$627 BILLION DEBT LIMIT

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 11893

AN ACT TO DECREASE THE TEMPORARY DEBT LIMIT, AND FOR OTHER PURPOSES

MARCH 4, 1976

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THURSDAY, MARCH 4, 1976

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 11:15 a.m., in room 2221 Dirksen Senate Office Building, Senator Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Mondale, Curtis, Fannin, Hansen, and Brock.

The CHAIRMAN. The committee will come to order.

On March 15, the $595 billion temporary public debt limit is scheduled to expire with the debt limit dropping to its permanent level of $400 billion. As of March 1, the debt subject to the limit stood at $593.9 billion.

The House of Representatives has passed a bill to increase the temporary debt limit to $627 billion and to extend the period in which the temporary limit expires until June 30 of this year. The bill also contains two provisions designed to increase the flexibility of the Treasury Department in managing the debt.

[The committee press release announcing this hearing, a staff memorandum relative to the public debt, and the bill H.R. 11893, follows. The hearing commences on p. 6.]

94TH CONGRESS
2D SESSION

H. R. 11893

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 1976
Read twice and referred to the Committee on Finance

AN ACT

To increase the temporary debt limit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period beginning on the date of the enactment of this Act and ending on June 30, 1976, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall be temporarily increased by $227,000,000,000.

SEC. 2. Effective on the date of the enactment of this Act, the first section of the Act of November 14, 1975, entitled "An Act to increase the temporary debt limitation until March 15, 1976" (Public Law 94-132), is hereby repealed.

SEC. 3. (a) The last sentence of the second paragraph of the first section of the Second Liberty Bond Act (31 U.S.C. 752) is amended by striking out "$10,000,000,000" and inserting in lieu thereof "$12,000,000,000".

(b) Section 18 (a) of the Second Liberty Bond Act (31 U.S.C. 753) is amended by striking out "seven years" and inserting in lieu thereof "ten years".

SEC. 4. Section 22 (b) (1) of the Second Liberty Bond Act (31 U.S.C. 757c (b)) is amended by adding at the end thereof the following new sentence: "The investment yield on series E savings bonds shall in no case be less than 4 per centum per annum compounded semiannually for the period beginning on the first day of the calendar month following the date of issuance (or, beginning on October 1, 1976, if later) and ending on the last day of the calendar month preceding the date of redemption.".

Passed the House of Representatives February 25, 1976.

Attest: EDMUND L. HENSHAW, JR.,

Clerk.

PRESS RELEASE

FOR IMMEDIATE RELEASE
February 26, 1976

Committee on Finance
United States Senate
2227 Dirksen Senate Office Bldg.

FINANCE COMMITTEE SETS HEARINGS ON PUBLIC DEBT

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance announced today that the Committee has scheduled hearings on extension of the temporary limit on the public debt. The Honorable Edwin H. Yeo, III, Under Secretary of the Treasury for Monetary Affairs, will testify on the public debt at 11:00 a.m., Thursday, March 4, in Room 2221, Dirksen Senate Office Building.

Senator Long noted that the permanent debt limitation under present law is set at $400 billion, with a temporary additional limit of $195 billion. This temporary debt limit of $595 billion is due to expire Monday, March 15, 1976.

March 3, 1976

MEMORANDUM

TO: Members of the Committee on Finance

FROM: Michael Stern, Staff Director

SUBJECT: Increase in Temporary Debt Limit (H.R. 11893)

House Bill.--Under present law, the permanent debt limit is set at $400 billion, with a temporary additional limit of $195 billion, effective through March 15, 1976. H.R. 11893 would:

1. Increase the temporary debt limit from $595 billion to $627 billion;

2. Extend the period in which the temporary debt limit applies until June 30 1976;

3. Increase from $10 billion to $12 billion the limitation on the amount of long-term bonds that may be issued bearing interest above 4 ¼ percent; and

4. Include within the definition of notes debt obligations with a maturity of up to 10 years (rather than the limit of 7 years under present law).

Budget Outlook.-- The actual fiscal year 1975 deficit on a Federal funds basis was $51.0 billion; the unified or consolidated deficit was $43.6 billion. The estimates for fiscal year 1976 in the President's budget project a $78.6 billion deficit in Federal funds and a $76.0 billion deficit on a consolidated basis. These figures are shown in the table below:

	(dollars in billions)		
	1975 Actual	1976 Estimate	July to Sept. 1976 Estimate
Federal funds:			
Receipts	$187.5	$198.4	$54.8
Outlays	238.5	276.9	69.8
Deficit (-)	-51.0	-78.6	-15.0
Unified budget:			
Receipts	281.0	297.5	81.9
Outlays	324.6	373.5	98.0
Deficit (-)	-43.6	-76.0	-16.0

Senator CURTIS. Mr. Chairman, may I submit a statement for the record at this time?

[Senator Curtis' statement follows:]

STATEMENT OF SENATOR CURTIS

Mr. CHAIRMAN. It is difficult for me to support a bill which raises the public debt limitation to $627 billion. However, I believe that the time for combating deficits is not when the bills are coming due and legislation to increase the legal ceiling on the national debt is before us. Instead, we should be controlling the scope of our vast Federal commitments as we place orders, in the authorization and appropriations bills for vast programs. When the bills for government programs come due, there is no opportunity to reject the goods. We can only face up to the problem which was born in years of extravagant spending by the Congress.

The same advisors that created the present problem are now recommending even greater Federal spending. They claim that this spending is justified because the deficit in relation to Gross National Product is roughly the same as it has been over the past few years. This argument ignores the amount of Federal spending in relation to the GNP. Since the government's expenditures consist mainly of transfer payments which go for current consumption, the net effect through time of government borrowing to finance these payments is to invite more growth in government, more spending, more inflation, higher interest rates, and fewer jobs in the productive sector of the economy. In short, right back to another recession, more severe than the one experienced last year.

The line on deficit spending must be drawn. Unfortunately this bill is not the vehicle but merely a C.O.D. for past excesses. This is a fact that must be faced. With great reluctance, I must support H.R. 11893 and enable the government to meet its obligations.

The CHAIRMAN. Our first witness this morning will be the Honorable Edwin H. Yeo III, Under Secretary of the Treasury.

You may proceed as you wish.

Senator MONDALE. I was wondering if Mr. Yeo would submit his statement for the record.

