Calendar No. 1285

79TH CONGRESS 2d Session } SENATE { REPORT No. 1261

DECREASE IN DEBT LIMIT OF THE UNITED STATES

APRIL 29 (legislative day, MARCH 5), 1946.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 1760]

The Committee on Finance, to whom was referred the bill (S. 1760) to decrease the debt limit of the United States from $300,000,000,000 to $275,000,000,000, having considered the same, report favorably thereon, with an amendment, and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following: That section 21 of the Second Liberty Bond Act, as amended, is hereby amended to read as follows:

SEC. 21. The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate $275,000,000,000 outstanding at any one time. The current redemption value of any obligation issued on a discount basis, which is redeemable prior to maturity at the option of the holder thereof, shall be considered, for the purposes of this section, to be the face amount of such obligation.

Section 21 of the Second Liberty Bond Act, as amended, now provides that the face amount of obligations issued under the authority of that act, and the face amount of obligations guaranteed as to principal and interest by the United States, except such guaranteed obligations as may be held by the Secretary of the Treasury, shall not exceed in the aggregate $300,000,000,000 outstanding at any one time. The amended bill recommended by your committee reduces the amount of the limitation to $275,000,000,000. It also provides that the current redemption value of any obligation which is issued on a discount basis, and which is redeemable prior to maturity at the option of the holder, shall be considered for the purpose of section 21 to be the face amount of such obligation.

The present statutory debt limitation was increased to $300,000,000,000 by the act of Congress approved April 3, 1945, when we were at war with Germany and Japan and could not foresee the ultimate demands upon our financial resources which would be necessary to win that war. With the defeat of Germany and Japan and the cessation of hostilities, the financial demands on the United States have been materially lessened so that we are now in a position to determine with a greater degree of accuracy the extent to which the public-debt limitation may be reduced.

In various reports on the outstanding public debt, the Treasury includes at their current redemption value the United States savings bonds which are issued on a discount basis and are redeemable prior to maturity at the option of the holder. This is done because the current redemption value of such bonds represents the true amount of the Government's fixed obligation thereon at any given time; and the Government's liability for the difference between that amount and the face value of the bonds is a contingent one because it is subject to the bonds being held to maturity. The face amount of obligations outstanding for the purpose of the present statutory debt limitation takes into account such United States savings bonds at their face value at maturity, which value at the present time is approximately $11,000,000,000 in excess of current redemption value. Consequently, the debt subject to the present statutory debt limitation does not have an exact relationship with the total outstanding public debt as usually reported, although the two are, of course, readily reconcilable and are in fact reconciled in a statement issued by the Treasury at the end of each month. Your committee believes it to be better accounting practice to include United States savings bonds in the public debt limit at their current redemption value rather than at their face value, since the unearned discount represents a contingent and not a fixed liability.

The gross public debt, as reported in the Daily Statement of the Treasury, reached its peak on February 28, 1946, at which time it amounted to $279,213,558,897.10. At that time the outstanding guaranteed obligations not owned by the Treasury (which are included in the debt limitation) amounted to $550,810,451.19. The face amount of obligations subject to the present debt limitation included in the outstanding debt on February 28, 1946, amounted to $289,590,774,437, or $10,409,225,563 less than the limitation. On that date the Treasury had a balance in its general fund of $25,960,900,919.30. In view of the reduction in governmental expenditures following the termination of hostilities and the maintenance of a high level of revenue, it became readily apparent that the entire balance in the General Fund would not be needed to cover a budgetary deficit and consequently the Treasury initiated a program for paying off maturing securities. Secretary Vinson has informed your committee that on March 1, 1946, the Treasury paid off $1,000,000,000 of maturing certificates. On March 15 it paid off $1,800,000,000 of maturing bonds and notes and on April 1 it paid off $2,000,000,000 of maturing certificates. Under plans already announced the Treasury will pay off on May 1 an additional $1,600,000,000 of certificates.

There is included at the end of this report the latest available statement of the statutory debt limitation which shows that as of March 31, 1946, the face amount of outstanding obligations subject to the limitation was $286,311,897,669. Eliminating the redemptions which were made on April 1, and are to be made on May 1 from the outstanding debt as of March 31, 1946, and after giving allowance to the change recommended in the law to include within the limitation United States savings bonds at their current redemption value (a difference amounting to $10,730,071,856 as of March 31, 1946), the outstanding obligations subject to the statutory debt limitation amounts to approximately $272,000,000,000. The difference between that figure and the amount of the limitation provided by the bill will, it is believed, allow a sufficient margin for Treasury debt operations.

In testifying before your committee, and recommending the enactment of the amended bill, Secretary Vinson pointed out that the size of the Treasury's cash balance will permit him to pay other maturing obligations from time to time as he finds it in the interest of sound debt management.

Statutory Debt Limitation as of March 31, 1946

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that act and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury) "shall not exceed in the aggregate $300,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time		$300, 000, 000, 000
Outstanding Mar. 31, 1946:		
Obligations issued under Second Liberty Bond Act, as amended:		
Interest-bearing:		
Bonds:		
Treasury	$121, 177, 405, 350	
Savings (maturity value) [1]	59, 463, 150, 700	
Depositary	451, 317, 000	
Adjusted service	500, 157, 956	
		181, 592, 031, 006
Treasury notes	37, 545, 296, 200	
Certificates of indebtedness	49, 114, 483, 000	
Treasury bills	17, 047, 223, 000	
		103, 707, 002, 200
Total, interest-bearing		285, 299, 033, 206
Matured, interest ceased		238, 299, 056
Bearing no interest:		
War Savings stamps	$112, 335, 135	
Excess-profits tax refund bonds	109, 154, 539	
		221, 489, 674
Total		285, 758, 821, 936
Guaranteed obligations (not held by Treasury):		
Interest-bearing:		
Debentures, FHA	$40, 386, 936	
Demand obligations, CCC	501, 322, 322	
		541, 709, 258
Matured, interest-ceased		11, 366, 475
Total		553, 075, 733
Grand total outstanding		286, 311, 897, 669
Balance face amount of obligations issuable under above authority		13, 688, 102, 331

[1] Approximate face or maturity value; current redemption value, $48,733,078,843.

RECONCILEMENT WITH STATEMENT OF THE PUBLIC DEBT, MAR 31, 1946 (DAILY STATEMENT OF THE UNITED STATES TREASURY, APR. 1, 1946)

Outstanding Mar. 31, 1946:		
Total gross public debt		$276, 012, 418, 847
Guaranteed obligations not owned by the Treasury		553, 075, 733
Total gross public debt and guaranteed obligations		276, 565, 494, 580
Add unearned discount on United States savings bonds (difference between maturity value and current redemption value)	$10, 730, 071, 856	
Deduct other outstanding public-debt obligations not subject to debt limitation	983, 668, 767	
		9, 746, 403, 089
Total		286, 311, 897, 669

O