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DEBT LIMIT—MAY 1987

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

MAY 8, 1987

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DEBT LIMIT—MAY, 1987

FRIDAY, MAY 8, 1987

U.S. SENATE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 9:34 a.m. in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman) presiding.

Present: Senator Baucus.

[The press release announcing the hearing follows:]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT TO HOLD HEARING ON STATUTORY DEBT LIMIT

Washington, DC.—Senator Max Baucus (D., Mont.), Chairman, announced that the Subcommittee on Taxation and Debt Management will hold a hearing on the request by the Administration for an extension and increase in the statutory limit on the public debt.

"Treasury Secretary Baker," Senator Baucus said, "has written to the Committee on Finance requesting that Congress act by May 15th to approve an increase in the public debt limit. According to the Secretary, such an increase is urgently needed. The Subcommittee is holding the hearing to receive testimony on this matter from the Administration."

The hearing will be held on Friday, May 8, 1987 at 9:30 a.m. in room SD-215 of the Dirksen Senate Office Building. The administration will be represented at the hearing by Under Secretary of the Treasury George D. Gould.

Senator BAUCUS. The Subcommittee on Taxation and Debt Management will come to order.

Today's hearing is on the public debt limit. Our witness today is Mr. George Gould, Under Secretary of the Treasury. Mr. Gould will be telling us about where the debt of the United States currently stands and the amount of the increase that the Administration recommends to cover future borrowing.

Earlier this month, Secretary Baker wrote the Chairman of the Finance Committee, Senator Bentsen, to request that Congress increase the public debt limit before May 15th, one week from today. The Secretary pointed out that the temporary debt limit extension approved by Congress last October will expire on May 15th. At that time, the present debt limit of $2.3 trillion will drop back to $2.1 trillion and the government will be unable to raise the cash it needs to meet its obligations.

I understand that the Treasury is almost at the $2.3 trillion level today. And in a few moments, Mr. Gould will be telling us about how we are rapidly heading toward the $3 trillion level in the next few years.

$3 trillion is a staggering amount however you look at it, but let's just look at one measure. Our public debt burden is already over 50 percent of our gross national product and that too is on the rise. Relative to GNP, total debt is now higher than it has ever been at any point in the past two decades.

But why does the level of U.S. borrowing make a difference? It is because high government borrowing soaks up capital that otherwise would go to private investment by individual Americans and U.S. businesses. That makes U.S. capital more expensive and it makes it more difficult for our steel workers, farmers, textile workers and others to compete in the world economy.

Today, the cost of capital in the United States is two to three times that of capital in Japan. To make an investment worthwhile, the U.S. company has to work harder to find that capital compared with a Japanese company. That alone is going to deter a lot of American investment in the very areas where we have to face head to head competition in the international marketplace.

Another reason that our enormous borrowing makes a difference is because we now have a growing dependency on foreign investors who are purchasing U.S. bonds at record rates.

According to this month's issue of Money Magazine, "Japanese investors have purchased roughly $80 billion in U.S. bonds since 1985, up from $20 billion in the preceding four years. They are expected to add to it at least $20 billion this year."

We are coming to the point where our principal export will soon be our capital. That puts us in a very precarious position: with a decline of the dollar, foreign investors may pull out their money in the U.S. And if they do, U.S. interest rates will rise and our cost of capital will go even higher. And escalated interest rates will also mean that an even higher share of the federal budget will have to be dedicated to annual payments on past borrowing.

We haven't even begun to understand what budget sacrifices would then have to be made.

The level of our borrowing is critical to our competitiveness in the world economy and our ability to meet our national priorities here at home. Unfortunately, these will not be the headline issues when we reach the debt limit next week. Instead, we will read about how the federal government is once more on the edge of a financial cliff and about to default on its obligations. Frankly, a lousy way to run a railroad.

In the end, we will have to make sure that U.S. borrowing is backed up by the full faith and credit of the federal government. Not to do so would simply be unacceptable.

But we must never lose sight of the importance of steady, credible progress to our reducing our debt burden. That means making the tough decisions on federal spending and revenues, and many of those decisions we made right here in this committee. And I hope that we will get on with that task very quickly.

We will now hear from Under Secretary George Gould. Secretary Gould, we appreciate your coming and hearing what we probably have to do very quickly. Secretary Gould.

STATEMENT OF HON. GEORGE D. GOULD, UNDER SECRETARY OF THE TREASURY

Secretary GOULD. Thank you.

Mr. Chairman, I am pleased to be here today to request action by the Congress on legislation to increase the public debt limit before May 15th, 1987. I would ask that my full statement be entered in the record and that I be permitted a short oral statement.

Senator BAUCUS. It will be included.

Secretary GOULD. The temporary debt limit of $2,300 billion will revert to the permanent ceiling of $2,111 billion at midnight, May 15th. The Congress selected this date and adopted a different mechanism from that employed in recent debt limit exercises to insure that the debt overage would be so large that no option, except further legislation, would permit raising additional cash. This is a new ball game that permits no playing around. If the statutory ceiling drops back, there is no cash maintenance flexibility, and the effects of not acting are swift and damaging.