Senator CURTIS. I have not read it.

Senator MONDALE. Yes, I read it last night. I enjoyed it very much.

The CHAIRMAN. Would you proceed, Mr. Yeo.?

STATEMENT OF HON. EDWIN H. YEO III, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS, ACCOMPANIED BY DALE McOMBER, ASSISTANT DIRECTOR FOR BUDGET REVIEW, OMB; RALPH M. FORBES, SPECIAL ASSISTANT TO THE SECRETARY; AND ROBERT A. GERARD, DEPUTY ASSISTANT SECRETARY

Mr. YEO. It is a pleasure to be here. I realize that my statement is long, and I would like to read just the first part of it, and if the chairman would permit, I will attempt to summarize the remainder of it.*

On Wednesday, February 25, the House acted to authorize the Treasury to borrow up to $627 billion through the end of the current fiscal year for the purpose of financing the expenditures of the Federal Government. The House also approved an additional $2 billion of authority to issue bonds outside the 4.25 percent limitation and approved an increase to 10 years in the maximum maturity of

*Mr. Yeo's prepared statement appears at p. 26.

Treasury notes. In addition, the House adopted an amendment requiring the Federal Government to provide a return on savings bonds of not less than 4-percent per annum, compounded semiannually, for each full month during which bonds are held.

It is, of course, not easy to reconcile the manifold demands for more Government spending, on the one hand, with our willingness and ability to pay the bills on the other. But while the budget, and particularly the substantial budget deficit, is closely related to the focus of this hearing, our problem is not to deal with proposals to increase or reduce the size of the deficit.

Rather, we are here to consider how best to finance that deficit. This will necessitate a substantial increase in the present debt ceiling. But in addition, the Treasury has urgent need for additional debt management flexibility.

I have been gratified by this committee's strong support on two previous occasions for Treasury's proposals to amend the Second Liberty Bond Act, first, to increase the maximum maturity of notes issued pursuant to that act from 7 years to 10 years, and, second, to increase the amount of bonds exempted from the 4.25-percent rate ceiling imposed by the act by an additional $10 billion.

These are even more important today than when you first considered them. The reasons upon which the restrictions in existing law were originally based no longer apply. Indeed, there are few, if any, observers of the capital markets who believe the existing restrictions are healthy for the Government, for the capital markets, for the economy.

Realistically, however, we cannot object to the smaller amount of bond authority contained in the House bill. It seems unlikely that we would wish to issue more than $2 billion of additional bonds before June 30. Moreover, since under the House bill, we would have to return during June for a higher debt limit for the transition quarter at a minimum, there would then be another opportunity to examine the bond authority.

You will recall that we have also proposed that the 6-percent rate ceiling on savings bonds be removed. Such action would permit the rate on savings bonds to be varied from time to time, reflecting the interests of both taxpayers and savers. Since we have no immediate intent to raise savings bonds rates, however, consideration of this provision also can be postponed until the next debt limit hearing without adverse consequences for the program.

Let me now address the primary question facing this committee today; the increase in the temporary debt limitation.

As you know, the present temporary debt ceiling of $595 billion (enacted on November 14, 1975) will expire on March 15 a week from this coming Monday, at which time the limit will revert to the permanent ceiling of $400 billion. Moreover, next week, the actual amount of debt subject to limit will approach the temporary limit. As a result of some apparent improvement in our cash position, however, we now believe that this will not hinder the effective management of the Treasury's debt and cash balance during this period.

In accordance with our usual practice, I have provided you with a monthly record of the debt subject to limit from June 30, 1975, through September 30, 1977, and interim monthly estimates for months in

which the peak does not occur on the last day of the month.[1] While we are now concerned primarily with establishing a debt limit for the near term, the debt limit data through fiscal 1977 are indicators of our financing requirements based upon the President's budget through fiscal 1977. As I will discuss in detail later, these requirements have serious debt management implications.

The second concurrent resolution of the 1976 budget provided for levels of public debt of $622.6 billion at the end of the fiscal year 1976 and $641 billion at the end of the transition quarter. It is, however, not clear what level for cash balance was assumed in the congressional budget resolution.

Furthermore, the level of debt in the resolution apparently does not provide for agency debt that is subject to the statutory limitation. As a technical matter, moreover, depending on the cash balance assumptions adopted, the peak debt levels would be reached on June 15 and August 31.

In the Federal budget for fiscal year 1977 debt subject to statutory limitation is estimated at $624.2 billion at the end of fiscal year 1976 and $643.1 billion on September 30.

These figures assume a $9 billion cash balance. The Treasury estimates assume debt limit needs of $630 billion at the June peak and $645 billion at the August peak to allow a $6 billion cash balance and a $3 billion margin for contingencies.

The $627 billion limit through June 30, approved by the House, would allow a balance of as much as $6 billion on June 15, assuming no contingencies occur, and a balance of as much as $12 billion on June 30, on the same assumption.

The CHAIRMAN. Senator Hansen, was that 12 or 2?

Mr. YEO. I corrected my copy and we have amended the copy provided you. We apologize that there was a typographical error.

I would like to turn now to the Second Liberty Bond Act amendments.

I would like to say that as far as the Department is concerned the $627 billion limit through June 30 we think is a level that will enable us to conduct debt management in a safe basis, a basis that you gentlemen would like.

The redefinition of notes from the 7-year maturity to the 10-year maturity is what we mean.

This is a very important forward step.

Third, the granting of a $2 billion additional exemption from the 4.25-percent ceiling.

That is less than we have proposed, frankly, less than we would like but we were certainly unlikely to use the $2 billion authority that was granted in the House bill between now and the end of the second quarter of this calendar year.

Presumably, when we are back before the committee reviewing this matter in a few months we will have some additional recommendations.

Finally, the proposal for a minimum payment of 4 percent compounded semiannually on savings bonds is something that we find that we can adapt to. In summary, Mr. Chairman, while we might have

[1] See table.

different recommendations, if we were in a different time in the calendar year, the provisions laid out in the bill passed by the House would enable us to fulfill our obligations.

I would like to say a few words in the way of summary regarding our debt management problems.

The problems begin with two factors, the considerable amount of financing that we are required to do in the period immediately ahead, approximately $90 billion is the prospect over the next 19 months.

We estimate $35 to $40 billion to be raised in the first half of the calendar year. This is a very significant amount of financing not only historically in terms of the Federal Government activity but proportionately as to the total amount of financing that can be done in our economy during this period.

