$775 BILLION DEBT LIMIT

HEARING

BEFORE THE

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT GENERALLY

OF THE

COMMITTEE ON FINANCE UNITED STATES SENATE

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FIRST SESSION

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THURSDAY, SEPTEMBER 22, 1977

U.S. SENATE,
SUBCOMMITTEE ON TAXATION AND
DEBT MANAGEMENT GENERALLY,
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Harry F. Byrd, Jr. (chairman of the subcommittee) presiding.

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

Senator Byrd. The committee will come to order.

[The committee press release announcing this hearing follows:]

[Press release, Sept. 9, 1977, Committee on Finance, U.S. Senate]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT SETS HEARINGS ON PUBLIC DEBT

Senator Harry F. Byrd, Jr., Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance announced today that the committee has scheduled hearings on extension of the temporary limit on the public debt. Hon. W. Michael Blumenthal, Secretary of the Treasury, and James T. McIntyre, Deputy Director of the Office of Management and Budget, will testify on the public debt at 10 a.m., Thursday, September 22, in room 2221, Dirksen Senate Office Building.

Senator Byrd noted that the permanent debt limitation under present law is set at $400 billion, with a temporary additional limit of $300 billion. This temporary debt limit of $700 billion is due to expire September 30, 1977.

The Carter administration has recommended that the temporary debt ceiling be increased from the present $700 billion to $783 billion; H.R. 8655 would increase the temporary limit to $775 billion.

Senator BYRD. These hearings today consider one of the most important issues confronting our Nation. This is the question of the increasing size of our Federal debt and the growth of our annual Federal deficits.

I make this statement mindful that the State is now considering major national energy legislation which will shape the course of our energy policy for some years to come

Let me demonstrate my concern about our Federal deficit with some figures. As of September 14, the debt subject to statutory limit was $686 billion. This is an increase in the debt subject to statutory limit of $54.1 billion over just a 1-year period.

In addition to the statutory debt, another $10.7 billion in off-budget agency debt was outstanding as of the end of this July. American taxpayers and consumers must pay for this debt in several ways.

First, there is an enormous interest cost for the debt. For fiscal year 1977, the current year, this interest cost is estimated to be $42 billion. For the fiscal year 1978, the cost is estimated to rise to $46.6 billion.

Each American will be paying $210 on the average just to pay the interest on our national debt. American consumers pay for the debt in terms of the inflation created by our ever-increasing Federal deficit.

President Carter has stated his desire to achieve a balanced budget by 1981. I wholeheartedly support him in this effort, but question the policies which he and the Congress are now following.

Thursday 1 week ago, the Senate agreed to the conference report on the Second Concurrent Budget Resolution. The Federal debt under the unified budget for fiscal year 1978 in this resolution was estimated to be $61.3 billion.

This is an increase of $8.7 billion over the estimated deficit for fiscal 1977.

The continuing increase in the size of our Federal deficits is a policy which I feel must be reversed. During the brief span of 7 years since the beginning of this decade, Federal spending has more than doubled, from $197 billion in 1970 to $409 billion in the current year.

Now, I am hopeful that these hearings today will focus upon the need for a change in our repeated Federal deficit. The administration has requested an $83 billion increase in the combined, permanent and temporary debt limit for September 30, 1978.

The Ways and Means Committee of the House has provided an increase of $75 billion and recommended that the public debt limit be $775 billion through September 30, 1978.

It is significant, I think, that the House of Representatives defeated the increase in the debt limit bill this past Monday. I have talked to several members of the House Ways and Means Committee who feel that the request for a year's extension was for much too long a time period, and also they questioned the total figure. But, Mr. Secretary, you will address yourself, I am sure, to these questions this morning, and the committee welcomes you and W. Bowman Cutter, Executive Associate Director of the Office of Management and Budget. You may proceed as you wish.

STATEMENT OF HON. W. MICHAEL BLUMENTHAL, SECRETARY OF THE TREASURY, ACCOMPANIED BY ROGER C. ALTMAN, ASSISTANT SECRETARY OF THE TREASURY FOR CAPITAL MARKETS AND DEBT MANAGEMENT

Secretary BLUMENTHAL. Thank you very much, Mr. Chairman. I am pleased to have this opportunity to appear before this committee. I must say I wish that the subject were a somewhat different one. I do not take any personal pleasure or pride in having to appear here and ask for another increase in the debt limit.

I do feel strongly that we would be better off if we could have a balanced budget and could move quickly toward reduction of these large deficits; and certainly the administration is devoted towards that end, but we do have a situation in term of the budget for next year and the Congressional Budget Resolutions that have already been passed which require us to ask the approval of the Congress on three grounds.

First, to increase the temporary debt limit from the $700 billion at which it is at the present time, which would expire at the end of this month. Otherwise, it would revert to the permanent limit of $400 billion.

Second, to ask for an increase in the $17 billion limit on the amount of bonds over 4¼ percent that could be issued by the Treasury.

Third, to ask for authority for the Treasury, with the President's approval, to change the interest rate on U.S. savings bonds, if that should become necessary.

Turning first to the question of the debt limit, Mr. Chairman, our estimates of the amounts of the debt subject to limit outstanding at the end of each month through the fiscal year 1978 are shown in a table which is attached to my testimony and which I believe is before you.

That table indicates a peak debt subject to limit of $780 billion on September 30, 1978, assuming a $12 billion cash balance on that date.

Senator BYRD. Mr. Secretary, would you identify that table? I do not find it.

Secretary BLUMENTHAL. I am referring to the table, the first table at the back of my prepared testimony, Mr. Chairman, which is entitled, "Public Debt Subject to Limitation, Fiscal Year 1977." The second table is really the one I was referring to, which gives the same information for fiscal year 1978.

The usual $3 billion margin for contingencies would raise this amount from $780 to $783 billion, thus requiring an increase of $83 billion from the present temporary limit of $700 billion.

If the full amount of additional debt that we estimate will be required is to be authorized. This $83 billion increase reflects our current estimate of the fiscal 1978 unified budget deficit of $61.5 billion, a trust fund surplus of $13.1 billion, and a net financing requirement for off-budget entities of $8.5 billion.

The trust fund surplus must be reflected in the debt requirement because the surplus is invested in Treasury securities which are also subject to the debt limit.

The debt of off-budget entities which affect the debt limit consists largely of obligations which are issued, sold or guaranteed by Federal agencies and financed through the Federal Financing Bank. Since the Federal Financing Bank borrows from the Treasury, the Treasury is required to increase its borrowing in the market by a corresponding amount.

This, of course, adds to the debt subject to limit. We have also a table, Mr. Chairman, that indicates our estimate of operating cash balances and shows that that will be $12 billion, we estimate, at the end of each month from September 30, 1977, through September 30, 1978.

On this basis, no net increase in the debt will be required to finance the cash balance in the fiscal year 1978. We believe that our $12 billion constant balance assumption is reasonable in light of needs and the actual balances maintained by the Treasury in recent years.

We have shown, Mr. Chairman, what over the past decade the Treasury's cash balances at the end of each fiscal year have, in fact, been. The need, of course, to carry larger cash balances in recent years is a function of the overall growth in Government receipts and expenditures, also the fact that there is not a coincidence in receipts and expenditures generally speaking, expenditures come heavily at the beginning of the month and receipts towards the middle of the month, and we have to take that into account in making our estimates.

Our $83 billion estimate of the required increase in the debt subject to limit through September 30, 1978 is $8 billion higher than the $75 billion increase recommended by the House Ways and Means Committee in its report of August 4, 1977.

Also, a $75 billion increase was approved in the second concurrent resolution on the Federal budget for fiscal year 1978, which was adopted by the Congress on September 15, 1977.

As indicated in the table attached to my statement, the $775 billion limit recommended by the House committee and approved in the concurrent resolution is expected to be reached by August 31, 1978. Thus, if our estimates prove to be correct, the Treasury may have to maintain lower than desirable cash balances in September 1978 to stay within the $775 billion limit or come back to the Congress to request that a further increase in the debt limit be enacted perhaps a few weeks earlier than the proposed September 30, 1978, expiration date.

However, in view of the fact that congressional action on the debt limit must be completed by the end of next week, I urge your committee to agree to the $775 billion limit recommended by the House committee.

I would like to turn now to our request for an increase in the Treasury's authority to issue long-term securities in the market without regard to the 4¼ percent statutory ceiling on the rate of interest which may be paid on such issues.

We are requesting that the Treasury's authority to issue bonds—securities with maturities over 10 years—be increased by $10 billion from the current ceiling of $17 billion go $27 billion.

As you know, the 4¼ percent ceiling predates World War II but did not become a serious obstacle to Treasury issues of new bonds until the mid-1960's. At that time, market rates of interest rose above 4¼ percent, and the Treasury was precluded from issuing new bonds.

The Congress first granted relief from the 4¼ percent ceiling in 1967 when it redefined, from 5 to 7 years, the maximum maturity of Treasury notes. Since Treasury note issues are not subject to the 4¼ percent ceiling on bonds, this permitted the Treasury to issue securities in the 5 to 7 year maturity area without regard to the interest rate ceiling.

Then, in the Debt Limit Act of March 15, 1976, the maximum maturity on Treasury notes was increased from 7 to 10 years.

Today, therefore, the 4¼ percent ceiling applies only to Treasury issues with maturities in excess of 10 years, and certain amounts have been exempted from this ceiling. In 1971, Congress authorized the Treasury to issue up to $10 billion of bonds without regard to the 4¼ percent ceiling.

This limit was increased to the current level of $17 billion in the debt limit act of June 30, 1976.

As a result of these actions by the Congress, the Treasury has been able to achieve a better balance in the maturity structure of the debt and has reestablished the market for long-term Treasury securities.

Today, however, Treasury has nearly exhausted the $17 billion authority. The amount of unused authority to issue bonds is $1 billion. Since the last increase in this limit on June 30, 1976, the Treasury has offered $6.2 billion of new bonds in the market. This includes $2.5 billion issued in the current quarter.

While the timing and amounts of future bond issues will depend on then current market conditions, a $10 billion increase in the bond authority—which was recommended by the House committee—would permit the Treasury to continue its recent pattern of bond issues throughout fiscal year 1978. We believe that such flexibility is essential to efficient management of the public debt.

In recent years, Treasury recommended on several occasions that Congress repeal the 6 percent statutory ceiling on the rate of interest that the Treasury may pay on U.S. Savings Bonds. The 6 percent ceiling rate has been in effect since June 1, 1970.

Prior to 1970, the ceiling had been increased many times. As market rates of interest rose, it became clear that an increase in the savings bond interest rate was necessary in order to provide investors in savings bonds with a fair rate of return.

While we do not feel that an increase in the interest rate on savings bonds is necessary at this time, we are concerned that the present requirement for legislation for each increase in the rate does not provide sufficient flexibility to adjust the rate in response to changing market conditions.

The delays encountered in the legislative process could result in inequities to savings bond purchases and holders as market interest rates rise on competing forms of savings.

Also, the Treasury has come to rely on the savings bond program as an important and relatively stable source of long-term funds, and we are concerned that participants in the payroll savings plans and other savings bond purchasers might drop out of the program if the interest rate were not maintained at a level reasonably competitive with comparable forms of savings.

Any increase in the savings bond interest rate by the Treasury would continue to be subject to the provision in existing law which

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requires approval of the President. Also, the Treasury would, of course, give very careful consideration to the effect of any increase in the savings bond interest rate on the flow of savings to banks and thrift institutions.

The House Ways and Means Committee deferred to a later date consideration of our August 1 request to that committee that the 6 percent interest rate ceiling on savings bonds be repealed. In view of the need for the Congress to complete action on the debt limit next week, I am not requesting that the House bill be amended to repeal the interest ceiling on savings bonds. However, I urge the Congress to consider our request on savings bonds at an early date.

To sum up, Mr. Chairman, I recommend that the Senate agree to the House bill, which would increase the debt limit to $775 billion through September 30, 1978 and would increase to $27 billion the authority to issue bonds without regard to the 4¼ percent ceiling.

I understand that the full House will take up the bill this week and probably recommend a slightly lower debt limit than $775 billion. In light of our timing problem, I urge you to support an increase in the debt limit of this approximate magnitude.

I will be happy to try to answer any questions regarding these requests.

Senator BYRD. Thank you, Mr. Secretary.

Your request today is not for the $783 billion figure that you originally requested; it is for this $775 billion figure?

Secretary BLUMENTHAL. That is correct.

Senator BYRD. If the House lowers that figure, and it probably will—certainly I hope that it does—I would assume, then, that you would approve whatever figure the House finally comes up with?

Secretary BLUMENTHAL. Of course, it is essential, Mr. Chairman, in order for the Treasury to continue its operations that we have an increase in the ceiling approved, and it becomes a function, then, of how quickly we have to come back on this.

There are developments, as there were this current fiscal year, fiscal 1977, in which it turns out that we have overestimated the amount of the deficit.

With a figure of $775 billion, if that were approved, or were it a billion or two less, unless we are wrong about the cash balance that we need, or about the deficit, we will be running out of room prior to September 30, and we would have to come back some weeks earlier.

But above all, we need some increase in the ceiling, as close to the $775 billion as possible, in order for us to continue to operate as to the end of this month.

Senator BYRD. It seems to me that it was rather significant that the House acted as it did this week. It is one of the few times, maybe the only time, that the House has turned down a debt ceiling increase bill. There may have been one other time; I am not sure.

At any rate, it is very unusual. I think that it indicates a deeper concern on the part of the newer, younger Members of the House as to the Government's financial situation.

Now, let me get clear a few figures, if I could. Of course, for the debt limitation, the pertinent figure in that regard deals only with the Federal fund deficit and not with the unified deficit.

The Federal fund deficit for fiscal year 1978, if I understand the figures accurately, will be $74.6 billion?

Secretary BLUMENTHAL. That is correct.

Senator BYRD. For fiscal year 1977, the current year, it is estimated that the Federal fund deficit will be $58 billion?

Secretary BLUMENTHAL. The figure I have is $56.8 billion, Mr. Chairman.

Senator BYRD. What?

Secretary BLUMENTHAL. $56.8 billion.

Senator BYRD. $56.8 billion?

Secretary BLUMENTHAL. That is composed of a unified budget deficit of $45.7 and a portion of the budget deficit attributable to the trust fund of $11.1 billion which, together, $45.7 plus $11.1 gives you $56.8 billion.

Senator BYRD. Which is another way of saying it, then, that the Federal fund deficit for fiscal 1978 will be $18 billion greater than the Federal fund deficit for fiscal 1977. Then if we go into fiscal 1976, we find that we had a Federal fund deficit of $68.9.

The point I am suggesting is that the Federal fund deficit for the upcoming year will be the greatest Federal fund deficit in the history of the United States.

Secretary BLUMENTHAL. That is correct.

I think, Mr. Chairman, that it is worth recalling, though, when I first appeared before your committee, or I believe it was the full Finance Committee at the time of my hearing, and you questioned me extensively about the thorny problem of the Federal debt, that we were thinking in terms of a unified budget deficit at that time of something like $67 or $68 billion.

Senator BYRD. What really changed that was when you concluded not to give back to the people some $50 in rebates.

Secretary BLUMENTHAL. That took care of about $11.4 billion of that, Mr. Chairman, and the rest, of course, was spending shortfalls, so we can take full credit for the reduction from the figure we then had in mind to the $45.7 billion that we are now estimating.

It does represent a responsible decision on the part of the President to reduce spending as soon as he recognized that it was not needed for the economy.

Senator BYRD. Mr. Secretary, what I am pointing out is that the figures do not demonstrate this resolve. The figures show that the Government will have the largest Federal fund deficit in the history of our Nation, $74.6 billion, according to the Treasury Department figures.

Secretary BLUMENTHAL. You are absolutely right, sir. That is true; it is deplorable, and it exists. However, the point I am trying to make, because we did not have as large a deficit this year as we originally expected, and hopefully as of fiscal year 1979, it is certainly our expectation that that budget deficit will begin to come down, and hopefully substantially.

Senator BYRD. Now, recently released economic indicators have suggested to some economists that we may be in a pause in business recovery and growth. How do you interpret these figures?

