S. Hrg. 99-789

DEBT LIMIT EXTENSION—1986

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

JULY 15, 1986

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CONTENTS

ADMINISTRATION WITNESS

ADDITIONAL INFORMATION

THE PUBLIC DEBT LIMIT

TUESDAY, JULY 15, 1986

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room SD-215, Dirksen Senate Office Building, the Honorable Bob Packwood (chairman) presiding.

Present: Senators Packwood, Danforth, Wallop, Durenberger, Grassley, Long, Bentsen, Moynihan, Baucus, Bradley, and Pryor.

Also present: Bill Diefenderfer, chief of staff; Bill Wilkins, minority staff director; Joseph Humphries, professional staff member; Pat Oglesby, Joint Committee on Taxation; Karen Phillips, tax counsel, Karen Worth, Social Security; and Susan Taylor, administrative director.

[The press release announcing the hearing follows:]

[Press Release No. 86-061]

FINANCE COMMITTEE ANNOUNCES HEARING AND MARKUP ON THE DEBT LIMIT

Chairman of the Committee on Finance, Bob Packwood (R-Oregon), announced that the full committee will conduct a hearing on the request by the Department of the Treasury for an increase in the statutory ceiling on the public debt. The hearing will be held on Tuesday, July 15, at 9:30 a.m. in room SD-215 of the Dirksen Senate Office Building.

Senator Packwood said, "We are rapidly approaching the point where the debt limit must be increased or else the U.S. Government will default on its obligations. This situation must be quickly addressed so that the government can carry out the commitments it has already promised to undertake."

The committee will hear from one invited witness, the Honorable Charles O. Sethness, Assistant Secretary of the Treasury for Domestic Finance.

Immediately following the hearing, the committee will meet in executive session to consider legislation to increase the debt limit ceiling.

The CHAIRMAN. The committee will come to order, please.

Today, we are gathered together to discuss the topic of the debt ceiling, which we seem to take up about twice a year—if we are lucky, once a year, but at least once a year—and we are once more up against the debt ceiling. And everyone knows what that means. If we do not increase it, the Government comes to a halt, or at least that is the allegation. The fact that the Government will come to a halt is, on occasion, cause for joy among some people and they will vote against the debt ceiling on that basis. But it does mean no Social Security checks are paid, no veterans' checks are paid, and public works' projects stop, and on and on and on. It is not just that we shut off the MX missile. It is everything else in Government that goes on.

Senator MOYNIHAN. Mr. Chairman, may I interrupt to tell you that it violates that first principle of Republican government, which is always pay the Army.

The CHAIRMAN. So that the Army does not take over the Republican government.

So we have before us today Hon. Charles Sethness, the Assistant Secretary for Domestic Finance for the Department of the Treasury to present the Treasury's position. And, Mr. Secretary, if you are ready we are ready.

STATEMENT OF HON. CHARLES O. SETHNESS, ASSISTANT SECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY, WASHINGTON, DC.

Mr. SETHNESS. Thank you very much, Mr. Chairman; members of the committee.

I would beg your indulgence to read through the full statement because I think it makes a number of points that are worth having clearly on the record.

Senator MOYNIHAN. Mr. Secretary, do we have copies of your statement?

Mr. SETHNESS. You should have gotten copies.

The CHAIRMAN. I find one over here in this stack. Take a look in that stack, Pat, and see if there is one.

Senator MOYNIHAN. All right.

The CHAIRMAN. Go ahead, Mr. Sethness.

Mr. SETHNESS. My purpose here today is to advise you of the urgent need for congressional action to increase the public debt limit.

In order to be assured that the United States will not default on its obligations, it is essential that the debt limit be increased before August 15.

The orderly financing of the public debt, moreover, can continue only if an increase is enacted prior to August 5.

Senate passage of the joint resolution deemed passed by the House of Representatives with the passage of the concurrent budget resolution, which would increase the debt limit to $2,322.8 billion, would result in a debt limit adequate to meet our needs.

On May 27, Under Secretary George Gould wrote the chairman to inform you that our cash and debt projections then showed that we would reach the debt limit of $2,078.7 billion on August 1, and that default was likely on August 15. I ask that it be included in the record.

The CHAIRMAN. Without objection.

[The letter follows:]

DEPARTMENT OF THE TREASURY
WASHINGTON

UNDER SECRETARY

May 27, 1986

Dear Mr. Chairman:

I am writing to advise you of the need for action by Congress before the August recess on legislation to increase the limit on the public debt.

The Budget submitted to Congress by the President in February, projected that the debt subject to the statutory limit would be $2,108.5 billion on September 30, 1986, and $2,317.4 billion on September 30, 1987. Our preliminary cash and debt projections show that the statutory debt limit of $2,078.7 billion will be reached no later than August 1.

If Congress does not act to increase the debt limit before August 1, Treasury is prepared to use the borrowing authority of the Federal Financing Bank (FFB) to avoid a default on the government's obligations on August 1. As you know, the FFB is authorized to issue up to $15 billion of debt not subject to the statutory limit. The authority was used last October when Treasury substituted FFB issues for certain Treasury debt in the Civil Service Retirement and Disability Fund, an action that kept that fund fully invested. However, our current projections indicate that it is very likely that even after using the FFB authority, we will run out of cash, and therefore default, on August 15. This could not be avoided through trust fund redemptions, since such redemptions cannot be made for the purpose of paying general government obligations.

Even if our cash position were to improve enough to enable us to get through August without a default, the government would stay within the debt limit only until September 2, when the September normalized tax transfer to the Social Security old age and disability funds is due to be invested. Moreover, unless we did not make this investment and then proceeded on September 3 to make early redemptions of securities held by the Social Security funds notwithstanding the existence of uninvested balances, our current estimates show that we would not have sufficient cash to pay benefits on September 3. It might also be necessary to make early redemptions of securities held by the Civil Service Retirement and Disability Fund to pay benefits due under that system on September 2.

The early redemption of securities held by the trust funds under these circumstances would reduce trust fund earnings. We are extremely reluctant to take this step. Moreover, we support legislation currently being discussed to restrict our authority to do so.

It is therefore critical that Congress take action to increase the debt limit prior to August 15 if we are to avoid a situation in which the United States defaults on its obligations, or, if we avoid a default, we are forced to take actions that would reduce trust fund earnings during a period when Congress is scheduled to be in recess.

Sincerely,

George D. Gould

The Honorable Bob Packwood
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Mr. SETHNESS. Our current projections are the same. And while the projections are, of course, subject to change as we get closer to the period being forecast, the possibility of a change of any magnitude diminishes.

Let me explain both why there is a delay between the time we reach the debt limit and the likely default date, and why it is impossible 5 weeks before the likely date to provide you with absolute assurances that we will default on any given date.

On August 1, as required by section 201(a) of the Social Security Act, Treasury will transfer $14.6 billion to the Social Security trust funds in anticipation of tax receipts for those funds during the month of August. Since on July 31 the projected debt outstanding subject to the limit will be very close to the limit of $2,078.7 billion, investment of the amounts transferred to the trust funds would result in exceeding the debt limit.

To avoid that result, while fully investing the trust funds on time, we will use the $15 billion non-debt-limit borrowing authority of the Federal Financing Bank. By exchanging Treasury securities now held by the civil service retirement and disability fund for identical Federal Financing Bank obligations, and retiring the Treasury debt, we will free sufficient debt limit capacity to invest fully the Social Security trust funds while maintaining the liquidity of both civil service and Social Security. The exchange transaction is essentially the same one we engaged in last year and will not result in any losses to the civil service fund.

Although the use of the Federal Financing Bank authority would give us room under the debt limit to conduct normal cash and debt transactions through August 14, the uncertainty about whether a debt limit increase will be enacted by August 15 will have an impact on our market financing prior to that time. The quarterly refunding of Treasury debt is scheduled for auction on August 5, 6, and 7, with settlement on August 15. If we are not certain that the debt limit will be increased by August 15, we will not be able to conduct the auctions according to their normal schedule because we will be unable to assure bidders that we will be able to settle the transactions.

On August 15, interest totaling approximately $15 billion is due on approximately $278 billion of outstanding Treasury notes and bonds. Our current projections indicate that, after payment of that interest and other obligations due on that date, Treasury's cash balance will be so close to zero as to be within the margin of estimating error. In other words, while we cannot say to you definitively that we will certainly default on August 15, we also cannot say definitively that we will not. However, after August 15, the projected cash balance continues to deteriorate through August 20. We believe that the possibility of a default during this period is significant.