How it is financed can have a substantial impact in several respects.

The second major factor, Mr. Chairman, is that we are constantly fighting the calendar. The average maturity of the Treasury debt outstanding has shortened to slightly over 2 years.

This is a precipitous drop from the level just a few years ago, and I would like to discuss this briefly.

One of the implications, as we see it in the Department, of debt limitations that have applied to Treasury financing—specifically, the inability to sell on a sustained basis, moderate quantities of long-term bonds and the current definition of a note; namely, the note where maturity is 7 years or less—has been to confine the Treasury financing to what the financial community calls the short end of the market. This has had two effects.

One is that it accelerates in a sense the impact of the passage of time. In other words, we sell a 2-year note; they are shortly later made 1 year, and before you know it we are refinancing. The cumulative effect of this is to produce a considerable bulk, a considerable growth in outstanding short-term Treasury debts.

I think that has three potentials, and at least in the past we have realized the effects.

First, we will submit a study* that we have done for the record covering the past 10 years. It shows that the cost of servicing the Federal debt has been higher than it would have been if we had been able to have a balanced program of debt management—in other words, if the Treasury had been able to sell securities in all sectors of the market. The reason for that is that as the interest rates have increased over the past 10 years, this debt has rolled over—this very short-term debt has rolled over—and the increased costs have been promptly reflected in the rate that the Treasury must pay.

The second factor is that the bulging of Treasury short-term debt—the shortening of the maturity structure—has had a tendency to accentuate rather than alleviate a pressure on our system of thrift intermediaries, savings and loans institutions, mutual savings banks, and commercial banks. As we continue to sell large quantities of short-term debt, we provide in the first instance a competition for the funds that normally flow into the thrift intermediaries.

For example, in the case such as now, if we were selling exclusively short-term debts, we would be selling it to individuals and corpora-

*See p. 48.

tions. As the economy continues to recover, however, corporations' cash potentials will change. They would start to reduce their participation in the short-term Treasury market, and that debt would shift over to the individuals.

It would provide the basis for accentuating the tendency of the short-term rate to raise and facilitate the process of disintermediation.

The third factor is that, to the degree this occurs, we reduce the availability of funds to the mortgage sector from what we would have otherwise been the case. I would like to conclude by saying that the committee, your committee, has two times in the past reviewed this with us and supported our efforts to acquire the authority for a more balanced debt management program.

We are very hopeful that we will be able to achieve that authority and tell the committee that we will use it carefully if we are granted that authority by the Congress.

Thank you, Mr. Chairman.

[Discussion off the record.]

The CHAIRMAN. Senator Hansen. I would suggest that we just confine ourselves to 5 minutes.

Senator HANSEN. I wish I had enough knowledge to ask 5 minutes worth of questions.

I gather from your presentation, Mr. Secretary, you think it is quite urgent that this House-passed bill be approved and be permitted to become law?

Mr. YEO. Yes, sir; I do.

We do have a situation which on the 15th of the month the temporary limit will elapse. Since we will be back sometime in June to review the matter further, we will have the opportunity to perhaps get into a little bit more depth with regard to the long-term bonds, and so forth.

Senator HANSEN. I have no further questions at this time, Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Is the House-passed bill satisfactory to the Treasury Department?

Mr. YEO. Yes, sir; it is.

Senator CURTIS. Does it contain the flexibility that the Treasury has been seeking for some time in reference to handling the debt and shifting it from short term to long term?

Mr. YEO. Senator, it provides us with some mobility in that respect, not as much as we had asked for, not as much as your committee had earlier approved, but since we will have an opportunity as I mentioned before to Senator Hansen to review this matter in June, we can do our job within the context of this bill.

Senator CURTIS. But specifically what does it do?

Mr. YEO. This bill raises the temporary debt limit from $595 billion.

Senator CURTIS. I am not speaking of the raise, but in regard to the interest rate and so on.

Mr. YEO. It redefines a note from a security that matures in 7 years or less to the security of 10 years or less, and a note is exempt from the 4.25 percent ceiling. That helps us to accomplish this very large borrowing program that we are confronted with and to design in effect a more balanced debt structure.

Senator CURTIS. Now, as it has been in the past, the ceiling on the amount of interest you could pay was limited only to long-term obligations.

Mr. YEO. It was limited to obligations with a maturity of more than 7 years.

Senator CURTIS. Consequently if you could not get the money you needed at the reduced rate of interest you had to go more into the short-term bonds.

Mr. YEO. Exactly.

Senator CURTIS. And that makes for more obligations, and they are due to reoccur more often.

Mr. YEO. Yes, sir, that is correct.

Senator CURTIS. So it is burdening the Treasury in two ways. You cannot work for the spread out of obligations falling due when you have to comply with this rule, and that results in over the amount of short-term bonds.

Mr. YEO. Right.

Senator CURTIS. And also it is a handicap in that it really does not lessen the interest load of the Treasury, but, actually, it works out to increase it, is that correct?

Mr. YEO. In the past, Senator, over the past 10 years our economy shows that had we been able to effect a more balanced debt structure, the cost to the people would have been less, and so I agree with both of your opinions.

I would like to add one more if I could.

Senator CURTIS. Certainly.

Mr. YEO. That is, if by confining us to essentially short-term financing, we impose a burden on the market, the tendency at times is to raise short-term rates.

Second, it results in a large accumulation of liquidity being at times dangerous. As you all know—we study growth and money supply—one has to ask what difference is it between the 30-day Treasury bill and something that we count as "money."

So we have to be concerned about the potential economic effects sometime in the future of this large amount of short-term financing.

Senator CURTIS. If the Treasury is able to shift the greater portion of debt to long-term obligations, does that work to the advantage of the rest of the economy, the private sector that has the need for borrowing?

Mr. YEO. We are confident, sir, that a balanced debt structure will contribute to the rest of the economy, contribute to the orderly investment of American economy and to stable financial markets.

Senator CURTIS. Now, when we refer to this as a debt ceiling, in reality the way it works out is that it is not a request on the part of the Treasury for the authority to pay the billions for the spending that has already taken place.

Mr. YEO. Senator, it is a request for the authorization to issue the debt limit necessary to pay our bills.

Senator CURTIS. But it in itself does not create more bills.