Secretary BLUMENTHAL. I think, Mr. Chairman, that there is no doubt that there has been a slowdown in the increase of economic activity. When you look at the growth of the GNP in real terms and you see the trend from the first quarter to the second quarter to the quarter that we are now in, we moved from, I think, 7.5 percent real GNP growth in the first quarter to 6.1 or 6.2 percent—I may be off one-tenth of 1 percent or so in these figures—and we will have a significantly smaller figure for the third quarter, the calendar quarter that we are in now, and I suspect some pickup in the fourth quarter.

So clearly there has been a slowdown. That slowdown has not been totally unexpected. We clearly realized that we could not, and should not, in order not to have a really overheated economy, try to sustain the really rapid growth that we had early on.

Present indications, as far as we can judge them, Mr. Chairman, are that we will have pretty good growth in the fourth quarter, and moving to at least the first part of next year, that we can come close to the 5-percent real growth that we feel we need in order to gradually, as quickly as we can but without overheating the economy, eat into the unemployment figures and, at the same time, bring inflation under increasingly better control.

There has been some slowdown. We are watching it carefully, but we are not concerned that this is really a recession, and we think that the progress of the economy will be satisfactory, as far as we can see.

Senator BYRD. Some are maintaining that an additional stimulus should be applied to the economy in the form of greater Government outlays. Do you agree that such a policy should be followed?

Secretary BLUMENTHAL. At the present time, I see no need for that, Mr. Chairman.

Senator BYRD. Many are concerned that the administration may panic at the sight of unfavorable indicators and turn to more stimulative fiscal policies.

Do I gather from your response that there is no panic in the administration?

Secretary BLUMENTHAL. There is certainly not, Mr. Chairman. I think the record of the administration, and the President's views and actions in these matters, and certainly I fully support him in that regard, I think show a cool head and a clear recognition of the importance of moving cautiously, keeping the budget under control, and working as importantly on inflation as we do on unemployment.

So I think that we will—I am sure that we will approach these matters cautiously and without a sense of panic.

Senator BYRD. There was a significant statement, I thought, made either this week or last week, I forget which, in a recent interview with Mr. Charles Schultze, head of the Council of Economic Advisers, who indicated that the Carter goal of a balanced budget by 1981 is to be understood as but one of many objectives.

He seemed to indicate that it could be sacrificed if certain other targets are not met.

What is your view in that regard?

Secretary BLUMENTHAL. Mr. Chairman, I really think that seeking to develop a national economic policy and to implement it as we go along does require the balancing of a variety of objectives. The President is firmly committed to bringing down unemployment below the still unacceptable present level of 7 percent, particularly if you look at the very high rates of unemployment for certain groups in the labor force like young people and minorities.

Second, he is equally committed to insuring that inflation does not get out of hand again, and inded, that the still unacceptable basic rate of about 6 percent is reduced. On both of those counts, a reasonable amount of progress has been made but it is not, in my opinion, satisfactory.

The President has also stated that while we move gradually toward a full utilization of our resources, as we get the percentage of industrial capacity that is utilized up above the present 82 percent gradually, as we look at the tax situation and enact a tax reform program, hopefully that includes an incentive to business and hopefully an important incentive to business to be more efficient, that we do so in a context of developing a balanced budget and coming up, by fiscal 1981, with a balanced budget.

He feels very strongly about that. Clearly, none of these objectives, in my judgment, can be seen in isolation. We could not—I do not think that we could, countenance a situation in which we bring unemployment down to 4 percent at all costs with a huge rate of inflation, because it would just undo everything we are trying to do, and clearly we cannot go to a balanced budget, come hell or high water, if we do so at a price that again puts a lot of people out of work.

But I think that we have a program, and predictions indicate that we can meet it, that we can gradually, in 1978, 1979, 1980, and 1981, make progress in bringing the economy to a full level of utilization and bring the budget deficit down to a balance.

Senator BYRD. One brief question and then I will yield to Senator Long.

In your judgment, will the budget be balanced in 1981?

Secretary BLUMENTHAL. To be perfectly honest, Mr. Chairman, I find it so difficult to project forward those 3 or 4 years that I just do not want to say with certainty as to what I think will happen.

As you see, even in a particular fiscal year in which we currently are operating, the Government seems to have had some difficulty of predicting exactly what its spending is going to be. We wind up some $10 or $12 billion with less spending than we thought we would have.

We cannot even do it for the current year, and I am very hesitant to talk about what is going to happen in 1981.

I think that given the strong commitment that we have, and I have personally on this, that if we are right, and lucky enough so that we move toward a strong economy in 1981, then that will be on the basis of a generally balanced budget—give or take a few billion, but generally a balanced budget.

I think there is a real chance we can do that. I cannot be too sure about predicting how much is going to happen in the interim.

Senator BYRD. Thank you, Mr. Secretary.

Senator Long?

Senator LONG. Mr. Secretary, it just occurred to me that one way that we could reduce this national debt, that we have not considered lately, is to do it the way the French did it. They issued new francs. They just moved a decimal point over, as I recall.

In looking at the way the value of the money has depreciated since I was a young man in uniform for my country, if we just restored the value that the money had when I first became acquainted with it, how much a dollar would really buy, we would just issue some new dollars like they did over in France. I do not think we need to move a decimal point; just say that one new dollar is worth four old dollars. That would put it back the way it was when I was a young man.

Then we would have a national debt of $150 billion instead of $664 billion. The public might feel a lot better about that. It would also reduce taxes, because that would put everyone into a lower tax bracket.

Of course, it would impose a burden on this committee to vote for more taxes, but I have asked for these charts and I am going to ask that they may be made a part of the record because I think that you need to see these things in context to see where we stand and what the implications are.

I would like to ask, Mr. Chairman, that these various charts that relate to the national debt and other relevant factors be included in the record.

Senator BYRD. Without objection, so ordered.

[The material to be furnished follows:]

TABLES ON ESTIMATED GROSS AND NET GOVERNMENT AND PRIVATE DEBT

Table

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

TABLE 1.—ESTIMATED GROSS GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

Year	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	8.2
1930	71.8	107.4	179.2	18.9	16.0	1.3	17.3	215.4	8.1
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	13.5
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	18.6
1936	50.6	90.9	141.5	19.6	34.4	5.9	40.3	201.4	20.1
1937	51.1	90.2	141.3	19.6	37.3	5.8	43.1	204.0	21.2
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	23.7
1940	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24.4
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	39.4
1943	48.8	110.3	159.1	18.1	165.9	5.1	171.0	348.2	49.2
1944	50.7	109.0	159.7	17.1	230.6	3.0	233.6	410.4	57.0
1945	54.7	99.5	154.2	16.0	278.1	1.5	279.5	449.8	62.2
1946	59.9	109.3	169.2	16.1	258.9	1.5	260.4	445.7	58.5
1947	69.4	128.9	198.3	17.5	255.4	0.7	256.1	471.9	54.3
1948	80.6	139.4	220.0	19.6	251.6	1.0	252.6	492.2	51.4
1949	90.4	140.3	230.7	22.2	256.1	0.8	256.9	509.8	50.4
1950	104.3	167.7	272.0	25.3	255.4	1.1	256.5	553.8	46.4
1951	114.3	191.9	306.2	28.0	258.1	0.8	258.9	593.1	43.7
1952	129.4	202.9	332.3	31.0	266.2	0.8	267.0	630.3	42.4
1953	143.2	212.9	356.1	35.0	273.8	0.9	274.7	665.8	41.3
1954	157.2	217.6	374.8	40.2	277.2	0.8	278.0	693.0	40.2
1955	180.1	253.9	434.0	46.3	279.1	1.5	280.6	760.9	36.9
1956	195.5	277.3	472.8	50.1	275.5	1.7	277.2	800.1	34.7
1957	207.6	295.8	503.4	54.7	274.2	3.2	277.4	835.5	33.3
1958	222.9	312.0	534.9	60.4	282.2	2.3	284.5	879.8	32.4
1959	245.0	341.4	586.4	66.6	288.7	5.7	294.4	947.4	31.1
1960	263.3	365.1	628.4	72.0	287.7	6.4	294.1	994.5	29.6
1961	284.8	391.5	676.3	77.6	293.6	6.9	300.5	1,054.4	28.5
1962	311.9	421.5	733.4	83.4	300.2	7.8	308.0	1,124.8	27.4
1963	345.8	457.1	802.9	89.5	306.0	8.1	314.1	1,206.5	26.0
1964	380.1	497.3	877.4	95.5	314.3	9.1	323.4	1,296.3	24.9
1965	424.6	551.9	976.5	103.1	317.2	9.8	326.9	1,406.5	23.2
1966	454.7	617.4	1,072.1	109.3	325.6	14.0	339.6	1,521.1	22.3
1967	489.1	672.9	1,162.0	117.3	341.8	20.1	361.9	1,641.0	22.2
1968	529.3	779.1	1,308.4	127.2	356.2	15.1	371.3	1,806.9	20.5
1969	566.2	912.7	1,478.9	137.9	367.4	13.8	381.2	1,997.9	19.1
1970	600.0	997.9	1,597.9	149.2	388.3	12.5	400.8	2,147.8	18.7
1971	667.5	1,087.8	1,755.3	167.0	423.4	11.0	434.4	2,356.6	18.4
1972	763.9	1,214.3	1,978.2	181.2	448.4	11.8	460.2	2,620.7	17.6
1973	854.4	1,390.5	2,244.9	196.1	469.1	11.6	480.7	2,921.7	16.5
1974	922.1	1,546.4	2,468.5	214.7	492.7	11.3	504.0	3,187.2	15.8
1975	994.4	1,626.1	2,620.5	229.6	576.7	10.9	587.6	3,437.7	17.1
1976	1,106.8	1,781.7	2,888.5	246.4	653.5	11.3	664.8	3,799.7	17.5
1977					674.4	10.8	685.2		

[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: FLB's in 1949; FHLB's in 1951; FNMA—Secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947; $3.5 billion on Dec. 31, 1960; $38.8 billion on Dec. 31, 1970; $78.8 billion on Dec. 31, 1975; and $81.4 billion on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

TABLE 2.—ESTIMATED PER CAPITA GROSS GOVERNMENT AND PRIVATE DEBT [1]

[Amounts in dollars]

Year	Private [2] Individual	Private [2] Corporate	Private [2] Total	State and local	Federal [3] Public	Federal [3] Agency	Federal [3] Total	Total gross debt
1929	599	879	1,477	146	134	10	144	1,767
1930	583	873	1,456	154	130	11	141	1,750
1931	523	809	1,332	157	144	10	154	1,643
1932	457	770	1,227	158	167	10	176	1,565
1933	406	736	1,142	155	190	12	201	1,493
1934	394	717	1,111	152	226	38	264	1,521
1935	391	706	1,096	154	240	44	284	1,536
1936	395	710	1,105	153	269	46	315	1,579
1937	397	700	1,097	152	290	45	335	1,584
1938	385	669	1,054	153	303	48	351	1,557
1939	388	663	1,051	154	320	53	373	1,578
1940	400	671	1,071	152	339	54	394	1,617
1941	415	728	1,143	149	432	58	490	1,783
1942	369	785	1,154	142	799	41	840	2,136
1943	356	804	1,159	132	1,209	37	1,246	2,537
1944	365	785	1,150	123	1,660	22	1,682	2,954
1945	389	708	1,098	114	1,980	11	1,990	3,202
1946	422	770	1,192	113	1,824	11	1,835	4,140
1947	480	891	1,370	121	1,765	5	1,770	3,261
1948	548	947	1,494	133	1,709	7	1,716	3,344
1949	604	937	1,540	148	1,710	5	1,715	3,404
1950	685	1,101	1,786	166	1,677	7	1,684	3,637
1951	738	1,239	1,977	181	1,666	5	1,672	3,829
1952	821	1,288	2,109	197	1,690	5	1,695	4,001
1953	894	1,329	2,223	218	1,709	6	1,715	4,156
1954	964	1,335	2,299	247	1,700	5	1,705	4,251
1955	1,085	1,530	2,616	279	1,682	9	1,691	4,586
1956	1,157	1,642	2,799	297	1,631	10	1,641	4,737
1957	1,207	1,720	2,927	318	1,594	19	1,613	4,858
1958	1,275	1,784	3,059	345	1,614	13	1,627	5,031
1959	1,378	1,920	3,298	375	1,623	32	1,656	5,328
1960	1,457	2,021	3,478	399	1,592	35	1,628	5,504
1961	1,550	2,131	3,682	422	1,598	38	1,636	5,740
1962	1,672	2,260	3,932	447	1,609	42	1,651	6,030
1963	1,827	2,415	4,243	473	1,617	43	1,660	6,375
1964	1,981	2,592	4,572	498	1,638	47	1,685	6,755
1965	2,185	2,840	5,026	531	1,633	50	1,682	7,239
1966	2,313	3,141	5,454	557	1,656	71	1,728	7,739
1967	2,461	3,386	5,848	590	1,720	101	1,821	8,258
1968	2,637	3,882	6,519	634	1,775	75	1,850	9,003
1969	2,794	4,503	7,297	680	1,813	68	1,881	9,858
1970	2,929	4,871	7,799	728	1,895	61	1,956	10,483
1971	3,224	5,254	8,478	807	2,045	53	2,098	11,382
1972	3,658	5,814	9,472	868	2,147	56	2,203	12,548
1973	4,061	6,609	10,669	932	2,229	55	2,285	13,886
1974	4,352	7,298	11,649	1,013	2,325	53	2,379	15,041
1975	4,657	7,615	12,272	1,075	2,701	51	2,752	16,099
1976	5,145	8,282	13,428	1,145	3,038	53	3,090	17,663
1977:2					3,117	50	3,168	

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

[2] 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: FLB's in 1949; FHLB's in 1951; FNMA—Secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947; $3.5 billion on Dec. 31, 1960; $38.8 billion on Dec. 31, 1970; $78.8 billion on Dec. 31, 1975; and $81.4 billion on Dec. 31, 1976.