I emphasize the problem in August in part because of the attention given by some to the question of disinvestment of the trust funds. As Mr. Gould stated in his May 27 letter, a default during mid-August "could not be avoided through trust fund redemptions, since such redemptions cannot be made for the purpose of paying general Government obligations." No large payments from the major trust funds are due between August 15 and 20.

You have heard the litany of the effects of a default before, but I think it is useful to go over it again to focus attention on the meaning behind the words. If the United States defaulted on August 15 and remained unable to meet its obligations through August 20, in addition to interest and principal that would not be timely paid, over $1 billion in Medicare payments due between August 15 and 20 would not be received on time, approximately $1.7 billion in military and civilian salaries would be delayed, the States would not receive on time almost $600 million due them from the highway and unemployment trust funds between August 15 and 20, and a host of smaller payments would also be at risk—all because the Government was unable to issue additional debt to raise cash to pay its obligations.

Taking a broader view, a default would have swift and severe domestic and international repercussions. For example, last year a senior trust fund manager testified to the House Banking Committee that:

> Investors, both domestic and foreign, would flee from the Government bond market if there were a default, and confidence in the credit of the United States would only painfully be restored.

The commitment of the American Government to do what it says it will do, and the trust of the American people and the rest of the world that the United States will honor its commitments is essential to our well-being. Any action that would erode this commitment and this trust is a matter of grave concern that should not be overlooked or treated lightly.

I know you are interested in what would happen if our cash position were, contrary to our current projections, to improve enough to enable us to get through August without a default even if the debt limits is not increased. First, I want to emphasize that the trust and retirement funds will be operated normally during August, with the exception of the FFB-civil service exchange described earlier. With respect to September, if there were to be no default in August, it now appears that, first, although we would transfer the September normalized tax transfer to the Social Security trust funds on September 2, we would be unable to invest the transfer because we would be at the debt limit; second, in order to pay civil service benefits due September 2, we would have to redeem early the securities held by the civil service retirement and disability fund that would normally be redeemed on September 2, 8, and 9, which would cost that fund up to $1 million in lost interest; and, third, in order to pay Social Security benefits due September 3, we would have to redeem early the securities held by the Social Security trust funds that would normally be redeemed on September 3, 9, and 10. This last action would cost the Social Security trust funds up to $16 million in lost interest.

Moreover, because the redemption would occur notwithstanding the noninvestment of the normalized tax transfer in short-term securities, it is likely that approximately $13 billion of longer-term securities would be redeemed, all of which would have interest rates in excess of the current statutory investment rate. This means that, depending on what the statutory investment rate is in June 1987, the funds could suffer a long-term loss.

I want to make clear, however, that if Congress does not increase the debt limit, but we nevertheless avoid a default in August, benefits can be paid in early September only if we take the actions described above. As you know, Treasury has indicated its support for legislation that would remove present flexibility in management of the trust funds in the event of a debt limit crisis by prohibiting the Secretary from taking the actions just described. We also support legislation requiring the Secretary to notify the other trustees of the Social Security trust funds and the Congress of his likely actions during a debt limit crisis involving the trust funds, and Secretary Baker has and will continue to provide early notification even if there is no legislation. Early notice will allow Congress to choose whether the preferred course of action is meeting our obligations by raising the debt limit, disinvestment, or default, including nonpayment of benefits.

In my view, default is an intolerable choice. Yet, unless Congress enacts an increase in the debt limit prior to August 15, it is the likely result. We therefore urge swift action by the Senate to join the House in enacting a clean debt limit bill. Thank you, Mr. Chairman.

[The prepared statement of Mr. Sethness follows:]

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M.
JULY 15, 1986

STATEMENT OF CHARLES O. SETHNESS
ASSISTANT SECRETARY OF THE TREASURY (DOMESTIC FINANCE)
BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman and Members of the Committee:

My purpose here today is to advise you of the urgent need for congressional action to increase the public debt limit. In order to be assured that the United States will not default on its obligations, it is essential that the debt limit be increased before August 15. The orderly financing of the public debt, moreover, can continue only if an increase is enacted prior to August 5. Senate passage of the joint resolution deemed passed by the House of Representatives with the passage of the concurrent budget resolution, which would increase the debt limit to $2,322.8 billion, would result in a debt limit adequate to meet our needs.

On May 27, Under Secretary George Gould wrote the Chairman to inform you that our cash and debt projections then showed that we would reach the debt limit of $2,078.7 billion on August 1, and that default was likely on August 15. (The letter is attached to my written statement, and I ask that it be included in the record.) Our current projections are the same. And while the projections are of course subject to change, as we get closer to the period being forecast, the possibility of a change of any magnitude diminishes.

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Let me explain both why there is a delay between the time we reach the debt limit and the likely default date and why it is impossible, five weeks before the likely date, to provide you with absolute assurances that we will default on any given date. On August 1, as required by section 201(a) of the Social Security Act, Treasury will transfer $14.6 billion to the Social Security trust funds in anticipation of tax receipts for those funds during the month of August. Since on July 31 the projected debt outstanding subject to the limit will be very close to the limit of $2,078.7 billion, investment of the amounts transferred to the trust funds would result in exceeding the debt limit.

To avoid that result, while fully investing the trust funds on time, we will use the $15 billion non-debt-limit borrowing authority of the Federal Financing Bank (FFB). By exchanging Treasury securities now held by the Civil Service Retirement and Disability Fund for identical FFB obligations, and retiring the Treasury debt, we will free sufficient debt limit capacity to invest fully the Social Security trust funds while maintaining the liquidity of both Civil Service and Social Security. The exchange transaction is essentially the same one we engaged in last year and will not result in any losses to the Civil Service fund.

Although use of the FFB authority would give us room under the debt limit to conduct normal cash and debt transactions through August 14, the uncertainty about whether a debt limit increase will be enacted by August 15 will have an impact on our market financing prior to that time. The quarterly refunding of Treasury debt is scheduled for auction on August 5, 6 and 7, with settlement on August 15. If we are not certain that the debt limit will be increased by August 15, we will not be able to conduct the auctions according to their normal schedule because we will be unable to assure bidders that we will be able to settle.

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I emphasize the problem in August in part because of the attention given by some to the question of disinvestment of the trust funds. As Mr. Gould stated in his May 27 letter, a default during mid-August "could not be avoided through trust fund redemptions, since such redemptions cannot be made for the purpose of paying general government obligations." No large payments from the major trust funds are due between August 15 and August 20.

You have heard the litany of the effects of a default before, but I think it is useful to go over it again to focus attention on the meaning behind the words. If the United States defaulted on August 15 and remained unable to meet its obligations through August 20, in addition to interest and principal that would not be timely paid, over $1 billion in Medicare payments due between August 15 and 20 would not be received on time, approximately $1.7 billion in military and civilian salaries would be delayed, the states would not receive on time almost $600 million due them from the highway and unemployment trust funds between August 15 and 20, and a host of smaller payments would also be at risk--all because the government was unable to issue additional debt to raise cash to pay its obligations.

Taking a broader view, a default would have swift and severe domestic and international repercussions. For example, last year a senior trust fund manager testified to the House Banking Committee that "investors, both domestic and foreign, would flee from the Government bond market if there were a default, and confidence in the credit of the United States would only painfully be restored." The commitment of the American government to do what it says it will do, and the trust of the American people and the rest of the world that the United States will honor its commitments is essential to our well being. Any action that would erode this commitment and this trust is a matter of grave concern that should not be overlooked or treated lightly.

I know you are interested in what would happen if our cash position were, contrary to our current projections, to improve enough to enable us to get through August without a default even if the debt limit is not increased. First, I want to emphasize that trust and retirement funds will be operated normally during August, with the exception of the FFB-Civil Service exchange described earlier. With respect to September, if there were to be no default in August, it now appears that (i) although we would transfer the September normalized tax transfer to the Social Security trust funds on September 2, we would be unable to invest the transfer because we would be at the debt limit; (ii) in order to pay Civil Service benefits due September 2, we would have to redeem early the securities held by the Civil Service Retirement and Disability Fund that would normally be redeemed on September 2, 8 and 9, which would cost that fund up to $1 million in lost interest; and (iii) in order to pay Social Security benefits due September 3, we would have to redeem early the securities held by the Social Security trust funds that would normally be redeemed on September 3, 9 and 10. This last action would cost the Social Security funds up to $16 million in lost interest.