Mr. YEO. It in itself does not create more bills. As you know well, we have also had a record in this country of paying our bills on time, and it is a distinguished record.

The result, in fact, is that the U.S. Government securities are the finest in the world.

Senator CURTIS. What I am getting at, you need the vote of people in the Senate who are opposed to deficit financing and the point I am trying to make is that this is not a bill to authorize more spending either by appropriation or by the back door but rather a bill that grants to the Treasury the power to borrow enough money to meet the obligations that have been created and will be created by other votes in the Congress; is that right?

Mr. YEO. This bill will enable us to meet our expenditures, to pay our bills on time, yes, sir.

Senator CURTIS. And if you could not borrow the money, the Government would still have the debt.

Mr. YEO. Yes, sir.

Senator CURTIS. That is what I am trying to find out. That is all, Mr. Chairman.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Mr. Secretary, as I understand it, the debt at the end of the current fiscal year, you anticipate that the debt will be $621 billion?

Mr. YEO. That is our estimate. Yes, sir.

Senator BYRD. And you estimate in your statement for the fiscal year ending September of 1977 is a debt of $707 billion?

Mr. YEO. Yes, sir, that is correct.

The CHAIRMAN. Senator Byrd has to leave temporarily, so I will call on Senator Mondale.

Senator MONDALE. Mr. Secretary, your two amendments would give the Treasury the ability to borrow an increased amount in the long-term market. Given that the short-term rates are low relative to the long term notes, why would you now want the authority to borrow more in the long-term market?

Mr. YEO. Senator, we do not anticipate a situation which we would actually shift some of our outstanding debts into the long-term area. In other words, I would have to report to you that in all likelihood the average maturity of the Treasury outstanding would be constant at a little bit above 2 years, or perhaps be reduced further despite this increase in the debt management latitude.

It is quite accurate, as you point out, that at the moment the short-term rates are lower than the long-term rates. It is also accurate that we have a substantial amount of short-term debts outstanding that will be adding to it. The final thing, and the final point, Senator, is that if these short-term rates would increase, it is quite possible from our experience in the past, that costs of short-term financing relative to long-term financing might be the same or higher.

Let me give you an historical example. In 1966, early in 1966, we had roughly the same relationship, the levels were different. If we had financed with, say, a 10-year note at that time, if my recollection is correct, we would have paid about 4¾ percent. That 4¾ percent cost, although higher than the cost of short-term Treasury bills at that time, would over the course of time have saved money for the people.

Our purpose in terms of a debt management is not to attempt to structure the debt in such a way as to anticipate interest rates——

Senator MONDALE. But in 1966 were we not near full employment? It made sense to finance in the long term market then—to slowdown private investment a little. When we're trying to pull out of the recession, we want to encourage private investment. Wouldn't increased long-term borrowing impede private investment just when we want to encourage it?

Mr. YEO. I do not believe so, Senator. As a matter of fact, I believe that during the period such as the third quarter of 1966—when the economy was operating at full capacity, when we were experiencing our first period of disintermediation and when mortgage rates were rising—sales of long-term Treasury debts, unless there were other factors, might not have been visible.

I think that what we have learned over the last 10 years is that we want to avoid a situation during the period of the early phase of the recovery where we sell a large amount of short-term debt that later on creates difficulties for a sustained recovery, sustained expansion.

Senator MONDALE. Mr. Chairman.

I would say that when there is this big spread between the short term and the long term, and when by going into the long term we not only pay greater interest costs but we also increase the competition with the private industrial borrowers at a time when we want to encourage private investment, this authority does not make sense.

Mr. YEO. Mr. Chairman, I would like to make two points.

No. 1, we would plan to use it judiciously, if granted by the Congress.

Second, I would like to reiterate the problem that arises during a period in which the economy is starting to recover. When the economy is starting to recover, we sell exclusively short-term debts in part to corporations, who have billions of dollars available for investment. As they start to increase their capital expenditures—as we surely hope they will, and expect that they will—they start to sell those short-term securities. I share the Senator's concern if we want to have a debt management program that facilitates early recovery, it would mean a balanced debt program and not exclusively selling securities in very short-term areas or for that matter, as the Senator suggests, exclusively in the long-term area, which we certainly are not proposing.

Senator MONDALE. Thank you.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

Just to continue on with this problem now, as I understand it, the level of the debt now in terms of a period is around 2 years on the average; is that it?

Mr. YEO. Yes, sir.

Senator FANNIN. What was it 5 years ago? What was it approximately, I mean?

Mr. YEO. It was about 3½ years.

Senator FANNIN. A great problem, as I see it, and as Secretary Simon emphasized, is that we will need from $4 to $4.5 trillion in the market for the private sector in the next 10 years—$4.5 trillion; $1 trillion of that is estimated to be needed for the energy projects. I do not know how rapidly it is going to develop, however, I hope it will be in the near future because we are trying to give every encourage-

ment possible to programs in energy development so that we can be less dependent upon foreign sources.

But do you feel that what you are doing now is going to help alleviate that situation? In other words, as you stated, the competition with the Federal Government is not in the market where they are causing the competition or that would result in greatly increased rates, and all, but as we approach that period when all this capital formation going to be needed. What will the situation be if we follow the procedure you recommend?

Mr. YEO. I think that in terms of debt management, if we provide authority for a more balanced debt management program, that we will facilitate the capital formation. The thing we would like to avoid at the Treasury is in any way through debt management—given the size of the deficit, just concentrating on the debt management aspects of it—any acts that would in any way contribute to a reoccurrence of these stringencies that we have experienced in 1974, that we experienced in 1969, that we experienced in 1966.

The second factor, that I perhaps have not developed as well as I should have, is that there are economic implications involved in having so many liquid assets. The problem is that there is not a great deal of difference between the 30-day Treasury bill, in my judgment, and money as we define it for our statistics. That presents a situation where at some time in the future a steady accumulation of liquidity—in part because of the debt management practices—could impair our ability to produce what I think we all hope will be sustained economic recovery.

The recovery could be endangered.

Senator FANNIN. Well, you have two goals in mind. You have one to naturally sustain this recovery.

We are in a recovery now. From the standpoint of the interest that is involved, what is it running? About $45 billion?

Mr. YEO. Yes, sir.

Senator FANNIN. So the projection that you have is that if we do not take or if we do not follow the procedure that you were outlining as far as having a long-term balanced program, the greater percentage of it where we have an average of 2 years, what average would you point for?