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

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 3.—GROSS GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

[Ratios of debt to gross national product]

Year	Gross National product (billions)	Private[1]			State and Local	Federal[2]			Total gross debt
		Individual	Corporate	Total		Public	Agency	Total	
1929	$103.4	70.5	103.5	174.0	17.3	15.8	1.2	17.0	208.1
1930	90.7	79.2	118.5	197.6	20.9	17.7	1.5	19.1	237.5
1931	76.1	85.4	131.9	217.2	25.7	23.4	1.8	25.2	268.0
1932	58.3	98.0	164.9	262.9	33.9	35.7	2.1	37.8	334.5
1933	55.8	91.4	165.6	257.0	35.0	42.7	2.7	45.4	337.2
1934	65.3	76.3	138.8	214.1	29.5	43.7	7.4	51.1	295.5
1935	72.5	68.6	123.9	192.5	27.1	42.3	7.8	50.0	269.5
1936	82.7	61.2	109.9	171.1	23.7	41.6	7.2	48.8	243.5
1937	96.7	52.9	92.3	146.1	20.3	38.6	6.0	44.6	210.9
1938	85.0	58.9	102.2	161.1	23.4	46.4	7.3	53.7	238.0
1939	90.8	56.0	95.6	151.6	22.2	46.2	7.6	53.8	227.5
1940	100.0	53.1	89.1	142.1	20.3	45.1	7.3	52.3	214.5
1941	124.9	44.6	78.1	122.6	16.1	46.4	6.2	52.6	191.2
1942	158.3	31.6	67.2	98.7	12.2	68.4	3.5	71.9	182.7
1943	192.0	25.5	57.5	82.9	9.5	86.5	2.7	89.1	181.4
1944	210.5	24.1	51.8	75.9	8.2	109.6	1.5	11.0	195.0
1945	212.3	25.8	46.9	72.7	7.6	131.0	.8	131.7	211.9
1946	209.6	28.6	52.2	80.8	7.7	123.6	.8	124.3	212.7
1947	232.8	29.9	55.4	85.2	7.6	109.8	.4	110.1	202.8
1948	259.1	31.2	53.9	85.0	7.6	97.2	.4	97.5	190.0
1949	258.0	35.1	54.4	89.5	8.7	99.3	.4	99.6	197.6
1950	286.2	36.5	58.6	95.1	8.9	89.3	.4	89.7	193.6
1951	330.2	34.7	58.2	92.8	8.5	78.2	.3	78.5	179.7
1952	347.2	37.3	58.5	95.8	9.0	76.7	.3	77.0	181.6
1953	366.1	39.2	58.2	97.3	9.6	74.8	.3	75.1	181.9
1954	366.3	43.0	59.5	102.4	11.0	75.7	.3	75.9	189.2
1955	399.3	45.2	63.6	108.7	11.6	69.9	.4	70.3	190.6
1956	420.7	46.5	66.0	112.4	12.0	65.5	.5	65.9	190.2
1957	442.8	45.9	66.9	113.7	12.4	62.0	.8	62.7	188.7
1958	418.9	49.7	69.6	119.2	13.5	62.9	.6	63.4	196.0
1959	486.5	50.4	70.2	120.6	13.7	59.4	1.2	60.6	194.8
1960	506.0	52.1	72.2	124.2	14.3	56.9	1.3	58.2	196.6
1961	523.3	54.5	74.9	129.3	14.9	56.2	1.4	57.5	201.5
1962	563.8	55.4	74.8	130.1	14.8	53.3	1.4	54.7	199.6
1963	594.7	58.2	76.9	135.1	15.1	51.5	1.4	52.9	202.9
1964	635.7	59.8	78.3	138.1	15.1	49.5	1.5	50.9	204.0
1965	688.1	61.7	80.2	142.0	15.0	46.1	1.5	47.5	204.4
1966	753.0	60.4	82.0	142.4	14.5	43.2	1.9	45.1	202.0
1967	796.3	61.4	84.5	145.9	14.7	42.9	2.5	45.4	206.1
1968	868.5	60.9	89.7	150.7	14.6	41.0	1.7	42.8	208.0
1969	935.5	60.5	97.6	158.1	14.7	39.3	1.5	40.7	213.6
1970	982.4	61.1	101.6	162.7	15.2	39.5	1.3	40.8	218.6
1971	1063.4	62.8	102.3	165.1	15.7	38.9	1.0	40.9	221.6
1972	1171.1	65.3	103.7	168.9	15.5	38.3	1.0	39.3	223.8
1973	1306.3	65.4	106.4	171.9	15.0	35.9	.9	36.8	223.7
1974	1412.9	65.3	109.4	174.7	15.2	34.9	.8	35.7	225.5
1975	1528.8	65.0	106.4	171.4	15.0	37.7	.7	38.4	224.9
1975	1706.5	64.9	104.4	169.3	16.9	38.3	.7	39.0	222.7
1977:2	1840.4	....	....	....	....	36.6	.6	37.2	....

[1] Private corporate debt includes the debt of certain federallyrsponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLB's in 1949; FHLB's in 1951; FMNA—Secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on December 31, 1947; $3.5 billion on December 31, 1960; $38.8 billion on December 31, 1970; $78.8 billion on December 31, 1975; and $81.4 billion on December 31, 1976.

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

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 4.—ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

Year	Private [1]			State and local	Federal [2]	Total net debt	Percent Federal of total
	Individual	Corporate	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	7.8
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	17.0
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	11.4
1927	66.4	81.2	147.6	12.1	18.2	177.9	10.3
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	10.2
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	14.5
1934	49.8	75.5	125.3	15.9	30.4	171.6	17.8
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	21.6
1938	50.0	73.3	123.3	16.[illegible]	40.5	179.9	22.6
1939	50.8	73.5	124.3	16.4	42.6	183.3	23.3
1940	53.0	75.6	128.6	16.4	44.8	189.8	23.7
1941	55.6	83.4	139.0	16.1	56.3	211.4	26.7
1942	49.9	91.6	141.5	15.4	101.7	258.6	39.4
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	62.3
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	53.4
1948	80.6	118.4	199.0	17.0	215.3	431.3	50.0
1949	90.4	118.7	209.1	19.1	216.6	445.8	48.9
1950	104.3	142.8	247.1	21.7	217.4	486.2	44.8
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	37.9
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	32.2
1957	207.6	249.1	456.7	48.6	223.0	728.3	30.7
1958	222.9	262.0	484.9	53.7	231.1	769.6	30.1
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	27.5
1961	284.8	328.3	613.1	70.5	246.7	930.3	26.6
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	1,070.8	24.1
1964	380.1	417.1	797.2	90.4	264.0	1,151.6	23.0
1965	424.6	463.2	887.8	98.3	266.4	1,252.5	21.3
1966	454.7	517.8	972.5	104.7	271.8	1,349.1	20.1
1967	489.1	562.6	1,051.7	112.8	286.4	1,450.8	19.7
1968	529.3	653.0	1,182.3	122.7	291.9	1,596.8	18.3
1969	566.2	764.7	1,330.9	133.3	289.3	1,753.4	16.5
1970	600.0	836.1	1,436.1	144.8	301.1	1,881.9	16.0
1971	667.5	911.2	1,578.7	162.7	325.9	2,067.3	15.8
1972	763.9	1,016.7	1,780.6	178.0	341.2	2,299.8	14.8
1973	854.4	1,166.5	2,020.9	192.3	349.1	2,562.3	13.6
1974	922.1	1,299.4	2,221.5	211.2	360.8	2,793.5	12.9
1975	994.4	1,365.4	2,359.8	222.7	446.3	3,028.8	14.7
1976	1,106.8	1,496.1	2,602.9	236.3	515.8	3,354.9	15.4
1977:2					532.2		

[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: FLB's in 1949; FHLB's in 1951; FNMA—Secondary market operations, FICB's and BCOOP'S in 1968. The total debt for these agencies amounted to $0.7 billion on December 31, 1947, $3.5 billion on December 31, 1960, $38.8 billion on December 31, 1970, $78.8 billion on December 31, 1975, and $81.4 billion on December 31, 1976.

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

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 5.—ESTIMATED PER CAPITA NET GOVERNMENT AND PRIVATE DEBT[1]

Year	Private[2] Individual	Private[2] Corporate	Private[2] Total	State and local	Federal[3]	Total net debt
1916	356	394	750	44	12	806
1917	375	423	798	46	71	915
1918	431	455	887	49	203	1,139
1919	420	510	930	53	245	1,228
1920	452	542	994	58	223	1,275
1921	453	525	978	64	213	1,256
1922	462	532	995	72	207	1,274
1923	480	559	1,039	77	195	1,310
1924	489	589	1,078	82	184	1,344
1925	515	628	1,142	89	175	1,406
1926	534	649	1,183	95	164	1,441
1927	558	682	1,240	102	153	1,494
1928	581	715	1,295	105	145	1,546
1929	599	730	1,329	112	136	1,576
1930	583	726	1,309	119	134	1,562
1931	523	673	1,296	129	149	1,475
1932	457	641	1,098	133	171	1,402
1933	406	612	1,018	103	194	1,342
1934	394	597	992	126	241	1,358
1935	391	588	978	127	270	1,375
1936	395	594	989	127	294	1,410
1937	397	588	985	125	304	1,414
1938	385	565	950	124	312	1,386
1939	388	562	950	125	325	1,401
1940	400	570	970	124	338	1,431
1941	415	623	1,038	120	420	1,579
1942	369	677	1,045	114	751	1,910
1943	356	696	1,051	106	1,125	2,282
1944	365	677	1,042	100	1,515	2,668
1945	389	607	997	95	1,798	2,890
1946	422	659	1,081	97	1,617	2,794
1947	480	757	1,237	104	1,532	2,873
1948	548	804	1,352	115	1,463	2,930
1949	604	793	1,396	128	1,453	2,977
1950	685	938	1,623	143	1,428	3,193
1951	738	1,058	1,796	156	1,400	3,352
1952	821	1,094	1,915	171	1,406	3,492
1953	894	1,129	2,023	192	1,416	3,631
1954	964	1,129	2,094	218	1,405	3,717
1955	1,085	1,296	2,381	248	1,384	4,013
1956	1,157	1,386	2,543	263	1,328	4,135
1957	1,207	1,448	2,655	283	1,297	4,235
1958	1,275	1,498	2,773	307	1,321	4,401
1959	1,378	1,614	2,992	335	1,357	4,684
1960	1,457	1,695	3,153	359	1,327	4,839
1961	1,550	1,787	3,338	384	1,343	5,064
1962	1,672	1,895	3,567	413	1,360	5,339
1963	1,827	2,027	3,854	443	1,361	5,658
1964	1,981	2,174	4,154	471	1,376	6,001
1965	2,185	2,384	4,569	506	1,371	6,446
1966	2,313	2,634	4,948	533	1,383	6,864
1967	2,461	2,831	5,293	568	1,441	7,301
1968	2,637	3,254	5,891	611	1,454	7,956
1969	2,794	3,773	6,567	658	1,427	8,651
1970	2,929	4,081	7,010	707	1,470	9,815
1971	3,224	4,401	7,625	786	1,574	9,984
1972	3,658	4,868	8,526	852	1,634	11,012
1973	4,061	5,544	9,605	914	1,659	12,178
1974	4,352	6,132	10,484	997	1,703	13,183
1975	4,693	6,444	11,136	1,051	2,080	14,293
1976	5,145	6,955	12,100	1,098	2,398	15,596
1977:2					2,460	

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

[2] 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: FLB's in 1949; FHLB's in 1951; FNMA—Secondary market operations, FICB's and BCOOP's in 1969. The total debt for these agencies amounted to $0.7 billion on December 31, 1947; $3.5 billion on December 31, 1960; $38.8 billion on December 31, 1970; $78.8 billion on December 31, 1975; and $81.4 billion on December 31, 1976.

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

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 6.—NET GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

[Ratios of debt to gross national product]

Year	Gross national product (billion)	Private[1]			State and local	Federal[2]	Total net debt
		Individual	Corporate	Total			
1929	$103.4	70.5	86.0	156.5	13.2	16.0	185.6
1930	90.7	79.2	98.5	177.7	16.3	18.2	212.1
1931	76.1	85.4	109.8	195.1	21.1	24.4	240.5
1932	58.3	98.0	137.3	235.3	28.5	36.6	300.3
1933	55.8	91.4	137.8	229.2	29.3	43.6	301.9
1934	65.3	76.3	115.7	192.0	24.4	46.6	262.9
1935	72.5	68.6	103.2	171.8	22.3	47.5	241.4
1936	82.7	61.2	92.0	153.2	19.6	45.6	218.3
1937	96.7	52.9	78.4	131.2	16.7	40.6	188.4
1938	85.0	58.9	86.3	145.2	19.0	47.7	211.8
1939	90.8	56.0	81.0	136.9	18.1	47.0	201.9
1940	100.0	53.1	75.7	128.7	16.5	44.9	189.9
1941	124.9	44.6	66.8	111.4	12.9	45.1	169.3
1942	158.3	31.6	57.9	89.4	9.8	64.3	163.4
1943	192.0	25.5	49.8	75.2	7.6	80.5	163.2
1944	210.5	24.1	44.8	68.8	6.7	100.7	176.1
1945	212.3	25.8	40.2	66.0	6.4	119.0	191.2
1946	209.6	28.6	44.7	73.2	6.6	109.5	189.3
1947	232.8	29.9	47.1	76.9	6.5	95.3	178.6
1948	259.1	31.2	45.7	76.9	6.6	83.1	166.5
1949	258.0	35.1	46.1	81.1	7.5	84.4	172.8
1950	286.2	36.5	49.9	86.4	7.6	76.0	169.9
1951	330.2	34.7	49.7	84.3	7.4	65.7	157.3
1952	347.2	37.3	49.7	86.9	7.8	63.8	158.5
1953	366.1	39.2	49.5	88.6	8.4	62.0	158.9
1954	366.3	43.0	50.3	93.2	9.7	62.6	165.5
1955	399.3	45.2	53.9	99.0	10.3	57.6	166.8
1956	420.7	46.5	55.7	102.2	10.6	53.4	166.1
1957	442.8	46.9	56.3	103.2	11.0	50.4	164.5
1958	448.9	49.7	58.4	108.1	12.0	51.5	171.5
1959	486.5	50.4	59.0	109.4	12.3	49.7	171.3
1960	506.0	52.1	60.6	112.6	12.9	47.4	172.8
1961	523.3	54.5	62.8	117.2	13.5	47.2	177.8
1962	563.8	55.4	62.7	118.1	13.7	45.0	176.7
1963	594.7	58.2	64.6	122.7	14.2	43.3	180.1
1964	635.7	59.8	65.7	125.5	14.3	41.6	181.2
1965	688.1	61.7	67.3	129.0	14.3	38.7	182.0
1966	753.0	60.4	68.6	129.2	13.9	36.1	179.2
1967	796.3	61.4	70.7	132.1	14.2	36.0	182.2
1968	868.5	60.9	75.2	136.1	14.1	33.6	183.9
1969	935.5	60.5	81.7	142.2	14.2	30.9	187.4
1970	982.4	61.1	85.1	146.2	14.7	30.6	191.6
1971	1,063.4	62.8	85.7	148.5	15.3	30.6	194.4
1972	1,171.1	65.2	86.8	152.0	15.2	29.2	196.4
1973	1,306.3	65.4	89.3	154.7	14.6	26.7	196.1
1974	1,412.9	65.3	92.0	157.2	14.9	25.5	197.7
1975	1,528.8	65.0	89.3	154.4	14.6	29.2	198.1
1976	1,706.5	64.9	87.7	152.5	13.8	30.2	196.6
1977:2	1,840.4	...	...	...	...	28.9	...

[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: FLB's in 1949; FHLB's in 1951; FNMA—Secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947; $3.5 billion on Dec. 31, 1960; $38.8 billion on Dec. 31, 1970; $78.8 billion on Dec. 31, 1975; and $81.4 billion on Dec. 31, 1976.

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 7.—ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES

Year	Outstanding Federal debt			Per capita Federal debt [4]			Real per capita Federal debt [5]		
	Gross [1]	Net [2]	Privately held net [3]	Gross [1]	Net [2]	Privately held net [3]	Gross [1]	Net [2]	Privately held net [3]
1929	17.5	16.5	16.0	144	136	131	281	265	256
1930	17.3	16.5	15.8	141	134	128	292	279	266
1931	19.1	18.5	17.7	154	149	142	354	342	327
1932	22.0	21.3	19.4	176	171	155	451	437	396
1933	25.3	24.3	21.9	201	194	174	513	492	443
1934	33.3	30.4	28.0	264	241	221	657	600	551
1935	36.2	34.4	32.0	284	270	251	688	654	607
1936	40.3	37.7	35.3	315	294	275	752	704	658
1937	43.1	39.2	36.6	335	304	284	776	706	658
1938	45.6	40.5	37.9	351	312	291	837	744	695
1939	48.8	42.6	40.1	373	325	306	893	780	733
1940	52.2	44.8	42.6	394	338	321	934	802	761
1941	65.6	56.3	54.0	490	420	403	1,059	909	871
1942	113.7	101.7	95.5	840	751	705	1,661	1,486	1,394
1943	171.0	154.4	142.9	1,246	1,125	1,041	2,388	2,156	1,995
1944	233.6	211.9	193.1	1,682	1,525	1,390	3,156	2,863	2,608
1945	279.6	252.5	228.2	1,990	1,798	1,624	3,653	3,299	2,981
1946	260.4	229.5	206.1	1,835	1,617	1,452	2,841	2,504	2,248
1947	256.1	221.7	199.1	1,770	1,532	1,375	2,522	2,183	1,960
1948	252.6	215.3	192.0	1,716	1,463	1,304	2,384	2,032	1,811
1949	256.9	217.6	197.7	1,715	1,453	1,320	2,427	2,056	1,867
1950	256.5	217.4	196.6	1,684	1,428	1,291	2,252	1,909	1,725
1951	258.9	216.9	193.1	1,672	1,400	1,246	2,109	1,767	1,573
1952	267.0	221.5	196.8	1,695	1,406	1,249	2,119	1,758	1,562
1953	274.7	226.8	200.9	1,715	1,416	1,254	2,131	1,759	1,558
1954	278.0	229.1	204.2	1,705	1,405	1,252	2,128	1,754	1,563
1955	280.6	229.6	204.8	1,691	1,384	1,234	2,102	1,720	1,534
1956	277.2	224.3	199.4	1,641	1,328	1,180	1,983	1,605	1,426
1957	277.4	223.0	198.8	1,613	1,297	1,155	1,892	1,521	1,356
1958	284.5	231.0	204.7	1,627	1,321	1,170	1,876	1,523	1,349
1959	294.4	241.4	214.8	1,656	1,357	1,207	1,881	1,542	1,372
1960	294.1	239.8	212.4	1,628	1,327	1,175	1,823	1,486	1,316
1961	300.5	246.7	217.8	1,636	1,343	1,185	1,820	1,494	1,319
1962	308.0	253.6	222.8	1,651	1,360	1,194	1,815	1,495	1,313
1963	314.1	257.5	223.9	1,660	1,361	1,183	1,795	1,472	1,279
1964	323.4	264.0	227.0	1,685	1,376	1,183	1,801	1,470	1,264
1965	326.9	266.4	225.6	1,682	1,371	1,161	1,764	1,438	1,217
1966	339.6	271.8	227.5	1,728	1,383	1,157	1,753	1,403	1,174
1967	361.9	286.4	237.3	1,821	1,441	1,194	1,793	1,419	1,176
1968	371.3	291.9	238.9	1,850	1,454	1,190	1,739	1,367	1,119
1969	381.2	289.3	232.1	1,881	1,427	1,145	1,666	1,265	1,014
1970	400.8	301.1	239.0	1,956	1,470	1,166	1,643	1,234	979
1971	434.4	325.9	255.1	2,098	1,574	1,232	1,705	1,279	1,001
1972	460.2	341.2	269.9	2,203	1,634	1,292	1,732	1,284	1,015
1973	480.7	349.1	268.6	2,285	1,659	1,276	1,650	1,198	922
1974	504.0	360.8	280.1	2,378	1,703	1,322	1,531	1,096	851
1975	587.6	446.3	358.2	2,752	2,090	1,677	1,655	1,257	1,009
1976	664.8	515.8	418.5	3,090	2,398	1,945	1,773	1,376	1,116
1977:2	685.2	532.2	429.5	3,167	2,460	1,985	1,710	1,307	1,030

