1981 PUBLIC DEBT LIMIT II

HEARING

BEFORE THE

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EXTENSION OF THE TEMPORARY LIMIT ON THE PUBLIC DEBT

SEPTEMBER 11, 1981

U.S. SENATE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room 2221, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the subcommittee) presiding.

Present: Senators Dole, Packwood, and Harry F. Byrd, Jr.

[The subcommittee press release announcing this hearing follows:]

[Press Release No. 81-158, Committee on Finance, Aug. 19, 1981]

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

Senator Bob Packwood (R.-Oreg.), Chairman of the Subcommittee on Taxation and Debt Management, announced today that a hearing on extension of the temporary limit on the public debt has been scheduled. The Honorable Roger Mehle, Assistant Secretary of the Treasury for Domestic Finance, will testify on the public debt at 9:30 a.m. Friday, September 11, 1981, in Room 2221 of the Dirksen Senate Office Building.

Written testimony.—The Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by September 11, 1981, to Robert E. Lighthizer, Chief Counsel, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510. The first page of the written statement should indicate the date and subject of the hearing.

Senator PACKWOOD. The committee will come to order.

We are here for our semiannual ritual of raising the debt ceiling. And the Secretary has a sentence in his statement that as clearly describes what we are doing as any statement could, and that sentence says:

> The increase in debt each year is simply the result of earlier decisions by Congress on the amount of Federal spending and taxation.

This debt ceiling in and of itself is not spending. This debt ceiling is nothing but an acknowledgment of past decisions that this Congress has approved. Everybody in the Congress may not have voted for each of the decisions, but, collectively, we have voted to spend a certain amount of money. And now we are telling the Treasury Department to raise the money, and the Treasury Department is simply coming to us and saying:

> Ladies and gentlemen, you told us to spend x billions of dollars. The taxes that you directed us to levy will not raise x billions of dollars, so we have to borrow the rest to make up the difference.

And the Treasury Department is here to indicate how much more they must borrow and how far the debt ceiling needs to be raised to accommodate—and I emphasize again to accommodate—the past decisions that Congress has already made and directed the President to carry out.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

The administration today will ask that the debt limitation be increased to $1,079,000,000. Now this new debt ceiling exceeding a trillion dollars is an unfortunate milestone in our Nation's economic history.

It is visible evidence of the years of fiscal mismanagement in Washington. And as Senator Packwood just said, it is not the mismanagement of the present administration but the mismanagement of previous Congresses and previous administrations.

Runaway Federal spending, accompanied by huge Federal deficits, has ballooned the debt to its current lofty level.

In the short time span from 1975 to 1980, Federal spending has almost doubled. In the 7 months since he has been if office, President Reagan has implemented policies which seek to reverse the rapid growth of Federal Government. He has charted a bold new course of spending and tax reductions. Next year, more than $35 billion will be trimmed from the Federal budget. In 1983, over $44 billion will be cut. Over the next several years the tax bite for Americans will also be trimmed: $38 billion in 1982 and $93 billion in 1983.

Despite the progress which has been made in the last 7 months, the enormity of the changes which need to be made should be frankly considered. Although the spending reductions are unprecedented, they are only the beginning, not the end, of a prolonged fight to bring Federal spending under control and leave more capital for the productive private sector of our economy.

From 1958 to the present we have had a surplus in our Federal budget in only 2 years, 1960 and 1969. That dramatizes the total irresponsibility of the Congress and of the administrations involved in those years. These spending habits cannot be changed overnight.

The key to the future success of our economy is confidence—confidence in the ability of the Government to exercise fiscal restraint and reduce the Federal deficit and confidence that fiscal and monetary policy will not create another round of inflation.

Plummeting stock prices and soaring interest rates are clear evidence that the financial markets are not yet convinced. The looming $1 trillion debt is a clear signal that it will not be easy to bring about fiscal sanity. High interest rates and the prospects of even higher rates in the near future are the most pressing problems which our economy now faces. These high-interest rates are, however, evidence that economic policy has left the job of fighting inflation to the Federal Reserve. This is a job that it cannot handle single-handedly. In fact, high-interest rates can potentially only exacerbate the problem.

With approximately 15 percent of Federal spending going exclusively to pay for interest on future debt, high-interest rates add to the level of Federal spending. Fiscal policy, therefore, continues to be the key to providing a foundation for our Nation's future economic well-being. In the months ahead, no Federal program should be immune from close scrutiny.

While I support a prudent buildup of our Nation's defenses, the growth of defense spending must be closely watched. Other programs, such as foreign aid, need to be sharply curtailed.

A $1 trillion debt shows how misguided our Nation's fiscal policies have been. I urge the administration in the months ahead to continue to press for fiscal discipline and a balanced budget. A credible policy to achieve this result is essential if confidence is to be restored and interests are to be declined.

I end by commending President Reagan for his leadership and for his determination to reverse the trend of more and more and higher and higher deficits, and more and more and higher and higher Federal spending.

I think one figure which dramatizes what has happened in the last 7 months is this, that during the last year of President Carter's Presidency, the cost of Government increased 17 percent. During the first year of President Reagan's Presidency, the cost will increase 6 percent. So that is a decided and very substantial and significant improvement.

Thank you, Mr. Chairman.

Senator PACKWOOD. Mr. Secretary, go right ahead.

STATEMENT OF HON. ROGER W. MEHLE, ASSISTANT SECRETARY OF THE TREASURY, DOMESTIC FINANCE

Secretary MEHLE. Thank you, Mr. Chairman, Senator Byrd, and members of the committee.

I am here to advise you of the need for Senate action this month to increase the debt limit. The increase in debt each year is simply the result of earlier decisions by Congress on the amounts of Federal spending and taxation, as Senator Packwood has observed.

Once these decisions are made, as they were in connection with the enactment of the President's economic program earlier this summer, the U.S. Government, through the Treasury Department, then must provide the financing that these commitments entail.

Based on Mid-Session Review estimates of outlays, receipts, and other transactions affecting debt subject to limit, the amount of debt subject to limit outstanding on September 30, 1982, will total $1,074.9 billion. This estimate, of course, is subject to change based on new legislation and unfolding economic developments.

However, given this projection of debt issuance, adoption of a debt limit of $1,079.8 billion, as is provided in the House Joint Resolution 265, for fiscal year 1982 should give the Treasury sufficient borrowing capacity with some added leeway for borrowing should contingencies arise.

Prompt action on the debt ceiling is required to avoid a repetition of past dislocations which have hampered Treasury operations.

In recent years delays in action on the debt limit have generated uncertainty about Treasury financing schedules, and on several occasions drastic measures have been undertaken. These measures have included suspension of savings bond sales, postponement of auctions and disinvestment of trust funds.

Treasury reaches a point when it must consider which obligations it should pay—social security checks, payroll checks, unemployment checks, defense contracts—and whether, for the first time in its history, it will have to default on its securities. Such confusion and congestion in financial markets which results from changed financing plans adds directly to the costs of Government debt.

If the current temporary debt ceiling is not increased for fiscal year 1982, the debt limit will revert to its $400 billion permanent ceiling on October 1, and no issuance of debt will be permitted thereafter. In that case, the Treasury's cash balance will be quickly depleted as maturing debt is retired and other obligations are paid. In fact, the Treasury would run out of cash altogether in the first week of October.

I believe we can avoid these problems this year, and recommend that in future years the Senate consider combining the budget and debt limit actions. This would assure an earlier focus on controlling the public debt.

While passage of House Joint Resolution 265 will enable Treasury to finance the Government's operations after September 30, a technical matter necessitates additional debt ceiling authority for September 30. On that day the Treasury is scheduled to issue approximately $13 billion of securities to the civil service retirement trust fund. Unless additional leeway is provided for that particular day, the last day of the fiscal year, the Treasury will not be able to fulfill its responsibility to invest civil service retirement funds. For every $1 billion of retirement funds not invested, the trust fund would lose about $350,000 per day in interest.

Passage of House Joint Resolution 266 would provide a debt limit through September 30, of $999.8 billion and would allow the investment of these funds.

That concludes my remarks, Mr. Chairman.

Senator PACKWOOD. Mr. Secretary, I agree with everything you have said, except combining the budget and debt limit actions, because that would deny to this committee and to the Senate the enjoyment of attaching different riders to these debt ceiling bills. Short of that, we will have a markup on Tuesday, and I intend to vote for this increase. The case that you have made is very persuasive. Each time Treasury comes up it is a persuasive case.

I share Senator Byrd's sentiments about President Reagan. I am delighted at last we have a President who not only cares but can lead.

Nine months ago if you had told me that he would have been able to get Congress to cut the things that we have cut, I would have said that is an incredible act of leadership. Indeed, that is what it was. That is what we have done. We have got more to go. But in the meantime, until we go that far, we have to raise the debt ceiling.

Harry?

Senator BYRD. Mr. Secretary, do I understand the figures accurately? You are anticipating an increase in the debt from September of 1981 to September of 1982 of somewhere between $90 and $100 billion?

Secretary MEHLE. That is correct, Senator, in debt subject to limitation.

Senator BYRD. Now, does that include the off-budget items?

Secretary MEHLE. It includes the off-budget items, of course the on-budget items, and it also includes the required investment of the receipts for the several social security and certain other Government trust funds. So those three items together are the items that the increased issuance of debt would be in respect of.

Senator BYRD. So what you are saying is that during the 12-month period September to September, 1981 to 1982, the Government will spend between $90-100 billion.

Secretary MEHLE. That is essentially correct.

Senator BYRD. Now, you estimate that the debt subject to limitation at the end of September 1982 will be $1,074 billion. In developing that figure, what interest rate did you assume that the Government will need to pay on the debt?

Secretary MEHLE. Before I answer that, and I will, let me modify that statement about the expenditure amount of the Federal Government for fiscal year 1982.

A large part of the required increase in debt subject to limit is the result of the investment of the receipts that the social security and other trust funds get in the course of the year.

So, in fact, those moneys may be regarded as invested rather than spent; but they do give rise to an increase in the debt subject to limit.

The amounts I think that can be regarded as expended for goods and services received during the period would be the amount of the on-budget deficit combined with the amount of the off-budget deficit, which together will total about $60 billion.

Senator BYRD. If you are asking for an increase in the debt ceiling of $90-100 billion, that is bound to mean that you are going to spend $100 billion more than you take in.

Secretary MEHLE. If you look at the receipts of the social security and other trust funds as requiring investment, then you come to grips with the fact that they are not necessarily spent, they are invested; but, because they have to be invested in Federal debt, they give rise to an increase in the debt subject to limit.

Unlike tax receipts, which of course are collected through the taxing power and are not required to be invested, the social security trust fund receipts are invested. I think the distinction I am making may be a slim one, but——

Senator BYRD. I think the distinction is less than slim.

Secretary MEHLE. Well, let me go on and talk about the interest rates that are assumed in the 1982 budget.

For the 1-year Treasury bill rate the assumed rate for fiscal year 1982 is 10.4 percent. I will give you some benchmarks. For securities over 6 years, that is to say longer-term securities, the assumed rate is 12.3 percent. For the shortest maturity Treasury obligations, which is to say the 3-month bill, the assumed rate is 11.3 percent for 1982.