We do not support adding provisions that could imperil prompt passage of the urgently needed debt unit extension.

Our current estimates indicate that the outstanding debt subject to limit will be about $160 billion above the permanent ceiling on May 15th. Without an increase in the debt limit by that date, all issuance of Treasury securities must cease. Trust and revolving fund investments and rollovers of maturing issues would halt, resulting in lost interest to those funds.

We would have to notify the 44,000 issuing agents to stop selling savings bonds, and sales of nonmarketable securities important to state and local financing would cease.

There is no unused Federal Financing Bank borrowing authority. There are no major trust fund investments to be deferred. And even if there were, we will be too far over the debt limit to have it do any good.

Although we will be unable to raise any additional cash, payment of obligations, including maturing debt, must continue as long as cash remains available.

Unlike recent years, when Treasury has simply run out of additional borrowing room under a permanent debt ceiling, the expiring temporary debt ceiling provides no opportunity for any administrative actions to prolong the availability of cash.

May 28th is the default date. Among the serious consequences, default means not meeting debt payments, both foreign and domestic, and being unable to make June benefit payments, with all the negative, financial, legal and moral consequences that implies.

For over 200 years, the full faith and credit of the United States has been regarded as a sacred trust, and during that time the United States Government has upheld this fiduciary duty.

The United States has never defaulted on its debt obligations. To do so would be unthinkable and irresponsible. We would seriously erode this country's premier credit position and break faith with our citizens.

In short, we request that the Congress act prior to May 15th to increase the current debt ceiling to either $2,800 billion, an amount sufficient to be sure to get through May 1989 when the Congress will have had a chance to act on the fiscal year 1990 Budget Resolution, or $2,578 billion, the amount estimated in the President's budget to be necessary for fiscal year 1988, with the Treasury's conventional assumption of a $5 billion allowance for contingencies. We believe that the first option is preferable in order to remove the burden of dealing with the time consuming debt limit issue in the midst of election year schedules.

Thank you very much.

Senator BAUCUS. Thank you, Mr. Secretary.

Could you explain to me why all the other mechanisms that the government has sometimes used to take up the slack are no longer available? You mentioned the Federal Financing Bank authority and other trust fund reserves are not available now compared with what might have been the case at past times we have come close to reaching the brink.

What is different now? Or why are those no longer available?

Secretary GOULD. The difference is that before we had a permanent debt ceiling and we bumped up against it. And we could work within that ceiling as it existed. You could substitute Federal Financing Bank paper for Treasury securities. The Federal Financing Bank is not subject to the debt limit up to a statutory amount. And you could try to maneuver in order to prevent default while Congress was considering the debt limit.

What happens this time is we don't just bump up against a permanent limit. The limit drops back down to such a degree that there is no room to substitute. The amount that is dropping down—perhaps that is the way to put it—is so great that it removes all flexibility of what we would call cash administration.

Senator BAUCUS. So what you are saying is the amount of the drop is the cause. It is not that the Federal Financing Bank authority or the other trust fund and other mechanisms are no longer there.

You are still there. It is just the amount that is different.

Secretary GOULD. Yes. The major and compelling reason is the drop. Actually, we do not even have the Federal Financing Bank available this year because of the way that the securities were issued last year and the schedule in which they come due. The first, I believe, comes due on June 30th and the remainder in 1988 and 1989, so even under the normal circumstances, that would not be available this year.

But the really compelling reason is the drop in the debt limit by something a little over $160 billion.

Senator BAUCUS. What is the amount of the maneuverability have with the Federal Financing Bank?

Secretary GOULD. I am sorry, sir. I could not hear the question.

Senator BAUCUS. I thought that you said that you do have some flexibility, some maneuverability with the Federal Financing Bank.

Secretary GOULD. Well, I think the right answer to that is last year we used up the flexibility of the Federal Financing Bank in a way that would not be applicable in May of this year, even if it were not for the drop back in the limit.

Senator BAUCUS. And what was that?

Secretary GOULD. The maturity date of the securities that were put into the Civil Service fund. They don't come due until June 30 and later. Perhaps another way to put it is the securities issued to the Civil Service funds are special issue, nonmarketable Treasury securities. So they are held under most circumstances until they mature. And the way it was done last year, we have to wait, in essence, for the maturity dates of those securities.

Senator BAUCUS. What percent of our debt is currently owed to foreign investors?

Secretary GOULD. About 12 percent, Senator. And that number has remained surprisingly constant for perhaps 15 years.

Senator BAUCUS. Has it been about 12 percent prior to the last 15 years or has that developed in the last 15 years?

Secretary GOULD. It was slightly higher. I can give you a precise number if you would like, or precise numbers.

The base, of course, has been going up, and sometimes people confuse the absolute amounts with the relative amount. But if you go back to 1976, for example, the amount was exactly 12 percent. It was 12 percent last year. It is estimated to be 12 percent this year. It was 14 percent in 1980, 15 percent in 1979, 16 percent in 1978. The lowest is has been during that period was 11 percent in 1984. So it has been remarkably stable.