[1] Total Federal securities includes public debt securities and budget agency securities.
[2] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).
[3] Borrowing from the public less Federal Reserve holdings.
[4] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.
[5] Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

TABLE 8.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

Year	Gross national product (billions)	Privately held debt [1]	Ratio of debt to GNP	Year to year price changes [2]
1929	$103.4	16.0	15.5	
1930	90.7	15.8	17.5	-6.0
1931	76.1	17.7	23.3	-9.5
1932	58.3	19.4	33.3	-10.2
1933	55.8	21.9	39.3	.6
1934	65.3	28.0	42.9	2.1
1935	72.5	32.0	44.2	3.0
1936	82.7	35.3	42.7	1.3
1937	96.7	36.6	37.9	3.2
1938	85.0	37.9	44.7	-2.7
1939	90.8	40.1	44.2	-.4
1940	100.0	42.6	42.7	1.0
1941	124.9	54.0	43.3	9.8
1942	158.3	95.5	60.4	9.3
1943	192.0	142.9	74.5	3.2
1944	210.5	193.1	91.8	2.2
1945	212.3	228.2	107.5	2.3
1946	209.6	206.1	98.4	18.6
1947	232.8	199.1	85.6	8.7
1948	259.1	192.0	74.2	2.6
1949	258.0	197.7	76.7	-1.8
1950	286.2	196.6	68.7	5.9
1951	330.2	193.1	58.5	6.0
1952	347.2	196.8	56.7	.9
1953	366.1	200.9	54.9	.7
1954	366.3	204.2	55.8	-.4
1955	399.3	204.8	51.3	.4
1956	420.7	199.4	47.4	2.9
1957	442.8	198.8	44.9	3.1
1958	448.9	204.7	45.7	1.8
1959	486.5	214.8	44.2	1.5
1960	506.0	212.4	42.0	1.5
1961	523.3	217.8	41.7	.7
1962	563.8	222.8	39.6	1.3
1963	594.7	223.9	37.7	1.7
1964	635.7	227.0	35.8	1.2
1965	688.1	225.6	32.8	2.0
1966	753.0	227.5	30.3	3.0
1967	796.3	237.3	29.9	3.4
1968	868.5	238.9	27.6	4.7
1969	935.5	232.1	24.9	6.1
1970	982.4	239.0	24.4	5.5
1971	1,063.4	255.6	24.0	3.4
1972	1,171.1	271.1	23.1	3.4
1973	1,306.3	270.4	20.7	8.8
1974	1,412.9	280.1	19.8	12.2
1975	1,528.8	358.2	23.4	7.0
1976	1,706.5	418.5	24.5	4.8
1977: 2	1,840.4	429.5	23.3	6.9

[1] Borrowing from the public less Federal Reserve holdings.
[2] Measured by all item Consumer Price Index, December to December basis.

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half or 2d quarter.

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

TABLE 9.—CHANGES IN PER CAPITA REAL GROSS NATIONAL PRODUCT

Year	GNP in billions of 1972 dollars	GNP per capita constant 1972 dollars [1]	GNP per capita, change from year ago: Constant 1972 dollars	GNP per capita, change from year ago: Percent
1929	314.7	2,584		
1930	385.1	3,129	544	21
1931	263.3	2,123	−1,006	−32
1932	227.1	1,819	−303	−14
1933	222.1	1,769	−50	−2
1934	239.3	1,894	125	7
1935	261.0	2,051	157	8
1936	297.1	2,320	269	13
1937	310.8	2,413	92	4
1938	297.8	2,294	−118	−4
1939	319.7	2,443	148	6
1940	343.6	2,591	148	6
1941	396.6	2,962	370	14
1942	454.6	3,358	396	13
1943	527.3	3,842	483	14
1944	567.0	4,082	239	6
1945	559.0	3,980	−101	−2
1946	477.0	3,361	−618	−15
1947	468.3	3,236	−124	−3
1948	487.7	3,313	76	2
1949	490.7	3,276	−36	−1
1950	533.5	3,504	227	6
1951	576.5	3,722	218	6
1952	598.5	3,799	76	2
1953	621.8	3,882	83	2
1954	613.7	3,764	−117	−2
1955	654.8	3,946	181	4
1956	668.8	3,960	13	0
1957	680.9	3,959	0	0
1958	679.5	3,885	−73	−1
1959	720.4	4,051	165	4
1960	736.8	4,078	27	0
1961	755.3	4,112	33	0
1962	799.1	4,284	172	4
1963	830.7	4,390	105	2
1964	874.4	4,557	167	3
1965	925.9	4,765	208	4
1966	981.0	4,991	225	4
1967	1,007.7	5,071	80	1
1968	1,051.8	5,241	169	3
1969	1,078.8	5,323	82	1
1970	1,075.3	5,249	−74	−1
1971	1,107.5	5,349	100	1
1972	1,171.1	5,607	258	4
1973	1,235.0	5,869	262	4
1974	1,217.8	5,747	−122	−2
1975	1,202.1	5,629	−118	−2
1976	1,274.7	5,926	297	5
1977: 2	1,320.9	6,104	220	4

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949 population includes Armed Forces overseas, Hawaii, and Alaska.

Note: Detail may not add to totals because of rounding. All figures are for calendar years, except for 1977. 1977 figures are for half year or 2d quarter.

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

Senator LONG. One thing that I think is very significant, here in chart No. 8, is the relation of privately held debt to the gross national product. The reason that I think that that is somewhat significant is that I could never get very excited about the fact that the Federal Government owes money to the Federal Government.

We are talking about money that is being held in these trust funds, primarily, and if we did not have the trust fund, if we wanted to, any time we thought they were in trouble, we could do what the administration is trying to get us to do with Social Security right now—just tell the Federal Reserve to print up some more dollars and send them over.

I do not like that approach, because I like to keep the pressure on to pay for what we are doing. But in the last analysis, when you are talking about a privately held debt, the debt that the Federal Government holds, is that not pretty much a debt that the Federal Government holds to itself?

Secretary BLUMENTHAL. I believe that the figure is probably in here. I have not had a chance to study it. It is about 37 percent of the debt is owed to Government entities. I guess you have 24 percent here which is owed to individuals. Then, of course, you have some debt owed to foreigners.

So you are quite right that the percentage of privately held and owed is only a quarter of the total.

Senator LONG. It is the debt that you owe to the other guy that you have to pay, but if you owe it to yourself, you can pay it at any time you feel like it.

Secretary BLUMENTHAL. I do not think that that is an argument for having an unbalanced budget; unless there are circumstances beyond your control, I think you still ought to not have to borrow at all, ideally.

Senator LONG. Who is the fellow in charge of managing the Social Security Trust Fund? Is that not you.

Secretary BLUMENTHAL. I am one of three, yes.

Senator LONG. Who else is there with you?

Secretary BLUMENTHAL. The Secretary of Labor and the Secretary of Commerce. We are joint trustees.

Senator LONG. Do you not feel a lot more comfortable about a run on the bank at the time you are sitting at both sides of the table, one representing the Government and one representing the people to whom the money is owed?

Secretary BLUMENTHAL. Yes, I do.

Senator LONG. If you look at the privately held debt and you relate it to the gross national product, you go back to 1945 when we were compelled to borrow a huge amount of money, a lot of it from ourselves, in order to finance the war effort. At that point, the gross national product—well, let us put it the other way. The privately held debt was 107 percent of the gross national product; today, it is 23 percent of the gross national product, less than one-quarter of what it was then.

I ask you, does that not represent progress? Do you not feel more secure that what we owe to our citizens, plus anybody else who holds some of our bonds, is one-quarter of what it was at the end of World War II?

Secretary BLUMENTHAL. I think that these figures are very important. I agree with you that they represent progress in a certain way, and clearly it has to be related to current dollars and to the GNP. I do think, however, Mr. Chairman, that what worries me is that a well-run budget probably should go some years with surpluses and some with deficits. What worries me is that there have been so few years in a good many that we have had any surplus at all. That really, the trend towards deficit has become almost a fixed thing.

Where the total amounts clearly have to be seen in the perspective that you indicated, I would like to see a little bit more variation in the trend.

Senator LONG. I agree with that, Mr. Secretary, and I want to see this administration propose a balanced budget, as the President has promised, by the end of his administration.

At the same time, is it not true that if this economy is going to expand, the money supply must expand along with it?

Secretary BLUMENTHAL. Yes.

Senator LONG. In the last analysis, what is the money supply except a debt that somebody owes to somebody else? Even the money I am carrying today in my pocket I subsequently learned is a debt that somebody owes to somebody else; it is a debt that the government owes to me, for example.

Secretary BLUMENTHAL. I agree.

Senator LONG. And it has been my impression that if you look at your public plus your gross debt, the public less the private debt, it looks as though if your money supply is going to expand along with your economy, then that money supply has to expand with it.

Here it is on table 2. Let me see. Actually, I was looking for the figure that gives us the public and private debt which is over $3 trillion. What page is that on in these reports? Net government and private debt. Table 4; would that be it?

Secretary BLUMENTHAL. Table 4.

Senator LONG. The estimated net debt, net government and private debt by major categories, the latest figure at the bottom of the column, if that is the right column, $3,350,000,000,000. Is that correct?

Secretary BLUMENTHAL. That is correct, sir.

Senator LONG. When you look at the debt that is owed in the country and look at how much is owed by one person to another and the Government to people, we see that only 15.4 percent of the overall debt is the Federal debt.

Secretary BLUMENTHAL. That is correct.

Senator LONG. That debt related to gross national product is only a quarter of what it was at World War II at the high point. Furthermore, if you look at the things that have increased, there is a big increase.

Secretary BLUMENTHAL. State and local.

Senator LONG. Take a look at corporate.

Secretary BLUMENTHAL. That is right.

Senator LONG. In other words, if you go back and compare that to the same year—I say, let's compare it to 1945—corporate debt back in 1945 was $85 million. Now it is $1,496,000,000,000, almost one-half of the total public and private debt.

It would seem to me if we are talking about something that we had better be worried about, it would be in this corporate area. If the corporations in this country which are major employers should find themselves on the ropes, then we could be in trouble from a completely different direction, could we not?

Secretary BLUMENTHAL. We could. You are pointing to a very real problem. I see it is one that I certainly have been urging that you address and as a part of the tax reform.

Senator LONG. I am concerned about the national debt, because that is something that we should be concerned about in this committee. But if I were to be worried, I would be worried about that corporate debt. It would not take much to put a lot of these corporations on the ropes, in my impression. What is your impression of that?

Secretary BLUMENTHAL. That is true. The debt equity ratios of many corporations is too high. They have not had access to the equity markets in the way that they should, and that could be a problem.

Senator LONG. That gets me to another point. If you go through with what President Carter indicated he wanted to do where you simply change the way of taxing your corporate income to give them more credit for the fact that it has been taxed twice, to reduce the burden of double taxation, would that not induce some poeple holding bonds to prefer to trade their bonds in for equity positions in the corporations?

Secretary BLUMENTHAL. That would be my expectation.

Senator LONG. Would that not strengthen the equity position of the corporations when they do that?

Secretary BLUMENTHAL. It would.

Senator LONG. Would that not reduce the overall debt structure of the country?

Secretary BLUMENTHAL. It certainly would reduce the total amount of private debt by moving some of it into equity and capital.

Senator LONG. It seems to me, Mr. Secretary, as much as we stress our Government's debt—and we ought to keep an eye on it; I want to and it is a definite responsibility here—I think that those of us who work in this Government should also look at the big picture; that is, all the debt that is outstanding. We should look for the soft spots where this economy can come tumbling down like Humpty-Dumpty, if we do not carefully watch it. We would be well advised to give some attention to the other part of it which I think is more serious at this moment than the precise dollars and cents as to where we stand with regard to this Federal Government's debt.

I think that people should come to realize that that corporate debt is something that they have to pay in one respect or the other, because it has to be passed on to the consumer as a part of the price for his product. Is that not right?

Secretary BLUMENTHAL. Yes.

Senator LONG. In the last analysis, that is also a burden on the citizens of this country. They are taxpayers. They do not pay as a taxpayer, but they pay as a consumer when they buy the product.

Secretary BLUMENTHAL. I only have one comment. I think your analysis is absolutely correct, Senator Long. I only have one footnote to it, and it is this: that the size of the Federal budget deficit and of the total Federal debt is a matter of considerable concern to the business community and to many businesses.

It does have an influence, and an important one, in my judgment, on their general level of confidence. When they see large Federal deficits, their level of confidence in the future and economic stability is somewhat reduced, and therefore their willingness to take the risk to really scurry around for equity capital to make the investments that will allow us to create those jobs is somewhat reduced.

So there is a relationship in what happens on the private side to what we do on the public side, and it is for that reason where your analysis is absolutely accurate. I think we need to be concerned to keep the Federal debt under as much control as possible.

Senator LONG. Mr. Secretary, I think that I at one point asked that a table be computed that would show where our gross national product is, so we could compute it at constant dollars and put it on a per capita basis. We could look at the number of people that we now have in the country, put the gross national product in constant dollars, and then you put it on a per capita basis.

It seems to me that that is the test of the pudding, where you really stand. When I look at that—that is chart 9—and I looked down there on chart 9 and see that when you come to the end of the column, second quarter 1977, you are showing a plus 4 percent for 1977, to me, that means that the income of the American people, in real terms, on a per capita basis, increased by 4 percent this last year. Is that correct?

I am looking at table 9, "Changes in Per Capita Real Gross National Product."

Secretary BLUMENTHAL. It is the second quarter of 1977, as I read the 4-percent figure, it is at an increase in the second quarter of 1977, an annual rate of 4 percent in real terms from a year earlier.

Senator LONG. Mr. Secretary, you notice that we have years where there is a minus. For example, 1975 was minus; 1974, minus; 1970, minus. We have had years of zero growth: 1960, 1961, 1956, 1957.

It seems to me, if you come down to the end of that column, if you can report for your administration year by year that you are showing in real terms on a per capita basis a 4-percent or better growth factor, we in Congress ought to be commending you and commending the President and his administration for giving this country good leadership and for moving us into a golden age where everybody can live better in this country, if we are making progress that way.