Senator BYRD. Now, what are you paying today?

Secretary MEHLE. Today the rates are considerably higher than that.

Senator BYRD. Sixteen percent?

Secretary MEHLE. The rates for the short-term securities are about 15 to 16 percent.

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Senator BYRD. Fifteen to 16 percent. And you say that they are going down to 11 percent?

Secretary MEHLE. Well, we certainly hope so.

Senator BYRD. All of us hope so. I do not suppose there is anyone in the country who does not hope so; but I do not know if we can operate the Government entirely on hope, although hope is a very desirable thing to have.

But, anyway, you are assuming then that the Government, instead of paying 15 to 16 percent for money, next year will be paying 11 percent for money?

Secretary MEHLE. I would say between 11 and 12 percent, or 11 and 12½ percent.

Senator BYRD. Now let me go back. I thought we had this clear until you interjected a moment ago. Is it not correct that the Office of Management and Budget projects a Federal funds deficit for 1982 of $66.5 billion plus an off-budget deficit of $18.2 billion, adding up to $85 billion?

Secretary MEHLE. I think there are a couple of concepts which are potentially very confusing. One is the unified budget deficit.

Senator BYRD. I want to deal, if we may, with the operating cost of the Government, namely the Federal funds budget. Now the other is a trust fund.

Secretary MEHLE. Right.

Senator BYRD. And I have opposed, ever since Lyndon Johnson brought it about, mixing the two together, because that does not give the American people a clear picture.

The reason we need to increase the debt, to the extent that we are, is the tremendous deficit in the operating fund, namely the Federal funds. Is that not correct?

Secretary MEHLE. Yes, that is $66½ billion.

Senator BYRD. Yes, $66½ billion. And then you have your off-budget deficits that you have to add to that.

Secretary MEHLE. That is right.

Senator BYRD. So you are getting a deficit of a minimum of $85 billion in the Federal funds budget as differentiated from the unified budget for fiscal 1982. Those are the figures that are projected.

Secretary MEHLE. That is correct including the off-budget deficit.

Senator BYRD. So that gets back to somewhere between $90–100 billion of additional expenditures over and above the revenues that will be received, which is exactly where we were a few moments ago.

Secretary MEHLE. Yes.

Senator BYRD. All right. Now let me say at this point that I am not quarreling at all with you or with the Treasury Department; all I want to do is to try to establish the figures and understand the figures.

Now let me ask you this in regard to interest rates. Statements have been made over the weekend by prominent Members of the Congress that if interest rates do not come down within a short period of time, the administration and the Congress must take action to bring them down.

Now what action can the Congress take to bring interest rates down?

Secretary MEHLE. The question probably comes down to additional restraints in spending. That looms largest on the horizon for action to be taken.

Senator BYRD. I think that is exactly my feeling. Let me put it in the form of a question.

As I visualize it, there is no way that Congress can legislate a reduction in interest rates directly. Do you agree with that?

Secretary MEHLE. Absolutely.

Senator BYRD. And the only way that Congress can help bring about a reduction in interest rates is to reduce the excess spending of the Federal Government, which in time will then bring down interest rates. Is that your approach?

Secretary MEHLE. That is certainly an appropriate approach. We believe that the more Government is present in the marketplace, the more difficult it generally is for others to satisfy their credit needs. And, of course, the more we spend, the more we will necessarily have to be in the marketplace, given our fiscal policy.

Senator BYRD. Well, then, if we agree that there is nothing that Congress can directly do to bring down interest rates, is there anything the administration can do?

Secretary MEHLE. I think the administration will need to take a leadership position, as I think you properly recognize that President Reagan has done, to continue to work together with the Congress on methods for reducing the amount of Federal presence in the marketplace, which arises principally because of the expenditures that the Federal Government makes.

I think the administration working together with Congress can effect these changes in Government expenditure.

Senator BYRD. By bringing down the excessive spending of the Government over and above the revenue that the Government receives, is that what you are saying?

Secretary MEHLE. I should mention, of course, in this context, that is to say in the context of causing a reduction of interest rates, that we continue to believe that one of the four parts of the President's economic program upon which we have placed emphasis remains very important, and that is the proper control of monetary policy.

But we certainly recognize that the presence of the Government in the marketplace does cause an increase in the total demand for funds and will have a tendency to make interest rates higher.

Senator BYRD. Your mention of monetary policy suggests, does it not, that the administration feels that if inflation is to be controlled and interest rates are to be brought down that it requires both fiscal policy and monetary policy?

Secretary MEHLE. Certainly both matters have to be addressed, and I think are being addressed and will continue to be.

Senator BYRD. I think that is true.

So I assume from what you say that the Treasury Department—and you speak for the Treasury today—does not recommend that the Federal Reserve ease its current monetary policy.

Secretary MEHLE. The view of the Treasury Department and the administration is that a slow, steady, predictable growth of the money supply, which keeps pace with the development of the real economy, is an appropriate monetary policy. It is that particular policy which we have looked for and which we have worked together with the Federal Reserve to have them achieve. And we are certainly pleased with the efforts that are being made along those lines by the Federal Reserve.

Senator BYRD. So the administration has no quarrel with the Federal Reserve in the way it has been handling the money supply in recent months?

Secretary MEHLE. I do not think we have ever had a quarrel. We have had a lot of healthy discussion on the subject, but by and large, to this point we are pleased to see that efforts are being made by the Federal Reserve to keep the pace of money supply growth one which roughly approximates, as I say, the growth in the underlying capacity of the economy. We hope they will continue to do that.

Senator BYRD. By hoping that they will continue that course, you are saying that you hope that they will not adopt a policy of a great expansion of the money supply?

Secretary MEHLE. Yes. We think that any rapid expansion of the money supply would be very damaging to the economy because of the effect that it would have on inflationary expectations.

Senator BYRD. During the upcoming fiscal year, what will be the total of the new and rollover debt? The new debt, I assume, is roughly $90 billion. What would be the rollover?

Secretary MEHLE. I am advised that $252 billion of marketable debt matures in the next year, and added to the maturing amount would be the amount of new money issues.

Senator BYRD. Maybe I did not understand you. Do you say the amount maturing of the present debt would be $250 billion?

Secretary MEHLE. Right. Out of the amount of debt subject to limit outstanding now, some approximately $985 billion, about $252 billion would mature in the next year.

Senator BYRD. $252 billion?

Secretary MEHLE. Yes.

Senator BYRD. So that would be about a little more than 25 percent?

Secretary MEHLE. Of debt subject to limit, right.

Senator BYRD. So you need to go into the money markets for that $252 billion?

Secretary MEHLE. That is right.

Senator BYRD. Now, on top of that, you need to go into the money markets for whatever the new deficit is?

Secretary MEHLE. Well, for a portion of it, because some of it, as we have noted, is issued to the social security trust fund. The amount of new financing is probably about $60 billion that we would have to go into the marketplace for, and not even all of that necessarily will come from the marketplace. Some of it may come from savings bond flows.

Senator BYRD. Now, we have established that you are going to have a Federal funds deficit of $66½ billion plus off-budget deficits totaling $85 billion.

Secretary MEHLE. Yes.

Senator BYRD. So you will have to go into the money markets for the bulk of that.

Secretary MEHLE. Well, the reason you do not have to raise the entire $85 billion in the market is because of debt that you issue to the social security and other trust funds, which is not the public marketplace. So that is a relief, so to speak, from the amount that you have to get in the marketplace.

The amount in the marketplace is about $60 billion which, when coupled with the amount received from the social security and other trust funds, totals that number you spoke of about $85 billion or so.

Senator BYRD. Speaking of the social security trust fund, from the last figures I saw, it is down to a 2-month's level, that is, adequate funds to pay only 2 months of benefits. Is that about right?

Secretary MEHLE. I cannot comment on that, I am sorry to say. I will find the answer out for you on that.

Senator BYRD. Well, let me ask you this in regard to social security: What interest does the Government pay on the buying of those social security trust funds?

Secretary MEHLE. The interest rate on the funds that flow into the social security trust funds periodically is a rate which is the average of the current yields on all Treasury obligations that have a maturity longer than 4 years. So for each incremental investment of the funds the rate is approximately the long-term borrowing rate of Treasury obligations.

Senator BYRD. So the trust fund is receiving an appropriate interest?

Secretary MEHLE. Right now the new investments are being made at a level of approximately 14 percent.

Senator BYRD. Fourteen?

Secretary MEHLE. Yes; in accordance with that formula I gave you.

Senator BYRD. Of course, the Treasury is now paying right at 16, or slightly less than 16, for money that it borrows on the open market.

Secretary MEHLE. Well, for the securities over 4 years it actually is paying 14 percent. But others are at a higher yield right now, as we said earlier, more between the 15- and 16-percent range for the very shortest term security.

Senator BYRD. That rollover debt of $252 billion, how does that compare with the rollover in the current fiscal year?

Secretary MEHLE. In fiscal year 1981?

Senator BYRD. Yes.

Secretary MEHLE. Well, I expect it is going to be very much the same, but if you will give me a moment here I will ask the members of the staff to come up with that.

Well, I correct my statement. We won't have it for you in a moment. We will supply it for you later. But I can tell you it is very much like the amount that in fiscal year 1982 we will see in rollover, because about the same amount runs off every year.

Senator BYRD. I wonder if you could get your staff to give my office a call and just give me that figure when you are able to.

Now, just one or two additional questions, then I will be through.

You base the figures for the upcoming year on the Treasury paying 11 percent, roughly 11 percent, for money. If the interest rates stay high—and I was talking with a presumed expert yesterday who feels that the interest rates will go up to 24 percent—if the interest rates stay in the current range how would that affect your financial picture? How would that increase the Federal funds? To what extent would that increase the Federal funds deficit?

Secretary MEHLE. There is a rule of thumb which is used, and can be found actually in the copy of the budget, on sensitivity of the budget to economic assumptions.

I am going to give you the thumb rule which is used by OMB: it is that a 1 percentage point increase in interest rates increase would increase interest costs by $4.2 billion.

Senator BYRD. Each 1 percent?

Secretary MEHLE. Each 1 percent. And that is from January 1, 1981. So for fiscal year 1982, if the rates were to be increased by January 1, 1981, the additional outlays would be $4.2 billion.

Senator BYRD. If the rates stayed roughly what they are now, it would be somewhere in the neighborhood of $20 billion additional?

Secretary MEHLE. With current rates, if the market stayed where it is, the additional amounts of outlays could be $10 to $12 billion, if they stay exactly where they are for the entire fiscal year 1982.

Senator BYRD. Now, is that a mixture of the long-term rates and the short-term rates? It is not based on the current short-term rates?

Secretary MEHLE. No, it is based on the existing structure across the board and dealing with the maturing securities as if they would be rolled over into indebtedness of the same maturity.

Senator BYRD. Will most of your new financing be for a short term, or will it be more than 4 years?