Senator BAUCUS. So it was about 12 percent in 1986?

Secretary GOULD. Yes, sir.

Senator BAUCUS. Is the composition, by changing that, is by country?

Secretary GOULD. Yes. I can give you, in fact, specifics on that if you would like me to give you a paper on it.

Senator BAUCUS. It would be good for the record, but if you could now generally just give us a feeling for how that is changing.

Secretary GOULD. The Japanese participation has increased.

Senator BAUCUS. And by definition, someone's participation is decreasing. What country would that be?

Secretary GOULD. Well, on a percentage basis perhaps, I can try to find you something precise if you would like. These are not numbers I carry in my head.

Senator BAUCUS. Sure. I just think the American public is somewhat concerned about foreign holdings and perhaps even concerned about the nationality of the foreign holding.

Secretary GOULD. Well, I can give you a rundown if you would like of major foreign holders of Treasury public debt securities as of December 31st, 1986.

We have one broad category called oil exporting countries, which was $25 billion. That is on a base of $256 billion, so slightly under 10 percent.

France, roughly $12 billion: Germany, $32 billion; Japan, $56 billion; Switzerland, $22 billion; the United Kingdom, $19 billion. And then there is an all other category of about $63 billion.

The pattern of that change over time I would have to furnish you after the hearing because I don't have the details of that.

Senator BAUCUS. If you could, please.

[The information follows:]

FOREIGN AND INTERNATIONAL OWNERSHIP
RELATED TO PUBLIC DEBT OUTSTANDING
($ Billions)

End of FY	Public Debt Outstanding	Foreign and International Holdings	Percent
1976	633.6	74.6	12
1977	697.6	95.5	14
1978	767.0	121.0	16
1979	819.0	125.2	15
1980	906.4	126.3	14
1981	996.5	130.7	13
1982	1142.0	140.6	12
1983	1377.2	160.1	12
1984	1572.3	175.5	11
1985	1823.1	209.8	12
1986	2125.3	256.4	12
1986 Dec.	2214.8	255.5	12

Office of Government Finance
and Market Analysis

June 11, 1987

Senator BAUCUS. In addition to that, is the composition of foreign holdings changing in terms of whether it is privately held by foreigners or held by central banks, foreign central banks? Do you know whether that is a trend?

Secretary GOULD. Well, I am not yet in a position to give you precise figures, but to the extent that there is intervention in currency markets on the part of foreign central banks, those foreign central banks, if they buy dollars, would invest them in American securities, almost entirely in the short end, the bill range, not long-term bonds. And to that extent, depending upon the level of intervention, you might have an increase in the holding of central banks as opposed to private sectors.

Senator BAUCUS. What about long-term?

Secretary GOULD. Well, central banks do not seem to go very far out in the maturity range. So when you look at our 10-year securities that we auctioned this week or our 30-year, I think it is a valid assumption to say those are privately held.

Senator BAUCUS. All right.

I understand that you lack increase in your long-term bond authority. Is that correct?

Secretary GOULD. Yes, sir, it is.

Senator BAUCUS. Could you explain that, please? Why?

Secretary GOULD. Well, as you know, there is a statutory interest rate ceiling of 4.25 percent, which has been in existence for some time. We ideally would like to have the Congress remove that 4.25 percent ceiling because it is not applicable in the modern world. But short of that, we each year ask for some additional authority to sell long bonds.

Now the reason we ask for it is that at one point some years ago, the average maturity of the American government debt became quite short because we were unable, under the statute, to sell longer-term paper. And we felt that was not a good thing for the government to have, in effect, a great part of the debt rolling over on a rather constant basis. It is disruptive to markets. You are subject to the volatility of interest rates rather severely. And what we wanted to do was to lengthen the average maturity of the government debt. That has been a policy of the government for some years. And in order to accomplish that, we have to sell more long-term bonds.

A little over 50 percent of the total debt is due within two years. So while we have made progress, we feel there is further progress we should attempt.

Senator BAUCUS. What would Treasury's view be if Congress increased the debt limit but for a period even shorter than your shorter recommendation? What if it were for several months?

Secretary GOULD. Well, to be parochial about it for the first part of my answer, clearly there is a lot of administrative effort that goes into trying to maintain our business as usual in the face of a series of short-term extensions.

If that became too much of a pattern, I think it will also have disruptive and potentially costly impacts upon our market.

So we have usually asked and hoped for a fairly long-term extension.

Having said all that, the aspects of default are so horrendous that clearly a shorter-term extension is far preferable to brinksmanship here, where we would run the risk, and indeed perhaps scare the markets about the potential of a real default.

Senator BAUCUS. Does asking for, say, a $500 billion increase have any effect on the market?

Secretary GOULD. No, sir. I think that the markets are quite sophisticated about the expectation of budget deficits and about planning. Wall Street has gotten computerized, and runs computer models, and does projections. And some of them, in particular, do very sophisticated work. As a result, I do not think asking for that much would be any surprise to them over the time period of the request.

Senator BAUCUS. Do you have any preference as to whether an extension is temporary versus permanent, or whether we have another drop dead provision?