The only question that I have is, are we spending that money evenly enough so that everybody is getting the benefit of it? And frankly, I think you have done a fairly good job of it.

If you take it all put together, it looks to me like you are doing a good job. I admit that some of the things have some shortcomings. It did not make much sense to me to put all of this money out for these CETA programs and then find that they have canceled out the redcaps to help ladies take their bags off the train down here at Union Station. That seems to me to not make any sense.

You would think if they were going to take all of that money for public service jobs, they could pay somebody to help somebody, a mother with a couple of children getting off the train, to help her with her baggage. That is some of the growing pains that we have in the Government today.

In the main, if we can put people to work usefully, where they are needed, providing services as best as they can perform and show a constant growth in this dimension, I would believe we would be doing a great job for this country.

Thank you very much, Mr. Secretary.

Secretary BLUMENTHAL. Thank you.

Senator BYRD. Senator Long, I think, has opened up a very important question as to whether the public debt is owed to ourselves. I think it is a matter that should be fully explored, and I want to do that with the Secretary.

I want to say that I think that Senator Long is the second best chairman that this committee has ever had, but I find myself in substantial disagreement as to the public debt.

Senator LONG. If the Senator would yield to me, I am talking about the part that the Federal Government owes the Federal Government, the part that you are holding in those trust funds. If that is not a debt we hold to ourselves, I would like to see one.

Senator BYRD. It is a debt that we owe to the social security recipients, and I think that is equally important as to what we owe to the private investor. The ownership of the public debt as of November 30, 1976, is as follows: Private ownership, $417.5 billion, or 63.6 percent; the public ownership was $238.8 billion, or 36.4 percent.

And if you break down these figures, you will find that the commercial banks held $100 billion, the individuals have $29 billion, the life insurance companies have $5 billion, and we get down to the corporations have $24 billion, State and local general funds have $32 billion, and so forth. If these debts are not honored you would have a catastrophe.

Incidentally, foreigners as of June 1977 held $86.8 billion of U.S. bonds, foreign ownership of our debt is another question that I want to get into at a later time, but I will now yield to Senator Roth.

Senator ROTH. Thank you, Mr. Chairman.

First, with the chairman's permission, I would like to have him insert at this point in the record some remarks by Senator Curtis.

[The statement of Senator Curtis follows:]

STATEMENT OF SENATOR CARL T. CURTIS

Mr. Chairman, I support the request of the administration to increase the temporary debt ceiling. We do not have a bill before us because the House of Representatives has been struggling with the debt limit bill. In my opinion, to fail to raise the debt limit is not a matter of economy. Rather, it is simply the authority to pay for the Government to borrow money to pay obligations already incurred.

Most of us realize that the litmus test of fiscal responsibility is not how one votes on a measure to permit responsible management of the public debt; it is how one votes on the scores of authorization and spending bills that come before any Congress. Those are the measures by which we are tested and should be judged in light of whether we are fiscally conservative, not on how we vote on the matter of the debt ceiling.

It is difficult for me to understand those Members of the House and Senate who have supported vast expenditures for everything under the Sun, but who now contend that the Government may not borrow money to pay its debts.

I notice that Congress has recently approved a deficit for the next fiscal year of approximately $61 billion. This action can only invite more growth in Government, more spending, more taxes, and more inflation.

Inflation can occur only when money increases in supply relative to goods and services. Given the institutional structure of national economic policy, only Government can cause this to happen.

If Government's expenditures are in excess of its revenues from taxation, it has a deficit in its budget. The deficit must then be financed by borrowing. The Government has two sources from which it can borrow: it can borrow from the private sector of the economy and it can borrow from the Federal Reserve System.

We must also not forget that the extent to which private capital is transferred out of investment and into consumption is understated by the size of the Government's deficit, because the borrowings of the off-budget agencies are not even included. Furthermore, in addition to the private capital formation which is preempted by Government borrowing, an enormous amount of private capital has been destroyed by the Government's inflationary policy. Profits have been overstated and thus overtaxed, and the decline in the market value of the stocks listed on the New York Stock Exchange is directly related to the uncertainty caused by inflation. The decline in the stock market has prevented firms from raising capital through new stock issues. Thus, the negative impact of the Government's deficit on private capital formation is greater than the size of the deficit might suggest.

Mr. Chairman, while we may express our concern over the amount of future Federal spending, we can do nothing about the levels that have currently been planned. Thus, it would be irresponsible for this committee to deny the Secretary of the Treasury the authority to borrow to finance the anticipated deficit for the coming fiscal year.

Senator ROTH. I will be fairly brief, Mr. Secretary, but I would like to go back to some of your answers to Chairman Byrd.

How so you really characterize the health of our economy today? Do you think it is strong? Do you think it is weak? Do you think it is really charaterized by uncertainty?

Secretary BLUMENTHAL. I would characterize the current situation of our economy, to be good, but not excellent, and characterized by some uncertainty.

Senator ROTH. You do not feel any other steps are needed today to insure expanding economy and expanded job opportunities.

Secretary BLUMENTHAL. I do not believe that other than the budget decisions that have already been made that any special stimulus program is needed at this time. We are—the administration is looking at particular programs particularly directed towards helping urban problems and for the employment of youth, but the general sort of macroeconomic additional stimulus programs are not warranted in my judgment at this time.

Senator ROTH. To the extent that you are looking at anything at this point, it would be additional spending programs possibly in the urban area?

Secretary BLUMENTHAL. Within the context of budget recommendations for fiscal 1978 that we have made, they would not be additional to it. I do not think that we should compensate at this point by a larger deficit or more spending in fiscal 1978 than is contained in the congressional budget resolution.

Senator ROTH. I certainly agree, Mr. Secretary, as far as spending. But I have a great deal of concern about the direction this economy is moving. There are a number of economists, both of the somewhat liberal persuasion like Mr. Heller, whom I know you know well, and people like Mr. Greenspan, who is more conservative in his approach, who feel that it is extremely important right now that we have a tax cut. These economists believe that if we are really going to try to get this country moving again, if we really are going to be able to start supplying some meaningful jobs in the private sector for the young and the unemployed, that the time has come for a major, across-the-board tax cut.

I take it you do not feel that is necessary today?

Secretary BLUMENTHAL. It is a question of timing, Senator. I do anticipate that the President will be sending up very shortly a proposal for major tax reform, which will include a cut, both for individuals as well as for business.

I certainly hope, and will work vigorously, to encourage Congress to take a look at this proposal and hopefully to enact it in the course of next year. If that can be done, then I think the kind of cut that some of the economists have suggested, will come in good time. If there should be a delay—of course, we may run into some difficulty—but it underlines the importance of the tax legislation that will be coming forward.

I would not want to recommend that a cut be made now.

Senator ROTH. That bothers me very much. I think it is the wrong approach.

Last spring, when we were discussing the economy and the so-called tax rebate there was talk that the administration was going to have a tax cut this fall. Now you are talking about next year, and in all candor as you well know—at least, if we can believe the reports that we read in the paper—your tax package is going to be a very controversial one.

I am not saying it is not going to be a good one, but it is going to be very controversial. It is going to propose a lot of changes that are going to mean a lot of differences to business and different interests, and it seems to me that, at best, you are being very optimistic in assuming that that kind of tax package can get out in 1 year. Maybe it can; maybe it should. But I urge, and would recommend to you as a key member of this administration, when you have people like Mr. Heller and Mr. Greenspan and many other people saying we need a general tax reduction now, I would hope that you would go back to the drawing board and give that careful thought.

Let me ask you one further question. You say that there is some uncertainty. In view of the fact that a number of people feel they need a general tax reduction right now, does it bother you in any way that we are talking about a new tax program—we characterize it as an energy program, but it is actually a $40 billion tax increase?

What kind of impact is that going to have on the growth of the economy?

Secretary BLUMENTHAL. I think that the need for an energy policy has been so evident for so long, and I think that the uncertainty that we experience now is really one of rather longstanding, and I would have said that until the President proposed his energy program, to some extent the uncertainty was engendered by a feeling among the business community that we were not tackling our energy problems in a forthright manner.

The energy program that the President has proposed that stresses conservation and, I think, also production, does involve a number of tax changes and clearly while these are being debated in the Congress there is uncertainty about the precise outcome. But that is a necessary period to go through in order to get a policy going.

And I would think if I were a businessman still, I would be somewhat reassured that the country is facing this issue and dealing with it in a forthright manner, and it would not give me great concern because the general thrust, I think, of what will be approved by the Congress should be pretty well known by now. It may change in its details, but the basic thrust, I think, is pretty well known.

I would not say that that should cause additional uncertainty. It really provides opportunities. If I were still in business, I would have, over the last 6 months, perceived all kinds of opportunities for our company to move into and to do some development, take some risks, because I can see which way we are moving.

Senator ROTH. I think that the President is to be congratulated for trying to highlight and make the public aware of the seriousness of the energy picture. But in all candor, as was brought out in the meeting of the full committee yesterday, the so-called energy package would take an enormous amount of money out of the economy, and in my judgment, would do nothing in the way of supply, and very little considering the long-range impact. We are talking about taking $90 billion out of the private sector during the next 8 years.

I think the reason it is in such bad difficulty, the tax equalization and some of the other provisions, is that people on both sides of the political aisle find that, No. 1, it is creating uncertainty as far as the economy is generally concerned, and second, it is not doing much about the energy crisis itself.

So that while I congratulate the fact that this administration has done a good job of emphasizing and underscoring the problem, it does bother me very much that the administration is not willing to do anything about a general tax reduction. What we are really talking about, and appear to be talking about, is a very substantial tax increase.

Some of the proposals now are for $11 billion in 1 year. That is cause for concern, Mr. Secretary.

Secretary BLUMENTHAL. Let me make one final comment, Senator. I think that it should be said, in all fairness, that the proposals that the President made, you may or may not be in full accord with all aspects of them, did involve a rough balancing over the period involved of outlays and expenditures of some, I think, $50-some billion.

There was no intention of taking money out of the economy without putting it back in. There is legitimate room for debate of whether it is being taken out of the right places and being put back in the right way, but it really was not intended to have any negative impact in terms of imposing taxes that would not be returned.

Senator ROTH. In all candor, a good portion of the program is income transfer, and to me, one of the most critical parts of it, as far as I can see, has been "let's soak the middle class" again. That bothers me, from that standpoint.

Thank you, Mr. Chairman.

Senator BYRD. Senator Gravel?

Senator GRAVEL. Mr. Chairman, I would like to make a comment on one thing and then ask a question. The comment relates to statements made by yourself and the Senator from Louisiana.

I think it should be distinguished when we have debt whether or not the debt is productive in nature as opposed to consumptive in nature. I think when we are talking about corporate debt, by and large that is characteristically productive. Part of the individual debt is certainly productive. Most of it is really consumptive. Government is part consumptive and part productive.

With that aside, though, I am personally more interested, Mr. Secretary, if I could elicit from you some general comments as to the impact of the unusual balance of payments that we have been experiencing this year.

Do you see any areas of possible relief? Our agricultural capability, the bloom is off of that benefit. The thing that I notice that is happening in the balance of this year and the first part of next year is going to be the Alaska pipeline which will make a substantial contribution in offsetting balance of payments.

What is the impact of this on the economy? How serious do you think it is, and is there anything on the horizon other than the Alaska Pipeline that can render some succor in this regard?

Secretary BLUMENTHAL. I think clearly a situation in this regard in which we have a large balance-of-trade deficit and a large corresponding deficit on current account, somewhat smaller, but still substantial, is a serious matter. It is not a dramatic thing in terms of the overall size of the economy and indeed the economy has been growing satisfactorily and has been quite stable in the face of this increase, but it is a serious matter. Certainly it is important to us, as a leading economic power in the world to see stability in the international financial markets.

The dollar is the primary currency. The stability and strength of the dollar is affected, at least psychologically, by the existence or absence of large imbalances. Therefore, it is something we need to be very concerned about.

What are the reasons for the large increase in this imbalance on trade? More than half of the increase in the imbalance from last year to the ~~first~~ half of this year was accounted for by the increase in our oil import bill. The rest of it is a result in a greater imbalance on manufactured goods. It is offset a little bit by increases in our earnings on invisibles, and the remaining current account deficit is covered by a variety of inflows on capital account.

We have got to work on this problem on several fronts at the same time, and we certainly intend to do so.

We clearly have to work to reduce our oil import bill. The energy program—I hope that the Congress will pass a tough one—even with the changes that will be made should, within the next couple of years, have a beneficial impact.

I certainly hope that this program, in whatever shape it is passed, is not the end, but the beginning, or our efforts to achieve greater self-sufficiency in energy; and that production will be increasingly stressed, production not only of oil, but of other sources of energy—more money put into R. & D. to develop new sources of energy, and to reduce our dependence on foreign oil and on oil imports.

The flow of the Alaska oil clearly will be helpful. I hope that they can repair that pumping station relatively quickly, becasue that is going to make some difference. I think the question of how much oil we put into our strategic stockpile, and how quickly, is also important, because that would influence the total oil import bill that we have.

We are looking at a variety of measures to improve our trade imbalance. We are going to be stepping up, and are stepping up substantially, the operations of the Export-Import Bank in order to encourage American exports as much as possible.

But what we cannot do, and let's be very careful about this, is to allow the situation to cause us either to panic or to yield to the temptation of protectionism. That would be a self-defeating thing, and and other nations would simply follow suit.

I would therefore conclude by saying that there is no easy answer to this. We cannot solve this problem from one year to the next.

I think that with a strong energy program, and a continuing one, going beyond what the Congress is considering now, in subsequent years, the effects of that, together with the growth of other economies—I guess I should make that point. Part of the reason for the imbalance at the present moment is due to the fact that we have been growing more rapidly than other countries have, and therefore we have been sucking in more imports into this growing economy, while other countries are still struggling with weak economies and stabilization programs, in many of our traditional major markets, like Canada, for example, and the Latin American countries, particularly Mexico and Brazil. As these countries improve, as their economies accelerate, there is a direct relationship in terms of U.S. exports. The imbalance of these countries clearly have made themselves felt in our numbers, as they move along and catch up with us.

As to the Europeans, I think that we will see some improvements next year and beyond. The recent programs of additional stimulus by both Japan and the Federal Republic of West Germany, two strong economies with current account surpluses—those programs of stimulus, meaning more imports for them, will benefit us, both directly, because we can export more to them, and indirectly, because other countries to whom we sell, will be able to sell more to them. All of that will have a positive impact.

When you add those things together, I think we can look forward toward not a quick improvement, but a gradual improvement, and it is something that we are really working at every day, to bring that about.

Senator GRAVEL. Thank you, Mr. Secretary. I think I share your concern and the same conclusion, that we do not have any one, single, large item that will alter the situation other than energy diminution.

I might note that as we came out of the recession earlier than the others, that raised our appetite for more oil. As we export more, which is what you were talking about, which is probably an area to offset this loss, as we export more, we are going to continue to grow more and need more energy, and so that means more oil.

So conservation, which is another facet of the program, flies in the face of it. So we may be locked into a syndrome, and the balance may be $1 or $2 billion a month. I hope that is not the case, but if that did turn out to be the case, that is the area of balance that we are looking beyond our needs from the energy point of view.

If you transfer it into a balanced point of view, $1 or $2 billion a month, then we have something serious to which the Senator from Virginia alluded earlier. As foreigners acquire more and more of our debt instruments, a phenomenon that is going to occur here at some point as a result of that control, we can work with our own economy, but in the international economy, we do not.

I think you share that same concern. I think we are all going to learn as we see where the balance sort of fixes itself on somewhat of a permanent basis. But this year, I think, was the beginning of the serious period with respect to balance of payments.

I recall talking to Secretary Simon in a similar situation. He was very complacent, nothing to worry about, it will be offset by our agriculture. That does not seem to be the case for the future, that we will have anything that will significantly offset. So it is how we handle that, that will rest a great deal with you and your international negotiations and relationships on a personal basis with other areas.

If we ever had an international monetary panic, how long would it take all of the various political energies in the world to come together on a proper mechanism in the face of such a panic?

Secretary BLUMENTHAL. As you know, Senator, there are the annual meetings of the Bank and Fund which are starting this weekend, and there will be a great deal of discussion about that. Finance Ministers from many, many countries will be in town, and this is a matter that should be considered.