Moreover, because the redemption would occur notwithstanding the non-investment of the normalized tax transfer in short-term securities, it is likely that approximately $13 billion of longer-term securities would be redeemed, all of which would have interest rates in excess of the current statutory investment rate. This means that, depending on what the statutory investment rate is in June 1987, the funds could suffer a long-term loss.

I want to make clear, however, that if Congress does not increase the debt limit, but we nevertheless avoid a default in August, benefits can be paid in early September only if we take the actions described above. As you know, Treasury has indicated its support for legislation that would remove present flexibility in management of the trust funds in the event of a debt limit crisis by prohibiting the Secretary from taking the actions just described. We also support legislation requiring the Secretary to notify the other trustees of the Social Security trust funds and the Congress of his likely actions during a debt limit crisis involving the trust funds, and Secretary Baker has and will continue to provide early notification even if there is no legislation. Early notice will allow Congress to choose whether the preferred course of action is meeting our obligations by raising the debt limit, disinvestment, or default, including non-payment of benefits.

Default is an intolerable choice. Yet unless Congress enacts an increase in the debt limit prior to August 15, it is the likely result. We therefore urge swift action by the Senate to join the House in enacting a clean debt limit bill.

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The CHAIRMAN. Thank you, Mr. Secretary.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, let me thank the Secretary for his statement and ask him just a simple set of questions based on, just for the record.

I believe the proposed increase that you have before us would mark a more than doubling of the national debt in 5½ years. Is that not so, sir?

Mr. SETHNESS. That would be so.

Senator MOYNIHAN. The debt has gone from approximately $935 billion when the administration took office to over $2,079 billion. Nothing like that has ever happened?

Mr. SETHNESS. No, sir.

Senator MOYNIHAN. Moreover it is now the case as I understand that more than half the revenue of personal income tax is required to pay the interest to holders of Treasury bonds. Is that right?

Mr. SETHNESS. That is correct. We estimate that interest payments on the public debt in fiscal 1986 will be about $196 billion.

Senator MOYNIHAN. $196 billion.

Mr. SETHNESS. And the individual income taxes are estimated to be about $355 billion in fiscal 1986, meaning that if one were to trace exactly those dollars through, and cash is fungible, but if you trace those dollars through, approximately 55 percent of individual income taxes equals the amount of interest that is paid on the public debt.

Senator MOYNIHAN. Mr. Sethness, how come an utterly open and candid and informed Assistant Secretary of the Treasury suddenly appears before us? In the last 5 years if you asked a question like this, the man would say, "We don't know. Who? Us?" Thank you very much.

But to repeat: More than half of the revenue of personal income tax is required to pay interest to bondholders. I would think that is the largest transfer of wealth from labor to capital in history. But I do not ask you to comment on that, sir.

Could I just quickly say that in your statement you speak of the disinvestment of trust funds, of which the most important was from the Social Security trust funds, some $25 billion the last time around. And you attached a letter from Mr. Gould, your colleague, the Under Secretary, in which he says, "We are extremely reluctant to take this step again," and "we support legislation currently being discussed to restrict our authority to do so."

I have an amendment, which many members of the committee have cosponsored, that simply does that. But the Secretary of the Treasury, as I understand it, is in an intolerable situation right now. He is responsible for the financial solvency of the Federal Government and he is the trustee of these enormous funds. And he can sometimes only keep his duty as Secretary of the Treasury, per se, by infringing his duties as a trustee, per se. It is just not a tolerable situation to put the Secretary in. And I understand that you would welcome legislation that says "we cannot disinvest for purposes of meeting general obligations and don't expect us to do so."

Mr. SETHNESS. As I said in the statement, and as we have, in fact, discussed with a lot of people, including your staff, we do support restrictions on the Secretary's flexibility.

I would not like to let pass, if you will give me a moment——

Senator MOYNIHAN. Please.

Mr. SETHNESS. The comment that the Secretary has an intolerable conflict of interest with his role as managing trustee and as Secretary of the Treasury. There are a number of limiting parameters that he has to deal with at the same time at a debt limit crisis. I do not think that he has an intolerable conflict of interest that in any way disqualifies him as the managing trustee.

Senator MOYNIHAN. Oh, this is not in the language, but there is a tension in his decision. Wouldn't you agree?

Mr. SETHNESS. It is very difficult to fulfill all of the responsibilities that he has at the time that we are out of cash and out of debt limit.

Senator MOYNIHAN. All right.

And I won't ask you to say more than you need to say, but could I point out to the committee that the amendment we are going to offer also eliminates that normalized tax transfer on the first of the month—which we wrote into the legislation and we adopted in 1983 to help the funds out. We no longer need it. The funds are in sure shape as far as anybody can anticipate, and the Treasury's funds are not. And I think you would welcome this change too, would you not?

Mr. SETHNESS. We would welcome an elimination of the normalized tax transfer after some period of delay to get the funds into even better shape than they are now and to figure out how it would all work. I think an immediate cessation might cause us——

Senator MOYNIHAN. Well, we are proposing it for 1990——

Mr. SETHNESS. Terrific.

Senator MOYNIHAN. So you have time. But the funds are in good shape and we anticipate the NTT not be needed at the end of the decade.

Mr. SETHNESS. Senator, may I make an additional comment?

Senatory MOYNIHAN. Please, sir.

Mr. SETHNESS. As I am sure you are aware, Treasury has a reasonably longstanding and general reluctance to have anything go on debt limit bills in the Senate because all it takes is a passage of the clean bill to match up with the House bill, and you can do it in one chamber and it gets done neatly.

Senator MOYNIHAN. Right.

Mr. SETHNESS. I need to leave that on the record.

The final decision as to whether there is——

Senator MOYNIHAN. You might have that statement printed up just to be handed out.

Mr. SETHNESS. Right. Once a year at least. Sure.

Senator NOYNIHAN. Thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Sethness, Senator Moynihan raised two very profound points which I think should be repeated. First, that our national debt has more than doubled in the last 6 years, give or take a year or two. That is all the accumulated deficits that we have accumulated annually since President George Washington, through President Jimmy Carter, equal about $1 trillion in total national debt. In the last 6 years we are doubling that. That is, the accumulated deficits under this administration—one administration—equals the total accumulated national deficits, annual deficits, that this country has accumulated from President George Washington through President Jimmy Carter. That is the first point basically that Senator Moynihan made, the point that should be reemphasized and repeated over and over again; not to blame this administration particularly but, more importantly, for our country to understand what has happened in the last 6 years.

Second, Senator Moynihan said that approximately one-half of income taxes—receipts received—is now paying, as I understand it, interest on the national debt. Is that correct?

Mr. SETHNESS. Well, an amount equal to 55 percent of individual income tax collections is paid out as interest on the public debt.

Senator BAUCUS. So an amount equal to 55 percent of individual income taxes received is now paying interest on the national debt.

How long can we continue this? What do your projections show by the year 1990 or the year 2000 if current trends continue, that is, the current trends of deficits that we have accumulated, annual deficits we have accumulated, during this past 6 years are projected out through 1990, through the year 2000? What percent? What amount equal to what percent of individual income taxes received will be paying interest on the national debt if this trend continues?

Mr. SETHNESS. That is a question I cannot answer, I think, for two reasons. One, because I have not looked at those numbers out through 1990 based on the projections that we do. But I am sure that the projections we would be looking at would be those driven by the Gramm-Rudman-Hollings approach to deficit reduction.

Senator BAUCUS. It would be more than 55 percent, would it not?

Mr. SETHNESS. I believe that it peaks in a year or two and starts to decline as deficits decline.

Senator BAUCUS. It peaks when?

Mr. SETHNESS. I believe that the percentage peaks in 1987 or 1988. I would have to go back and look that up.

Senator BAUCUS. Well the point is that we obviously cannot continue at this rate. And I am somewhat disturbed, frankly, in the manner in which you come up here, and just kind of cavalierly say, yes, you have to pass a debt increase because otherwise we are going to go in default without bringing up the other profound immense ramifications that the increase of this debt is having now and probably will have on this country.

This is not the time to debate this, but it disturbs me that the administration is not more precisely more directly focus on the degree of danger that we are now facing because of the magnitude of the problem. Thank you.

The CHAIRMAN. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

What is the expiration date of this proposal? In other words, when will we have to face—let's assume August 15 we pass this, when do we have another opportunity then to have to face up to this raising the debt ceiling? Is this 6 months, 3 months, or what?