Secretary GOULD. Well, as an administrative matter, we much prefer to have a reversionary approach, an absolute, non-maneuverable date, so that we do not get in the bind of worrying about paying Social Security beneficiaries in the context of a ceiling. We would prefer something that said this is it, and that there needs to be action before that date. So that is best accomplished mechanically by a reversionary debt limit.

Senator BAUCUS. How strongly do you prefer a reversionary provision?

Secretary GOULD. Well, I would say, mechanically we would have an overwhelming preference for it.

Senator BAUCUS. Could you explain why federal income tax receipts were unexpectedly high last month?

Secretary GOULD. Not without speculating. And it will be, I would think, several months before the Internal Revenue Bureau is able to analyze the returns and give you answers that you can really depend on. However, among the speculations are that a great many capital gains were taken at the end of last year before the capital gains rates went up, and particularly in real estate transactions where, under the tax law, new tax shelter rules could apply, and that we may be looking in the April 15th personal payments at a large amount of capital gains. That is speculation. We have no analysis yet. And a conterargument is that employment numbers have been very strong—almost historic—and that one of the things we are looking at is a strong underlying tone in the economy. Clearly, from a budgetary point of view and from the economy's point of view, I hope it is more the latter than the former.

Senator BAUCUS. To the degree it is the former though, would that mean it is a one-shot increase?

Secretary GOULD. It may be in many respects because of the changes in the tax laws. I think it would be going too far to suggest that there will be no more capital gains in, say, the securities markets because markets have continued, with volatility, to be strong. I don't think we have seen our last capital gains on stocks and bonds.

Senator BAUCUS. What effect does exchange rates have on the ability of the government to finance its debt? And if the dollar con-

Secretary GOULD. Well, I think on a policy basis if you can try to create control, sponsor stability in various factors where you do have a measure of control, it is a help. To look at one small aspect of that, we have a well announced, predictable pattern of financing for the Treasury. We do major refundings every quarter. We announce ahead of time and follow a pattern of other financings between the quarterly refunding dates.

And one of the reasons we do that is so as not to surprise markets, not create a nonpredicted series of events which then could cause a counter reaction in the market.

One small part of it, but to the extent to which you can avoid surprising markets, I think that helps stability. Our ability as a government or as a world to not surprise markets, I am not sure how controllable that is.

There is, of course, tremendous, tremendous liquidity in financial markets now relative to earlier periods. Our debt trades, I am told, are at the rate of $100 billion a day in financial markets.

Senator BAUCUS. How much is that again?

Secretary GOULD. $100 billion a day. And in this highly liquid rapid turnover environment there is a sort of a new mindset, I think, that applies to the way people look at investments. You used to buy a 30-year bond to hold 30 years when I first came into the Wall Street business. Now I am told by two Wall Street firms that have done studies that the entire body of the government's long-term debt turns over every four or five months. I don't mean each individual bond, but in aggregate numbers.

So there is a psychological change that is going on too, aided by having liquidity. You can make transactions where in less liquid markets you could not make them even if you had the information. It is a fascinating study. I, by no means, have the answers. And I think it is worth further study.

Senator BAUCUS. Mr. Gould, I assume that Secretary Baker's letter requesting either of these two options is consistent with Administration policy. Is that correct?

Secretary GOULD. Yes, sir.

Senator BAUCUS. And it, therefore, reflects the President's position.

Secretary GOULD. Yes, sir.

Senator BAUCUS. Could you please ask the Secretary to request to the President, or else you, yourself, directly, a letter directly from the President to the Chairman of the Ways and Means Committee and to the Chairman of the Finance Committee asking for this debt limit increase, including either of the two options?

Secretary GOULD. I will certainly ask the Secretary, yes, sir.

Senator BAUCUS. I have no more questions.

Senator Moynihan attempted to come to the hearing this morning and he was delayed, I think, at a press conference. He has some questions though he would like to ask you, and so I would like you to please answer those questions for the record when he submits them to you.

Secretary GOULD. In writing?

Senator BAUCUS. In writing.

Secretary GOULD. Yes, sir. I am well prepared for some of Senator Moynihan's questions and we have the answers.

Senator BAUCUS. Thank you very much.

That is it so the hearing is adjourned.

Secretary GOULD. Fine. Thank you very much.

[Whereupon, at 10:04 a.m., the hearing was concluded.]

[Senator Moynihan's questions and Secretary Gould's prepared written statement follow:]

FOR RELEASE UPON DELIVERY
Expected at 9:30 a.m.
May 8, 1987

TESTIMONY OF THE HONORABLE
GEORGE D. GOULD
UNDER SECRETARY OF THE TREASURY
BEFORE THE SUBCOMMITTEE ON TAXATION
AND DEBT MANAGEMENT
OF THE SENATE COMMITTEE ON FINANCE

Debt Limit

My purpose here today is to advise you of the urgent need for congressional action to increase the public debt limit. The current $2,300 billion temporary debt limit lasts through May 15 and then reverts to the $2,111 billion permanent ceiling. Since the actual debt subject to limit on May 16 will be more than $160 billion above the permanent debt limit, beginning May 16, the Treasury will not be able to issue public debt securities to roll over maturing issues or to raise cash.