I failed to mention the agricultural situation. One thing that aggravates our present imbalance is there are fortunately good harvests in most of the world, so that our agricultural exports are not likely to be growing over the immediate future. This is not likely to be the case every year, and obviously, we can look forward over the longer term to some positive contribution on that side.

As you say, however, I do not think that is really the basic answer to the problem.

Senator GRAVEL. Thank you, Mr. Secretary.

Senator BYRD. Mr. Secretary, Senator Gravel alluded to, as I did earlier, the $86 billion of U.S. bonds which are held by foreign sources. Is that cause for concern?

It is not clear in my own mind as to whether there is a cause for concern. Does this ownership pose a problem for our domestic economy and our position of world leadership?

Secretary BLUMENTHAL. I really do not think so, Mr. Chairman. I think that it is pretty well regularized.

You could argue, and I think with some justification, that it gives the holders of these U.S. Government securities, of these foreign entities, a pretty good stake in the growth and stability of our economy, because they are dependent on it to a large extent and in a way, you can look upon it as a vote of confidence in the U.S. economy. Relatively speaking, it seemed one of the strongest and most productive ones in the world, that they are willing to put this kind of money here.

We are not concerned with this. We feel it is the regular market. When we have to borrow on it, at times they participate. There has been no sharp or sudden withdrawals. These things are handled in a very regular manner, and obviously we are watching it carefully.

We do not see that there is any great cause for concern, given these amounts.

Senator BYRD. Do you have a list of countries which own the U.S. securities?

Secretary BLUMENTHAL. I do not have it with me, but we do know from what parts of the world, in what parts of the world, this debt is held, yes.

Senator BYRD. In regard to the national debt, do you agree with the assertion that we owe it to ourselves?

Secretary BLUMENTHAL. Yes, I do, in a sense that a portion of it—I think Senator Long's analysis of it is correct—a portion of the debt held by private individuals in fact means that one set of individuals owes it to another set of private individuals, and the interest that is paid is paid from one group of people, from the taxpayers, if you will, to those that hold the debt, and it stays within the general domestic economy.

Senator BYRD. Of course it stays within the domestic economy, except for the $86 billion which is owed to foreign governments. This debt goes outside the United States.

I am glad you brought up the question of interest. The figures that I have—and you can correct me, if it is in error—show that, with the new budget for fiscal year 1978, and with the contemplated increase in the debt ceiling which we are considering today, the taxpayer will be paying $46 billion in interest charges on the debt.

Secretary BLUMENTHAL. That is correct. It is $46 billion or $48 billion; it is $46 billion.

Senator BYRD. If we take the view that we just owe the national debt to ourselves, I think that would play havoc with the commercial banking system of our country—if we take the cavalier approach that the debt is not important because we owe it to ourselves.

What about the State and local governments, who own Government securities, the pension and retirement plans, and all the other private investors owning our debt? The debt is not owed to ourselves but to certain segments of our population. I don't own any of the debt but millions of citizens do, as do banks, pension plans, companies and local governments would.

It seems to me it plays havoc with our Nation if we arrive at the conclusion that we owe the debt to ourselves, so we do not need to worry about the national debt.

Secretary BLUMENTHAL. I certainly do not say that we do not need to worry about it. I do not know whether Senator Long was really trying to say that earlier. I think to the extent to which he tried to put it into perspective was to say that the Federal debt is composed, is owned, or owed to, various different elements, and that each one of these must be analyzed and seen for what it is.

I think that that is a useful distinction that needs to be made, and also to put it into perspective of its relationship to the total GNP on a per capita basis.

But I think where it is owed to foreigners, and just generally in terms of fiscal responsibility, I think that it is an important and serious matter, and I certainly feel that way.

Senator BYRD. I know that you have another commitment, and I do not want to hold you up. I do think that this matter is one that should be explored in more depth than we have had an opportunity to do this morning, and I wonder if I might have a commitment from you that if we could work out another date so that we might go into this aspect of it a little more thoroughly.

Secretary BLUMENTHAL. Certainly. I would be willing to do that, Mr. Chairman.

Secretary BYRD. Senator Gravel has a question.

Senator GRAVEL. There may not be enough time for you to respond to it; maybe you could do it in writing, and I was alluding to it when my time ran out.

The relationship between the balance of payments deficit and the debt. I wonder if there is some kind of a correlation there, where one impacts upon the other. I do not think I fully understand how they are interrelated.

If you would like to respond in writing instead of verbally and save some of your time now and go into more depth with that, I would appreciate a response.

Secretary BLUMENTHAL. There is some relationship between the balance of payments, between the current account, between the balance of trade, and the debt, and I will be glad to provide our analysis of that in writing.

Senator GRAVEL. I would appreciate it.

[The following was subsequently supplied for the record:]

The deficit in our international payments on current account (i.e. on trade plus invisibles) tends, in general, to increase the supply of dollar funds available for investment in the United States, in one form or another, by foreign private or official holders.

This effect is particularly direct and clear cut in the case of that substantial part of our present trade deficit representing our increased payments for oil imports—which has contributed directly to the large payments surplus, not currently spendable on goods and services imports, accumulated by the OPEC countries. Those countries, in turn, have invested a large fraction of their surplus accumulations in the United States, including quite substantial amounts in both Treasury bills and marketable Treasury bonds and notes.

To the extent that the non-oil portion of our current-account deficit may also be reflected in official accumulation of dollar assets in the United States by the monetary authorities of various non-OPEC countries (rather than in private capital investments by foreign banks or other private investors), these non-OPEC monetary authorities also tend to invest significant portions of their dollar holdings in short- or long-term marketable Treasury securities.

At the same time, however, the amounts actually invested by official or private foreigners in U.S. Treasury securities at any particular time are, of course, also subject to a great many factors other than the U.S. balance of payments position—including the country distribution of payments surpluses and deficits among foreign countries and a variety of capital and money market factors affecting both the two way movement of private investment funds between the U.S. and foreign countries and the relative attractiveness to foreign dollar holders of Treasury securities versus other capital and money-market instruments, including bank certificates of deposits.

Senator BYRD. I would like to ask for a piece of information in that regard. I have figures giving liquid liabilities to foreigners, December 30, 1970, at $47 billion and then on November 30, 1976, liquid liabilities to foreigners was $144.7 billion.

If I could get from you the corresponding figure for December 31, 1976 and for June 30, 1977.

Secretary BLUMENTHAL. We will supply that, Mr. Chairman.

[The following was subsequently supplied for the record:]

Requested later figures on liquid liabilities to foreigners are as follows:

	Billions
December 31, 1976	$151.3
June 30, 1977	163.7

Source: Treasury Bulletin, August 1977, p. 87.

Senator BYRD. In concluding, I want to say again, that in analyzing the national debt, we find that it has doubled in the 8-year period ending with fiscal year 1978; also we find that, of the total national debt, 50 percent will be accumulated in those 8 years, and also we find that the Federal fund's deficit for fiscal 1978 will be the highest in the history of our Nation.

Thank you, Mr. Secretary.

Secretary BLUMENTHAL. Thank you, sir.

[The prepared statement of Secretary Blumenthal follows:]

STATEMENT OF HON. W. MICHAEL BLUMENTHAL

Mr. Chairman and members of the committee, I am pleased to be here today to assist you in your consideration of the public debt limit. As you know, on September 30, 1977, the present temporary debt limit of $700 billion (enacted on June 30, 1976) will expire and the debt limit will revert to the permanent ceiling of $400 billion. Legislative action by September 30 will be necessary, therefore, to permit the Treasury to borrow to refund securities maturing after September 30 and to raise new cash to finance the anticipated deficit in the fiscal year 1978.

In addition, we are requesting an increase in the $17 billion limit (also enacted June 30, 1976) on the amount of bonds which we may issue without regard to the 4¼ percent interest rate ceiling on Treasury bond issues.

Finally, we are requesting authority to permit the Secretary of the Treasury, with the approval of the President, to change the interest rate on U.S. Savings Bonds if that should become necessary to assure a fair rate of return to savings bond investors.

DEBT LIMIT

Turning first to the debt limit, our estimates of the amounts of the debt subject to limit outstanding at the end of each month through the fiscal year 1978 are shown in the attached table. The table indicates a peak debt subject to limit of $780 billion on September 30, 1978, assuming a $12 billion cash balance on that date. The usual $3 billion margin for contingencies would raise this amount to $783 billion, thus requiring an increase of $83 billion from the present temporary limit of $700 billion.

This $83 billion increase reflects the Administration's current estimates of a fiscal 1978 unified budget deficit of $61.5 billion, a trust fund surplus of $13.1 billion, and a net financing requirement for off-budget entities of $8,5 billion. The trust fund surplus must be reflected in the debt requirement because the surplus is invested in Treasury securities which are subject to the debt limit.

The debt of off-budget entities which affect the debt limit consists largely of obligations which are issued, sold or guaranteed by Federal agencies and financed through the Federal Financing Bank. Since the Federal Financing Bank borrows from the Treasury, the Treasury is required to increase its borrowing in the market by a corresponding amount. This, of course, adds to the debt subject to limit.

As indicated in the table, it is assumed that the Treasury's operating cash balance will be at $12 billion at the end of each month from September 30, 1977, through September 30, 1978. On this basis, no net increase in the debt will be required to finance the cash balance in the fiscal year 1978. We believe that our $12 billion constant balance assumption is reasonable in light of current needs and the actual balances maintained by the Treasury in recent years. Over the past decade, the Treasury's cash balances at the end of each fiscal year have been as follows:

	Billion
1968	$5.3
1969	5.9
1970	8.0
1971	8.8
1972	10.1
1973	12.6
1974	9.2
1975	7.6
1976	14.8
T.Q	17.4

The need to carry larger cash balances in recent years reflects the overall growth in Government receipts and expenditures. Also, there is a heavy drain in cash from Government expenditures in the first half of each month, and there is a sharp increase in cash from tax receipts in the second half of the tax payment months. Thus, large month-end cash balances, which otherwise might be used to pay off debt, are essential to the efficient management of the Government's finances.

Our $83 billion estimate of the required increase in the debt subject to limit through September 30, 1978 is $8 billion higher than the $75 billion increase recommended by the House Ways and Means Committee in its report of August 4, 1977. Also, a $75 billion increase was approved in the second concurrent resolution on the Federal budget for fiscal year 1978, which was adopted by the Congress on September 15, 1977.

As indicated in the table attached to my statement, the $775 billion limit recommended by the House Committee and approved in the concurrent resolution is expected to be reached by August 31, 1978. Thus, if our estimates prove to be correct, the Treasury may have to maintain lower than desirable cash balances in September 1978 to stay within the $775 billion limit or come back to the Congress to request that a further increase in the debt limit be enacted perhaps a few weeks earlier than the proposed September 30, 1978 expiration date. However, in view of the fact that Congressional action on the debt limit must be completed by the end of next week, I urge your Committee to agree to the $775 billion limit recommended by the House Committee.

BOND AUTHORITY

I would like to turn now to our request for an increase in the Treasury's authority to issue long-term securities in the market without regard to the 4¼ percent statutory ceiling on the rate of interest which may be paid on such issues. We are requesting that the Treasury's authority to issue bonds (securities with maturities over 10 years) be increased by $10 billion from the current ceiling of $17 billion to $27 billion.

As you know, the 4¼ percent ceiling predates World War II but did not become a serious obstacle to Treasury issues of new bonds until the mid-1960's. At that time, market rates of interest rose above 4¼ percent, and the Treasury was precluded from issuing new bonds.

The Congress first granted relief from the 4¼ percent ceiling in 1967 when it redefined, from 5 to 7 years, the maximum maturity of Treasury notes. Since Treasury note issues are not subject to the 4¼ percent ceiling on bonds, this permitted the Treasury to issue securities in the 5 to 7 year maturity area without regard to the interest rate ceiling. Then, in the debt limit act of March 15, 1976, the maximum maturity on Treasury notes was increased from 7 to 10 years. Today, therefore, the 4¼ percent ceiling applies only to Treasury issues with maturities in excess of 10 years, and certain amounts have been exempted from this ceiling. In 1971, Congress authorized the Treasury to issue up to $10 billion of bonds without regard to the 4¼ percent ceiling. This limit was increased to the current level of $17 billion in the debt limit act of June 30, 1976. As a result of these actions by the Congress, the Treasury has been able to achieve a better balance in the maturity structure of the debt and has re-established the market for long-term Treasury securities.

Today, however, Treasury has nearly exhausted the $17 billion authority. The amount of unused authority to issue bonds is $1 billion. Since the last increase in this limit on June 30, 1976, the Treasury has offered $6.2 billion of new bonds in the market. This includes $2.5 billion issued in the current quarter. While the timing and amounts of future bond issues will depend on then current market conditions, a $10 billion increase in the bond authority (which was recommended by the House Committee) would permit the Treasury to continue its recent pattern of bond issues throughout fiscal year 1978. We believe that such flexibility is essential to efficient management of the public debt.

SAVINGS BONDS

In recent years, Treasury recommended on several occasions that Congress repeal the 6 percent statutory ceiling on the rate of interest that the Treasury may pay on U.S. Savings Bonds. The 6 percent ceiling rate has been in effect since June 1, 1970. Prior to 1970 the ceiling had been increased many times. As market rates of interest rose, it became clear that an increase in the savings bond interest rate was necessary in order to provide investors in savings bonds with a fair rate of return.

While we do not feel that an increase in the interest rate on savings bonds is necessary at this time, we are concerned that the present requirement for legislation for each increase in the rate does not provide sufficient flexibility to adjust the rate in response to changing market conditions. The delays encountered in the legislative process could result in inequities to savings bond purchasers and holders as market interest rates rise on competing forms of savings. Also, the Treasury has come to rely on the savings bond program as an important and relatively stable source of long-term funds, and we are concerned that participants in the payroll savings plans and other savings bond purchasers might drop out of the program if the interest rate were not maintained at a level reasonably competitive with comparable forms of savings.

Any increase in the savings bond interest rate by the Treasury would continue to be subject to the provision in existing law which requires approval of the President. Also, the Treasury would, of course, give very careful consideration to the effect of any increase in the savings bond interest rate on the flow of savings to banks and thrift institutions.

The House Ways and Means Committee deferred to a later date consideration of our August 1 request to that Committee that the 6 percent interest rate ceiling on savings bonds be repealed. In view of the need for the Congress to complete action on the debt limit next week, I am not requesting that the House bill be amended to repeal the interest ceiling on savings bonds. However, I urge the Congress to consider our request on savings bonds at an early date.

To sum up, Mr. Chairman, I recommend that the Senate agree to the House bill, which would increase the debt limit to $775 billion through September 30, 1978 and would increase to $27 billion the authority to issue bonds without regard to the 4¼ percent ceiling. I understand that the full House will take up the bill this week and probably recommend a slightly lower debt limit than $775 billion. In light of our timing problem, I urge you to support an increase in the debt limit of this approximate magnitude

I will be happy to try to answer any questions regarding these requests.

PUBLIC DEBT—SUBJECT TO LIMITATION, FISCAL YEAR 1977

[Based on budget receipts of $358 billion, budget outlays of $404 billion, unified budget deficit of $46 billion, off-budge outlays of $10 billion]

[In billions of dollars]

	Operating cash balance	Public debt subject to limit	With $3 billion margin for contingencies
Actual:			
1976:			
Sept. 30	$17.4	$635.8	
Oct. 29	12.0	638.7	
Nov. 30	8.7	645.8	
Dec. 31	11.7	654.7	
1977:			
Jan. 31	12.7	655.0	
Feb. 28	14.6	664.5	
Mar. 31	9.0	670.3	
Apr. 29	17.8	672.2	
May 31	7.0	673.2	
June 30	16.3	675.6	
July 31	10.2	675.0	
Aug. 31	7.1	686.3	
Estimated: Sept. 30	12.0	696.0	699

PUBLIC DEBT—SUBJECT TO LIMITATION, FISCAL YEAR 1978

[Based on budget receipts of $401 billion, budget outlays of $463 billion, unified budget deficit of $62 billion, off-budget outlays of $9 billion]

[In billions of dollars]

	Operating cash balance	Public debt subject to limit	With $3 billion margin for contingencies
Estimated:			
1977:			
Sept. 30	$12	$696	$699
Oct. 31	12	708	711
Nov. 30	12	716	719
Dec. 30	12	721	724
1978:			
Jan. 31	12	720	723
Feb. 28	12	733	736
Mar. 31	12	749	752
Apr. 17	12	757	760
Apr. 28	12	745	748
May 31	12	763	766
June 15	12	770	873
June 30	12	758	761
July 31	12	764	767
Aug. 31	12	775	778
Sept. 29	12	780	783

Senator BYRD. Our next witness will be Mr. W. Bowman Cutter.
Mr. Cutter, would you identify your role with the Office of Management and Budget?