Secretary MEHLE. Most of the financing is much shorter than for the 4-year period of time. We have the bulk of our financing done in the short-term market, the bill market, where the maturities are less than 1 year.

Senator BYRD. And that is why we are paying 15 to 16 percent?

Secretary MEHLE. That is the market where the highest yield is right now. The lower yields are being paid for longer term securities. We have what is referred to as an inverted yield curve. The relationship is not ordinarily that way. Ordinarily, in the past, shorter term maturities have carried lower yields than longer term maturities, but presently we are not in that circumstance.

Senator BYRD. One final question: How do you see interest rates 3 months from now?

Secretary MEHLE. Well, I have been in the securities business for about 12 years before I came here, and I do not think I ever made a prediction on interest rates. I would like to keep my record unblemished.

Senator BYRD. Mr. Chairman, I may have some inserts for the record.

Senator PACKWOOD. By all means.

Senator PACKWOOD. Senator Dole?

Senator DOLE. Thank you, Mr. Chairman.

I have a statement which I would like to have made part of the record which I will not read, except to indicate that we are here again to increase the debt.

[The prepared statement of Senator Robert J. Dole follows:]

Statement of Senator Dole

Mr. Chairman, this is the second time this year that the Finance Committee has been obliged to address the question of the limit on the public debt. Raising the debt limit is a perennial problem for Members of Congress—but we ought to remember that the consequences of failing to raise the limit are even more painful.

The present debt limit, which we approved in February, is valid only through September 30. So we have known for some time that we would have to address this question around the close of fiscal year 1981. In fact the house already has passed two resolutions that increase the debt ceiling, H.J. Res. 265 and H.J. Res. 266. Those resolutions were approved by the House in connection with the first concurrent budget resolution for fiscal year 1982, and were referred to the Finance Committee. H.J. Res. 266 was used by this committee as a vehicle for our tax cut proposal, and pertains only to the remainder of fiscal 1981. H.J. Res. 265 is pending in the Finance Committee and would provide a limit of $1,079.8 billion through September 30, 1982.

Mr. Chairman, the thought of raising the public debt limit above a trillion dollars is a matter of concern to many. But is a matter that must be faced and dealt with promptly, because it shows how we have gone astray in the past and how we must act differently in the future.

I look forward to hearing the testimony of Assistant Secretary Roger Mehle, although I regret that his appearance today must involve a request for another extension of the debt limit. The fact is that our present debt limit procedure, which derives from the Second Liberty Bond Act of 1917, was intended to minimize the number of occasions on which Congress must act to authorize the issuance of Federal debt. Because of the explosive growth of Federal deficits in recent decades, the debt ceiling has been increased an inordinate number of times. The ceiling was raised on 13 separate occasions in the 1960's, and 18 times during the 1970's. Worse yet, on three occasions in recent years the temporary limit has expired without timely legislative action to extend it. As a result, the Treasury Department had to suspend sales of savings bonds and other securities. Such suspensions only undermine investor confidence, and make it likely that bidders for Government securities will demand a higher interest premium in the future to safeguard them against future disruptions. That means higher costs to the Treasury, at a time when we are trying our best to reduce those costs.

Mr. Chairman, through the cooperation of this administration and this Congress we have made substantial strides this year toward getting the Federal budget under control. I hope that, with further cooperation, we may gain sufficient command over the fiscal situation to avoid frequent increases in the debt ceiling. But clearly we cannot fail to act now, in view of the obligations the U.S. Government is bound to honor over the coming months. I know that the President is preparing further proposals that will affect the budget for fiscal year 1982 and the years to follow. We do have an obligation to minimize the burden of the public debt, and we ought to continue to work for a consensus on a rational fiscal policy that will demonstrate our good faith with the American people. At the same time we must remember that our problems were not generated overnight, but over a period of decades, and that there are no quick solutions or easy answers. A firm and steady course over a period of years is the only sensible policy, and I know that the administration will agree.

Senator Dole. I hope the trips to the financial markets will be less frequent. The ceiling was raised on 13 separate occasions in the 1960's and 18 times during the 1970's. Worse yet, on three occasions in recent years the temporary limit has expired without timely legislative action to extend it, and you had to suspend sales of bonds and other securities and hold up the payments of checks.

I think you made that clear in your statement. It is not going to be easy to ask our colleagues to vote to exceed a trillion dollars. There is something about that figure that is a barrier to many, but I would hope that the alternatives will be articulated, as it has been in your statement.

But just so that we can have it again for the record, what happens if we do not do anything before the 30th of September?

Secretary Mehle. As I mentioned before, Senator, we would have to take a number of actions which are very disruptive to the Treasury's operations and which increase the cost of Government financing. Those could include suspension of auctions of Treasury securities, the necessity to suspend issuing savings bonds, notifying the savings bonds issuing agencies that they could not sell them.

They could include such measures as disinvestment of the various trust funds, which would result in loss of interest to fund beneficiaries.

I might cite what I think is a very good and comprehensive report on the consequences of failure to increase the debt limit in a timely way. It is a report of the General Accounting Office of September 1979, and it chronicles the history of failure after failure to increase the debt limit in the past and sets forth in full the details of these kinds of things that I just mentioned.

Senator DOLE. You have indicated that you have got a little problem there on the 30th of September; you need additional debt authority on that date. Right?

Secretary MEHLE. That is right.

Senator DOLE. And if that does not happen, it costs the Treasury what? $4½ million?

Secretary MEHLE. What will happen in that event is that the investment of the civil service retirement trust fund cannot be made on the date that it is prescribed to be made, which is the last day of the fiscal year. That means that, assuming the debt subject to limit were increased for fiscal 1982 to the amount requested, the fund would not be fully invested until the next day, October 1. Accordingly, it would have lost interest on the prescribed investment amount of $13 billion, which would be equal to about $5 million.

So it would not be the Treasury who would have the loss, it would be the civil service trust fund.

Senator DOLE. But as I understand that, we used House Joint Resolution 266 as a vehicle for our tax cut, and so that resolution is now on the calendar.

Secretary MEHLE. Right.

Senator DOLE. It would take unanimous consent, I understand, to do that.

The other thing we could do would be to amend House Joint Resolution 265 and move it back a day.

Are you suggesting any other amendments to the debt ceiling?

Secretary MEHLE. Than those?

Senator DOLE. Right.

Secretary MEHLE. No.

Senator DOLE. There have been some comments about impoundment authority and other things being added to the debt ceiling.

Secretary MEHLE. Well, it is certainly nothing that I bring here in my testimony. I have read, of course, as all of us have, about these kinds of things in the papers but it is not part of what I bring.

Senator DOLE. How would you view that, if in fact the debt ceiling was used as a vehicle for a number of amendments? I guess your concern is in getting it passed.

Secretary MEHLE. That is right. My concern is a timely passage of the debt ceiling to limit increase so that we can invest the trust fund and conduct the business of Government in the coming fiscal year.

Senator DOLE. But if it contained, say, a package of amendments which would modify the minimum benefit and address the social security concerns, and maybe have some deferral or—I guess impoundment is not a good word these days—some other authority, your primary concern would be that we do all that in a timely fashion.

Secretary MEHLE. That is right. It would be important, I would think, to have our debt limit increased appropriately by September, I would say, which addresses the two issues: one, on September 30 we could make the investment of the civil service trust fund. And then, in the coming fiscal year, if there is no increase in the debt limit, it would revert to the $400 billion permanent ceiling, and in a matter of days, literally, we would run out of cash because of obligations which would come due which we could not fund.

Senator DOLE. We will have a full committee meeting next Tuesday, at which time we will hopefully be able to pass whatever we decide to do and get it on the Senate floor.

I assume there would be somebody thinking of some possible amendments to the debt ceiling. It has happened in the past, and I would assume that there are a lot of fertile minds at work at the staff level, trying to dream up all sorts of goodies before we take it up.

I might also suggest, since you are here, that we hope to address a second tax bill in this committee this year. We made the promise to a number of our colleagues, that if they would refrain from adding their amendments to the first proposal—not many did refrain, but we made that promise—that there would be a second tax bill.

We have also indicated that it must be revenue neutral, that we have to find some gainers if we are going to have losers.

This may not be in your area but, since you are probably going back to the building, it is my understanding that Treasury has been working on a number of areas that might be used to pick up some revenue. In fact, we anticipated a second proposal, and we had hoped to address that later this month or early next month. The question is of concern to a number of our colleagues and others on the outside who believe that there could be a second tax bill.

I cannot speak for the House, but on this side we did make, I think, a rather public commitment that we would do our best. If we cannot come up with a revenue neutral bill, maybe that would be the end of it.

We will probably be needing some assistance to pass a trillion dollar plus increase in the public debt, but I agree with Senator Byrd in that I think the only way we are ever going to restore confidence and bring down interest rates is to continue with the spending reduction.

This committee, I might add, has done quite well. I think about 27 percent of the original cuts were accomplished by this committee in a bipartisan way. We are willing to do more, but we think there are other areas that ought to be looked at.

Secretary MEHLE. I might make one comment. It seems to me Senator Byrd and I had a conversation on this subject several months ago when I first arrived.

One of the Federal presences in the marketplace which does not score on the budget, either on budget or off-budget, which does have an effect on the allocation of funds is the Government-guaranteed loan programs. We do not see those numbers set forth for us on the budget, although they can be reviewed in the special analyses of the budget, but they are not put into the budget totals or in the off-budget totals either. That is an area that I know is being addressed, the so-called credit budget, those items that, while they allocate resources in the economy as if the Federal Government were intermediating the funds, nevertheless do not score on the budget.

That is being looked at also, I know. And it really does have the same kind of economic effect as the direct expenditures that do score on the budget of the Federal Government, so far as allocating resources in the economy.

Senator DOLE. Well, I think when we were out of town there were a lot of people who made the whole economic package retroactive. We hear a lot of media talk now that the program has not had any impact. I thought it took effect in October, but maybe I missed something during the debate. But in August, when I was not here much, I kept reading and listening and watching on television about the failure of the program. Maybe it was made retroactive by the media while we were in recess, but we have not repealed it, have we? I mean the package is still intact, as far as you know?

Secretary MEHLE. As far as I know, it is. And I quite agree. The time that has elapsed since the package has been in effect is really awfully brief. And, while the markets are going through a bit of a sorting out process right now, we trust that when it is apparent that the program has taken hold, as well as when we take some additional measures that seem to be indicated, as we have discussed, particularly expenditure measures, the markets will become a bit more stable.

Senator DOLE. Yes. I am not certain we should have recesses anymore. If there is nothing going on around, there is not much to write about or talk about, and so there is a lot of focus by the media on something that did not happen.

I do not fault that. I mean, we do that ourselves sometimes. But maybe we should not have any more 30-day recesses, following what I thought was an historic effort by the Congress and the administration for the first time to really look at spending and cut it $36 billion in fiscal 1982, and to enact the tax cut. Then I read this morning that some of the Wall Street people now are sorry they supported a tax cut. They did not appear that way when they came before our committee. Just because they did not get one little provision, it is reported that they are not happy. I do not even recall any testimony on that provision when they appeared here.