I want to emphasize the need for prompt action on the debt limit. The temporary debt limit expiring at midnight May 15 is different from the increases in permanent ceilings that had been enacted since 1983. There is no administrative flexibility to manage cash when the debt is well in excess of the permanent limit; no new Treasury securities can be issued and maturing issues must be redeemed as long as cash remains available. Disruptions in normal Treasury financing would begin May 16, when: trust and revolving fund investments and rollovers of maturing issues would be halted, resulting in lost interest for those funds; sales of savings bonds would be cut off and Treasury would have to notify 44,000 issuing agents to stop issuing savings bonds until further notice; and sales of state and local government series non-marketable securities would have to be stopped. Investors in Treasury bills that mature each Thursday, including tens of thousands of smaller investors that invest directly with the Treasury, will not be able to roll over their investments beginning May 21. Thus, we are requesting that the Congress act to increase the debt limit prior to May 15.

Reverting to a permanent debt ceiling that is more than $160 billion below the amount of debt outstanding is a new ball game which permits no playing around: the statutory ceiling drops back; there is no cash maintenance flexibility; and the effects of not acting are swift and damaging. May 28 is the default date. Among the serious consequences, default means not meeting debt payments, both foreign and domestic, and being unable to make June benefit payments, with all the negative financial, legal and moral consequences that implies. For over 200 years the full faith and credit of the United States has been regarded as a sacred trust, and during that time the United States Government has upheld this fiduciary duty. The United States has never defaulted on its debt obligations. To do so would be unthinkable and irresponsible. We would seriously erode this country's premier credit position and break faith with our citizens.

The Congress selected the May 15 date and adopted the temporary debt ceiling mechanism to assure that there would be no choice. The Congress has to act on new debt limit legislation to prevent the Government from running out of cash and defaulting on its obligations.

As to the amount of the increase in the debt ceiling, we request that Congress raise the ceiling to either: (a) $2,800 billion, an amount sufficient to be sure to get through May 1989, when the Congress will have had a chance to act on the FY 1990 Budget Resolution; or (b) $2,578 billion, the amount estimated in the President's Budget to be necessary for FY 1988, with the Treasury's conventional assumption of a $5 billion allowance for contingencies. We believe the first option is preferable in order to remove the burden of dealing with the time consuming debt limit issue in the midst of election year schedules.

Bond Authority

Mr. Chairman, I would like to take this opportunity to advise you of the need for legislation to provide additional authority to issue marketable Treasury bonds. The maximum interest rate that the Treasury may pay on marketable bonds (securities with maturities in excess of 10 years) has long been limited by law to 4-1/4 percent. This limit did not become a serious obstacle to Treasury issues of new bonds until the mid-1960's. At that time, market rates of interest rose above 4-1/4 percent and the Treasury was precluded from issuing new bonds. The average length of the privately-held marketable debt of the Treasury declined steadily from 5-3/4 years in mid-1965 to about 2-1/2 years in 1975, because of the heavy reliance by the Treasury on short-term bill financing of the budget deficits during this period.

In 1971, Congress authorized the Treasury to issue a limited amount of bonds without regard to the 4-1/4 percent ceiling. The dollar limit since has been increased from time to time, most recently on April 7, 1986, when the limit was raised by $50 billion (from $200 billion to $250 billion) to accommodate additional long-term financing. Assuming continuation of our recent pattern of long bond issuance, the existing $250 billion authority will be sufficient for new Treasury bond issues only through the August 15, 1987 regular mid-quarter refunding.

Since 1975 the Treasury's debt extension policies have moved the average length of the marketable debt from 2 years, 5 months in January 1976 to 5 years, 6 months in March 1987, thus broadening the market for Treasury securities and reducing the administrative burden and market-disrupting effects of frequent Treasury operations to refund maturing issues. Yet while the Treasury has significantly improved the maturity structure of the debt in recent years, more than half of the outstanding marketable debt matures within two years. This refunding requirement must be added to Treasury's new cash borrowing requirement to meet Treasury's total needs in the market. Because of the short maturity of a large proportion of outstanding Treasury marketable debt, long bond issuance must remain an integral part of Treasury's debt management policy.

The 4-1/4 percent ceiling should be repealed. This interest rate ceiling is an ineffective way to control prices and is incompatible with our commitment to a free market pricing system. We view the interest rate ceiling on marketable bonds as an anachronism which serves only to frustrate the efficient management of the public debt. Removal of the 4-1/4 percent ceiling on Treasury marketable bonds will help the Treasury meet its financing needs in an efficient, cost-effective manner.

If the interest rate ceiling on long bonds is not abolished, as we believe it should be, we would request an increase in long bond authority of $75 billion, from $250 billion to $325 billion.