Mr. SETHNESS. The $2,322.8 billion comes from the concurrent budget resolution and is designed to get through September 30, 1987. Actually having it work out that way means that a lot of assumptions have to come true.

Senator PRYOR. About 12 or 13 months.

Mr. SETHNESS. Something like that.

Senator PRYOR. Now I think the record ought to indicate that—and this is on the issue of a clean bill versus, or measure, versus one amended—I think the record should indicate that the last time we increased the debt ceiling we did have a minor amendment on that debt ceiling, and that minor amendment was the Gramm-Rudman-Hollings amendment, Mr. Chairman, as I recall, last fall around Christmastime. And I would like the Secretary to state his opinion about whether or not any amendment to the debt ceiling before August 15 of this year to the proposal would have to be revenue neutral.

Would any amendment to this debt ceiling that we are considering have to be revenue neutral?

Mr. SETHNESS. I don't know, Senator.

Senator PRYOR. We could not increase this $2.322 billion. In other words, that is your target. Right?

Mr. SETHNESS. The reason for that request is that that is the amount already passed by the House.

Senator PRYOR. Well a lot of times the debt ceiling and the budget resolution becomes sort of a catchall. It becomes a catchall proposition. And I am wondering whether the Gramm-Rudman-Hollings mandate that we have to have revenue neutrality and legislation of this sort can raise revenues or can lower revenues without having what we call a revenue neutral amendment.

Mr. SETHNESS. If I understand your question, Senator, the number that one puts in here has nothing to do with revenue or revenue neutrality. It is just the amount of debt that we can sell. So that if you made this $3 trillion it would not have an effect on revenue or outlays.

Senator PRYOR. Right.

Mr. SETHNESS. It would merely have an effect on the time which we would have to come back.

Senator PRYOR. So we would not be mandated in any way by Gramm-Rudman-Hollings on this proposal to increase the debt ceiling, as far as neutrality of amendment?

Mr. SETHNESS. That is my understanding, yes.

Senator PRYOR. Now, Mr. Chairman, may I ask, if I could, ask you a question? Is there any possible opportunity of rather than taking this country to the brink of falling off the cliff on the night of August 14, is there any possibility of doing this at a reasonable time when we have time to discuss it and not do like we always do and say, OK, tomorrow the veterans are not going to be paid, and tomorrow the Social Security recipients, tomorrow we are going to close down the Air Force bases all around the world? Is there any chance we could do this soon? We know we have to do it.

The CHAIRMAN. Well, what I would like to do is report this out of committee today if we can, get it onto the calendar. It is up to the majority leader as to when he wants to bring something up, but I would like this committee at least to just discharge ourselves of our responsibility with ample time for the bill to be brought up, debated on the floor, discussed on the floor, so that we are not up against the day before we recess and we have not yet adopted the debt ceiling.

Senator PRYOR. That is what concerns me about this. That is what many times happens.

The CHAIRMAN. The sooner we can get it out of here, the better.

Senator PRYOR. I hope that we can avoid that situation, and I say this in due respect.

That is all the questions I have.

The CHAIRMAN. Senator Durenberger.

Senator DURENBERGER. Mr. Chairman, there is something unreal about what we go through every year here and Pat Moynihan's questions have pointed that out. And I would like to ask Mr. Sethness some definitional questions. But before I do, I would like to share with my colleagues the fact that I enjoyed—speaking of unrealism versus realism—I enjoyed reading a very short but very informative article in a local magazine about our colleague from Louisiana. And the thing was a relatively short article, and I think it was the Washingtonian or something like that.

But that article said more about, not only about Russell Long but about what we do here on this committee, and how it relates to the real world out there more than anything I have read. And I would compliment not only the former chairman and the ranking member for what he said in that article, which is, as usual, informative and educational to all of us, but sort of puts into perspective some of the incredulity or incredulousness that all of us have to express as we sit here and talk about what we have done on our watch. Not only, as Pat says, of the transfer of wealth from labor to capital but transferring the cost of what we insist on having today from generation of our children.

And I think it is unconscionable, and I do not know how to make myself feel good about it other than to read an article like the article on Russell which says, "This too shall pass, and put what you are doing in some realistic perspective and don't take yourself too seriously."

But I think the subject with which we deal, and obviously our questions are no longer of the order of magnitude. I mean, we do not even have the Secretary of Treasury here to beat up on. We are just sort of like we are handcuffed in the debt process, Mr. Chairman. And I am sure we are all anxious to get out of it. And yet it seems almost impossible for us to extracate ourselves from a problem that is this big. So we get to the point where we think it really isn't a problem. It doesn't have a consequence.

Tax reform is more important. I don't know whether Gramm and Rudman are more famous than Packwood and Long, or Packwood and Long are more famous than Gramm and Rudman. But to the public out there, at some point it seems they have a lot of difficulty in fixing responsbiility.

But tax reform is a positive. Our inability to come to grips with the Nation's deficits I think is a negative.

Do you have, Mr. Sethness, or could you provide—can you provide for us right now some comparisons between fiscal 1981 and fiscal 1987 in terms of what the debt limit was in fiscal 1981 versus 1987? What the gross figures on debt service were? What the net figures on debt service were? Are those available to you right now?

Mr. SETHNESS. I think I can find some of that reasonably quickly.

[Pause.]

Mr. SETHNESS. I can give you the figures of debt subject to limit in 1981, which was $998.8 billion, and at the end of 1985 that was $1,823.8 billion.

Senator DURENBERGER. The debt service figures?

Mr. SETHNESS. The interest on the public debt in 1981 was approximately $95.5 billion.

Senator DURENBERGER. Approximately what?

Mr. SETHNESS. $95.5 billion. And in 1985 it was $179.1 billion.

Senator DURENBERGER. And you are projecting it at $196 billion?

Mr. SETHNESS. $196.1 billion is the current 1986 estimate.

Senator DURENBERGER. Do you have the net figures then, net of interest income or is that not available to you? Because the next question then is, debt service as a percentage of all federal spending.

Mr. SETHNESS. In 1981, that was approximately 14.1 percent, and in 1985 it was 18.9, and it is projected to be 20 percent in 1986.

Senator DURENBERGER. Did you say 20 percent in 1986?

Mr. SETHNESS. Yes.

Senator DURENBERGER. Do you have projections for fiscal 1988, 1989, and 1990?

Mr. SETHNESS. I do not with me; no.

Senator DURENBERGER. Do you have any information on the composition of the buyers of our debt, 1981 versus 1987? Who is buying the national debt today?

Mr. SETHNESS. I have some information on the composition of the holders of our debt as of the moment, and this has a remarkably stable pattern over time. I do not have the historical breakdown of what that holding pattern was 5 years ago, but the percentages held by the various classes of investors have not changed dramatically. There has been a slight decrease in the percentage of the debt held by foreigners, a slight increase in the percentage of the debt held by mutual funds, and some other changes, but it has not been a dramatic change in the total mix.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. Mr. Chairman, I don't have any questions and only want to say that if I didn't say something or ask anything it might be considered—my considering it O.K. that we have a tremendous increase in the national debt. And you cannot let go by what the Senator from New York and the Senator from Montana observed that this is a very serious situation and it has gotten bad in recent years.

On the other hand, I guess we ought to observe that the national debt has not just started to get bad; that this snowball rolling down the hill that has now accumulated 2 trillion parts started rolling down the hill several decades before the present administration came in.

And I guess that I would have to assume that my entire generation—this generation—has somehow accepted that it is morally all right to live beyond its income and beyond its means. And I think too often we look at the national debt as just being an economic or fiscal matter. But it is kind of a moral issue in the sense that we are outliving our productivity and our willingness to support and sacrifice. And that did not just happen this last 6 years. That has been going on for a long time, and the chickens are coming home to roost in the way of high interest rates and high cost of interest on the national debt, and all those things.

So I hope that we don't vote a bill out of this committee somehow feeling that all of a sudden a crisis is upon us, and that we were just now having that realization that just the last 6 years are bad, because over a long period of time this has been coming upon us.

And hopefully now with some extraordinary measures I think in terms of Gramm-Rudman, when you can have a Senator Gramm and a Senator Kennedy vote for the same measure that there is some indication that there is a new day here in Washington. And maybe our generation—my generation—is finally realizing that we have committed moral wrong and are going to correct that so that at least even though we cannot right the wrongs of the past, at least we are not going to make them a great deal bigger for future generations.

