETARY BENNETT: Financing is so great this year, we have not bothered to fill in any of the rest of the '75's. We would just have to finance it all over again.

I am really starting my thinking with the first of next year; but there are 24 if you add in the rest of this year.

I hope, as I started to say at the beginning, that this type of projection six weeks in advance will help the investors prepare. As you know, we have an auction tomorrow of a 19-month security that also fits into this two-year cycle, but, then, our next big announcement will be at the end of April, when we announce the scheduled refunding on May 15. I would not be surprised if, on that occasion, in addition to the refunding, we raise some cash as well.

That announcement of the refunding will be made on May first. I think that is all I have in mind.

Do you have any questions?

MEMBER OF THE PRESS: Mr. Bennett, between now and mid-May, with the two $1.5 billion issues, how much extra in new cash would you expect to raise with the weekly bill offer?

UNDER SECRETARY BENNETT: I don't propose to announce that. In recent weeks, we have been raising $700 to $800 million per week, but we have to keep some flexibility here.

MEMBER OF THE PRESS: And you said at the outset that you had accomplished --

UNDER SECRETARY BENNETT: (Interposing) We raised $600 million in our most recent announcement of a one-year bill.

I am sorry:

MEMBER OF THE PRESS: You said at the outset that you had accomplished, or announced, $23.3 billion so far this fiscal year. You thought about $41 billion.

That equals about $17.7 billion left. You used a $17.2 billion figure.

UNDER SECRETARY BENNETT: $17-1/2!

MEMBER OF THE PRESS: Of which only "three" are being disclosed today.

UNDER SECRETARY BENNETT: Right!

MEMBER OF THE PRESS: Plus some bills -- to an amount we don't know.

UNDER SECRETARY BENNETT: I am not announcing any bills.

MEMBER OF THE PRESS: No.

UNDER SECRETARY BENNETT: There will be bills during that period. We will be raising some money between now and the refunding with bills.

MEMBER OF THE PRESS: But not enough to make up the $17 billion.

UNDER SECRETARY BENNETT: Oh, no! There is plenty to do in the refunding and thereafter.

MEMBER OF THE PRESS: Does the grand total and, therefore, the $17-1/2 billion still to go assume that the Treasury will borrow to cover the tax -- the entire amount of the tax rebate in this six-month period?

UNDER SECRETARY BENNETT: This projection that I am working off of and planning financing assumes that the entire tax rebate will be cash before the end of June.

MEMBER OF THE PRESS: Right!

Secondly, you mentioned an appropriation for the special $50 Social Security --

UNDER SECRETARY BENNETT: I think the bill that the President just signed is a bill authorizing payments for the Social Security. There still has to be an appropriation of that money.

MEMBER OF THE PRESS: You previously had estimated, I think, $37 billion for the following half year.

Do you have a revision on that as well?

UNDER SECRETARY BENNETT: I don't have a really decent one. I would think it would be in the order of $40 billion or somewhat more, but I don't have a really detailed one. It was $37 billion when I was projecting $28 billion for the first half. I don't have a really reliable forecast for the second half.

MEMBER OF THE PRESS: Mr. Bennett, the difference between your estimate for this half last time and this time is about $13 billion.

I think the Tax Bill would be about $6 or $7 billion, wouldn't it?

What would be the rest?

UNDER SECRETARY BENNETT: Well, actually, it is the difference between this time and the time before last. Last time, I was using numbers closer to $38 billion. They had gone up toward $38 billion.

To go back to the time before, I was using $28 billion: $6 billion plus is the effect during this half year of the tax bill.

MEMBER OF THE PRESS: Let's put it this way: Does the figure that you are citing here include any Bills currently under consideration which you expect to be passed, or is this all legislation which is already on the books?

UNDER SECRETARY BENNETT: No. This does not include any new Bills.

Of this $13 billion difference from $28 billion to $41 billion, the biggest piece is the Tax Bill, $6 billion plus.

There were a number of other things that effected the differenc The lease receipts on some gas and oil lease sales were less than expected, in the order of $2-1/2 billion. Failure to act on some of the rescissions requested by the President, $2-1/2 billion, and a number of other things, Food Stamps, $100 million or less on the Highway Trust Fund, a lot of little things.

The biggest chunk of the $13 billion would be the $6 billion plus on the Tax Bill.