<u>Trust Fund Investments</u>

There has been a great deal of controversy in recent years regarding noninvestment or disinvestment of trust funds to make room for market borrowing to raise cash needed to pay benefits. Two approaches to resolving the issue were advanced last year. Under the first option, legislation would be enacted to require the Secretary to disinvest the trust funds in amounts sufficient to assure that cash could be raised through market borrowing to pay benefits in a timely fashion, and subsequently to restore any interest losses. The second option would be an outright statutory prohibition against disinvestments under any circumstances.

We believe it is important to have this issue be resolved one way or the other so as to clarify responsibilities. We prefer the first option, with its greater reassurance to trust fund beneficiaries. This was done for the Civil Service Retirement and Disability Fund in the Budget Reconciliation Act of 1986 (P.L. 99-509). I want to emphasize, however, that if the Government is unable to raise cash because the debt substantially exceeds the limit, as will be the case after May 15 unless the Congress acts, benefits could not be paid even if trust funds were disinvested.

Conclusion

The expiration of the temporary debt ceiling triggers disruption of Treasury financing immediately and a subsequent default in the absence of new debt limit legislation. The consequences of a debt limit crisis and default would jeopardize the U.S. credit standing in the world. The Treasury's ability to fund the deficit would be threatened and the costs of Government to the U.S. taxpayer would greatly increase. The Administration therefore requests that the Congress enact a debt limit by May 15. We do not support adding provisions that could imperil prompt passage of this urgently needed debt extension.

This concludes my prepared statement, Mr. Chairman. I will be happy to answer any questions.

Questions of Senator Moynihan
Debt Limit Testimony, May 8, 1987

1A. Should Congress fail to pass a timely debt limit increase this month, under what circumstances would the Secretary fail to invest trust fund assets, or decide to disinvest existing securities?

If the Congress does not act to raise the debt limit, the debt will exceed the level to which the limit reverts on May 16 by about $160 billion. The Treasury would have no authority to issue securities for investment by the trust funds. Since the debt would exceed the limit by a margin that is well in excess of scheduled benefit payments in June, disinvestment would not provide sufficient room under the debt ceiling for the Treasury to sell securities to raise cash. Therefore, disinvestment would not occur and benefits could not be paid. Treasury runs out of cash on May 28.

1B. Treasury officials have supported legislation to clarify existing investment policies, as passed by Congress during the 99th Session. Senator Riegle and I have introduced S.33 this year. Isn't it time to enact such legislation in an effort to avert future controversy over investment practices?

The Administration strongly supports legislation to clarify responsibilities for trust fund investment and disinvestment, and restoration of any lost earnings, in the event the Treasury's borrowing authority is allowed to lapse.

2. You have described to members of the Subcommittee the general consequences of failure to extend the statutory debt limit beyond May 15th. Would you briefly discuss the administrative cost to the Federal Government of these consequences?

The administrative costs of defaulting on the Government's debt are insignificant compared with the staggering costs of the threat of default on the Government's obligations. The United States' premier credit position in the world would be severely impaired. Investors that hold outstanding Treasury securities would sustain substantial losses on their positions, and Treasury new borrowing costs would gap upward.

Prior to a default, disruptions in normal Treasury financing operations would also increase cost of financing the debt.

Administrative costs would cover excessive amounts of staff time spent dealing with the debt limit crisis, including the time of senior level Treasury officials, as well as staff. We incur costs to notify various institutions and individuals that the Treasury may not be able to issue new securities. For example, it costs about $27,000 when the Treasury must notify the 44,000 savings bond issuing agents to cease issuance activities. We also have notified individuals that purchase marketable Treasury securities through the Treasury DIRECT book-entry system (about 80 percent of whom usually elect to reinvest) that we may be required to redeem their holdings. This involves the cost of notification and, if the security must be redeemed, the cost of re-establishing each investor's account, if they elect to purchase Treasury securities in the future.