But, be that as it may, I think there are a number of us who are going to continue to look at the effective date, not the perception of what could have happened.

Secretary MEHLE. We think that is entirely appropriate.

Senator DOLE. Now, you cannot predict what the rate will be, but you are optimistic about interest rates, are you not?

Secretary MEHLE. I am optimistic. I am optimistic because I believe in the fundamentals of the program.

There is no question that markets do change from day to day, and they adjust up and down on the news, the events of the day, on perceptions; but they also operate over the long run. And, with the fundamentals having been addressed as they have been, and with what we expect and hope will be a confined adherence to those fundamentals, the market can do nothing but improve.

Senator DOLE. There will be some of that before the end of the year?

Secretary MEHLE. I would certainly hope so, because I think there are some new initiatives that will be taken that, I believe, will be dealt with and discussed between the administration and the Congress in the coming weeks. They are entirely appropriate, and I think they will have a salutary effect on the markets.

Senator DOLE. Thank you, Mr. Chairman.

Senator PACKWOOD. Any other questions?

Senator BYRD. I would like to mention one thing that is in the form of a question. It has not been brought out this morning, but am I not correct that dollar-wise the interest cost on the debt for the upcoming year will exceed $100 billion?

Secretary MEHLE. Right. It is projected, Senator, to be $108.6 billion.

Senator BYRD. It is projected at $108 billion on an assumption of an 11-percent interest rate that the Government would have to pay?

Secretary MEHLE. Well, it is really higher than that. It is between 11 and 12½ percent. But it is certainly in the range that you mentioned. That is right.

Senator BYRD. The interest rate assumption is between 11 and 12½?

Secretary MEHLE. Right.

Senator BYRD. That, of course, could be an optimistic assumption; but, even based on that assumption, the interest cost to the Government would be $108 billion for the upcoming year?

Secretary MEHLE. That is correct.

Senator BYRD. I would like to put this chart in the record.

[Tables furnished by Senator Harry F. Byrd, Jr. follow:]

UNIFIED BUDGET RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT FOR FISCAL YEARS 1958-81, INCLUSIVE [1]

[In billions of dollars]

	Receipts	Outlays	Surplus (+) or deficit (−)
Fiscal year:			
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

UNIFIED BUDGET RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT FOR FISCAL YEARS 1958-81, INCLUSIVE [1]—Continued

[In billions of dollars]

	Receipts	Outlays	Surplus (+) or deficit (−)
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	326.2	−45.2
1976	300.0	366.4	−66.4
1977	357.8	402.7	−45.0
1978	402.0	450.8	−48.8
1979	465.9	493.7	−27.7
1980	520.0	579.6	−59.6
1981 [2]	605.6	661.2	−55.6
1982 [2]	662.4	704.8	−42.5

[1] Prepared for Senator Harry F. Byrd, Jr., Virginia
[2] Estimates—fiscal year 1982 budget revisions
Source Office of Management and Budget, fiscal year 1981 Second Concurrent Budget Resolution, July 1981

DEFICITS IN FEDERAL FUNDS AND INTEREST OF THE NATIONAL DEBT FOR FISCAL YEARS 1959-80, INCLUSIVE [1]

[In billions of dollars]

Year	Receipts	Outlays	Surplus (+) or deficit (−)	Interest [2]
1959	65.8	77.1	−11.3	7.8
1960	75.6	74.9	+.8	9.5
1961	75.2	79.3	−4.2	9.3
1962	79.7	86.6	−6.9	9.5
1963	83.5	90.2	−6.6	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	17.6
1970	143.2	156.3	−13.1	20.0
1971	133.8	163.7	−29.9	21.6
1972	148.8	178.1	−29.3	22.5
1973	161.4	187.0	−25.6	24.8
1974	181.2	199.9	−18.7	30.0
1975	187.5	240.1	−52.6	33.5
1976	201.1	269.9	−68.8	37.7
1977	241.3	295.8	−54.5	42.6
1978	270.5	332.0	−61.5	49.3
1979	316.4	362.4	−46.1	59.8
1980	350.8	419.2	−68.4	74.8
1981 [3]	412.6	476.4	−63.8	96.5
1982 [3]	439.5	505.9	−66.5	108.6

[1] Prepared for Senator Harry F. Byrd, Jr., of Virginia
[2] Interest on gross Federal debt.
[3] Estimated figures.
Source Office of Management and Budget, July 1981

THE NATIONAL DEBT IN THE 20TH CENTURY [1]

[Totals at the end of fiscal years in billions of dollars]

1900	1	1921	24	1942	79	1963	311
1901	1	1922	23	1943	143	1964	317
1902	1	1923	22	1944	204	1965	323
1903	1	1924	21	1945	260	1966	329
1904	1	1925	21	1946	271	1967	341
1905	1	1926	20	1947	257	1968	370
1906	1	1927	19	1948	252	1969	367
1907	1	1928	18	1949	253	1970	383
1908	1	1929	17	1950	257	1971	410
1909	1	1930	16	1951	255	1972	437
1910	1	1931	17	1952	259	1973	468
1911	1	1932	19	1953	266	1974	486
1912	1	1933	23	1954	271	1975	544
1913	1	1934	27	1955	274	1976	632
1914	1	1935	29	1956	273	1977	709
1915	1	1936	34	1957	272	1978	780
1916	1	1937	36	1958	280	1979	834
1917	3	1938	37	1959	288	1980	914
1918	12	1939	48	1960	291	1981 [2]	995
1919	25	1940	51	1961	293	1982 [2]	1,079
1920	24	1941	58	1962	303		

[1] Gross Federal debt.
[2] Estimated in fiscal year 1982 budget revisions.
Source: Office of Management and Budget July 1981.

FEDERAL DEFICIT: FEDERAL FUNDS AND OFF-BUDGET ENTITIES [1]

	Federal funds	Off-budget	Total deficit
Fiscal year:			
1973	−25.6	−0.1	−25.7
1974	−18.7	−1.4	−20.1
1975	−52.6	−8.1	−60.7
1976	−68.8	−7.3	−76.1
1977	−54.5	−8.7	−63.2
1978	−61.5	−10.4	−71.9
1979	−46.1	−12.5	−58.6
1980	−68.4	−14.2	−82.8
1981 [2]	−63.8	−24.0	−87.8
1982 [2]	−66.5	−18.2	−84.7

[1] Prepared for Senator Harry F. Byrd, Jr.
[2] As estimated in the fiscal year 1982 midsession review, July 1981.
Source: Office of Management and Budget, July 1981.

Senator BYRD. I think it is interesting to note that the national debt has doubled since 1974. At the end of fiscal 1974 the debt was $486 billion. At the end of this fiscal year it will be almost exactly double that figure, which is another way of saying that in almost 200 years of our Nation's existence half of our debt was created, and in 7 years the other half was created.

So I do not blame the financial markets for being deeply concerned. I am deeply concerned, too. The mitigating factor is, however, that we have a President who is determined to change that and has shown that he is determined to change it, and he has done what no other President has done: he has been able to get the

Congress, which is not a totally responsible body at all times, to reduce spending by very, very significant amounts.

So I want to commend the administration, but at the same time I do not want to gloss over what I think is a continued, very serious position in which the Federal Government finds itself on the financial side, namely having doubled the debt in a very short period of 7 years.

Secretary MEHLE. Well, we certainly share your concern in that regard, and I think the administration, the President, will continue to work vigorously to check the pace of growth of the Federal presence in the marketplace.

Senator PACKWOOD. I might say, Harry—you mentioned impoundment a little earlier—you will recall that in 1972 we had a debate about impoundment and President Nixon at that time.

The issue was should we let the President cut the budget where he wanted it above $250 billion. And 10 years later we are talking about a budget of someplace between $750 and $800 billion.

Senator BYRD. Yes. I really think drastic action is needed over and above what has already been done. And if it takes impoundment or something similar to that, I think that ought to be tried.

I also feel that it is wrong to exempt the Defense Department from any close scrutiny such as has been given the other departments.

I am a strong defense advocate and have been ever since I have been in the Senate, but I am willing to support any reasonable proposals that the President may make to steal back some of the tremendous increases in defense that have been proposed. I just think we are in a very desperate situation financially, and that is having its effect on our entire economy.

Senator PACKWOOD. The hearing is adjourned.

Thank you, Mr. Secretary.

STATEMENT OF HON. ROGER W. MEHLE, ASSISTANT SECRETARY OF THE TREASURY, DOMESTIC FINANCE

Mr. Chairman and members of the committee, I am here to advise you of the need for Senate action this month to increase the debt limit. The increase in debt each year is simply the result of earlier decisions by Congress on the amounts of Federal spending and taxation. Once these decisions are made, as they were in connection with enactment of the President's Economic Program earlier this summer, the U.S. Government, through the Treasury Department, then must provide the financing that these commitments entail. Based on Mid-Session Review estimates of outlays, receipts and other transactions affecting debt subject to limit, the amount of debt subject to limit outstanding on September 30, 1982 will total $1,074.9 billion. This estimate, of course, is subject to change based on new legislation and unfolding economic developments. However, given this projection of debt issuance, adoption of a debt limit of $1,079.8 billion for fiscal year 1982 should give the Treasury sufficient borrowing capacity with some added leeway for borrowing should contingencies arise.

Prompt action on the debt ceiling is required to avoid a repetition of past dislocations which have hampered Treasury operations. In recent years, delays in action on the debt limit have generated uncertainty about Treasury financing schedules and on several occasions drastic measures have been undertaken. These measures have included suspension of savings bond sales, postponement of auctions and disinvestment of trust funds. Treasury reaches a point when it must consider which obligations it should pay—social security checks, payroll checks, unemployment checks, defense contracts—and whether, for the first time in history, it will default on its securities. Such confusion and the congestion in financial markets which results from changed financing plans adds directly to the costs of Government debt.

If the current temporary debt ceiling is not increased for fiscal year 1982, the debt will revert to its $400 billion permanent ceiling on October 1, and no issuance of debt will be permitted. In that case, the Treasury's cash balance will be quickly depleted as maturing debt is retired and other obligations are paid. In fact, the Treasury would run out of cash altogether in the first week of October. I believe we can avoid these problems this year, and recommend that in future years the Senate consider combining the budget and debt limit actions. This would assure an earlier focus on controlling the public debt.

While passage of H.J. Res. 265 will enable Treasury to finance the Government's operations after September 30, a technical matter necessitates additional debt ceiling authority for September 30. On that day the Treasury is scheduled to issue approximately $13 billion of securities to the Civil Service retirement trust fund. Unless additional leeway is provided, the Treasury will not be able to fulfill its responsibility to invest Civil Service retirement funds. For every $1 billion that is not invested, the trust fund will lose about $350,000 per day in interest. Passage of H.J. Res. 266 would provide a debt limit through September 30 of $999.8 billion, and allow the investment of these funds.

Secretary MEHLE. Thank you, sir.

[Whereupon, at 10:26 a.m., the hearing was concluded.]

[The following material was submitted for the record:]

APPENDIX I

Tables Prepared for Harry F. Byrd, Jr.