So, as I observe this issue it is an annual one, but I think it is a very important one and worthy of our consideration of what a whole generation has done to the future—our kids and grandchildren. And we have taken more out of this country than we put back in. And this is really the first generation—my generation—that we have been so irresponsible and morally debunk from the standpoint of the materialism that is expressed in deficit spending.

The CHAIRMAN. Further questions?

[No response.]

The CHAIRMAN. If not, I know Senator Moynihan has an amendment, and I know Senators Long and Bentsen are not far, so that we will have at least six here. Why don't you propose your amendment, Pat. We can discuss it. And I hope we would adopt it. And then we will have to recess the committee—we do not have a quorum—subject to the call of the Chair to report the bill out.

Senator MOYNIHAN. Mr. Chairman, this is a straightforward matter. Perhaps Mr. Sethness might want to comment. As he indicated in his testimony and in a letter he quoted from Under Secretary Gould that this is a matter we have discussed with Treasury and the Treasury supports.

There are five members on the committee, including myself, who are cosponsors. The draft of the amendment is going around. There are six specific provisions. I will go through them very quickly. It eliminates from current law the phrase that the Secretary of the Treasury as the managing trustee will vest the trust fund money which in his judgment are needed by the funds. It takes away a measure of discretion which the Secretary does not require.

It specifies that trust fund receipts and assets shall be made immediately available for the exclusive purpose set out in the Social Security Act. It states that although the managing trustee is not personally liable, as a fidiciary of the trust funds, he should basically execute the duties imposed upon him by the act.

It requires that the managing trustee report monthly to the board of trustees, which now, of course, includes two public members, on the status of the trust fund.

Mr. Chairman, I recall that—you will recall that the last time there was this disinvestment the public trustees were not told nor were the other managing trustees.

And as Mr. Sethness has noted, we eliminate the authority for the normalized tax transfers as of June 30, 1990. Finally, the effective date of these provisions would be August 15, Mr. Chairman.

The CHAIRMAN. Senator Moynihan, I am going to support the amendment for this reason. Normally I would ask for a clean debt bill, as every chairman does. However, the Social Security trust funds and disinvestment or whether we are going to sell them are so intertwined with the debt ceiling, they are the biggest source of reserves we have, and we are going to face this issue every time we have a debt ceiling if we do not simply say this is off limits.

So I don't really regard this as something absolutely adverse to the debt ceiling bill or unrelated to the debt ceiling bill. It is part and parcel of the problem every time we face it.

Senator MOYNIHAN. Mr. Chairman, if I could just say in thanking you, it seems to me that the real discipline that is imposed by this measure is on the Congress.

The CHAIRMAN. Oh, yes. Because with this now we will be in a position, if Social Security checks are not paid it will be our fault, and the Treasury Secretary will not be forced into a Hobson's choice of being pilloried one way or the other no matter what he does.

[Discussion on the Moynihan amendment.]

Senator LONG. Mr. Chairman.

The CHAIRMAN. Senator Long.

Senator LONG. One of the staff people indicated to me that this amendment might pose the same problem we had with regard to the temporary debt limit and I would like to know if it does. In other words, the problem with the temporary debt limit was that it permitted the temporary limit to build up so big that we had no choice, because the Government could not operate once the temporary debt limit expired. Would that problem come into play if this amendment is added to the bill?

Mr. SETHNESS. Senator, there is a point somewhere along the way in the process when, in fact, the Government cannot operate because it is out of cash and it is out of debt limit authority.

What this would do is make it clearer and quite probably a month or two earlier as to when it was that the Government was, in fact, out and something had to be done by the Congress.

Senator LONG. Well, now——

Mr. SETHNESS. So it would have a similar effect to that of the temporary debt ceiling expiration but not identical. There would still be some period of time of operation.

Senator LONG. The way I understand that we have it at this moment—we have had to fight for a long time to get it to that—is that when the debt limit is reached you are on a cash basis. As money comes in you can pay it out. That is the way I understand it. So that, in effect, you have the power to impound whether we like it or not because you cannot pay the money out until it comes in.

Mr. SETHNESS. Senator, that is not in fact how it would work in the event of running out of debt limit and cash. No one has the ability to prioritize payments. And if we hit the limit and ran out of cash, checks would still be issued, and they would be paid on the basis of which checks got handed in first to the Government as cash accumulated to pay off a whole day's checks.

Now that might mean delays of from a day to weeks as time went on as more and more checks were presented that exceeded the amount of cash available.

Senator LONG. You mean you would propose to issue a bunch of hot checks out there and not honor the checks when they came to the bank?

Mr. SETHNESS. Yes, sir.

Senator LONG. It seems to me it makes a lot better sense to just hold up, just wait a few days to mail the checks, until you have more money in the till.

Mr. SETHNESS. We do not believe that we have the statutory authority to decide which checks to not cut.

Senator LONG. The alternative would be just don't issue any until you have enough to honor them all.

Mr. SETHNESS. That I am told, although I am not the expert on this, it gets a little tricky because there are thousands of certifying officers that make expenditure authorizations in a lot of different places where checks and electronic funds transfers get made. And shutting the whole payment system down is complicated.

Senator LONG. Let me ask if Mr. Wilkins or someone else over there can help clarify this matter for me.

Mr. WILKINS. Maybe we can get Joe Humphries to describe the situation we were talking to you about earlier this morning.

Mr. HUMPHRIES. With the comparison between this and the temporary debt limit in particular is this situation. With the temporary debt limit, the key thing that makes it impossible for Treasury to operate on a cash basis if they felt they otherwise could is that they cannot roll over existing debt as debt becomes due. When you had a temporary debt limit they were not in a position to issue new debt to just substitute for it.

Now under the proposed—one of the features of the proposed amendment has sort of the same result because it says if you have any outstanding uninvested balances in the trust funds, which is typically the situation when you are at the debt limit for a little while, that you could not—as debt held by the public came due, you could not simply roll it over. You could not cancel that debt, issue new debt to raise the cash to redeem it. You would have to—in that situation, what you would have to do as debt came due and made room within the debt limit, you would have to use that room to invest the trust fund, investing the trust fund, which means that you could not raise the cash to redeem that debt in any case.

And the result of that would be to—in any debt limit situation—would be to very rapidly drive the Treasury into default. They just could not roll over existing debt. And that is the point of comparison, the inability to roll over existing debt.

Senator LONG. My recollection was that, once we got that temporary debt limit thing going, and the temporary debt became so much greater than the regular debt—the so-called permanent debt—Treasury started liking that because we had no choice. The Government would just have to come to an end. You couldn't delay sending checks out if you were at the debt limit. You would have no choice. Nothing could be paid until another debt limit bill had been passed to include the temporary debt limit, or to extend it.

So something had to be done, otherwise the Government just came to an end.

Now does this amendment set the stage for the same type thing again rather than putting them on a cash basis? You just couldn't operate. The Government couldn't operate at all.

Mr. SETHNESS. Yes, it does.

Senator LONG. That is something that I don't think Senator Symms and some others who are concerned about this thing would like to see. No, I don't like that aspect of it.

I asked that you provide some charts for us, and I assume that you have these. I have the old one—September 10—edition of information on the debt limit. Did you bring those charts up here with you?

Mr. SETHNESS. Yes, sir.

Senator LONG. The so-called Long charts.

Mr. SETHNESS. Yes, sir.

Senator LONG. You have these estimates, for example. At what time in 1984 would those figures be correct? Do you have the charts?

The old chart goes through 1984. I just wanted to ask, at what date in 1984 would that be the case? Do you have that?

Mr. SETHNESS. I believe it is calendar year.

Senator LONG. At the end of the calendar year or the beginning of the calendar year or the middle?

Mr. SETHNESS. I believe it is the end of the calendar year.

Senator LONG. The end?

Mr. SETHNESS. Yes, sir.

Senator LONG. Would you show me what you have? Would you mind bringing it up here?

And so you brought them up through 1985. Now when it says 1985, does that mean the end of 1985?

Mr. SETHNESS. December 31, 1985.

Senator LONG. September 31. Were all the other dates——

Mr. SETHNESS. December.

Senator LONG. Pardon me.

Mr. SETHNESS. December, I believe, 31.

Senator LONG. Did you say December or September?

Mr. SETHNESS. December.

Senator LONG. December. All right.

For example, table 1 would say that of the total public and private debt the Federal debt—the net Federal debt—we are looking for net debt—is 19.2 percent.