STATEMENT OF W. BOWMAN CUTTER, EXECUTIVE ASSOCIATE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

Mr. CUTTER. Yes sir, my title is Executive Associate Director of the Office of Management and Budget.

Senator BYRD. I do not understand.

Mr. CUTTER. The title is Executive Associate Director of the Office of Management and Budget, and I manage that half of OMB that organizes and develops the Federal budget.

Senator BYRD. Since 5 o'clock yesterday afternoon, we no longer have a Director. What is the hierarchy in the OMB at the present time?

Mr. CUTTER. In legal terms, the current Deputy Director, James McIntyre, is now the Acting Director, and I report to him, as does my colleague who is responsible for reorganization, Mr. Harrison Wellford.

Senator BYRD. As I understand it, OMB is now headed on a temporary basis, or perhaps a permanent basis, but at least for the moment, on a temporary basis by Mr. McIntyre.

Mr. CUTTER. McIntyre; the previous deputy.

Senator BYRD. The previous deputy?

Mr. CUTTER. Yes, sir.

Senator BYRD. What is Mr. McIntyre's background?

Mr. CUTTER. Mr. McIntyre is a lawyer who was director of the office of budget and planning in Georgia, I do not know the years, during the major portion of President Carter's term as Governor and current Governor Busby's term.

Senator BYRD. Then under him are two deputies, you being one?

Mr. CUTTER. For budget, and one for organization.

Senator BYRD. What is your background?

Mr. CUTTER. My educational training is as an economist. My professional career has been spent in corporate finance, and approximately a year ago I came into the Office of Management and Budget with the administration, so I have been here since middle-January.

Senator BYRD. Prior to coming to the Office of Management and Budget, what was your position?

Mr. CUTTER. I was assistant to the president of the Washington Post, focusing on the business side of the Washington Post Co., engaged in corporate finance.

Senator BYRD. How long were you with the Post?

Mr. CUTTER. I think a year, a year and a half. Prior to that, I had been an economist at the Urban Institute.

Senator BYRD. What institute?

Mr. CUTTER. The Urban Institute, which is an economic research institution in Washington. Prior to that I had been an executive of Northwest Industries, a corporation in Chicago.

Senator BYRD. Your associate, Mr. Wellford, what is his background?

Mr. CUTTER. I do not know. He is a lawyer. He was involved—I think that he was a legislative assistant on the Hill, but I do not know Harrison's background that well. He was a legislative assistant to Senator Philip Hart before joining the administration.

Senator BYRD. I think it is important to know the background of the present leadership of the office of Management and Budget, in view of the changes made yesterday, because OMB is such a vitally important agency of our Government. You say you are in charge of the budget side of preparing the budget?

Mr. CUTTER. Yes, sir.

Senator BYRD. Have you begun work on the fiscal year 1979 budget yet?

Mr. CUTTER. Yes, sir, our dates for reception of the budgets are September 1 for small agencies and the 15th of September for large ones. We are running a little bit ahead of last year in terms of agency submissions. Most have been on time; there are a few late.

Senator BYRD. Of course, most of your work would be with the Federal funds area, rather than with the trust funds. There is relatively little that you can do insofar as the trust funds are concerned; is there?

Mr. CUTTER. Yes, sir, those programs are controlled more by legislation rather than by appropriation, and what we can do with them is limited on a year to year basis. We do suggest, as the need arises, we do suggest legislative change. Your point is essentially correct.

Senator BYRD. As a practical matter, you are really working with the Federal funds?

Mr. CUTTER. Yes, sir.

Senator BYRD. You work with the Federal funds area of the budget?

Mr. CUTTER. Yes, sir.

Senator BYRD. In that connection, as we discussed with Secretary Blumenthal, in fiscal 1978, we will have the highest Federal funds deficit in the history of the Nation.

Mr. CUTTER. I think that is correct.

Senator BYRD. It is correct.

Mr. CUTTER. I think that it is worth pointing out. A large portion of the change from fiscal year 1977 to fiscal year 1978 can be accounted for by the economic stimulus package that President Carter introduced.

Senator BYRD. That is correct. There is no doubt about that. The President recommended additional spending.

Mr. CUTTER. Yes; and an additional set of tax reductions.

Senator BYRD. That is correct, but the fact is that you have, in the Federal funds budget today, fiscal 1978, the highest deficit in the history of our Nation.

Mr. CUTTER. That is correct.

Senator BYRD. This is some $18 billion greater than the current fiscal year.

Mr. CUTTER. That is correct.

Senator BYRD. Is that the way that we are going to get to a balanced budget in 1981?

Mr. CUTTER. As the Secretary said, and I certainly want to second his remarks, we are not, at OMB, ecstatic about coming up here and reading these numbers to you.

We think that there were specific and good reasons for the change in 1978. I might add parenthetically why that pattern looks as it is because as the Secretary said, the President made the decision to remove the rebates during 1977. But the President has, as the Secretary has said, made quite a firm commitment to move substantially toward a balanced budget, and we anticipate the fiscal year 1979 budget will reflect that.

Senator BYRD. So that the 1979 budget will be one which will move substantially toward a balance, is that correct?

Mr. CUTTER. We would hope, and intend to begin that trend; yes, sir.

Senator BYRD. In looking over the outlay figures for previous years, the budget for fiscal year 1976 was increased 13 percent over the previous year; for fiscal year 1977, it was increased 11.5 percent; and for fiscal year 1978, it will be increased 15 percent.

Do you have a target figure, percentagewise, that you are aiming at for 1979?

Mr. CUTTER. No, sir. It will be obvious that that trend line will have to drop if we are going to move toward a balance, but we do not start with a percent increase. We are doing it as the zero-based budgeting procedures suggest, from the bottom up.

Senator BYRD. Do you think it is necessary to increase the debt ceiling to the degree that is being requested?

Mr. CUTTER. Yes, sir. As our numbers suggest, and as the Secretary's do, we think that the debt ceiling will be in the neighborhood—the anticipated debt subject to ceiling—will be in the neighborhood of $780 billion by the end of fiscal year 1978.

The Secretary has indicated that he would accept and would urge the committee to accept a number near, and presumably marginally less, than the Ways and Means Committee has proposed. We suspect, as does the Secretary, that barring any anticipated changes at the moment, that the Secretary would have to come back sometime toward the end of August of next year, and therefore we support the numbers that he has presented.

Senator BYRD. Are you pretty well convinced that the administration will submit a balanced budget for the fiscal year 1981?

Mr. CUTTER. I have been increasingly skeptical about the degree to which that I can be precise about events 4 years from now, or 3 years from now. I can say this——

Senator BYRD. You are only 2 years off from what you are working on now. You are working on 1979.

Mr. CUTTER. Two fiscal years.

Senator BYRD. That is right. Two fiscal years.

Mr. CUTTER. In calendar years, I am now working in 1977 for a budget that will end in 1981.

Senator BYRD. End in fiscal year 1981?

Mr. CUTTER. Fiscal year 1981, which would be the budget that the President would propose in the last year of his first term. I think I would associate myself entirely with the remarks of the Secretary that we are committed to moving strongly in this direction, that we feel, in terms of our examination and command over the expenditures of the Government on the outlay side, that we have a firm grasp of them, and we will be able to show quite a substantial progress.

One of the major uncertainties, as the Secretary indicated, is the precise rate of growth of the economy, and therefore the precise level of the revenues he can expect. So that, without being precise—simply because I do not think I can be—I can say that it is what we regard as our task that the President has given us to move as strongly as we can in that direction.

That is the commitment.

Senator BYRD. You are already working on the fiscal 1979 budget. Are you using the zero-based budgeting procedure in that regard?

Mr. CUTTER. Yes, sir.

Senator BYRD. Do you see this as a method of saving Government money?

Mr. CUTTER. I see it in a variety of ways. It is a method that enables us to see with a great deal of precision first, where the money is going; second, alternative levels that programs could be carried out; and third, the manner in which individuals would rank expenditures if they had to place priorities on them.

Senator BYRD. Do you require them to place priorities?

Mr. CUTTER. Yes, sir, we do.

Senator BYRD. I think that is good.

Mr. CUTTER. Choosing between their children is not the easiest thing they do each year, but we do require that, and this is the first year that that has been required.

I have learned in the last year that there is not a penny in the Federal budget that the person who gets it regards as waste.

Senator BYRD. That is correct.

Mr. CUTTER. Therefore, I cannot say to you with a straight face that we will come up and point out to you large amounts of Federal expenditures about which there will be unanimous agreement that we should do without. But I can say that we will understand the budget much better than we have in the past.

Senator BYRD. You are using the zero-based budget concept?

Mr. CUTTER. Yes, sir, with every agency in the Government.

Senator BYRD. You are requiring the agencies, the Cabinet officials, to put a priority on their requests?

Mr. CUTTER. Yes, sir.

Senator BYRD. How many individual Government programs do we have?

Mr. CUTTER. Sir, the definition of a program varies so much from agency to agency that it is virtually impossible to develop a standard list that everybody would accept as a program, but the following numbers might help you.

We have required the agencies to present their budgets in terms of what we call, in budget jargon, decision packages, each one presumably denoting a single type of activity within that agency. So for want of any other classification, they are pretty close to programs.

I would anticipate at this time that the agencies would present to OMB something like 9,700 decision packages.

Senator BYRD. 9,700.

Mr. CUTTER. There has been a considerable process of consolidation that has occurred as the budget has been built up from the lowest part of the agency to the one submitted to us. And while we have no precise count, I would suspect that starting at the lowest levels of the agency, as they built up their budgets, that they start with somewhere in the neighborhood of 100,000 decision packages.

We will deal with and analyze, about 10,000 specific decision packages, which can reasonably be considered programs.

Senator BYRD. You will analyze roughly 10,000 decision packages?

Mr. CUTTER. Yes, sir.

Senator BYRD. While they cannot be defined precisely, you say, you regard a decision package as roughly the equivalent of a program?

Mr. CUTTER. Yes.

Senator BYRD. There are more programs than decision packages?

Mr. CUTTER. Almost certainly, depending on who counts them. We will not, of course, take 10,000 programs to the President for his final decision. We make many of those decisions ourselves, but we will take a large number of the most important ones to the President.

Senator BYRD. The 100,000 figure you mentioned, is that more likely the number of programs we have?

Mr. CUTTER. I meant by giving you those two numbers, to emphasize the fluidity of the definition. It depends on one's perspective. The programs that a manager at the lowest level of management in a department perceives are different from the ones that the Secretary perceives.

A Secretary may consider two or three aspects of a program as one, whereas the three or four people who have to manage those two or three aspects consider each of them differently, and have to budget separately for them.

It would not be fair to say there are 10 times more programs that can be transmitted. The definition is so imprecise for that word, and we use it in so many different ways.

I have told you the numbers of decision packages, which is the way we will think about it and the way we will analyze it.

Senator BYRD. I can see where it would be very difficult to know how exactly to define that, but you analyze some 10,000 decision packages. How many personnel do you have at OMB?

Mr. CUTTER. Total staff at OMB is about 600, marginally less than that now. My side of OMB is perhaps somewhere between 300 and 350.

Senator BYRD. It is your side of OMB that will do the analysis?

Mr. CUTTER. Yes. Sir, I would suggest, if I could interrupt for 1 second, with respect to my statement, that you know these numbers better than I do. Rather than read them to you I would request just to submit my statement for the record.

Senator BYRD. What numbers are you speaking of?

Mr. CUTTER. In the statement that I was going to make, I was going to give you estimates for outlays and receipts for fiscal year 1977 and 1978.

Senator BYRD. Why do you not go ahead and do that.

Mr. CUTTER. I thought you had already indicated that you knew those numbers at least as well as I do, and you have told them all to me and to Secretary Blumenthal. I feel a little abashed.

Senator BYRD. Suppose we then put your statement in the record in full.

Mr. CUTTER. Yes, sir. That is what I was going to suggest.

Senator BYRD. Thank you very much.

[The prepared statement of Mr. Cutter follows:]

STATEMENT OF W. BOWMAN CUTTER

Mr. Chairman and members of the committee, I am pleased to support the Secretary of the Treasury's request for an increase in the statutory debt limit, and his proposals for improving the management of the debt. My statement will discuss the budget outlook and its effect on the public debt subject to the statutory limitation.

BUDGET TOTALS

As shown in the following table, the fiscal year 1977 deficit is now estimated at about $45.7 billion, with outlays of $404 billion and receipts of $358.3 billion. The deficit for 1978 is estimated at about $61.5 billion. The President's budget calls for total 1978 outlays of $462.9 billion and receipts estimated at $401.4 billion.

BUDGET TOTALS

[Fiscal years; in billions of dollars]

	1976 actual	1977 estimate	1978 estimate
Budget receipts	299.2	358.3	401.4
Budget outlays	365.7	404.0	462.9
Deficit (−)	−66.5	−45.7	−61.5

OUTLAYS

Estimated outlays for 1977 have decreased by $12.6 billion since the President submitted his budget revisions in February. Of this amount, $3.2 billion reflects the withdrawal of the tax rebates and payments included in the original economic stimulus proposal. The remainder is attributable largely to revisions in the estimates to reflect changed economic conditions, unexpected inflows of offsetting receipts, and actual spending during the first ten months of the fiscal year. To a considerable degree, therefore, these changes are associated with what has come to be known recently as the shortfall problem.

We have been monitoring this problem intensively and squeezing the excess out of all outlay estimates as soon as any is detected. Thus, our current 1977 outlay estimate is roughly $2½ billion lower than was announced in the Mid-Session Review of the budget that was issued in July. The table below identifies the major changes to estimated 1977 outlays since the Mid-Session Review.

Change in fiscal year 1977 outlays

	In billions
Midsession review estimate	$406.4
Foreign military sales trust fund	−0.7
Foreign economic and financial assistance	−0.4
Unemployment trust fund	−0.3
EPA waste treatment construction grants	−0.2
Other changes	−0.8
Current estimate	404.0

For 1978, we do not now have any basis for changing the outlay estimates given in the Mid-Session Review, and accordingly have retained those figures in the tables accompanying this statement. While we believe that the 1978 outlay estimates do have some upward bias in them, experience suggests that later add-ons may well offset any such bias. We will review the estimates during October and will provide the Congress new estimates at the end of that month.

These estimates for 1977 and 1978 are the best we can give now for purposes of establishing the appropriate debt ceiling. We are continuing to review our estimates and will continue to eliminate any biases that we find in them. We requested the largor agencies to report on the methods they use to estimate spending under specified programs. We also asked them to describe how these methods are being or might be improved. These reports have been received and we will share this information with the staffs of the Budget Committees and the Congressional Budget Office. We are using the reports as a basis for our plans for improving the estimates.

Our current estimates reflect an accounting change that makes our figures comparable to those in the conference reports on the budget resolutions. Earned income credit payments in excess of an individual's tax liability, formerly treated as outlays in the budget, are now classified as income tax refunds. We made this change primarily to avoid the confusion that resulted from different accounting techniques in the President's budget and the budget resolutions.

RECEIPTS

Estimates of 1977 receipts have increased nearly $10 billion since February, from $348.5 billion to $358.3 billion. The increase is attributable primarily to the withdrawal of the tax rebate proposal and associated economic stimulus tax measures. Estimates of 1978 receipts have, on net, changed little since February, rising only from $400.7 billion to $401.4 billion. These estimates include the effects of the President's energy proposals ($+0.3 billion in 1978 receipts). They are unaffected by the social security financing proposals, however, which will not affect budget receipts until 1979. The Administration's tax reform proposals are also not expected to affect receipts before fiscal year 1979.