TABLE 1.—ESTIMATED OWNERSHIP OF PUBLIC DEBT SECURITIES, JUNE 30, 1981

[Dollars in billions]

	Amount	Percent
Held by:		
Federal Reserve System	$120.0	12.4
Government accounts	199.9	20.6
Total	320.0	32.9
Held by private investors:		
Individuals:		
Savings bonds	69.2	7.1
Other securities	70.4	7.2
Total individuals	139.6	14.4
Commercial banks	103.7	10.7
Insurance companies	15.9	1.6
Mutual savings banks	6.0	.6
Corporations	20.6	2.1
State and local governments	78.6	8.1
Foreign and international	141.2	14.5
Other investors	145.6	15.0
Total privately held	651.2	67.1
Total public debt securities outstanding	971.2	100.0

Note.—Figures may not add to totals due to rounding

Source Office of the Secretary of the Treasury, Office of Government Financing, September 3, 1981.

TABLE 2.—MATURITY DISTRIBUTION OF OFFICIAL FOREIGN HOLDINGS OF TREASURY PUBLIC DEBT SECURITIES, JUNE 30, 1981 [1]

[In millions of dollars]

Years to maturity	Marketable	Nonmarketable	Total
1 year and under	61,751	6,628	68,379
1 to 5 years	24,781	8,110	32,891
Over 5 years	4,275	3,579	7,854
Total	90,807	18,317	109,124

[1] This table shows the maturity distribution of official foreign holdings of Treasury securities in custody at the FRBNY and in the Treasury Deposit Funds. Carter bonds, which total $6,437 million, are not included here since they are not foreign official holdings.

Note.—Detail may not sum to totals due to rounding.

Source: Office of the Secretary of the Treasury, Office of Government Financing, September 3, 1981

TABLE 3.—TOTAL FOREIGN OFFICIAL CUSTODY ACCOUNT HOLDINGS AT FRBNY

[In billions of dollars]

	1980		1981		
	Sept. 24	Dec. 31	Mar. 25	July 1	Aug. 19
Marketable	81.2	88.5	96.8	94.8	89.9
Nonmarketable	19.1	17.6	17.9	16.6	15.7
Total	100.3	106.1	114.7	111.4	105.6

Source: Office of the Secretary of the Treasury, Office of Government Financing, September 3, 1981.

TABLE 4.—NET INCREASE IN FEDERAL AND FEDERALLY ASSISTED BORROWING FROM THE PUBLIC

[Fiscal years; billions of dollars]

Year	Federal borrowing from the public				Federally assisted borrowing from the public				Total Federal and federally assisted borrowing from the public
	Budget deficit	Off-budget deficit [1]	Other means of financing [2]	Total [3] [6]	Guaranteed obligations	Sponsored agency obligations [4]	Deduct to avoid double counting [5]	Total	
1970	2.8		2.6	5.4	8.6	10.7	6.8	12.5	17.9
1971	23.0		−3.6	19.4	16.3	1.5	3.8	14.0	33.5
1972	23.4		−3.9	19.4	19.8	5.0	4.3	20.5	40.0
1973	14.8	.1	4.4	19.3	16.3	8.8	−3.2	28.3	47.5
1974	4.7	1.4	−3.1	3.0	10.3	14.9	3.8	21.4	24.4
1975	45.2	8.1	−2.4	50.9	16.5	11.9	14.4	14.0	64.9
1976	66.4	7.3	9.2	82.9	16.3	5.3	6.3	15.3	98.2
TQ	13.0	1.8	3.3	18.0	2.8	1.7	3.2	1.3	19.3
1977	44.9	8.7	−.1	53.5	21.1	7.0	2.1	26.0	79.6
1978	48.8	10.4	−.1	59.1	24.7	24.1	13.5	35.3	94.4
1979	27.7	12.5	−6.6	33.6	39.3	25.7	17.0	48.0	81.7
1980	59.6	14.2	−3.3	70.5	47.9	27.5	21.6	53.8	124.4
1981e	55.6	24.0	−8.6	71.0	73.3	20.7	24.5	69.5	140.5
1982e	42.5	18.2	−1.7	59.0	75.0	30.6	23.8	81.8	140.8
Net change 1970–82	472.4	106.7	−13.9	565.0	388.2	195.4	141.9	441.7	1,006.7
Outstanding September 30, 1982				845.1	510.5	220.9	155.5	575.9	1,421.0

[1] Consists largely of Federal Financing Bank borrowings to finance the purchase of guaranteed obligations.
[2] Consists largely of changes in Treasury cash balances.
[3] Consists of borrowing by Treasury and minor amounts by other Federal agencies.
[4] Consists largely of Federal National Mortgage Association and the Federal home loan bank and farm credit systems.
[5] Largely Federal Financing Bank and sponsored agency purchases of guaranteed obligations.
[6] 1976 figure excludes retroactive reclassification of $471 million of Export-Import Bank asset sales to debt.

Source: July 15, 1981 Mid-Session Review of the 1982 Budget.

TABLE 5.—FEDERAL DEFICITS AND DEBT, 1971–82

[In billions of dollars]

	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981e	1982e
Federal funds deficit	−29.9	−29.3	−25.6	−18.7	−52.5	−68.9	−11.0	−54.5	−61.5	−46.1	−68.4	−63.8	−66.5
Less trust fund surplus or deficit	6.8	5.9	10.7	14.0	7.4	2.4	−2.0	9.5	12.7	18.3	8.8	8.2	24.0
Equals total unified budget deficit	−23.0	−23.4	−14.8	−4.7	−45.2	−66.4	−13.0	−45.0	−48.8	−27.7	−59.6	−55.6	−42.5
Plus deficit of off-budget Federal entities [1]			−.1	−1.4	−8.1	−7.3	−1.8	−8.7	−10.3	−12.4	−14.2	−24.0	−18.2
Equals total deficit	−23.0	−23.4	−14.9	−6.1	−53.1	−73.7	−14.7	−53.7	−59.2	−40.2	−73.8	−79.6	−60.7
Less nonborrowing means of financing [2]	3.6	3.9	−4.4	3.1	2.4	−9.2	−3.3	.1	.1	6.5	3.3	8.6	1.7
Equals total borrowing from the public	19.4	19.4	19.3	3.0	50.9	82.9	18.0	53.5	59.1	33.6	70.5	71.0	59.0
Plus change in debt held by Government agencies [3]	7.4	8.4	11.8	14.8	7.0	4.3	−3.5	9.2	12.2	19.7	10.1	9.8	25.1
Equals change in gross Federal debt	26.9	27.9	31.1	17.8	57.9	87.3	14.5	62.7	71.3	53.3	80.6	80.8	84.1
Less change in Federal agency debt	−.3	−1.3	.2	.9	−1.1		.2	−1.4	−1.4	−1.6	−.6	−.5	−1.0
Equals change in gross public debt	27.2	29.1	30.9	16.9	59.0	87.2	14.3	64.1	72.7	54.9	81.2	81.3	85.1
Plus change in other debt subject to limit [4]	−1.2		−.4		.1	.1					−.1		−.1
Equals change in debt subject to limit	26.0	29.1	30.5	16.9	59.0	87.3	14.3	64.1	72.7	54.9	81.1	81.2	85.0
Debt Outstanding end of Fiscal Year:													
Gross Federal debt [5]	409.5	437.3	468.4	486.2	544.1	631.9	646.4	709.1	780.4	833.8	914.3	995.1	1,079.2
Less Federal agency debt [5]	12.2	10.9	11.1	12.0	10.9	11.4	11.7	10.3	8.9	7.2	6.6	6.2	5.2
Equals gross public debt	397.3	426.4	457.3	474.2	533.2	620.4	634.7	698.8	771.5	826.5	907.7	989.0	1,074.0
Plus other debt subject to limit [4]	1.3	1.3	.9	.9	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.0	.9
Equals debt subject to limit	398.6	427.8	458.3	475.2	534.2	621.6	635.8	700.0	772.7	827.6	908.7	989.9	1,074.9

[1] Consists largely of Federal Financing Bank borrowings to finance off-budget programs.
[2] See attached table.
[3] Consists largely of trust fund surplus or deficit.
[4] Net of certain public debt not subject to limit.
[5] Fiscal year 1976 figure includes reclassification of $471 million of Export-Import Bank certificates of beneficial interest from asset sales to debt

Source: Special Analysis E, U.S. Budget, fiscal year 1982 (July 15, 1981).

TABLE 6.—MEANS OF FINANCING OTHER THAN BORROWING FROM THE PUBLIC

[in million of dollars]

	1980 actual	Estimate 1981	Estimate 1982
Means of financing other than borrowing from the public: Decrease or increase in cash and other monetary assets	643	5,990	
Increase or decrease in liabilities to:			
Checks outstanding, etc	−490	1,145	846
Deposit fund balances	2,478	1,000	161
Seigniorage on coins	663	444	649
Total means of financing other than borrowing from the public	3,293	8,579	1,656

Source: Office of the Secretary of the Treasury, Office of Government Financing July 16, 1981.

TABLE 7.—DEBT SUBJECT TO LIMIT

[Fiscal years, in billions of dollars]

	Actual 1980	Estimate 1981	Estimate 1982
Unified budget deficit	59.6	55.6	42.5
Portion of budget deficit attributable to trust surplus or deficit	8.8	8.2	24.0
Federal funds deficit	68.4	63.8	66.5
Deficit of off-budget Federal entities	14.2	24.0	18.2
Total to be financed	82.6	87.8	84.7
Means of financing other than borrowing, and other adjustments	−1.5	−6.6	.3
Change in debt subject to limit	81.1	81.2	85.0
Debt subject to limit, beginning of year	827.6	908.7	989.9
Anticipated debt subject to limit, end of year	908.7	989.9	1,074.9

Source: Mid-Session Review of the 1982 Budget (July 15, 1981).