Mr. YEO. To be realistic I would have to admit that given the size of the prospective financing, that we would be in my opinion fortunate if we could maintain the average maturity that we have now.

Senator FANNIN. And the average would be 2 years. Do you feel that that would be acceptable?

Mr. YEO. I would prefer personally a longer average maturity.

Senator FANNIN. But you are concerned about being able to maintain the 2 years?

Mr. YEO. Yes, sir.

Senator FANNIN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Brock?

Senator BROCK. You said, Mr. Secretary, just a minute ago that the anticipated level of debt in 1978 will be $707 billion?

Mr. YEO. Yes, sir.

Senator BROCK. And $621 billion?

Mr. YEO. $621 billion as of the end of this fiscal year.

Senator BROCK. That is an $86 billion increase. From whence does it come?

Mr. YEO. It is the result of the 40-percent growth in expenditures over the last 2 fiscal years. It is a cyclical slowdown in the growth of receipts. As you know, Senator, this is the result of expenditures and receipts on the basis of the President's budget.

As you know, the Treasury Department suggested that a deficit of this size can have a substantial adverse effect. The Secretary and I have testified on this many times.

Senator BROCK. I know your position well. It is one that I share.

My question really goes to the type of increase in the President's proposed deficit that we have been presented for fiscal 1976. It depends on which figure you used, but his figure is about $43 billion and ours is $46 billion and ours is better than his because of the change in computations that were made.

Now, how do you get from $46 billion to $86 billion?

Mr. YEO. I would like to ask Mr. McOmber to answer that.

Mr. MCOMBER. Senator, first of all, the deficit figure is $43 billion, but let's proceed from there.

Senator BROCK. It is $46 billion. Maybe your estimate is $43 billion, but your estimate is wrong, I think that we have already demonstrated that because you have made your own changes. I think the chairman pointed out in our session a couple of days ago that the administration's own postulates have been changed, so your figure is wrong.

But any way——

Mr. MCOMBER. In any event, let us move from either figure.

In talking about the increase in the debt, we also have to talk about two other factors that affect that deficit.

Primarily one of them is the fact that the debt is affected by the amount that the trust funds are going to purchase. So, in effect, therefore, the amount that we have to talk about is in terms of the Federal fund deficit rather than the net deficit.

The Federal funds deficit adds to it $55.5 billion for 1977.

We also have to consider the fact that in between 1976—in between June of 1976 and fiscal year 1977—we have a transition quarter. There is a further Federal fund deficit of $15 billion in that period.

That gets us—that adds a total of some $70 billion. Further, there are deficits that have to be financed in the Office of the Budget. Those add for the transition quarter some $3.9 billion for the 1977 fiscal year, some $11.1 billion.

If my arithmetic is correct, and we start with $621 billion, we can get up to between $700 billion—$600 billion and $707 billion—on that basis.

Senator BROCK. Tell me again about the $55 billion. Does that include the deficit in the trust funds?

Mr. MCOMBER. There is, in effect, a surplus in the trust funds in that year. That surplus buys securities as required by law that, therefore, add to the deficit, add to the amount of debt held under the limit. So, we also have to consider the difference between the unified budget deficit and the amount of the Federal fund deficit.

When we consider the fact that there was $43 billion estimated budget and $12 billion surplus in the trust fund, that means the

Federal fund deficit is $55 billion and that amount is added to the deficit as a result of the budget's transactions.

Senator BROCK. Well, one final point, and my time has expired, but if my calculations are correct based on what you have said, we will be required to refinance a minimum of $30 billion a month every month, that is $1 billion a day. That is based on your projected schedule and it is insane to talk about it.

We are trying to get through an economic recession, and anybody that thinks corporate financing is for 30 or 40 years is out of his gourd. You do not finance that way in corporate financing.

All we are doing is raising the interest rates for ordinary living and creating more inflation. Somebody ought to establish a more rational policy.

Thank you very much.

The CHAIRMAN. I assume that you brought with you the charts which I usually request, which were printed in the hearing on the debt limit bill held June 25, 1975. Do you have those tables for us?

Mr. YEO. Yes, sir.

The CHAIRMAN. I will ask that they be included in the hearing record, and I would also like them reproduced in the committee report. I think that it adds some perspective to what we are trying to do.[1]

Now, one of the charts that we had the last time related to what the estimated net public and Government and private debt is. I notice that the net Federal debt in 1974 was listed at $360.8 billion.

Would you explain for us the difference between the overall debt and the net Federal debt that is reflected by that chart? [2]

Mr. YEO. Mr. Chairman, that is different. It is a borrowing from the public, and includes the Federal Reserve holdings. The Federal Reserve, as a result of its open market operations, from time to time purchases and sells U.S. Government obligations as well as U.S. agency obligations and bankers' acceptances. The bulk of the Federal Reserve's open market operations are concentrated in the U.S. Government securities. The net privately held debt deducts the Federal Reserve's holdings.

The CHAIRMAN. Let me just get that a little bit straight in my mind also.

The amount of bonds that the Federal Reserve is holding, I assume, depends upon the amount of money the Federal Reserve thinks the economy needs in circulation. Is that correct?

Mr. YEO. That is one of the ways. That is correct. They have other tools. They can reduce reserve requirements which, in effect, applies a more powerful multiplier to the monetary base or they can change the monetary base.

One of their principal ways of doing that is to purchase U.S. Government securities.

The CHAIRMAN. And when the Federal Reserve purchases these securities, in terms of an expanded money supply they issue the money and hold the bonds?

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[1] The charts referred to appear in the committee report, S. Rept. 94-687, and at pp. 57-65 of this volume.

[2] See table 4.

Mr. YEO. The way it works, Senator, is that they go into the open market and buy those securities for the open market account, then hold them. Sometimes they hold them permanently and sometimes they sell them back to the market. It depends on whether they are attempting at the time to faciliate expansion of the monetary base or whether they are trying to curb the growth in the monetary base.

So, they purchase and sell U.S. Government securities depending on their monetary policy.

Senator BROCK. Excuse me, if I may. It is not just the creation of cash. They are creating a reserve.

Mr. YEO. They are creating a reserve.

Senator BROCK. They go into the reserve portfolio system so that you can loan more than $1 for every dollar that you have in that reserve. So that is the multiplier effect?