MEMBER OF THE PRESS: How much did you say for the gas and oil?

UNDER SECRETARY BENNETT: On the order of $2-1/2 billion. That is just a forecast. Only part of it has passed.

MEMBER OF THE PRESS: Has any of the change resulted from less-than-expected receipts?

UNDER SECRETARY BENNETT: I don't think there is any major receipt change here.

MEMBER OF THE PRESS: Is this possible to be done in a $60 billion deficit?

UNDER SECRETARY BENNETT: That rough number I was throwing out for the second half of the year was, but the $60 billion deficit is for the next fiscal year.

MEMBER OF THE PRESS: What is the approximate outlook then, for the fiscal year that is now ending?

UNDER SECRETARY BENNETT: Sorry?

MEMBER OF THE PRESS: What is the approximate outlook -- if you can give us one -- for the fiscal year now ending -- the deficit. The budget deficit.

UNDER SECRETARY BENNETT: I don't like to forecast budget deficits. It is not my business.

MEMBER OF THE PRESS: Well, but maybe you can do something besides forecast. How about estimated?

UNDER SECRETARY BENNETT: Well, I can estimate the cash --

MEMBER OF THE PRESS: Ten years -- I mean ten months of the year are passed aren't they?

UNDER SECRETARY BENNETT: There is another part of Washington that is responsible for announcing budget deficits. I am responsible for announcing ~~monetary,~~ "real money." They keep the books over there.

MEMBER OF THE PRESS: Mr. Bennett, most of the five issues, or the five issues that you sold in that last series are all selling at a discount now, and yet, Treasury bills seem to be holding up in price, and the yields are down.

How many more bills can be absorbed before that market starts to sell at a discount?

UNDER SECRETARY BENNETT: Our need for financing is so great that we can't afford to neglect any part of the market.

MEMBER OF THE PRESS: How much aid are you getting -- how much in foreign purchases do you see in what has taken place from January first to now, in Treasuries and, particularly, bills?

UNDER SECRETARY BENNETT: We have been announcing -- each week -- the amount of the purchases for the Fed and foreign monetary accounts. Let's see if I have a number, here, on the total foreign purchases. It is complicated.

We have, of course, three types of foreign purchases. We still have some of the non-marketables that we used to deal with in the "Germanys" and the "Japanese", and the traditional Central Banks. There are still some changes there. We have not issued any of that type to any of the OPEC investors. We did, but they have matured.

There are a lot of purchases that they make directly in the market. Then, there are those which are made through the Fed on behalf of the foreign monetary institutions, and I would guess that the acquisitions of the various foreign monetary institutions over this period are in the order of $2 billion -- a little bit less than $2 billion.

I guess if you add up all of these weekly announcements, it would do, I would say, $1-1/4 billion.

MEMBER OF THE PRESS: Since when?

UNDER SECRETARY BENNETT: The first of the year.

MEMBER OF THE PRESS: Foreign purchases?

UNDER SECRETARY BENNETT: Foreign purchases in the weekly auctions.

MEMBER OF THE PRESS: Plus, possibly, some additional in the market?

UNDER SECRETARY BENNETT: Plus a lot more in the market!

MEMBER OF THE PRESS: How much will the Treasury be raising in all, then, in this fiscal half, including roll-overs?

Is it fifty-six?

UNDER SECRETARY BENNETT: Well, strictly speaking, when we are talking about roll-over statistics, it includes the fact that we roll-over every week, and every month, three month, and six-month, and one-year maturity bills. But if you leave these regular bills aside and you add up the $41 billion which we have to do, the $4.8 billion other than regular bills that we have already done, and the $10.7 billion that we have coming --

MEMBER OF THE PRESS: Does that include some "Tabs"?

UNDER SECRETARY BENNETT: $56-1/2 billion is the total, in this half year, of that type of borrowing.

MEMBER OF THE PRESS: The 10.7 is coupon issues?

UNDER SECRETARY BENNETT: The $10.7 billion is coupons, plus Tabs and cash management bills, everything except the regular weekly and annual bills. It includes Tabs and cash management bills maturing in April and June.

MEMBER OF THE PRESS: The $23.3 billion new money that you mentioned in the beginning carries through tomorrow's auction, and is cut off at that point, on anything else beyond that?

UNDER SECRETARY BENNETT: Yes!