What was the gross Federal debt at that same date? Can you give the gross Federal debt, December 31, 1985?

Mr. SETHNESS. I am afraid that the only gross debt numbers that I have are as of the end of the fiscal year. So I do not have the comparable gross——

Senator LONG. What was that?

Mr. SETHNESS. Well, the——

Senator LONG. For 1985.

Mr. SETHNESS. The gross Federal debt at the end of September 30, 1985, was, instead of the 1,600 shown here was 1,827.5.

Senator LONG. So the difference, what was that represented by? Where was most of that held, in the Federal Reserve or was it held in Social Security or where?

Mr. SETHNESS. That is held in Government accounts in the Federal Reserve.

Senator LONG. In the Federal Reserve?

Mr. SETHNESS. I believe so.

Senator LONG. I would like for you to provide that if you would for the record.

[The information follows:]

Ownership of the gross Federal debt, Sept. 30, 1985

[In billions of dollars]

Federal debt securities held by:	*Securities held*
U.S. Government accounts	317.6
Federal Reserve Banks	169.8
Private investors	1,340.1
Total gross Federal debt	1,875.5

Senator LONG. Thank you very much.

I would like to ask that these be made a part of the record, Mr. Chairman.

The CHAIRMAN. Without objection.

[The information follows:]

Additional Information

for Debt Limit Hearing
before the Subcommittee on Taxation
and Debt Management

July 15, 1986

TABLE ONE
ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

YEAR	PRIVATE(1) CORPORATE	OTHER	TOTAL	STATE AND LOCAL	(2) FEDERAL	TOTAL NET DEBT	PERCENT FEDERAL OF TOTAL
	(BILLION $)						
1929	88.9	72.9	161.8	13.6	16.5	191.9	8.6
1930	89.3	71.8	161.1	14.7	16.5	192.3	8.6
1931	83.5	64.9	148.4	16.0	18.5	183.0	10.1
1932	80.0	57.1	137.1	16.6	21.3	175.0	12.2
1933	76.9	51.0	127.9	16.3	24.3	168.5	14.4
1934	75.5	49.8	125.3	15.9	30.4	171.6	17.7
1935	74.8	49.7	124.5	16.1	34.4	175.0	19.7
1936	76.1	50.6	126.7	16.2	37.7	180.6	20.9
1937	75.8	51.1	126.9	16.1	39.2	182.2	21.5
1938	73.3	50.0	123.3	16.1	40.5	179.9	22.5
1939	73.5	50.8	124.3	16.4	42.6	183.3	23.2
1940	75.6	53.0	128.6	16.4	44.8	189.8	23.6
1941	83.4	55.6	139.0	16.1	56.3	211.4	26.6
1942	91.6	49.9	141.5	15.4	101.7	258.6	39.3
1943	95.5	48.8	144.3	14.5	154.4	313.2	49.3
1944	94.1	50.7	144.8	13.9	211.9	370.6	57.2
1945	85.3	54.7	140.0	13.4	252.5	405.9	62.2
1946	49.5	66.3	115.7	14.9	228.0	358.7	63.6
1947	56.7	80.4	137.1	16.3	220.8	374.2	59.0
1948	62.8	93.2	156.1	18.5	215.1	389.6	55.2
1949	64.6	104.1	168.7	21.0	217.7	407.4	53.4
1950	71.3	122.9	194.3	24.4	216.5	435.1	49.8
1951	79.6	135.7	215.3	26.6	216.1	457.9	47.2
1952	86.8	152.4	239.2	30.2	221.4	490.8	45.1
1953	91.0	168.6	259.6	34.5	228.4	522.5	43.7
1954	95.9	183.1	279.0	40.6	230.8	550.4	41.9
1955	104.2	212.4	316.6	45.9	230.0	592.5	38.8
1956	114.8	232.1	346.9	49.5	224.2	620.6	36.1
1957	124.7	250.5	375.1	53.7	222.0	650.8	34.1
1958	133.2	268.3	401.4	59.2	231.3	691.9	33.4
1959	143.5	302.2	445.8	65.5	238.3	749.6	31.8
1960	154.3	328.2	482.5	70.8	236.3	789.5	29.9
1961	165.1	354.9	520.0	75.9	243.5	839.3	29.0
1962	177.5	391.0	568.4	81.2	250.5	900.1	27.8
1963	190.2	437.5	627.8	86.9	254.4	969.1	26.3
1964	203.0	486.1	689.1	92.9	260.7	1042.7	25.0
1965	221.6	539.9	761.5	100.3	262.4	1124.2	23.3
1966	244.1	585.8	829.9	105.9	266.1	1201.9	22.1
1967	269.5	626.4	895.9	113.7	279.1	1288.6	21.7
1968	296.5	691.1	987.6	123.2	292.6	1403.5	20.9
1969	325.5	766.3	1091.8	133.1	289.5	1513.9	19.1
1970	355.0	821.5	1176.5	144.4	300.8	1621.7	18.5
1971	380.1	908.5	1288.6	161.8	325.7	1776.1	18.3
1972	412.5	1042.2	1454.7	176.5	340.8	1972.0	17.3
1973	461.3	1198.7	1660.0	191.2	349.1	2200.3	15.9
1974	527.4	1323.1	1850.5	207.7	360.8	2419.1	14.9
1975	548.5	1415.4	1963.9	223.8	446.3	2633.9	16.9
1976	591.5	1583.9	2175.4	239.5	515.8	2930.6	17.6
1977	662.6	1817.3	2480.0	262.9	572.5	3315.4	17.3
1978	741.1	2135.2	2876.2	291.3	626.2	3793.7	16.5
1979	836.5	2465.8	3302.2	321.6	663.6	4287.4	15.5
1980	914.2	2705.2	3619.4	351.9	742.8	4714.1	15.8
1981	1018.4	2979.5	3997.8	375.2	830.1	5203.2	16.0
1982	1091.1	3162.4	4253.5	423.9	991.4	5668.8	17.5
1983	1147.5	3525.5	4673.0	481.2	1177.9	6332.1	18.6
1984	1339.8	3975.5	5315.3	567.0	1376.8	7259.0	19.0
1985	1506.1	4511.1	6017.1	729.7	1600.4	8347.2	19.2

TABLE TWO
ESTIMATED PER CAPITA NET GOVERNMENT AND PRIVATE DEBT(3)

YEAR	PRIVATE(1) CORPORATE	PRIVATE(1) OTHER	PRIVATE(1) TOTAL	STATE AND LOCAL	(2) FEDERAL	TOTAL NET DEBT
	(IN DOLLARS)					
1929	726	595	1321	111	135	1567
1930	722	581	1303	119	133	1556
1931	671	521	1192	129	149	1469
1932	639	456	1095	133	170	1397
1933	610	405	1015	129	193	1337
1934	595	393	988	125	240	1353
1935	586	389	975	126	269	1370
1936	592	394	986	126	293	1406
1937	586	395	981	124	303	1409
1938	562	383	945	123	311	1379
1939	557	384	941	124	323	1388
1940	567	398	965	123	336	1424
1941	619	413	1032	120	418	1570
1942	672	366	1038	113	746	1896
1943	691	353	1044	105	1117	2267
1944	673	363	1036	99	1516	2652
1945	604	387	991	95	1768	2874
1946	345	462	807	104	1590	2501
1947	388	551	939	112	1512	2562
1948	423	628	1051	124	1448	2622
1949	428	688	1116	139	1440	2696
1950	444	820	1264	159	1409	2832
1951	509	868	1377	170	1382	2930
1952	546	958	1504	190	1393	3087
1953	563	1042	1605	213	1413	3232
1954	583	1112	1695	247	1403	3344
1955	622	1268	1890	274	1373	3537
1956	673	1361	2034	293	1314	3638
1957	728	1444	2162	309	1279	3750
1958	755	1520	2275	336	1311	3921
1959	800	1685	2485	365	1329	4179
1960	846	1801	2647	388	1296	4331
1961	891	1916	2807	409	1314	4531
1962	944	2079	3023	432	1332	4787
1963	998	2294	3292	456	1334	5083
1964	1051	2515	3566	481	1349	5396
1965	1133	2761	3894	513	1342	5749
1966	1234	2967	4157	536	1346	6078
1967	1349	3135	4484	569	1397	6449
1968	1470	3425	4895	611	1450	6956
1969	1597	3759	5356	653	1418	7426
1970	1719	3979	5698	699	1457	7855
1971	1820	4348	6168	774	1559	8501
1972	1955	4940	6895	837	1615	9347
1973	2166	5630	7796	898	1639	10333
1974	2454	6156	8610	966	1679	11255
1975	2526	6520	9046	1031	2056	12133
1976	2699	7226	9925	1093	2353	13371
1977	2992	8205	11197	1187	2585	14970
1978	3310	9537	12847	1301	2797	16945
1979	3694	10889	14583	1420	2930	18934
1980	4000	11837	15837	1540	3250	20627
1981	4411	12904	17315	1625	3595	22535
1982	4678	13560	18238	1817	4251	24307
1983	4874	14973	19847	2044	5003	26894
1984	5637	16725	22362	2301	5792	30456
1985	6277	18802	25079	3041	6670	34791