Mr. YEO. Yes. What they do—one way of describing it, Senator—when they purchase securities, they add to the monetary base. Then there is a multiplier on top of that base that multiplies that base and creates additional credit based on the increments in the monetary base.

So, it is not as the Senator suggested, it is not one on one. It is one on one only in that it adds to the monetary base.

The CHAIRMAN. I find myself thinking from time to time that the difference between those two figures, the gross debt and the net debt, is the amount the Federal Government owes to the Federal Government.

Do you explain it that way?

Mr. YEO. That is certainly an accurate way of looking at it. I look at it, frankly, a little bit differently. I look at it in terms of the Federal Reserve's purchasing and selling securities. We are never sure, although historically there always has been a base, we are never sure that on a specific security that we are going to hold it.

So that the way I look a it, Mr. Chairman, is that this is the monetary base. This is the way we effect the monetary base and the method by which we control bank credit expansion.

The CHAIRMAN. I have tried to explain this to bankers and others who sometimes get worried and feel insecure about the size of the Federal debt. I just find myself asking how much are we going to pay?

If we were going to put this country through the purge that it would take to pay off the whole debt or drastically reduce it, if we raise enough money or tax away from the people enough to pay off the privately held debt, would it be adequate or should we go ahead and pay off the part the Federal Government owes to itself?

What do you think? Should we try to pay off the whole debt or just pay off the part that is held privately outside the Government itself?

Mr. YEO. Well, Mr. Chairman, I think the thing that concerns people is the growth in the Federal debt and I have to admit that it concerns me and has for some time period. I think the reason it concerns a lot of people is that we have learned over the past 2 or 3 years that inflation has had a very unfortunate effect on our particular system.

We have also learned that to avoid inflation we have to pursue policies that some might call "moderate"; others call even "conservative". We have to pursue policies which will contribute to the economic stabilization.

I think really, personally speaking, that the part that concerns me is the privately held part. The reason for that is that if the debt becomes very, very short, I fail to be able to distinguish in my own mind between, as I said before, very short-term securities in the hands of the public and additional money in the hands of the public.

We are still affecting liquidity. We are affecting the holdings of liquid assets. This is a dimension of the debt and debt management that has not received much attention in our country, in part because we have not had a deficit of the size that we are in the middle of financing. The part of the debt that concerns me is the privately held part.

It has the capacity to deter our progress toward economic stabilization.

Senator BROCK. If I can interject again, you just simply must not say that there is half the debt that we owe to ourselves and half of the debt that we owe to somebody else. If that were the case, and we only had it in the left pocket instead of the right pocket, Mr. Chairman, we could save an awful lot of interest payments just by canceling that obligation and saying that we do not care what pocket it is in. In fact, if you did that, you would have no monetary system at all.

Isn't that correct? You simply could not survive if you wrote that debt off? The monetary system would, because that is the monetary system. It is a valid debt and obligation which we must pay and which we must pay interest on. If we did not do that, there would be no system.

We would then have no economy.

The CHAIRMAN. What concerns me is that those people who are most upset about the size of the Federal debt would be a lot more upset if we tried to pay it off. You cannot do it with an income tax. That would bring the economy to a screeching halt and provide such a disturbance that it just would not work. The people would not stand for it.

We could impose a capital levy, though I am not advocating it. But if you insist on paying off the debt, you could spare those people who have a net worth of less than $3,000 and say that everybody else will pay a levy of 20 percent of what they have above that. If we do that, the people who would get hit the hardest would be the people who are the most concerned about the size of the debt. I think that they would be most dissatisfied.

We would be no richer and no poorer. We have a public and private debt, and the best guess that I can give from the public and private debt structure—how much is that debt? About $3 trillion?

Mr. YEO. $3.2 trillion in December 1974.

The CHAIRMAN. Just for a layman here guessing, that is not too bad.

Mr. YEO. I could not even guess. I would have to look.

The CHAIRMAN. It is not bad since it has probably changed since yesterday.

Mr. YEO. It certainly did.

The CHAIRMAN. The last time I was trying to figure what our net worth is, it worked out to about $3 trillion. Where do you put the net worth of the entire American economy?

Mr. YEO. I do not have an estimate, but based on your record, Mr. Chairman, I certainly would not object to that.

The CHAIRMAN. Well, let's see if I come close on this. I put it at $3 trillion. Now I was asking some bankers the other day something that I thought a man who had less education could answer more easily than them. Suppose we pay off the whole $3 trillion that we owe. Would we be richer or poorer? And if so, by how much?

Mr. YEO. Our net worth establishes how wealthy we are.

Our net worth establishes how much we are worth.

That is, it measures our wealth. That is, if we could somehow extinguish the $3 trillion in liabilities by the liquidation of $3 trillion in assets to someone else, our net worth would not change.

The CHAIRMAN. So if you owe $3 trillion and you have a net worth of $3 trillion, you pay it off and your net worth is the same amount. By the time you get through putting the country through a wringer, your net worth would be the same thing as before.

You might have changed the relationship. For example, if the average man was holding about $16,000 worth of bonds, by the time you get through taxing it away from him, basically you would have taxed him heavy enough to carry his share. By the time that you did this, he would probably think that he is poorer when, as a practical matter, that is his share of the debt to begin with.

I believe we ought to keep in mind that we have the capacity to pay this debt. I think we have the taxing power to do it, especially if we have the taxing power to put a levy on the American people. I do not advocate it, but we do have the potential to pay it although I must admit it would be quite an upheaval if we did.

Have you though about that part of your job? I should think you would think about things like that.

Mr. YEO. Yes, sir. We certainly have the capacity to pay it, to pay our debt. That is one of the reasons why there is no finer security in the world than U.S. securities, because we all know that we can pay that debt. We have the income flow and we have the resources. We agree with your analysis entirely in terms of our net worth. The most unfortunate thing, of course, would be if the people decided that they would cancel one side of the balance sheet and keep the other side.

There are two ways you finance economic growth. One is through debt, and the other is through earnings. They are interrelated.

In our country over the last 10 years we changed the ratio in financing. We had a large increase in debt. For example, the debt of nonfinancial corporations in this country, if my memory is correct, increased by three times in 1965 through 1975. That reflects the declining role of profits.