MEMBER OF THE PRESS: Also, I don't think you suggested when the auction of the $1-1/2 billion of two-year notes would be.

UNDER SECRETARY BENNETT: I have not announced it. We will announce, ~~formally~~, the auction date later.

MEMBER OF THE PRESS: The payment would be April 30?

UNDER SECRETARY BENNETT: Yes.

MEMBER OF THE PRESS: Mr. Bennett, earlier, at the February 24th briefing, you expressed some concern about the ability of capital markets to absorb this.

Just what would you say about the ability now, with this extra burden?

UNDER SECRETARY BENNETT: Well, of course, at that time, rates were going down. That stopped, and our main concern continues to be, not the immediate future, but the situation after the recovery becomes more pronounced.

MEMBER OF THE PRESS: Could you be a little more explicit?

Do you feel that Calendar '75 is not a problem now, because there is no pronounced recovery of any kind occurring now.

UNDER SECRETARY BENNETT: No. But I say, you know, there are some signs ~~that~~ maybe it is on the verge of starting. But I am not expressing any concern about this period that we are talking about here. We have considerable concern about it thereafter.

MEMBER OF THE PRESS: Do you mean that the $40 billion in the second half -- or approximately $40 billion?

UNDER SECRETARY BENNETT: Yes!

MEMBER OF THE PRESS: Will this cause any problem -- increased competition -- to the New York City issues that are going to be coming up?

UNDER SECRETARY BENNETT: Well, let's see. Their next issue would be for payment, by coincidence, April 14.

MEMBER OF THE PRESS: And then I think they have some that they will be having come due, too.

UNDER SECRETARY BENNETT: There will be some, thereafter, but they were thinking of a short issue on April 14, I think, and this one that we are talking about here is 9-1/2 months. So it is in the same order. It will be auctioned at different times.

MEMBER OF THE PRESS: Do you see this as causing much of a problem for them?

UNDER SECRETARY BENNETT: Sorry?

MEMBER OF THE PRESS: Will this cause much of a problem for them?

UNDER SECRETARY BENNETT: No! The amount of money that they are talking about, in terms of what we are talking about, is just peanuts!

MEMBER OF THE PRESS: You say that refinancing might be announced on May 1, and, if my recollection is right, that is a Thursday.

UNDER SECRETARY BENNETT: We are changing the day, this time, because the Secretary and I are scheduled to get back on Monday night from the Asian Development Bank. We want Tuesday and Wednesday to get ready.

MEMBER OF THE PRESS: How big is the mid-May refunding?

UNDER SECRETARY BENNETT: It is maturing, at the moment at $3.8 or $3.9 billion which is it? $3.8 billion?

That could change between now and then.

MEMBER OF THE PRESS: Thank you.

UNDER SECRETARY BENNETT: Thank you.

(Whereupon, the Press Briefing was concluded at 4:30 o'clock, p.m.)

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NEWS CONFERENCE

BY

UNDER SECRETARY JACK F. BENNETT

TREASURY FINANCING PLANS

MAY 1, 1975

UNDER SECRETARY BENNETT: Some of you may not have met Ralph Forbes, the new Special Assistant to the Secretary, Debt Management. We are fortunate to have him come to us after eleven years with the National Bank of Boston.

What I am going to say at the beginning of this conference I have written down, so you don't have to take extreme notes. The copies will be handed to you in a few minutes, as soon as the Xerox machine spews them out; in addition to the formal announcement that I have given you, and the background material, which is the same material we gave to the two Advisory Committees yesterday, as reported to us this morning.

Ladies and gentlemen: We appreciate your coming here today, for we are grateful for your help in making the details of our Treasury security offerings widely known. This is the fourth such conference this year.

Over the course of these conferences, the estimates of the Government's needs to borrow from the public over the current half year period have varied. On January 22 the estimated increase in indebtedness to the public from December 30, 1974 to June 30, 1975 was $28 billion. On February 24, the estimate was up to $38 billion. A month ago, on March 31, the estimate was $41 billion. Today, our best estimate is $36 billion. Since the last conference tax payments have been coming in larger than expected so that the estimate of total budget receipts for the current fiscal year ending June 30 have been revised upward from $275 billion to $282 billion, though of course, considerable uncertainty remains even for this fiscal year's receipts.