TABLE THREE
NET GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

YEAR	GROSS NATIONAL PRODUCT	PRIVATE (1)			STATE AND LOCAL	(2)	TOTAL NET DEBT
		CORPORATE	OTHER	TOTAL		FEDERAL	
	(BILLION $)	(DEBT AS A PERCENT OF GROSS NATIONAL PRODUCT)					
1929	103.9	85.6	70.2	155.7	13.1	15.9	184.7
1930	91.2	97.9	78.7	176.6	16.1	18.1	210.9
1931	76.4	119.3	84.9	204.2	20.9	24.2	249.3
1932	58.5	136.8	97.6	234.4	28.4	36.4	299.1
1933	56.0	137.3	91.1	228.4	29.1	43.4	300.9
1934	65.6	115.1	75.9	191.0	24.2	46.3	261.6
1935	72.8	102.7	68.3	171.0	22.1	47.3	240.4
1936	83.1	91.6	60.9	152.5	19.5	45.4	217.3
1937	91.3	83.0	56.0	139.0	17.6	42.9	199.6
1938	85.4	85.8	58.5	144.4	18.9	47.4	210.7
1939	91.3	80.5	55.6	136.1	18.0	46.7	200.8
1940	100.4	75.3	52.8	128.1	16.3	44.6	189.0
1941	125.5	66.5	44.3	110.8	12.8	44.9	168.4
1942	159.0	57.6	31.4	89.0	9.7	64.0	162.6
1943	192.7	49.6	25.3	74.9	7.5	80.1	162.5
1944	211.4	44.5	24.0	68.5	6.6	100.2	175.3
1945	213.4	40.0	25.6	65.6	6.3	118.3	190.2
1946	212.4	23.3	31.2	54.5	7.0	107.4	168.9
1947	235.2	24.1	34.2	58.3	6.9	93.9	159.1
1948	261.6	24.0	35.6	59.7	7.1	82.2	148.9
1949	260.4	24.8	40.0	64.8	8.1	83.6	156.5
1950	288.3	24.7	42.6	67.4	8.5	75.1	150.9
1951	333.4	23.9	40.7	64.6	8.0	64.8	137.4
1952	351.6	24.7	43.3	68.0	8.6	63.0	139.6
1953	371.6	24.5	45.4	69.9	9.3	61.5	140.6
1954	372.5	25.7	49.2	74.9	10.9	62.0	147.8
1955	405.9	25.7	52.3	78.0	11.3	56.7	146.0
1956	428.2	26.8	54.2	81.0	11.6	52.4	144.9
1957	451.0	27.6	55.5	83.2	11.9	49.2	144.3
1958	456.6	29.2	58.7	87.9	13.0	50.6	151.5
1959	495.8	29.0	61.0	89.9	13.2	48.1	151.2
1960	515.3	29.9	63.7	93.6	13.7	45.9	153.2
1961	533.8	30.9	66.5	97.4	14.2	45.6	157.2
1962	574.6	30.9	68.0	98.9	14.1	43.6	156.6
1963	606.9	31.3	72.1	103.4	14.3	41.9	159.7
1964	649.8	31.2	74.8	106.0	14.3	40.1	160.5
1965	705.1	31.4	76.6	108.0	14.2	37.2	159.4
1966	772.0	31.6	75.9	107.5	13.7	34.5	155.7
1967	816.4	33.0	76.7	109.7	13.9	34.2	157.8
1968	892.7	33.2	77.4	110.6	13.8	32.8	157.2
1969	963.9	33.8	79.5	113.3	13.8	30.0	157.1
1970	1015.5	35.0	80.9	115.9	14.2	29.6	159.7
1971	1102.7	34.5	82.4	116.9	14.7	29.5	161.1
1972	1212.8	34.0	85.9	119.9	14.6	28.1	162.6
1973	1359.3	33.9	88.2	122.1	14.8	25.7	161.9
1974	1472.8	35.8	89.8	125.6	14.1	24.5	164.3
1975	1598.4	34.3	88.5	122.9	14.0	27.9	164.8
1976	1782.8	33.2	88.8	122.0	13.4	28.9	164.4
1977	1990.5	33.3	91.3	124.6	13.2	28.8	166.6
1978	2249.7	32.9	94.9	127.9	12.9	27.8	168.6
1979	2508.2	33.3	98.3	131.7	12.8	26.5	170.9
1980	2732.0	33.5	99.0	132.5	12.9	27.2	172.5
1981	3052.6	33.4	97.6	131.0	12.3	27.2	170.5
1982	3166.0	34.5	99.9	134.3	13.4	31.3	179.1
1983	3401.6	33.7	103.6	137.4	14.1	34.6	186.2
1984	3774.7	35.5	105.3	140.8	14.5	35.5	191.8
1985	3988.5	37.8	113.1	150.9	18.3	40.1	209.3

TABLE FOUR
ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES

YEAR	OUTSTANDING FEDERAL DEBT GROSS(5)	NET(2)	PRIVATELY HELD(6)	PER CAPITA FEDERAL DEBT(3) GROSS(5)	NET(2)	PRIVATELY HELD(6)	REAL PER CAPITA FEDERAL DEBT(4) GROSS(5)	NET(2)	PRIVATELY HELD (6)
	(IN BILLIONS OF DOLLARS)			(IN DOLLARS)			(IN 1967 DOLLARS)		
1929	18.7	16.5	16.0	153	135	131	588	363	355
1930	18.6	16.5	15.8	150	133	130	501	383	382
1931	20.4	18.5	17.7	164	149	142	359	326	312
1932	23.2	21.3	19.4	185	170	155	453	416	346
1933	26.8	24.3	21.9	213	193	174	548	497	448
1934	38.1	30.4	28.0	300	240	221	749	598	550
1935	41.8	34.4	32.0	327	269	251	796	655	610
1936	46.2	37.7	35.3	360	293	275	866	707	662
1937	48.9	39.2	36.6	378	303	283	879	705	658
1938	51.8	40.5	37.9	397	311	291	941	736	689
1939	55.7	42.4	40.1	422	323	304	1014	775	730
1940	59.4	44.8	42.6	446	336	320	1061	800	761
1941	73.3	56.3	54.0	544	418	401	1236	948	909
1942	119.2	101.7	95.5	874	746	700	1791	1528	1435
1943	176.1	154.4	142.9	1275	1117	1034	2460	2157	1997
1944	236.6	211.9	193.1	1693	1516	1382	3212	2877	2627
1945	281.1	252.5	228.2	1990	1788	1616	3693	3317	2998
1946	261.9	228.0	206.1	1826	1590	1437	3122	2718	2457
1947	256.8	220.8	199.1	1758	1512	1363	2628	2260	2038
1948	253.6	215.1	192.0	1707	1448	1292	2367	2008	1792
1949	257.7	217.7	197.7	1705	1440	1308	2368	2017	1832
1950	257.4	216.5	196.6	1677	1409	1280	2326	1955	1775
1951	259.7	216.1	193.1	1661	1382	1235	2136	1777	1568
1952	267.8	221.4	196.8	1685	1393	1238	2119	1752	1557
1953	275.6	228.4	200.0	1724	1433	1237	2128	1764	1544
1954	278.8	230.8	204.2	1694	1403	1241	2104	1742	1541
1955	282.1	230.0	204.8	1684	1373	1223	2120	1712	1524
1956	278.9	224.2	199.4	1635	1314	1169	2009	1615	1436
1957	280.6	222.0	198.8	1617	1279	1146	1918	1517	1359
1958	286.8	231.3	204.7	1625	1311	1160	1877	1513	1340
1959	300.1	238.3	214.8	1673	1329	1197	1916	1522	1372
1960	300.5	236.3	212.4	1648	1296	1165	1859	1461	1314
1961	307.4	243.5	217.8	1659	1314	1176	1852	1467	1312
1962	315.8	250.5	222.8	1680	1332	1185	1854	1470	1308
1963	322.2	254.4	223.9	1690	1334	1174	1843	1455	1281
1964	332.5	260.7	227.0	1721	1349	1175	1852	1452	1265
1965	336.7	262.4	225.6	1722	1342	1154	1822	1420	1221
1966	353.6	266.1	227.5	1788	1346	1151	1840	1384	1184
1967	382.0	279.1	237.3	1912	1397	1188	1912	1397	1188
1968	386.4	292.6	240.7	1915	1450	1193	1838	1392	1145
1969	382.0	289.0	233.0	1874	1418	1143	1707	1291	1041
1970	401.6	300.8	239.8	1945	1457	1162	1673	1253	999
1971	435.2	325.7	256.5	2083	1559	1228	1717	1285	1012
1972	461.1	340.8	271.9	2185	1615	1289	1744	1289	1029
1973	483.7	349.1	271.2	2257	1639	1274	1696	1232	957
1974	504.0	360.8	280.1	2345	1679	1303	1588	1137	882
1975	587.6	446.3	358.1	2707	2056	1650	1679	1275	1023
1976	664.8	515.8	418.5	3033	2353	1910	1779	1380	1120
1977	729.2	572.5	469.5	3292	2585	2120	1814	1424	1168
1978	797.7	626.2	515.4	3563	2797	2302	1823	1431	1178
1979	852.2	663.6	546.0	3763	2930	2411	1731	1348	1109
1980	936.7	742.8	621.3	4099	3250	2718	1661	1317	1101
1981	1034.7	830.1	698.9	4481	3595	3027	1645	1320	1111
1982	1201.9	991.4	851.9	5154	4251	3653	1783	1470	1264
1983	1415.3	1177.9	1026.0	6011	5003	4358	2015	1677	1460
1984	1667.4	1376.8	1212.5	7015	5792	5101	2255	1862	1640
1985	1950.3	1600.4	1420.4	8129	6670	5920	2523	2070	1837