The consequence of that debt can be, if it continues, to increase the sensitivity of our structure to the effects of a period of recession. So, while it is quite true that we can pay our debt, it is also true that—particularly in the private sector—it would be better if we could have a little better balance between the role of retained earnings and the role of debt and in financing economic growth.

The CHAIRMAN. The corporate debt structure, by the last figure that I have, was about four times as much as the net Federal debt. That is, the net debt owned by corporations was about four times as much as that owed by the Federal Government.

Now, in that area we could just by tax laws dramatically reduce the corporate debt structure. All we have to do is shift the tax laws around so that the taxes would be far lighter on corporate dividends, and maybe you could make that dividend income far more attractive compare to the debt income. If we did business in that fashion, you might persuade a lot of people to switch their bonds over to stock instead, and you would drastically reduce the corporate debt. You have given some thought to that kind of idea in the Treasury, too, have you not?

Mr. YEO. Yes, we have. We have made legislative proposals, in fact, regarding the capital formation. I think that is one of the greatest prospects for a change in this relationship—that is, the prospect that I think we have more stable prices. I think that in terms of the prospect of improved price stability that is before us—and which I certainly personally hope we can continue—will do a great deal to alleviate the continuation of heavy reliance on the debt.

The CHAIRMAN. Thank you very much.

Senator Byrd?

Senator BYRD. I must say that I am somewhat surprised as to some of your replies to Senator Long.

I think that Senator Brock is right on target in the subjects that he has opened up.

Let me see if I understand the situation accurately. You have testified that the debt will be $621 billion on June 30, 1976. You have testified that it will go to $707 billion at the end of fiscal year 1977. That is an increase of $86 billion.

What has been the official administration estimate of the deficit for the new fiscal year?

Mr. YEO. That is based on the current fiscal year.

Senator BYRD. The current fiscal year, yes, but I am speaking now of fiscal 1977.

Mr. YEO. $43 billion.

Senator BYRD. Isn't that a totally misleading figure?

Mr. YEO. No, sir. I do not believe it is.

Senator BYRD. Well, your own figures say that and you have just mentioned it, which you confirmed to me earlier in the session, that the debt will go up $86 billion in a 15-month period. That includes a 3-month transition period.

Mr. YEO. We have the effect of the transition quarter. The total amount to be financed in the transition quarter we estimate to be $18.9 billion.

Senator BYRD. Any way you look at it, if your figures are accurate and you can sustain the accuracy of them, the debt will increase $86 billion in a 15-month period, is that not correct?

Mr. YEO. That is correct, Senator.

Senator BYRD. Yet we are being told the deficit will only increase $43 billion in a 12-month period. I say that the people are being misled. From the beginning I felt that $43 billion was not an accurate figure, that it was too low, these figures today show all the more that it is not an accurate figure.

Mr. YEO. Senator, the figures that we have provided are consistent with our estimates for fiscal year 1976, the transition quarter, and fiscal year 1977. Now, I will concede, sir——

Senator BYRD. That is correct. It is a 15-month period.

Mr. YEO. The estimates include the transition quarter and the off-budget financing requirements.

Senator BYRD. This is a deficit in the Federal fund, is it not?

Mr. YEO. That is correct, plus Treasury borrowing for off-budget Federal agencies.

Senator BYRD. That means that you take your receipts from the Federal funds and your expenditures from the Federal fund category, and you subtract one from the other and you get the deficit. The difference you have to add to the debt, is that not correct?

Mr. YEO. That is essentially correct, sir.

Senator BYRD. If you are going to have $43 billion as a deficit for fiscal year 1977 and then you include the transition period, and you end up with a $86 billion deficit, that means the transition period would be $43 billion, which, of course, it isn't.

Mr. YEO. Let me go through this first on a unified budget basis.

Senator BYRD. The unified basis has nothing to do with the increase of the debt.

Mr. YEO. That is correct, but on the unified budget basis our estimate of the deficit for fiscal year 1977 would be $42.975 million. On the Federal fund basis our estimate of the deficit is $55.5 billion.

Senator BYRD. Then that is another way of saying that your trust fund, Social Security Trust Fund, will be in surplus by about $12 billion.

Mr. YEO. That is right.

Senator BYRD. Before we leave that, is that what your surplus is, $12 billion in the Social Security Trust Fund?

Mr. YEO. $12.5 billion surplus for all of the trust funds in fiscal year 1977.

Senator BYRD. $12.5 billion.

Mr. YEO. Yes, sir.

Senator BYRD. Yet you ask for an increase in the social security taxes?

Mr. YEO. An increase in the social security tax is based on the overall position of the Social Security Trust Fund.

Senator BYRD. I am rather surprised that you anticipate a surplus of $12.5 billion in the Social Security Trust Fund.

Mr. YEO. Those are all the trust funds, Senator.

Senator BYRD. Well, the bulk of it is the social security.

Mr. YEO. I will give you a breakdown, sir.

Mr. MCOMBER. I do not have the precise figures as such.

Senator BYRD. As a practical matter, the bulk of it is the social security?

Mr. YEO. It is scattered in a number of funds.

Senator BYRD. You have only two big trust funds, social security and highway. The retirement is a small one. You must be expecting a big surplus in the Social Security Trust Fund.

What will the deficit be for fiscal year 1976?

Mr. YEO. The trust funds will be in surplus by $2.5 billion in fiscal year 1976.

Senator BYRD. So, you are going from a billion dollars——

Mr. YEO. Well, there is a $2.5 billion surplus in fiscal year 1976,

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a $1 billion deficit in the transition quarter—and a $12.5 billion surplus in 1977 is estimated.

Mr. McOmber. That is for all the trust funds.

Senator Byrd. For the trust funds, you are going from a surplus of $2.5 billion for the fiscal year 1976 year to a $12.5 billion amount for fiscal 1977, but your Federal fund deficit will be $86 billion for the 15-month period?

Mr. Yeo. Our Federal fund deficit will be $70.5 billion, including $15 billion for the transitional quarter, $55.5 billion for the fiscal year 1977.

In addition to that, we have in fiscal year 1977 off-budget outlays to be financed according to my data at $11.1 billion in the fiscal year 1977, and $4.0 billion in the transition quarter.

I think you will find, Senator, that those figures add up to the changes in the debt that we anticipate.

Senator Byrd. If you do not mind let us go through those again and see whether we get the $86 billion.