Of the total of $36 billion of expected increase in debt outstanding in this half year, $28-1/2 billion has already been accomplished or announced through the first four months, that is, through yesterday, April 30, leaving $7-1/2 billion still to be arranged. Of that amount, some portion is expected to be arranged through the sale of Savings Bonds, leaving $6-3/4 billion to be raised net through sales of marketable securities to the public in issues not yet announced, that is, in addition to the sales we have already announced through the sale of 3 and 6 month bills to be paid for on Thursday of next week.

That $6-3/4 billion net still to be raised in the market is in addition to amounts to be raised to pay off securities maturing during this period, that is the weekly maturities of 3 and 6 month bills; the one year bill maturing on June 3rd; the copuon securities maturing on May 15, of which some are held by the Federal Reserve Banks, which we assume will roll over their investment, and of which $3.8 billion are held by the public; the regular quarter-end security maturing on June 30 of $2 billion; and finally the cash management and tax anticipation bills maturing in mid-June in the amount of $2.75 billion.

Of these maturities the market would confidently expect that we would roll over all the maturities except that $2.75 billion of cash management and tax anticipation bills, so that I tend to look at our market financing decision to be how to raise in new borroing the $6-3/4 billion of net increase in indebtedness plus the $2.75 billion, for a total of $9-1/2 billion.

In raising that $9-1/2 billion we have to make difficult decisions on which maturities to offer. One factor we have to take into account is that we have been concerntrating our borrowing very heavily in the short maturities with the result that the average length of our marketable debt has been declining, from 5 years, 9 months at the end of 1964 to 2 years, 9 months at the end of 1974, to 2 years, 8 months yesterday, as indicated in one of the charts in the background material we have distributed to you. As a net result of the passage of time, the maturity of some securities, and new issues by us, the Treasury now has outstanding $300 million fewer securities maturing in over 7 years than it did at the beginning of the year. As of yesterday, of the $205 billion of marketable Treasury securities in the hands of the public, 69% matures in 2 years or less, 23% matures in 2 to 7 years, and only 8% matures in more than 7 years.

The financing plan we have come up with does not, however, make much change in the average length of the debt. Under that plan the average length of the debt at the end of June is expected to be 2 years and 9 months, and that average length would be reduced further thereafter until our next longer term issue.

Our financing plan consists of three parts; several securities which we are formally announcing today for sale next week in the separate announcement you have received; three coupon issues which we are tentatively projecting for sale late this month and next month but have not finally decided upon though we are announcing our projections at this time for the information of prospective purchasers, and thirdly some expected increases in our bill issues which will be decided and announced later in the light of our actual cash position.

The securities being offered today are: $2.75 billion, 3-1/4 year notes maturing August 15, 1978; $1.5 billion, 7 year notes maturing May 15, 1982; and $.750 billion, 30 year bonds maturing May 15, 2005.

These securities total $5 billion and will raise $1.2 billion in cash. They will be auctioned in maturity order next week on Tuesday, Wednesday, and Thursday by yield auction. The minimum denomination will be $5,000 for the 3-1/4 year note and $1,000 for the longer term securities. The payment for the new securities will be on May 15 except that purchasers will have the option to pay for the 30 year bond on June 2.

In addition to these securities we anticipate three coupon issues to fit into our new 2-year note cycle. The first will be for $2 billion maturing on May 31, 1977, auctioned on May 14 for payment on May 27. I understand that the Home Loan Bank system has announced today the paydown of $1.3 billion of maturing securities on that date. The second security will be a 16 month $1.5 billion note maturing October 31, 1976, to be auctioned on May 22nd, and paid for on June 6. The third will be a roll over of the $2 billion maturity on June 30 to June 30, 1977, probably to be auctioned on June 17.

In addition to these securities sold to the public, we would expect some purchases of the same marketable securities will be made by foreign monetary authorities. For planning purposes, we assume these purchases will total about $600 million.

To achieve our forecast total financing need of $9-1/2 billion, we shall probably have in addition to raise some amount, now forecast at $4.2 billion, through additions to our bills outstanding. We have five weekly bill maturities and one yearly bill maturity prior to mid-June, our traditional cash low point, I intend to maintain flexibility by not announcing individual amounts for the prospective bill sales.