TABLE FIVE
PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

YEAR	GROSS NATIONAL PRODUCT	PRIVATELY HELD DEBT(6)	RATIO OF DEBT TO GNP	YEAR TO YEAR PRICE CHANGES(7)
	(BILLION $)		(PERCENT)	
1929	103.9	16.0	15.4	.0
1930	91.2	15.8	17.3	-2.5
1931	76.4	17.7	23.2	-8.8
1932	58.5	19.4	33.2	-10.3
1933	56.0	21.9	39.1	-5.1
1934	65.6	28.0	42.7	3.4
1935	72.8	32.0	44.0	2.5
1936	83.1	35.3	42.5	1.0
1937	91.3	36.6	40.1	3.6
1938	85.4	37.9	44.4	-1.9
1939	91.3	40.1	43.9	-1.4
1940	100.4	42.6	42.4	1.0
1941	125.8	54.0	43.0	5.0
1942	159.0	95.5	60.1	10.7
1943	192.7	142.9	74.2	6.1
1944	211.4	193.1	91.3	1.7
1945	213.4	228.2	106.9	2.3
1946	212.4	206.1	97.0	8.5
1947	235.2	199.1	84.7	14.4
1948	261.6	192.0	73.4	7.8
1949	260.4	197.7	75.9	-1.0
1950	288.3	196.6	68.2	1.0
1951	333.4	193.1	57.9	7.9
1952	351.6	196.8	56.0	2.2
1953	371.6	200.3	53.8	.8
1954	372.5	204.2	54.8	.5
1955	405.9	204.8	50.5	-.4
1956	428.2	199.4	46.6	1.5
1957	451.0	198.8	44.1	3.6
1958	456.8	204.7	44.8	2.7
1959	495.8	214.8	43.3	.8
1960	515.3	212.4	41.2	1.6
1961	533.8	217.8	40.8	1.0
1962	574.6	222.8	38.8	1.1
1963	606.9	223.9	36.9	1.2
1964	649.8	227.0	34.9	1.3
1965	705.1	225.6	32.0	1.7
1966	772.0	227.5	29.5	2.9
1967	816.4	237.3	29.1	2.9
1968	892.7	240.7	27.0	4.2
1969	963.9	233.0	24.2	5.4
1970	1015.5	239.8	23.6	5.9
1971	1102.7	256.5	23.3	4.3
1972	1212.8	271.9	22.4	3.3
1973	1359.3	271.2	20.0	6.2
1974	1472.8	280.1	19.0	11.0
1975	1598.4	358.1	22.4	9.1
1976	1782.8	418.5	23.5	5.8
1977	1990.5	469.5	23.6	6.5
1978	2249.7	515.4	22.9	7.7
1979	2508.2	546.0	21.8	11.3
1980	2732.0	621.3	22.7	13.5
1981	3052.6	698.9	22.9	10.4
1982	3166.0	851.9	26.9	6.1
1983	3401.6	1026.0	30.2	3.2
1984	3774.7	1212.5	32.1	4.3
1985	3988.5	1420.4	35.6	3.6

TABLE SIX
CHANGES IN PER CAPITA REAL GROSS NATIONAL PRODUCT

YEAR	GNP IN BILLIONS OF 1982 DOLLARS	GNP PER CAPITA CONSTANT 1982 DOLLARS(3)	GNP PER CAPITA, CHANGE FROM PREVIOUS YEAR: CONSTANT 1982 DOLLARS	GNP PER CAPITA, CHANGE FROM PREVIOUS YEAR: PERCENT
1929	709.6	5793	0	0
1930	643.5	5206	-588	-10
1931	588.1	4724	-481	-9
1932	509.2	4065	-659	-14
1933	498.5	3956	-109	-3
1934	536.7	4230	274	7
1935	580.2	4543	312	7
1936	662.2	5154	612	13
1937	695.3	5376	221	4
1938	664.2	5093	-282	-5
1939	716.6	5427	333	7
1940	772.9	5799	373	7
1941	909.4	6753	954	16
1942	1080.3	7922	1168	17
1943	1276.2	9236	1315	17
1944	1380.6	9878	641	7
1945	1354.8	9593	-285	-3
1946	1096.9	7650	-1943	-20
1947	1066.7	7304	-346	-5
1948	1108.7	7462	158	2
1949	1109.0	7338	-124	-2
1950	1203.7	7835	498	7
1951	1328.2	8497	662	8
1952	1380.0	8681	183	2
1953	1435.3	8877	196	2
1954	1416.2	8605	-272	-3
1955	1494.9	8924	320	4
1956	1525.6	8944	20	0
1957	1551.1	8938	-6	0
1958	1539.2	8723	-215	-2
1959	1629.1	9082	358	4
1960	1665.3	9136	54	1
1961	1708.7	9224	89	1
1962	1799.4	9571	346	4
1963	1873.3	9825	254	3
1964	1973.3	10213	388	4
1965	2087.6	10676	464	5
1966	2208.3	11168	492	5
1967	2271.4	11368	200	2
1968	2365.6	11725	357	3
1969	2423.3	11888	163	1
1970	2416.2	11703	-185	-2
1971	2484.8	11894	191	2
1972	2608.5	12363	470	4
1973	2744.1	12887	524	4
1974	2729.3	12698	-189	-1
1975	2695.0	12414	-285	-2
1976	2826.7	12897	483	4
1977	2958.6	13358	462	4
1978	3115.2	13915	556	4
1979	3192.4	14098	183	1
1980	3187.1	13945	-153	-1
1981	3248.8	14071	125	1
1982	3166.0	13575	-495	-4
1983	3277.7	13921	346	3
1984	3492.0	14691	770	6
1985	3570.0	14880	188	1

FOOTNOTES

(1) Data for years 1929-1945 from the Bureau of Economic Analysis, Commerce Department. Data for years 1946-1982 from the Federal Reserve Board Flow of Funds.

(2) Total Federal securities includes public debt securities and budget agency securities.

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

(4) Real GNP is in constant 1982 dollars.

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

(6) Borrowing from the public less Federal Reserve holdings.

(7) Measured by all item Consumer Price Index, year to year basis.

(8) Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department, and Federal Reserve Board (Flow of Funds).

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

The CHAIRMAN. Further discussion on the amendment?
[No response.]
[Whereupon, at 10:20 a.m., the hearing was concluded.]