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

YEAR	PRIVATE(1) CORPORATE	PRIVATE(1) OTHER	PRIVATE(1) 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	182.9	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	49.8	66.6	116.4	14.9	228.0	359.3	63.5
1947	57.1	80.8	137.8	16.3	220.8	374.9	58.9
1948	63.3	93.6	156.9	18.5	215.1	390.5	55.1
1949	65.2	104.4	169.6	21.0	217.7	408.3	53.3
1950	72.0	123.4	195.4	24.4	216.5	436.3	49.6
1951	80.4	136.2	216.7	26.6	216.1	459.3	47.0
1952	87.6	152.9	240.5	30.2	221.4	492.2	45.0
1953	92.0	169.2	261.2	34.5	228.4	524.2	43.6
1954	96.9	184.1	281.0	40.6	230.8	552.4	41.8
1955	105.4	213.1	318.5	45.9	230.0	594.4	39.7
1956	115.8	233.2	349.0	49.5	224.2	622.7	36.0
1957	125.3	252.0	377.3	53.7	222.0	653.0	34.0
1958	133.8	269.7	403.5	59.2	231.3	693.9	33.3
1959	144.3	303.6	447.9	65.5	238.3	751.7	31.7
1960	154.7	330.7	485.4	70.8	236.3	792.5	29.8
1961	164.8	358.6	523.4	75.9	243.5	842.7	28.9
1962	177.0	394.3	571.2	81.2	250.5	902.9	27.7
1963	189.3	441.4	630.7	86.9	254.4	972.1	26.2
1964	201.7	490.8	692.5	92.9	260.7	1046.1	24.9
1965	220.7	544.2	764.9	100.3	262.4	1127.6	23.3
1966	243.3	590.3	833.5	105.9	266.1	1205.5	22.1
1967	268.1	632.1	900.2	113.7	279.1	1293.0	21.6
1968	295.5	696.6	992.1	123.2	292.6	1408.0	20.8
1969	326.0	771.3	1097.3	133.1	289.0	1519.4	19.0
1970	354.5	829.2	1183.7	144.4	300.8	1628.9	18.5
1971	379.5	917.1	1296.5	161.8	325.7	1784.1	18.3
1972	412.4	1049.3	1461.7	176.5	340.8	1979.0	17.2
1973	462.1	1207.0	1669.0	191.2	349.1	2209.3	15.8
1974	527.9	1341.4	1869.3	207.7	360.8	2437.9	14.8
1975	545.3	1437.0	1982.3	223.8	446.3	2652.4	16.8
1976	586.7	1607.0	2193.7	239.5	515.8	2949.0	17.5
1977	657.5	1842.9	2500.4	261.4	572.5	3334.3	17.2
1978	740.8	2146.9	2887.3	289.7	626.2	3803.3	16.5
1979	838.4	2478.8	3314.2	320.1	663.6	4297.9	15.4
1980	914.2	2736.5	3650.8	350.3	742.8	4743.9	15.7
1981	1019.4	3022.2	4041.6	373.7	830.1	5245.4	15.8
1982	1089.2	3214.8	4304.0	417.9	991.4	5713.3	17.4
1983	1151.5	3587.4	4738.9	471.7	1177.9	6388.5	18.4
1984	1344.9	4045.8	5390.8	522.1	1376.8	7289.6	18.9
1985	1514.0	4595.6	6109.6	674.4	1600.4	8384.5	19.1
1986	1695.6	5234.5	6930.1	723.0	1814.7	9467.8	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	1554
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	1788	2874
1946	347	465	812	104	1590	2506
1947	391	553	944	112	1512	2567
1948	426	630	1056	124	1448	2628
1949	432	690	1122	139	1440	2702
1950	469	803	1272	159	1409	2840
1951	515	871	1386	170	1382	2938
1952	551	962	1513	190	1393	3096
1953	569	1046	1615	213	1413	3242
1954	588	1119	1707	247	1403	3356
1955	629	1272	1901	274	1373	3549
1956	679	1367	2046	290	1314	3651
1957	722	1452	2174	309	1279	3763
1958	758	1529	2287	336	1311	3933
1959	804	1693	2497	365	1329	4190
1960	849	1814	2663	388	1296	4347
1961	890	1935	2825	409	1314	4549
1962	941	2097	3038	432	1332	4802
1963	993	2315	3308	456	1334	5098
1964	1044	2540	3584	481	1349	5414
1965	1129	2783	3912	513	1342	5767
1966	1230	2985	4215	536	1346	6097
1967	1342	3163	4505	569	1397	6471
1968	1465	3452	4917	611	1450	6978
1969	1599	3784	5383	653	1418	7453
1970	1717	4016	5733	699	1457	7889
1971	1816	4390	6206	774	1559	8540
1972	1955	4973	6928	837	1615	9380
1973	2170	5660	7830	898	1639	10376
1974	2456	6241	8697	966	1679	11343
1975	2512	6619	9131	1031	2056	12218
1976	2677	7332	10009	1093	2353	13455
1977	2969	8320	11289	1180	2585	15055
1978	3307	9590	12897	1294	2797	16988
1979	3689	10947	14636	1413	2930	18980
1980	4000	11974	15974	1533	3250	20757
1981	4415	13089	17504	1619	3595	22718
1982	4670	13785	18455	1792	4251	24498
1983	4891	15236	20127	2003	5003	27134
1984	5658	17022	22680	2196	5792	30668
1985	6310	19155	25465	2811	6670	34946
1986	7000	21611	28611	2985	7492	39087