Finally, I would like to mention that our current estimate of the required net increase in our indebtedness in the second half of the year is now about $40 billion if the Congress accepts the President's recommendation of a $60 billion budget deficit for the fiscal year 1976. Of course, our borrowing requirement will be higher if the budget deficit is increased.

Now, I'd be happy to attempt to answer any questions.

MEMBER OF THE PRESS: Secretary Bennett, do your upward revisions of revenue for this fiscal year have any likelihood of high revenues for next year, also?

UNDER SECRETARY BENNETT: We asked that questions today, and the answer was, "No".

MEMBER OF THE PRESS: Do you have any explanation why revenues are better than you expected?

UNDER SECRETARY BENNETT: It has not been "withholding". It has been tax returns, final tax returns.

MEMBER OF THE PRESS: Individuals?

UNDER SECRETARY BENNETT: Both.

MEMBER OF THE PRESS: Corporate, too?

UNDER SECRETARY BENNETT: Individual and Corporate.

A lot of it has happened in recent days.

MEMBER OF THE PRESS: Do you have any information about why those liabilities are higher than you had anticipated?

UNDER SECRETARY BENNETT: Why the tax liabilities are higher?

All I know at the moment is that it has come in faster, and they've revised the estimates.

MEMBER OF THE PRESS: The latest official estimate for the budget deficit for fiscal 1975 is $46 billion.

UNDER SECRETARY BENNETT: Wait a minute. I will check. The latest number published in the Economic Indicator is $49.7 billion, I believe.

What number did you say?

MEMBER OF THE PRESS: That is probably in N.I.A. The number I get from O.M.B. has been 46.

UNDER SECRETARY BENNETT: That is not N.I.A., is it?

MEMBER OF THE PRESS: No, sir.

UNDER SECRETARY BENNETT: This is not N.I.A. This is the April Economic Indicator. It is $49.7 billion.

MEMBER OF THE PRESS: Is that figure an estimate for the deficit for the fiscal year?

UNDER SECRETARY BENNETT: This is the estimate for the deficit for the fiscal year 1975; $49.7 billion. Now, that had in it the receipt estimate of $274.5 billion.

MEMBER OF THE PRESS: So the deficit could be closer to $42 billion, rather than $50 billion?

UNDER SECRETARY BENNETT: I don't know and if I knew, I couldn't say what variations there may be in the outlay estimates. Jim Lynn has to announce that. The latest official deficit is $49.7 billion based on $274.5 billion. Now, we have guessed the receipts would be $282 billion.

MEMBER OF THE PRESS: Congress seems close to recommending a deficit figure of about $10 billion higher for fiscal 1976 than the President suggested.

Do you think the market could handle a deficit in the range of $70 billion?

UNDER SECRETARY BENNETT: The experience I have had here is that Treasury is always able to borrow. The question is not whether the Treasury can borrow, but whether there is a damage from the amount we borrow.

At the moment, the market is in good shape. When the recovery gets more under way, as I said many times, that is the worry.

MEMBER OF THE PRESS: What is the limit on your long term borrowing?

UNDER SECRETARY BENNETT: We now have authority to issue, in addition to what we have already issued, $2.1 billion. We are only proposing to issue, here, $750 million. However, we will be going forward, in a matter of days, to ask the Congress to increase our debt ceiling. You recall debt ceiling expires end of June.

At the same time, we will ask the Congress to increase our long term borrowing.

MEMBER OF THE PRESS: Is that seven years or more?

UNDER SECRETARY BENNETT: Sorry?

MEMBER OF THE PRESS: Seven years or more -- is that the term?

UNDER SECRETARY BENNETT: Seven years or more, at rates above 4-1/4%.

MEMBER OF THE PRESS: What was the ceiling? What was the amount? Did you say 2.1? Is that what remains?

UNDER SECRETARY BENNETT: $2.1 billion is what is left. Originally, it was $10 billion, all long term. Then it was $10 billion for those in the market, not counting those held by the Fed and the Government accounts.

MEMBER OF THE PRESS: 2.1 is due and remaining?

UNDER SECRETARY BENNETT: Out of the two different definitions of $10 billion.

MEMBER OF THE PRESS: Is the $28-1/2 billion figure that you already raised the same as the figure in Secretary Gardner's letter to Senator Humphrey that was published. Somebody has suggested there was an error in that.

UNDER SECRETARY BENNETT: As I recall, he showed in his figures a borrowing in this half year of $41 billion.