THE BUDGET BY FUND GROUP

Table 1 shows our current estimates of the budget surplus or deficit for 1977 and 1978 by fund group. As the following table indicates, most of the change since February has been in Federal funds.

SURPLUS OR DEFICIT (−) BY FUND GROUP

[Fiscal years; in billions of dollars]

	1977			1978		
	February estimate	Current estimate	Change	February estimate	Current estimate	Change
Federal funds	−75.9	−56.8	19.1	−68.0	−74.6	−6.6
Trust funds	7.8	11.1	3.3	10.2	13.1	2.9

The $12½ billion decline in the cumulative Federal funds deficit is the principal reason for the $15 billion decrease since February in the estimated debt subject to statutory limitation on September 30, 1978, from $794.7 billion to $779.6 billion.

Table 2 shows revised estimates of debt subject to statutory limitation.

TABLE 1.—BUDGET TOTALS BY FUND GROUP

[Fiscal years; in billions of dollars]

	1976 actual	1977 estimate	1978 estimate
Receipts:			
Federal funds	200.3	242.0	270.2
Trust funds	133.7	153.2	172.5
Interfund transactions	−34.8	−36.9	−41.4
Total budget receipts	299.2	358.3	401.4
Outlays:			
Federal funds	269.2	298.8	344.8
Trust funds	131.3	142.1	159.4
Interfund transactions	−34.8	−36.9	−41.4
Total budget outlays	365.7	404.0	462.9
Surplus or deficit (−):			
Federal funds	−68.9	−56.8	−74.6
Trust funds	2.4	11.1	13.1
Total surplus or deficit (−)	−66.5	−45.7	−61.5

TABLE 2.—DEBT SUBJECT TO LIMIT

[Fiscal years; in billions of dollars]

	1977 estimate	1978 estimate
Unified budget deficit	45.7	61.5
Portion of budget deficit attributable to trust funds surplus or deficit (−)	11.1	13.1
Federal funds deficit	56.8	74.6
Effect of off-budget entities on debt subject to limit	10.3	8.5
Total to be financed	67.1	83.1
Means of financing other than borrowing, and other adjustments	−6.5	0.2
Change in debt subject to limit	60.6	83.3
Debt subject to limit, beginning of year	635.8	696.4
Anticipated debt subject to limit, end of year	696.4	779.6

Senator BYRD. On behalf of Senator Long, the committee will insert in the record certain tables that he would like to have presented for the record.* I also have certain tables that I want to put in the record. One is the national debt in the 20th century by years, and another is the deficits in Federal funds and interest on the national debt for a 20-year period, 1959 through 1978, and also U.S. gold holdings, Federal Reserve assets, and liquid liabilities to foreigners for selected years. The article "Public Debt Weighs Even More Heavily," will also be inserted in the record.

Secretary Blumenthal will submit figures for December 31, 1976, and June 30, 1977.

[The material to be furnished follows:]

THE UNDER SECRETARY OF THE TREASURY,
FOR MONETARY AFFAIRS,
Washington, D.C., February 4, 1977.

Dear SENATOR BYRD: You inquired earlier this week regarding the ownership of U.S. Government securities. The latest data on the ownership of U.S. Government securities is provided by our Survey of the Ownership of Federal Securities for November 30, 1976; December 31 data will not be available until later this month.

*See p. 10.

In summary, the Survey data show that private investors; that is, all holders except Government accounts and the Federal Reserve System, held a grand total of $407 billion of interest-bearing public debt securities, of which $307 billion were marketable and $100 billion were nonmarketable securities. In addition, private investors held nearly $1 billion of matured debt or debt bearing no interest. Approximately half this latter total constituted old United States notes and silver certificates. The balance was largely ordinary debt items which had not yet been presented for payment. Details are shown in Table III of the Monthly Statement of the Public Dept of the United States. I have enclosed a copy of the November 30, 1976 Statement corresponding to the Survey date, as well as a copy of the most recent Statement for January 31, 1977.

Over $72½ billion of the $100 billion total of nonmarketable interest-bearing debt was in the form of savings bonds and notes. Most of the remaining $22½ billion was in various nonmarketable securities issued to foreign governments. Approximately $4 billion more, however, was accounted for by nonmarketable securities issued to State and local governments for the investment of the proceeds of advance refunding obligations.

The privately-held marketable debt, amounting to $307 billion, was held by a wide range of investors. Our Ownership Survey directly covers holders of some $166 billion of this total, leaving the ownership of the balance of $141 billion to be estimated. This is done as follows:

OWNERSHIP OF MARKETABLE PUBLIC DEBT SECURITIES, AS OF NOV. 30, 1976

[In billions of dollars]

Ownership category	Survey respondents	Other (estimate)	Total private
Commercial banks [1]	74.0	25.8	99.8
Individuals [2]		29.0	29.0
Life insurance companies	4.1	1.0	5.1
Fire, casualty, and marine insurance companies	6.0	1.0	7.0
Savings and loans	4.5	4.5	9.0
Mutual savings banks	4.0	1.4	5.4
Corporations	13.0	11.1	24.1
State and local:			
General funds	9.2	23.0	32.2
Pension and retirement	3.2	2.7	5.9
Foreign	48.0	4.5	52.5
All other		37.0	37.0

[1] Includes trust companies and stock savings banks.
[2] Includes partnerships and personal trusts.

In the thought that you might also be interested in the composition of current purchasers of new Treasury issues, we have a substantial amount of data on subscriptions and allotments by investor class. A large part of each new issue is, of course, purchased by Government security dealers, other dealers and brokers, and commercial bank trading accounts, all of which act as part of the distribution network for new Government securities. The only data we have on the ultimate purchasers from these market makers is derived from the Ownership Survey.

We do find, however, that significant amounts of new securities are being purchased directly by ultimate investors. These include commercial banks for their individuals, insurance companies, savings institutions, corporations, private and State and local retirement and pension systems, and State and local government general accounts.

It is difficult to generalize about the pattern of such purchases since each ownership category has distinct investment objectives. Business corporations and State and local general funds, for example, are primarily interested in short-term, highly liquid investments as part of their cash management operations. Life insurance companies and pension and retirement funds, as well as many individuals, on the other hand, are interested in securities with original maturities of seven or more years. Thus, these latter categories of investors were particularly interested in the three fixed price offerings of intermediate term securities in 1976.

Might I also suggest that I make one of my staff members available to your staff to sit down and discuss the ownership and subscription data in more detail. This would be, of course, at your convenience. I would suggest Edward Snyder, Senior Adviser for Debt Research, as the Treasury contact.

Please let me know if there is any additional information I could provide.

Sincerely,

ANTHONY M. SOLOMON,
Under Secretary-Designate.

DEFICITS IN FEDERAL FUNDS AND INTEREST ON THE NATIONAL DEBT 1959-78, INCLUSIVE

[In billions of dollars]

Year	Receipts	Outlays	Surplus (+) or deficit	Debt at interest
1959	65.8	77.0	−11.2	7.8
1960	75.7	74.9	+0.8	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	90.9	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	187.5	238.5	−51.0	32.7
1976	200.3	269.2	−68.9	37.1
Transition quarter	54.0	65.0	−11.0	10.4
1977 [1]	242.0	300.0	−58.0	42.0
1978 [1]	27.2	314.8	−74.6	46.6

[1] Estimated figures.

Source: Office of Management and Budget and U.S. Department of the Treasury.

THE NATIONAL DEBT IN THE TWENTIETH CENTURY—Totals at the End of Fiscal Years 1970–78

[Rounded to the nearest billion dollars]

1900	1	1940	43
1901	1	1941	49
1902	1	1942	72
1903	1	1943	137
1904	1	1944	201
1905	1	1945	259
1906	1	1946	269
1907	1	1947	256
1908	1	1948	251
1909	1	1949	252
1910	1	1950	256
1911	1	1951	254
1912	1	1952	258
1913	1	1953	265
1914	1	1954	271
1915	1	1955	274
1916	1	1956	273
1917	3	1957	272
1918	12	1958	280
1919	25	1959	288
1920	24	1960	291
1921	24	1961	293
1922	23	1962	303
1923	22	1963	311
1924	21	1964	317
1925	21	1965	323
1926	20	1966	329
1927	19	1967	341
1928	18	1968	370
1929	17	1969	367
1930	16	1970	383
1931	17	1971	409
1932	20	1972	437
1933	23	1973	468
1934	27	1974	486
1935	29	1975	544
1936	34	1976	632
1937	36	[1] 1977	706
1938	37	[1] 1978	787
1939	40		

[1] Estimated figures.

Source: 1900–76, U.S. Treasury Department; 1977–78, Office of Management and Budget (September 1977 estimates).

UNIFIED BUDGET RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT FOR FISCAL YEARS 1958-78, INCLUSIVE

[In billions of dollars]

Fiscal year	Receipts	Outlays	Surplus (+) or deficit (−)
1958	79.6	82.6	−3.0
1959	79.2	92.1	−12.9
1960	92.5	92.2	+.3
1961	94.4	97.8	−3.4
1962	99.7	106.8	−7.1
1963	106.6	111.3	−4.7
1964	112.7	118.6	−5.9
1965	116.8	118.4	−1.6
1966	130.8	134.6	−3.8
1967	149.5	158.2	−8.7
1968	153.7	178.8	−25.1
1969	187.8	184.6	+3.2
1970	193.8	196.6	−2.8
1971	188.4	211.4	−23.0
1972	208.6	231.9	−23.3
1973	232.2	247.1	−14.8
1974	264.9	269.6	−4.7
1975	281.0	326.1	−45.1
1976	300.0	366.5	−66.5
Transition quarter	81.8	94.8	−13.0
1977 [1]	356.6	409.2	−52.6
1978 [1]	397.0	458.3	−61.3

[1] Estimated Figures

Sources: 1958-Transition quarter, Office of Management and Budget. 1977-1978 estimates, 2d concurrent budget resolution.

U.S. GOLD HOLDINGS, TOTAL RESERVE ASSETS AND LIQUID LIABILITIES TO FOREIGNERS

[Selected periods in billions of dollars]

	Gold holdings	Total assets	Liquid liabilities
End of World War II	20.1	20.1	6.9
Dec. 31, 1959	22.8	24.8	19.4
Dec. 31, 1970	10.7	14.5	47.0
Dec. 31, 1973	11.7	14.4	92.6
Dec. 31, 1974	11.6	15.9	119.1
Dec. 31, 1975	11.6	16.2	126.6
Nov. 30, 1976	11.6	18.7	144.7

Source: U.S. Treasury Department, March 1977.

[From the Washington Star, Sept. 18, 1977]

Public Debt Weighs Ever More Heavily

(By Donald Salts)

Marguerite Brooks, a senior cash accounting technician in the Office of Public Debt Accounts, has the regular assignment of compiling the figures for the Treasury Department's "Monthly Statement of the Public Debt of the United States." Since she began the job 13 years ago, the debt has more than doubled.

The report for Aug. 31 shows a debt of almost $685.2 billion, about $3,100 for each of the 217.7 million Americans—a per-capita figure that was $1,825 only seven years ago when the U.S. public debt stood at $370.9 billion and our population had 14.5 million fewer people.

Large as it is now, the public debt was almost paid off once—in 1835 when it dipped to a mere $37,513, averaging out to about a cent per American family!

A family of four now has a proportionate share of the debt amounting to $12,400, compared to $7,300 in 1970. In recent years the debt has been soaring as a result of deficit budgets, estimated at almost $50 billion in 1977 and $60 billion for '78 which would send the debt to about $755 billion less than a year from now.

Many economists regard the large and rapidly rising debt as the major cause of inflation, because the increased government spending and accompanying deficits put pressure on prices throughout the economy—the government competes with everybody else for goods, services and cash. The growth in spending exceeds real economic growth.

This escalation of the debt has added a burden not only on the taxpayers, who must pay the $842 million a week in interest on the current debt, but also on the managers of the debt, who must constantly refinance it as well as finance the new debt as it arrives.

John Niehenke, special assistant to the secretary of the Treasury for debt management, says the significantly large budget deficits have been a problem but debt management has become a process of evolution.

"It has become traditional to issue short-term debt, but there is a pattern of financing plans for the various debt security maturities," he notes. "We balance our issues of new securities so the sale of them won't affect the financing of areas of private industry, such as housing."

What the Treasury does to refinance and raise new money to cover government spending is to issue largely short-term securities—maturing in three, six or 12 months and known as Treasury bills—at weekly auctions. They are sold at discounts and redeemed later for face value, the difference being the interest.

The Aug. 31 average rate for Treasury bills was 5.458 percent.

The longer-term securities, notes and bonds, are sold monthly and quarterly, several billion dollars worth at a time, Because of their longer maturities they bear higher rates of interest.

Outstanding notes, sold with maturities of one to 10 years, have an average interest rate of 7.092 percent, and bonds, mostly 10-year maturities or longer, have an average rate of 6.117 percent.

In recent years, the Treasury has paid as much as 9 percent on securities which were gobbled up by small investors.

Refinancing is extensive because all Treasury bills—currently more than $154 billion outstanding—are refinanced several times each year, and refinancing oals includes $86 billion in Treasury notes and bonds annually.

The permanent limit on the public debt remains at $400 billion, a figure surpassed in the early 1970s. Congress, however, regularly raises the temporary limit, which now stands at $700 billion. and even that is not expected to last long. That temporary mark is due to expire at the end of September and will likely be renewed for a much higher amount.

The Carter administration wants a $783 billion top; one pending bill would increase the temporary limit to $775 billion.

Between July 1, 1975, and July 1 of this year, the Treasury also had to finance $121.8 billion in new cash to accommodate the deficits.

Total Treasury borrowing in this two-year period was $896.2 billion, more than the total of the debt itself at any given point, because of frequent refinancing of the short-term bills.

"There are times of the year when borrowing has to be stepped up because of lower tax receipts," Niehenke noted. "Tax receipts are lighter in the first and fourth fiscal quarters," he said.

The first fiscal quarter was recently changed from July 1–Sept. 30 to the Oct. 1–Dec. 31 period.

While debt managers speak in terms of bills, notes and bonds, the debt is much more involved. It is divided into two principal segments—marketable, which represents about $438 billion, and nonmarketable, $246 billion.

"The nonmarketable portion includes what are termed 'government accounts' such as the Federal Old-Age and Survivors Insurance Trust Fund, which holds $36.8 billion of the debt; Highway Trust Fund, $11.2 billion; Civil Service Retirement Fund, $39.9 billion, and Railroad Retirement Account, $5.4 billion.

Among the many other government agencies holding portions of the debt are the Employees Health Benefits Fund, $352 million; Aviation, War Risk Insurance, Revolving Fund, $15 million; Federal Ship Financing Revolving Fund, $68 million; the National Credit Union Share Insurance Fund, $87 million, and the the Postal Service Fund, more than $1.7 billion.

The average interest rate on the nonmarketable securities is 6.312, slightly below the 6.384 debt average.

But while the securities are nonmarketable, the interest is paid exactly the same as it is on marketable securities. These securities may be redeemed when they mature or exchanged for new ones.

More than $100 billion of the U.S. public debt is held by foreigners, representing about 15 percent of the total debt. In 1940, for example, foreigners held about $200 million of a $43 billion federal debt, less than half of 1 percent.

Some $20 billion of the foreign-held debt is owned by foreign governments, a nonmarketable portion, but the remainder can be sold by the holders at any time.

The area of the public debt that touches most individuals and is more easily understood is the Savings Bond.

There are $75 billion worth of these bonds outstanding, equaling 11 percent of the total debt. These include some bonds from the original series sold in 1941 with an over-all yield to maturity even now of under 4 percent. All Savings Bonds continue to earn interest, now at 6 percent, but over-all yields are determined by including lower interest rates paid in the past.

The rate of interest paid on U.S. debt securities has gone up sharply over the years in line with rates in general, but the increase is reflected less in the over-all debt because a good deal of it was issued at lower rates.

Senator BYRD. If there is no further business, the committee will stand in recess. Thank you.

[Thereupon, at 11:50 a.m., the subcommittee recessed to reconvene at the call of the Chair.]

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