TABLE 8.—RECEIPTS, OUTLAYS AND SURPLUSES OR DEFICITS IN TRUST FUNDS (Part 1)

[Fiscal years, in billions of dollars]

	1975			1976			1977			1978		
	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit
Social security	66.7	64.7	+2.0	70.7	73.9	−3.2	81.2	85.1	−3.9	89.6	93.9	−4.3
Health insurance	16.9	14.8	+2.1	18.5	17.8	+.7	22.8	21.5	+1.2	27.6	25.2	+2.4
Revenue sharing	6.2	6.1	+.1	6.4	6.2	+.1	6.7	6.8	−.1	6.9	6.8	([1])
Unemployment	8.2	13.2	−5.0	16.2	17.9	−1.7	15.0	14.1	+.9	15.1	11.2	+4.0
Federal employees retirement	11.5	7.1	+4.4	13.2	8.4	+4.8	16.7	9.7	+7.0	17.8	11.0	+6.8
Highways	6.8	4.8	+1.9	6.0	6.5	−.5	7.3	6.1	+1.2	7.6	6.1	+1.5
Other	2.4	.4	+2.0	2.7	.6	+2.2	3.2	([1])	+3.2	3.4	1.2	+2.3
Total	118.6	111.2	+7.4	133.7	131.3	+2.4	152.8	143.3	+9.5	168.0	155.3	+12.7

TABLE 8.—RECEIPTS, OUTLAYS, AND SURPLUSES OR DEFICITS IN TRUST FUNDS (Part 2)

[Fiscal years; in billions of dollars]

	1979			1980			1981			1982		
	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit	Receipts	Outlays	Surplus or deficit
Social security	102.1	104.1	−2.0	117.4	118.6	−1.1	136.3	139.6	−3.3	155.6	152.6	+3.0
Health insurance	31.7	29.1	2.6	35.7	35.0	.7	45.2	41.6	+3.6	56.6	47.3	+9.4
Revenue sharing	6.9	6.8	.1	6.9	6.8	(1)	4.6	5.2	−.6	4.6	4.6	(1)
Unemployment	15.9	11.2	4.7	16.2	16.4	−.2	18.8	19.1	−.3	21.6	20.7	+.9
Federal employees retirement	20.5	12.5	8.0	24.5	14.9	9.6	28.6	17.9	+10.7	30.6	20.0	+10.6
Highways	8.0	7.2	.9	7.6	9.2	−1.6	7.8	8.4	−.6	8.3	8.5	−.2
Other	4.5	.4	4.1	5.5	4.1	1.4	2.3	3.6	−1.3	4.0	3.7	+0.3
Total	189.6	171.3	18.3	213.9	205.1	8.8	243.6	235.4	+8.2	281.2	257.2	+24.0

[1] $50 million or less

Note.—Figures may not add because of rounding. 1981 and 1982 as estimated in the Mid-Season Review of the 1982 Budget.

Source: Office of Managment and Budget, September 1981.

Prepared by U.S. Senator Harry F. Byrd, Jr., of Virginia

TABLE 9.—BUDGET RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT(—) BY FUND GROUP, 1971–82

[Fiscal years, in billions of dollars]

	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	Estimate	
												1981	1982
Federal funds receipts:													
Individual income taxes	96.2	94.7	103.2	119.0	122.4	131.6	38.8	157.6	181.0	217.8	244.1	285.6	302.9
Corporation income taxes	26.8	32.2	26.2	38.6	40.6	41.4	8.5	54.9	60.0	65.7	64.6	63.3	66.8
Subtotal	113.0	126.9	139.4	157.6	163.0	173.0	47.3	212.5	240.9	283.5	308.7	348.8	369.7
Excise taxes	10.5	9.5	9.8	9.7	9.4	10.6	2.5	9.6	10.1	9.8	15.6	34.6	38.6
Estate and gift taxes	3.7	5.4	4.9	5.0	4.6	5.2	1.5	7.3	5.3	5.4	6.4	6.9	7.6
Customs duties	2.6	3.3	3.2	3.3	3.7	4.1	1.2	5.2	6.6	7.4	7.2	7.6	7.9
Miscellaneous receipts	3.9	3.6	3.9	5.4	6.7	8.0	1.6	6.5	7.4	9.2	13.1	14.7	15.7
Total Federal funds, receipts	133.8	148.8	161.4	181.2	187.5	201.1	54.1	241.3	270.5	316.4	350.8	412.6	439.5
Trust fund receipts	66.2	73.0	92.2	104.8	118.6	133.7	32.1	152.8	168.0	189.6	213.9	243.6	281.2
Interfund transactions	−11.6	−13.2	−21.3	−21.1	−25.1	−34.8	−4.4	−36.3	−36.5	−40.1	−44.7	−50.6	−58.3
Total budget receipts	188.4	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	465.9	520.0	605.6	662.4
Federal funds outlays	163.7	178.1	187.0	199.9	240.1	269.9	65.1	295.8	332.0	362.4	419.2	476.4	505.9
Trust funds outlays	59.4	67.1	81.4	90.8	111.2	131.3	34.0	143.3	155.3	171.3	205.1	235.4	257.2
Interfund transactions	−11.6	−13.2	−21.3	−21.1	−25.1	−34.8	−4.4	−36.3	−36.5	−40.1	−44.7	−50.6	−58.3
Total budget outlays	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.6	579.6	661.2	704.8
Federal funds surplus or deficit (−)	−29.9	−29.3	−25.6	−18.7	−52.6	−68.8	−11.0	−54.4	−61.5	−46.0	−68.4	−63.8	−66.5
Trust funds surplus or deficit (−)	6.8	5.9	10.7	14.0	7.4	2.4	−2.0	9.5	12.7	18.3	8.8	8.2	24.0
Budget surplus or deficit (−)	−23.0	−23.4	−14.8	−4.7	−45.2	−66.4	−13.0	−44.9	−48.8	−27.7	−59.6	−55.6	−42.5

Note.—1981 and 1982 as estimated in the Mid-Session Review of the 1982 Budget.

Source: Office of Management and Budget, September 1981.

SEPTEMBER 8, 1981.

Mr. Chairman and members of the Senate Finance Committee, I am Carson Crawford of Florence, Kansas. I urge you to reflect the proposed increase in the National Debt ceiling by $14.8 billion for Fiscal 1981 as provided in House Joint Resolution 266.

Increasing the National Debt can only increase inflation and provide the excuse for an increase in interest rates which is devastating to the productive tax-paying sector of society as well as the consumer.

I am told that the reason the National Debt needed to be increased was so that the interest on Government Bonds could be paid.

There are at least two ways to avoid raising the Debt limit and increasing the National Debt in this instance. The government could default—simply be honest about it. You can't raise the money by taxation—in fact, government taxing, spending and usurous interest rates caused by government spending money it doesn't have and can't borrow from savers, are destroying the productive tax-paying sector. Government has already spent all it can collect in taxes and all the savings it can borrow and is already continuing on its road of deficit financing by inflating the money supply. As John Maynard Keynes wrote in his "Economic Consequences of the Peace," about inflating the money supply or inflation, "By a continuous process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens." The effect upon society of confiscation of wealth by government is the same as though the citizens were the victims of mass theft—which government is supposed to protect them from. Whether by government confiscation of wealth or by theft, a person no longer has the wealth he once had. Keynes goes on to point out that ". . . while the process impoverishes many, it actually enriches some." Keynes quotes Lenin in this manner, "Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. *The process engages all the hidden forces of economic law on the side of destruction,* and does it in a manner which not one man in a million is able to diagnose." (Emphasis mine)

If the members of this committee could realize that increasing the National Debt limit in this instance will continue to increase or inflate the supply of printing press dollars, thereby causing further confiscation of the wealth of the people of our country—and further that it is using economic law on the side of destruction of our country and the Constitution you have sworn to uphold—I am certain you would reject the Debt increase.

To the concern about what would happen if the government defaulted on interest payments on bonds—defaulting on interest payments could not be nearly as bad as destroying our country and our form of government. People and nations can recover from debts—but from a breakdown of mortality which inflation represents, they find it most difficult to recover. Further it would bring to an end that fraudulent idea that there is a free money tree in Washington. We could become a free responsible people once again.

There is an alternative to defaulting on interest payments. I have attached a reproduction of a brochure I received recently from Baylor University Professional Development Center on seminars and workshops to be held across the country to inform people on government financial benefits available. The brochure is entitled "Government Loan and Loan Guarantee Programs: How They Can Work For You." In a box on the front page is the statement, "Reagan has left over $100 billion per year for new direct and guaranteed loans." On page 3 is this statement, "A common misconception is that all of these programs are available only for underprivileged, low income, or minority groups. The informed businessperson knows that is not true." Actual cases are cited of individuals who became wealthy by using government financial benefits. The benefits of government 2 percent loans, 7½ percent loans, rent subsidies, etc. are listed.

Simply cut off this unconstitutional spending and the Debt limit would not need to be increased. Further, substantial reduction could be made in the deficit, thereby reducing the interest rates which are strangling the productive sector.

Remember, only government, through the Federal Reserve System, causes inflation—not the productive sector—not the consumer. If either of the latter two groups try to inflate the money supply, they go to prison for it. High interest rates do not reduce inflation—rather it compounds the devastating effect of inflation. Mr. Volcker was reported as stating at his confirmation hearing that the standard of living of the American people would have to be reduced—with the cooperation of our elected officials, Mr. Volcker has brought this about through inflation and high interest rates.

I urge the committee to reject any interest in the National Debt limit.

BAYLOR UNIVERSITY'S
PROFESSIONAL DEVELOPMENT
CENTER

ENDORSED BY THE
NIE National Institute of Economics
AND THE
AASB AMERICAN ALLIANCE OF SMALL BUSINESSES

PRESENTS
THE

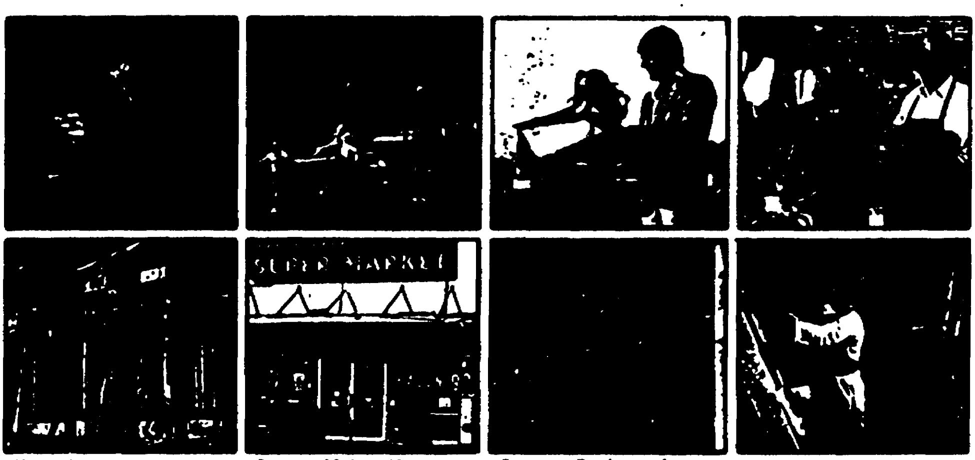
3RD ANNUAL NATIONWIDE SEMINAR AND WORKSHOP SERIES ON

GOVERNMENT LOAN AND LOAN GUARANTEE PROGRAMS

Reagan has left over $100 billion per year for new direct and guaranteed loans

HOW THEY CAN WORK FOR YOU

New and Changing Opportunities with the Reagan Administration
• Which Programs will be cut • Where the new opportunities will be •



- Housing Loans including Single Family, Multifamily, Condominiums and Mobile Homes
- Commercial-Industrial Loans
- Foreign Investment Loans
- Small Business Administration Loans
- Community Development Loans
- Energy Development and Conservation Loans
- Farmers Home Administration Loans
- Many Other Available Programs

Learn how government loan programs can work for you...

Hundreds of programs designed to assist the American people in furthering their economic progress are provided by the Federal Government through direct and guaranteed loans. Understanding these government loan programs and the changes being made by the Reagan Administration has become an essential requirement for any business or individual. Baylor University's Professional Development Center, an integral part of the Hankamer School of Business, is proud to present these one-day seminars and optional one-day workshops to give business professionals a comprehensive overview of government loan and loan guarantee programs.