MEMBER OF THE PRESS: Yes, but the amount already raised, to April 30,came out at 28.3. Somebody suggested that that figure should have been about $24 billion. But, if I am talking about something you have never heard of, just forget it.

UNDER SECRETARY BENNETT: Our number includes the bills through next Thursday. Our number, at the moment, is $28-1/2 billion.

MEMBER OF THE PRESS: The bills through Thursday?

UNDER SECRETARY BENNETT: Yes! That, of course, includes savings bonds, and a few odds and ends.

MEMBER OF THE PRESS: By reducing your borrowing by only $5 billion -- your estimate for the full half year by only $5 billion -- with your receipts going up to seven, you are going to be better off in terms of cash by $2 billion at the beginning of the next fiscal year.

UNDER SECRETARY BENNETT: No! Our forecast, here, is based on fiscal year end cash of $6-1/2 billion, $6-1/2 billion.

MEMBER OF THE PRESS: What was your previous reporting?

UNDER SECRETARY BENNETT: In the same order. You won't be able to make any deductions from what I am telling you, as to what happens, because, when I was talking to you a month ago about our borrowing plans, I was not using the last public budget figures. I was using our internal estimates. Unfortunately, that arithmetic won't work.

MEMBER OF THE PRESS: I am not sure why not.

UNDER SECRETARY BENNETT: Because I was not using the latest public budget figures when I was talking to you, I was using our operating figures.

MEMBER OF THE PRESS: Could we say, then, that you were assuming outlays -- then, you were assuming outlays were going to be $2 billion higher than the latest official estimate?

UNDER SECRETARY BENNETT: We still have the question of the slippage, because there are a lot of non-budget things. All I can say at the moment, is that we have reduced our borrowing estimate from $41 to $36 billion.

We can also tell you from the last public receipt estimate, we have gone from $274.5 to $282 billion. The derivation from that on the outlay side will be difficult, but if you call Jim Lynn, he may be ready to tell you. I tried to reach him this afternoon to ask him whether he would like for me to tell you, but I couldn't reach him. If you call him, he may tell you.

MEMBER OF THE PRESS: Would you please go over, then, how you reached the $9.5 billion in new cash.

UNDER SECRETARY BENNETT: We are raising $1.2 billion in the May 15 refunding. We are raising $2 billion by the end-of-May note.

We are raising $1-1/2 billion on the June 6 note.

We are assuming $600 million from the Foreign Monetary Authorities~~. And then~~, I assume, $4.2 billion in bill additions. I hope that adds up.

MEMBER OF THE PRESS: That $600 million figure from foreign buying -- how much foreign buying has there been?

UNDER SECRETARY BENNETT: About $1-1/4 billion so far this year. That is, foreign buying under this procedure. There has been additional foreign buying in the market, but not through this special procedure. This special procedure, we started the first of the year.

That estimate you have in this text has been published, I guess. The $6 billion total foreign increase and holding of Treasury securities in the first three months, but don't read that as OPEC!

You will recall that our numbers for the last year of OPEC investments here were $11 billion, of which between $6 and $7 billion were in Treasury securities. They have continued to invest this year, but OPEC investments here, this year, are running at a lower rate than last year. It is hard to make much out of the numbers we have, but they are coming in at a somewhat lower rate.

While I have you, I might point out another thing that worried me. I was reading in one of your newspapers this morning, "Dollar hits a new low in Paris".

I have a feeling that this headline is a little misleading. It is true that the French franc has been going up relative to all currency but, in fact, the dollar now is where it was about the beginning of the year, the beginning of January, and it's strengthened considerably.

We had an average devaluation, let us say, on February 28, of 18.8%. Now it is 16.3%. So that is a substantial strengthening of the dollar over the last 2-1/2 months.

The Swiss franc, for example, is now weaker relative to the dollar than it was at the end of last year, a couple of percentage points weaker.

I think that is a story that some of you have not noticed, but the dollar has been strengthening.

I used to point out that the dollar strengthened more from May of last year to its high point at the end of August, then it weakened from then to February; this is still true.

The fact is that the dollar has also strengthened considerably, since its fall, from February.

The headline that says the dollar is at an all-time low in Paris, -- somehow gives the flavor that the weakening of the dollar continues. It is that the French have been going up relatively below the European currencies and the dollar. On the average, we have done pretty well.