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

YEAR	GROSS NATIONAL PRODUCT	PRIVATE(1) CORPORATE	PRIVATE(1) OTHER	PRIVATE(1) TOTAL	STATE AND LOCAL	(2) FEDERAL	TOTAL NET DEBT
	(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	109.3	84.9	194.2	20.9	24.2	239.4
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	23.5	31.4	54.8	7.0	107.4	169.2
1947	235.2	24.3	34.3	58.6	6.9	93.9	159.4
1948	261.6	24.2	35.8	60.0	7.1	82.2	149.3
1949	260.4	25.1	40.1	65.1	8.1	83.6	156.8
1950	288.3	25.0	42.8	67.8	8.5	75.1	151.3
1951	333.4	24.1	40.9	65.0	8.0	64.8	137.8
1952	351.6	24.9	43.5	68.4	8.6	63.0	140.0
1953	371.6	24.8	45.5	70.3	9.3	61.5	141.1
1954	372.5	26.0	49.4	75.4	10.9	62.0	148.3
1955	405.9	26.0	52.5	78.5	11.3	56.7	146.4
1956	428.2	27.1	54.5	81.5	11.6	52.4	145.4
1957	451.0	27.8	55.9	83.7	11.9	49.2	144.8
1958	456.8	29.3	59.0	88.3	13.0	50.6	151.9
1959	495.8	29.1	61.2	90.3	13.2	48.1	151.6
1960	515.3	30.0	64.2	94.2	13.7	45.9	153.8
1961	533.8	30.9	67.2	98.0	14.2	45.6	157.9
1962	574.6	30.8	68.6	99.4	14.1	43.6	157.1
1963	606.9	31.2	72.7	103.9	14.3	41.9	160.2
1964	649.8	31.0	75.5	106.6	14.3	40.1	161.0
1965	705.1	31.3	77.2	108.5	14.2	37.2	159.9
1966	772.0	31.5	76.5	108.0	13.7	34.5	156.2
1967	816.4	32.8	77.4	110.3	13.9	34.2	158.4
1968	892.7	33.1	78.0	111.1	13.8	32.8	157.7
1969	963.9	33.8	80.0	113.8	13.8	30.0	157.6
1970	1015.5	34.9	81.7	116.4	14.2	29.6	160.4
1971	1102.7	34.4	83.2	117.6	14.7	29.5	161.8
1972	1212.8	34.0	86.5	120.5	14.6	28.1	163.2
1973	1359.3	34.0	88.8	122.8	14.1	25.7	162.5
1974	1472.8	35.8	91.1	126.9	14.1	24.5	165.5
1975	1598.4	34.1	89.9	124.0	14.0	27.9	165.9
1976	1782.8	32.9	90.1	123.0	13.4	28.9	165.4
1977	1990.5	33.0	92.6	125.6	13.1	28.8	167.5
1978	2249.7	32.9	95.4	128.3	12.9	27.8	169.1
1979	2508.2	33.3	98.8	132.1	12.8	26.5	171.4
1980	2732.0	33.5	100.2	133.6	12.8	27.2	173.6
1981	3052.6	33.4	99.0	132.4	12.2	27.2	171.8
1982	3166.0	34.4	101.5	135.9	13.2	31.3	180.5
1983	3405.7	33.8	105.3	139.1	13.8	34.6	187.6
1984	3765.0	35.7	107.5	143.2	13.9	36.6	193.6
1985	3998.1	37.9	114.9	152.8	16.9	40.0	209.7
1986	4206.1	40.3	124.5	164.8	17.2	43.1	225.1

TABLE FOUR
ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES

	OUTSTANDING FEDERAL DEBT			PER CAPITA FEDERAL DEBT(3)			REAL PER CAPITA FEDERAL DEBT(4)		
YEAR	GROSS(5)	NET(2)	PRIVATELY HELD(6)	GROSS(5)	NET(2)	PRIVATELY HELD(6)	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	298	263	255
1930	18.4	16.5	15.8	150	133	128	301	267	256
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	379
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	730	689
1939	55.7	42.6	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	1234	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	2622
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	2388	2017	1832
1950	257.6	216.5	196.6	1677	1409	1280	2326	1955	1775
1951	259.7	216.1	193.1	1661	1382	1215	2136	1777	1588
1952	267.8	221.4	196.8	1685	1393	1238	2119	1752	1557
1953	275.6	228.4	200.0	1704	1413	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	2100	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	1165	1854	1470	1308
1963	322.2	254.4	223.9	1690	1334	1174	1843	1453	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	480.7	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	1388	1120
1977	729.2	572.5	469.5	3292	2585	2128	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	838.1	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	1374.8	1212.5	7015	5792	5101	2255	1862	1640
1985	1950.3	1600.4	1402.4	8129	6670	5845	2523	2070	1814
1986	2218.9	1814.7	1604.9	9161	7492	6626	2789	2281	2018

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	125.5	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	200.0	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	3405.7	1026.0	30.1	3.2
1984	3765.0	1212.5	32.2	4.3
1985	3998.1	1402.4	35.1	3.6
1986	4206.1	1604.9	38.2	1.9

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	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	3279.1	13927	352	3
1984	3489.9	14682	755	5
1985	3585.2	14943	260	2
1986	3674.9	15172	229	2

FOOTNOTES

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

(2) Net Federal debt equals gross Federal debt less Federal debt held in U.S. Government accounts.

(3) Per capita debt is calculated by dividing the debt figures by the population of the conterminous U.S. as of December 31 of each year. Beginning 1949, population includes armed forces overseas, Hawaii and Alaska.

(4) Derived by adjusting per capita debt figures for changes in the level of prices, as measured by the Consumer Price Index for all items.

(5) Gross Federal debt is equal to public debt issued by the Treasury plus debt issued by other Federal agencies.

(6) Federal debt held by the public less Federal Reserve holdings of Federal debt.

(7) Measured by the Consumer Price Index for all items, year to year basis.

Sources: 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.

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