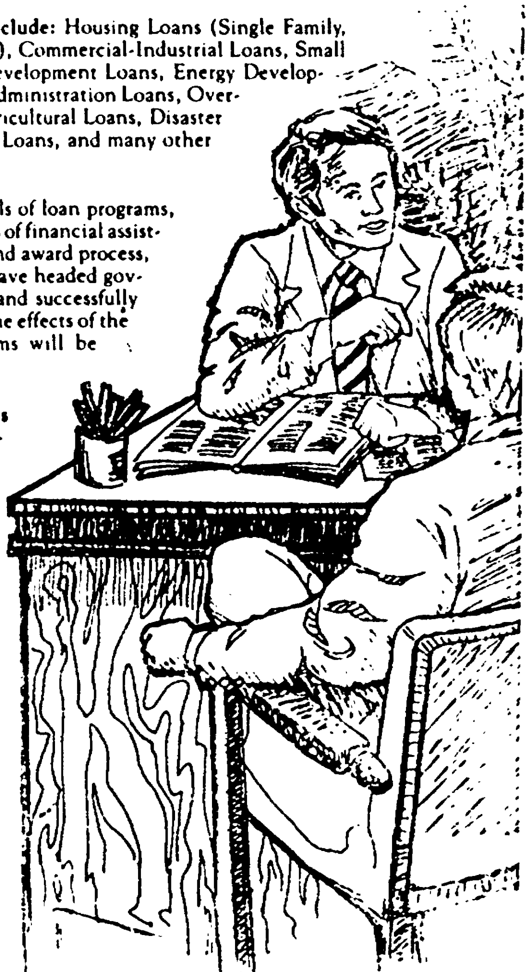
Government programs to be covered will include: Housing Loans (Single Family, Multifamily, Condominiums and Mobile Homes), Commercial-Industrial Loans, Small Business Administration Loans, Community Development Loans, Energy Development and Conservation Loans, Farmers Home Administration Loans, Overseas Private Investment Corporation Loans, Agricultural Loans, Disaster Loans, Relocation Loans, Historic Preservation Loans, and many other available programs.

Discussions will include: Objectives and goals of loan programs, federal agencies administering the program, types of financial assistance, eligibility requirements, the application and award process, and examples of funded projects. Experts who have headed government agencies or who have worked closely and successfully with these agencies, will share their expertise. The effects of the new Reagan Administration on the programs will be explored.

Time will be allotted for participant questions during the seminar. You will also have the opportunity to talk with faculty members about your individual needs on a more personal basis during the various optional workshops.

Actual case studies will be presented showing how other business persons like yourself have used these programs to prosper. Actual names, dates, locations, amounts, and copies of the actual documents involved in the transactions will be provided and discussed on a point by point basis.

This is your opportunity to meet and talk with the experts.



... in a one-day seminar and optional one-day workshops

The National Institute of Economics in cooperation with the American Alliance of Small Businesses has designed this comprehensive program for Baylor University's Professional Development Center. This one-day seminar will assist you in understanding government loan programs and the new economic opportunities for the '80s. In addition, we have provided optional second day workshops where speakers will present the step-by-step process used in applying for the programs. During the workshops you will also have the opportunity to present your specific needs and get specific answers for those needs

The seminar will show you how to:

- Identify, analyse and use government loan programs
- Determine the Federal agency administering the programs and the objectives and goals of the programs
- Determine the type of financial assistance offered under a program
- Evaluate and select programs which meet your objectives.

The workshop will show you how to:

- Develop, package, promote and present opportunities made available through government loan programs
- Broaden the scope of your investment, business or development plans.
- Get immediate answers for your specific needs from experts who work with these programs on a daily basis
- Learn how to avoid some of the pitfalls and red tape involved in applying for government loans

Real estate brokers/home builders

A special portion of the seminar will be devoted to detailing loan programs you can use to stimulate production and sales of housing. New changes currently being considered will be discussed. Also learn creative ways to use programs to structure single family transactions.

Learn how they will assist you and how to be first in line to use them.

Current Government programs allow you to:

- Obtain community development loans to rehabilitate certain older properties
- Establish, construct, expand or convert businesses and business facilities
- Enlarge, improve or buy family farms or refinance debt to place the farming operation on a sound basis
- Construct or remodel single family housing (New directions and policy changes being proposed to further stimulate single family home production will be analyzed).
- Construct or remodel rental housing (single or multi-family) with a 7½% loan and obtain a 20 year government subsidy contract to assure rent income
- Obtain loans for energy expansion, production, or conservation purposes
- Finance condominium construction or conversions.
- Buy and develop land
- Finance luxury apartments for high income tenants with 40 year, 7½% mortgages with minimal and possibly no cash investment
- Finance certain office buildings with tax free low interest bonds or mortgage notes
- Obtain Federally guaranteed performance bonds for obligations of your business.
- Obtain financing from government programs with interest rates as low as 2% for many, many purposes

This course includes...

A 4 volume set of reference books

These four books contain 1500 pages which detail Federal government assistant programs including objectives, eligibility requirements, application and award processes, current budget estimates, actual case studies and other pertinent information — for each of the programs available.

A certificate of participation and CEU credits.

CEU units are nationally recognized units of achievement which may be used as evidence of increased performance capabilities and for job advancement

Case studies will show how other successful business people have benefited from government loans.

Take the case of Dean Goodin, who is putting the finishing touches on a business he bought for $150,000. Mr. Goodin had used his savings to buy the business and found he didn't have sufficient capital to operate and expand it. In 1980 he received a $2.3 million dollar loan at 2% interest to upgrade and expand facilities

Or Andrew Beal, who in 1976 purchased a foreclosed apartment project from the Federal Government for $217,500 with a $17,500 down payment and a $200,000 mortgage. Mr. Beal successfully used a combination of government rent subsidy guarantees and a government mortgage insurance program to sell the property in 1980 for over $1 million dollars

A common misconception is that all of these programs are available only for underprivileged, low income, or minority groups. The informed businessperson knows that is not true.

Or Dick Henke, a restauranteur in St. Paul, Minn. who has just put together a combination of government loan and loan guarantees plus private financing for a total of $811,900, to finance a new restaurant. For every private $1 invested, various government agencies provided $4.54 in loans or guarantees with interest rates as low as 2% and 3%.

Other studies will show how a woman who purchased an older home received an outright grant to make necessary repairs ... how a businessman purchased a chain of sandwich shops with a Small Business Administration Loan ... how another businessman bought an older downtown building and received a $100,000, 3% community development loan to rehabilitate it ... how a construction contractor received a Small Business Administration Loan to expand his business ... and so many more. These loans are available ... learn how to take advantage of them and make them work for you

Workshop Faculty*

(partial list)

Milt Rambaud

Los Angeles, CA - Housing Development Consultant - Former Acting Chief of Real Estate for eleven western states for the U.S. Department of Housing and Urban Development - Former deputy Chief of Redevelopment and Land Marketing for the U.S. Department of Housing and Urban Development in Washington, D.C.

Dan Koehler

Washington, D.C. - Investor and Business Analyst - Former Director of Program Development for the Small Business Administration, Washington - former Deputy Regional Director for the New York Regional Office of the Small Business Administration - Former Chief for Community Development and Policy Analysis for the Small Business Administration, Washington, D.C.

Susan Huskisson

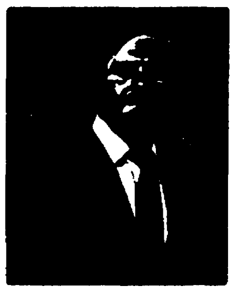
San Francisco, CA - Energy and marketing consultant - Former public information officer with the U.S. Department of Energy - Former Advisor to the Assistant Secretary for Energy Technology - Former liaison for the White House Staff.

Roland Camfield

Los Angeles, CA - Practicing attorney representing governmental agencies and private developers dealing with Housing and Urban Development programs. - Former Deputy Regional Administrator for HUD - Former Director of Los Angeles Area HUD office.

Andrew Beal

Detroit, MI - Entrepreneur with extensive practical experience who has made over one million dollars using government loan programs. He successfully combined numerous government loan programs to obtain millions of dollars in direct and guaranteed loans.

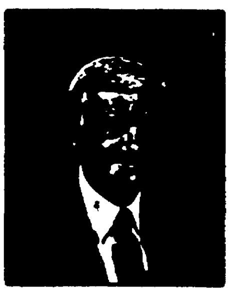


Mike Clark

Little Rock, AR - Business Development Advisor - Former Business specialist, planner, and venture analyst for a planning and development agency in the State of Arkansas funded by the Economic Development Administration to assist investors and businesses with the use of Farmers Home Administration programs

William Painter

Houston, TX - President, Housing Consultants, Inc. - Former Director of the Houston office of the U.S. Department of Housing and Urban Development - Former Supervisor of Federal Housing Administration Field Operations - Former Vice President of the American Mortgage Company.



Alan Weaver

Waco, TX - Director of Business Department Program funded by the U.S Department of Commerce to assist small business persons with Government Loan and Assistance Programs.

*Neither the above speakers nor the sponsoring organizations are representing the government in an official capacity. The speakers opinions are based on their experiences with government loan programs. Representatives from local government offices administering these programs will speak at the seminars when possible and if time allows. Due to time constraints and schedule conflicts, not all of the speakers can appear at all workshops. However speakers have been selected for each workshop to assure complete and consistent presentation of seminar materials

AMERICAN ALLIANCE OF SMALL BUSINESSES

American Alliance of Small Businesses:
The American Alliance of Small Businesses is a non-profit organization engaged in preserving the system of free, competitive, and private American enterprise. The AASB provides a cohesive organization allowing small businesses to join together collectively to deal with issues affecting them. The AASB is endorsing these seminars to further their ideal of educating small businesses about current issues and to help the small business person prosper. The AASB recommends these seminars and workshops as enlightening, educational, and practical. Membership in the AASB entitles small businesses to special rates for seminars, a newsletter highlighting legislation, tax tips, stories of particular interest to small businesses, and an active voice in shaping legislation in Washington through the AASB lobbying efforts

Continuing Educations Units:
One and a half CEU units will be offered to participants of the seminar and workshop CEU units are nationally recognized units of achievement which may be used as evidence of increased performance capabilities and for job advancement.

Certificates of Participation:
Baylor University's Professions' Development Center awards Certificates of Participation to those who attend

Cancellations and Refunds:
Confirmed registrations cancelled less than 3 working days prior to seminar are subject to a $50 00 registration fee (or as otherwise required by applicable state laws) Seminar subject to change or cancellation

BAYLOR UNIVERSITY'S PROFESSIONAL DEVELOPMENT CENTER

Hankamer School of Business

Baylor University's Professional Development Center is presenting this third nationwide series of seminars and workshops in hopes of furthering the education of the public in understanding the programs that the Federal government has developed to assist them The series is conducted by experts who have had years of experience administering or working with these various programs Their technical knowledge of government loan programs, as well as the techniques used to apply for the Federal programs, make these seminars and workshops valuable tools to many people. We invite your participation in the series

Tax Deductions:
A taxpayer engaged in business or in a private professional practice can deduct as a business expense the membership dues he pays to organizations where such membership is used in advancing his business interest In addition, an income tax deduction is allowed for expenses of education, including travel, meals and lodging undertaken to maintain and improve professional skills and to meet express requirements of an employer, or a law imposed as a condition of retention of employment, job status or rate of compensation (See Treas Reg. 1.162-5).