MEMBER OF THE PRESS: Do you have any comment on the criticism of Senator Humphrey and others about issuing any long bonds at all, and what you expect the inclusion of the long bond in this package will have on the bond market?

UNDER SECRETARY BENNETT: Well, what we have included here, \$.75 billion, of course, is less than the last one we issued. The last one was \$1.25 billion.

Also, since he made those statements, we have had a chance to talk to him and, of course, stress how the average length of our debt had been going down and a large proportion of the debt is short term, and all of the traditional reasons why it is important that we not be overly dependent on short term, including the fact that short term rates are relevant to business activity, particular,y to inventories, just as long term rates are relevant to other parts.

MEMBER OF THE PRESS: Mr. Bennett, would the increase in outlays suggest that our economy may be a little stronger than the economic statistics would indicate?

UNDER SECRETARY BENNETT: Increase in taxes?

MEMBER OF THE PRESS: The receipts, yes. All right.

UNDER SECRETARY BENNETT: I would rather not jump to conclusions.

MEMBER OF THE PRESS: How much of the "7" merely reflects inflation -- where you are getting bigger taxes?

UNDER SECRETARY BENNETT: Of course, when they originally made the estimates, they were trying to take inflation into account.

That is all rather new and not fully analyzed.

MEMBER OF THE PRESS: When you said "individual and corporate returns", do these returns indicate higher liabilities for Calendar '74, for the most part; or are we talking about some corporate liabilities for later periods?

UNDER SECRETARY BENNETT: For the individual, it would be Calendar 1974.

For the corporations, I don't know whether the payments reflect the 1974 or 1975 base for the payment of estimated taxes.

MEMBER OF THE PRESS: How much effect has the change in the shift to inventories had on corporate tax receipts?

UNDER SECRETARY BENNETT: Do you have an estimate?

MY SNYDER: Initially, it was estimated that the shift in treatment would amount to about $3 and $4 billion. That has been in the estimates ever since Hector was a pup! So there has not been any indication of any more than that.

MEMBER OF THE PRESS: Mr. Bennett, on the $6 billion for the first half of this year, what was the non-OPEC part?

UNDER SECRETARY BENNETT: What is the non-OPEC part?

MEMBER OF THE PRESS: Yes!

UNDER SECRETARY BENNETT: I don't want to give a specific number, but I would say the bulk of it.

Are the Wire Service people ready to go? Can we hold it? Will five minutes be all right? Twenty minutes to 5:00 -- embargo.

MEMBER OF THE PRESS: This afternoon, the House-in dealing with its current resolution on the budget -- adopted an amendment by Congressman Reuss which more or less suggests to the Ways and Means Committee that they find ways of raising $3 billion by closing a variety of loopholes in the tax law fiscal '76.

At the head of the list was the Domestic International Sales Corporation, which he said represented a tax expenditure of $1.3 billion during fiscal '76.

Given the strength of our exports at this time, and the much larger revenue loss associated with that -- than the Treasury originally estimated -- are you considering, suggesting -- or agreeing to -- elimination of DISC?

UNDER SECRETARY BENNETT: While I am not the Treasury spokesman on tax policy, from long experience with the Domestic International Sales Corporation, I am very skeptical of estimates, and what will be raised.

In general, the Treasury position has been that what we have accomplished in the revision of the International Tax and this Tax Bill just passed was appropriate. We ought to see what happens.

I better ask Fred Hickman for the details. But we were quite happy with what happened in the International area up to now. We don't at the moment have any additional recommendations.

MEMBER OF THE PRESS: Does the financing package that you have announced today -- through June 30 -- cover the entire tax rebate?

UNDER SECRETARY BENNETT: Yes! There is another thing that I might mention. It also covers the Social Security payment which we are assuming will be mailed in mid-May. The Congress has not appropriated the money. They are having some problems on it, but it does have to assume they are all paid. The checks have all been made out for mailing.

MEMBER OF THE PRESS: At 8%?

UNDER SECRETAR_ BENNETT: No!

MR. SNYDER: $50.00.

UNDER SECRETARY BENNETT: Okay. Thank you.

(Whereupon, the Press Briefing was concluded.)

[Whereupon, at 11:12 a.m., the committee recessed, to reconvene subject to the call of the Chair.]

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