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Participants may register for the Seminar only or for both the Seminar and Workshop. Each are day-long events – the Seminar will be presented on the first day and the Workshop the following day.

Registration Form

Fee includes 4-volume set of books

SEMINAR LOCATION (See back page) ________________ DATE ________
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ORGANIZATION ________________ TITLE ________________
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☐ CHECK, payable to Baylor Professional Development Programs.

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Please check the appropriate box:
☐ $185 - Tuition for One-Day Seminar only (per person pre-registered)
☐ $285 - Complete Two-Day Seminar and Workshop Tuition (per person pre-registered)
(See tax deductions above)
Add $20 per person if registration is made less than 10 days prior to seminar.

FOR FAST REGISTRATION CALL: (214) 528-2500

FIRST DAY SEMINAR 8 A.M. - 5P.M. Lunch Break 12:00-1:00
OPTIONAL SECOND DAY WORKSHOPS 8A.M. - 4P.M. Lunch Break 11:30-12:30

BAYLOR UNIVERSITY-PROFESSIONAL DEVELOPMENT CENTER
1981 SEMINAR CALENDAR FOR GOVERNMENT LOAN PROGRAMS

SEVENTEEN STATE AREA
Write for locations in other states

COLORADO (and surrounding locations)
Denver - Regency Hotel - May 20, 21
Pueblo - University Center - Univ. of Colorado - May 26, 27
Albuquerque, NM - Hilton Inn - March 30, 31

IDAHO (and surrounding locations)
Boise - Holiday Inn Boise - May 13, 14
Spokane, Washington - River Park Center - May 11, 12
Salt Lake City, Utah - Salt Palace Center - May 15, 16

ILLINOIS (and surrounding locations)
Chicago, IL - Presented three times -
Bismarck Hotel - July 11, 12
Sheraton O'Hare-Rosemont - July 13, 14
Sheraton O'Hare-Rosemont - July 15, 16
Peoria - Continental Regency Hotel - July 9, 10
Springfield - Prairie Capital Convention Center - July 7, 8
Evansville, IN - Ramada Inn - August 10, 11
Indianapolis, IN - Hilton at the Circle - August 7, 8
St. Louis, MO - Stouffer's Riverfront Towers - presented twice - June 29, 30, and on July 1, 2
Cedar Rapids, IA - Stouffer's Five Seasons Hotel - June 17, 18
Madison, WI - Sheraton Inn & Conference Center - June 15, 16
Milwaukee, WI - Hyatt Regency - June 12, 13

INDIANA (and surrounding locations)
Evansville - Ramada Inn - August 10, 11
Ft. Wayne - Marriott Inn - August 5, 6
Indianapolis - Hilton at the Circle - August 7, 8
South Bend - Century Center Convention Center - July 17, 18
Louisville, KY - Commonwealth Convention Center - August 12, 13
Dayton, OH - Sheraton Dayton - August 19, 20
Chicago, IL - Presented three times -
Bismarck Hotel - July 11, 12
Sheraton O'Hare Rosemont - July 13, 14
Sheraton O'Hare Rosemont - July 15, 16
Kalamazoo, MI - Sheraton Inn - July 20, 21

IOWA (and surrounding locations)
Cedar Rapids - Stouffer's Five Seasons Hotel - June 17, 18
Des Moines - Des Moines Hilton - June 19, 20
Omaha, NE - Peter Kiewit Conference Center - June 22, 23

KANSAS (and surrounding locations)
Wichita - Wichita Airport Hilton Inn - Sept 14, 15
Kansas City, MO - Granada Royale Hometel - June 24, 25
Tulsa, OK - Williams Plaza - Sept 16, 17

MICHIGAN (and surrounding locations)
Detroit - Michigan Inn - Southfield - Presented twice - July 29, 30 and on July 31 & August 1
Flint - University Center, Univ. of Michigan - July 27, 28
Grand Rapids - Grand Rapids Marriott - July 22, 23
Kalamazoo - Sheraton Inn - July 20, 21
Lansing - Lansing Hilton - July 24, 25
Toledo, OH - Sheraton Westgate Inn - August 3, 4
South Bend, IN - Century Center Convention Center - July 17, 18
Ft. Wayne, IN - Marriott Inn - August 5, 6
Chicago, IL - Presented three times -
Bismarck Hotel - July 11, 12
Sheraton O'Hare-Rosemont - July 13, 14
Sheraton O'Hare-Rosemont - July 15, 16

MINNESOTA (and surrounding locations)
Duluth - Radisson Duluth - June 8, 9
Minneapolis - Radisson South - Presented twice - June 1, 2 and on June 3, 4
Fargo, ND - Moorhead, MN - Ramada Inn Moorhead - June 5, 6
Madison, WI - Sheraton Inn & Conference Center - June 15, 16
Des Moines, IA - Des Moines Hilton - June 19, 20
Cedar Rapids, IA - Stouffer's Five Seasons Hotel - June 17, 18

MISSOURI (and surrounding locations)
Jefferson City - Governor Hotel - June 26, 27
Kansas City - Granada Royale Hometel - June 24, 25
St. Louis - Stouffer's Riverfront Towers - Presented twice - June 29, 30, and on July 1, 2
Springfield, IL - Prairie Capital Convention Center - July 7, 8
Memphis, TN - Rivermont Holiday Inn August 26, 27
Little Rock, AR - Little Rock Hilton Inn - August 28, 29
Tulsa, OK - Williams Plaza - Sept 16, 17
Omaha, NE - Peter Kiewit Conference Center - June 22, 23
Des Moines, IA - Des Moines Hilton - June 19, 20

MONTANA (and surrounding locations)
Billings - Billings Sheraton - May 18, 19
Rapid City, SD - Howard Johnson's - May 28, 29
Spokane, WA - Spokane River Park Center - May 11, 12
Boise, ID - Holiday Inn Boise - May 13, 14

NEBRASKA (and surrounding locations)
Omaha - Peter Kiewit Conference Center - June 22, 23
Kansas City, MO - Granada Royale Hometel - June 24, 25
Denver, CO - Regency Hotel - May 20, 21
Rapid City, SD - Howard Johnson's - May 28, 29

NORTH DAKOTA (and surrounding locations)
Fargo-Moorhead, MN - Ramada Inn Moorhead - June 5, 6
Billings, MT - Billings Sheraton - May 18, 19
Rapid City, SD - Howard Johnson's - May 28, 29

OREGON (and surrounding locations)
Portland - Portland Hilton - May 6, 7
Seattle, WA - Hyatt Seattle - May 8, 9
Spokane, WA - Spokane River Park Center - May 11, 12
Boise, Idaho - Holiday Inn Boise - May 13, 14
Lake Tahoe, NV - Sahara Tahoe - April 29, 30

SOUTH DAKOTA (and surrounding locations)
Rapid City - Howard Johnson's - May 28, 29
Minneapolis, MN - Radisson South - Presented twice - June 1, 2, and on June 3, 4
Fargo, ND - Moorhead, MN - Ramada Inn Moorhead - June 5, 6
Omaha, NE - Peter Kiewit Conference Center - June 22, 23

UTAH (and surrounding locations)
Salt Lake City - Salt Palace Center - May 15, 16
Las Vegas, NV - Riviera Hotel - April 15, 16

WASHINGTON (and surrounding locations)
Seattle - Hyatt Seattle - May 8, 9
Spokane - Spokane River Park Center - May 11, 12
Portland, OR - Portland Hilton - May 6, 7

WISCONSIN (and surrounding locations)
Green Bay - Downtowner - June 10, 11
Madison - Sheraton Inn & Conference Center - June 15, 16
Milwaukee - Hyatt Regency - June 12, 13
Duluth, MN - Radisson Duluth - June 8, 9
Minneapolis, MN - Radisson South - Presented twice - June 1, 2, and on June 3, 4
Cedar Rapids, IA - Stouffer's Five Seasons Hotel - June 17, 18
Chicago, IL - Presented three times -
Bismarck Hotel - July 11, 12
Sheraton O'Hare-Rosemont - July 13, 14
Sheraton O'Hare-Rosemont - July 15, 16

WYOMING (and surrounding locations)
Billings, MT - Billings Sheraton - May 18, 19
Denver, CO - Regency Hotel - May 20, 21
Rapid City, SD - Howard Johnson's - May 28, 29
Salt Lake City, UT - Salt Palace Center - May 15, 16

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HILTON DAVIS
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LEGISLATIVE AND POLITICAL AFFAIRS

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/659-6140

The Honorable Robert Dole
Chairman
Committee on Finance
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

On behalf of the more than 178,000 members of the U. S. Chamber of Commerce, consisting of businesses, state and local chambers of commerce and trade and professional associations, I appreciate the opportunity to express support for S. 1249, the Debt Collection Act of 1981.

It is essential for the United States government to be in a position to collect monies owed to it--whether by businesses, individual citizens and other borrowers--on a timely basis. It is my understanding that over $25 billion in debts owed the government is either delinquent or in default. Unless the law is changed, it is likely that little, if any, of this amount will ever be collected.

S. 1249 removes a number of roadblocks that prevent or inhibit the government from collecting debts.

For example, the Privacy Act of 1974, which applies to Federal employees, has prevented Federal departments and agencies from requiring an individual to include his/her social security number on a credit application. This makes it difficult to locate delinquent debtors. S. 1249 would require individuals applying for credit or any other type of Federal financial assistance to furnish their social security numbers.

Another illustration is the current inability of Federal agencies to screen credit applicants against Internal Revenue Service records to determine whether they owe unpaid taxes to the government. Permitting such a crosscheck, as provided by S. 1249, would serve to help the government avoid unknowingly extending credit to tax delinquents.

Still another impediment to the Federal debt collection process is the limiting effect that the Privacy Act has on Federal reporting of credit information on delinquent debtors to private credit bureaus. I understand that the Justice Department has ruled that credit bureaus receiving data from Federal agencies must abide by requirements of the Act in handling credit data. This has meant that delinquencies and defaults by debtors on their Federal financial commitments are not reflected in their credit records--which then appear clean in applications to obtain more credit. Removing the data reporting impediment, as provided by S. 1249, should cause more timely repayment of Federal debts.

S. 1249 will facilitate Federal collection of debts owed the government and the overall process by which the government manages its financial transactions insofar as its lending programs are concerned. The legislation represents a significant element of the Administration's economic recovery program, and is a necessary adjunct to the President's administrative efforts in improving the Federal debt collection process.

I will appreciate your consideration of our views and I request that this letter be included in the hearings record.

Cordially,

Hilton Davis

Hilton Davis

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