Mr. Yeo. Why do we not do it then? If I could, Senator, we have a Federal fund deficit in the transition quarter of $15 billion. We have a Federal fund deficit in fiscal year 1977 of $55.5 billion. That is a total of——

Senator Byrd. $70 billion?

Mr. Yeo. We have an off-budget outlay situation in the transition quarter deficit of $4.0 billion and in the full fiscal year 1977, $11.1 billion.

Senator Byrd. That makes it $16 billion in round figures which gives us $86 billion but that is, I say again, that is a long way from the $43 billion that the public has been led to believe there will be.

Mr. Yeo. Senator, I cannot in any way dispute—and I am not—the thrust of your comment. There is no question in our mind that this is the prospective financing that we have to do and it is an accurate measure of the debt management problem that we are attempting to deal with.

It is in large part why we are asking the committee for increased latitude in the manner in which we can handle this debt.

Senator Byrd. Did I understand you to reply to Senator Brock that the refinancing to be required would run to the rate of $30 billion a month?

Mr. Yeo. Yes, sir, that is correct.

I qualified my response to him by saying that that is our estimate.

It is in part a function of the maturity of the new debt that we sell——

Senator Byrd. Would that be through the entire fiscal year that you are speaking of?

Mr. Yeo. Well, for the first 2 months—well, let me give you an example of what happened for the first 2 months of this year.

We borrowed an average of $9.5 billion per week. For the comparable period in 1975, the figure was $5.5 billion per week. You are quite correct, Senator, depending on what we do in terms of the maturity of the new securities. For example, if we sold them all in a 3-month maturity period, just using a hypothetical example now, that that would, of course, create an even more significant financing pic-

ture. Now, if we sell it on a balanced basis the impact—as measured in terms of how much we have to do each week or each month—is reduced. That is one of the reasons we want this latitude.

Senator BYRD. Would it be reasonably accurate to say that during fiscal year 1977 that you will need to refinance at the rate of $1 billion a day?

Mr. YEO. Yes; that is the prospect.

Senator BYRD. In other words, $300 billion annually? $300 billion?

Mr. YEO. On the basis of the amount that we have to raise and on the basis of the debt maturing during that year, this is again by the question of what we do now, but it could be as high as that.

Senator BYRD. Well, how do you envision the interest rate, say a year from now?

Mr. YEO. Senator, I am not prepared to make a forecast of interest rates a year from now.

I would not even want to make an inference as to what the interest rate will be a year from now. I think you can understand my position in terms of not being able to make such a prognosis.

Senator BYRD. Well, let me make an observation and maybe you can indicate whether you agree or disagree with it. It seems to me that 1976 will be a relatively stable year and I think it will be a good year businesswise.

When we compare it to 1977 or going into 1978, that is when this country is going to have a real serious problem. I am speaking now of the inflationary nature of things. Would you care to comment on that, sir?

Mr. YEO. Yes, Senator.

I would agree with you that the prospect for 1976 is excellent. I believe that we have the capacity and the policies to avoid the types of problems that have characterized the later stages of the expansions in the recent past.

I believe that we have made significant progress within the country in terms of people understanding that inflation is bad for business.

Senator BYRD. I think that people understand it, but I do not think this Washington understands it. I do not believe my colleagues in the Congress understand it.

Mr. YEO. Senator, I think that we have to—we have the capacity to avoid the kind of problems that we have had.

Senator BYRD. What capacity to avoid what?

Mr. YEO. I think that the monetary policy that we are pursuing, the fiscal policy that we are endeavoring to pursue and the debt management——

Senator BYRD. The fiscal management policy that we are endeavoring to pursue? Let us take the fiscal policy we were pursuing for fiscal 1971 where the Federal fund deficit was $30 billion; for 1972 it was $29 billion; for fiscal year 1973 about $25 billion; for fiscal 1974, $17 billion; for fiscal year 1975, $50 billion.

Then for fiscal year 1976 it will be $79 billion.

During those 6 years, the total deficit has been $231 billion.

Now, I do not regard that as an outstanding record. Then for 1977, including the transition quarter, it will be $86 billion.

I think that we were not on a very sound basis and I think that this country will have to pay the price for it at a later date. It will pay the

price in my judgment at a later date beginning somewhere in late 1977 or 1978. I am glad that you are more optimistic than I am, but you still have not given me very much cause for the element of your optimism.

Mr. YEO. Well, Senator, I would agree with your characterization regarding the size of the deficit of the past.

Senator BYRD. And the past is not as bad as the present and the future. The present is worse by far compared with anything in the history of the Nation. Nothing could compare with it, and next year is not going to be much better—almost as bad.

Mr. YEO. Well, there is a key in terms of the past: The stimulus that I think we all realize was excessive resulted from the size of the deficit and the manner in which it was financed. I must confess that I feel more optimistic regarding the future than you do, Senator. I think that I share your concern and your analysis regarding the past.

I hope we have learned from the past, both in terms of the amount of stimulus—this fiscal year you will have an $88 billion deficit, and in the next 15 months you will have an $86 billion deficit on the basis of the Federal funds budget and including off-budget agency deficits.

Well, you know, Senator, there are some who feel that the deficit is inadequate, based on the condition of the economy. I do not share their view. I think that the President's budget is appropriate for the condition of the economy, assuming that it is financed in such a way that additional stimulus beyond the capacity of the economy is not provided. I think that is the key variable.

Senator BYRD. I think that we are going to have a difficult time getting it under control.

Mr. YEO. Senator, we have argued, as you know, time and time again against the size of the deficit posed.

Senator BYRD. Well, that is why I am surprised to hear your comments today.

Mr. YEO. But I do think that the President's budget is appropriate.

Senator BYRD. Well, that is a good party line, I suppose.

Mr. YEO. No, I mean it. I think it is appropriate to the conditions of the economy, given the way in which it is financed. And now, philosophically, I would like to see us—and I think that we can—move to a balanced budget. I think that that ought to be, and is, our target.

Senator BYRD. You are moving in precisely the opposite way, Mr. Secretary, and your figures show that.

Mr. YEO. Well, Senator, I do not think that we are moving exactly in the opposite way. I think that we are moving in the direction of a balanced budget. The question is whether the Congress will let us have a balanced budget, and, hopefully, by fiscal 1979 or earlier. I think that it is not a matter, if I could say so, sir, of converting the Treasury Department. We are converted.

Senator BYRD. Well, I thought you were converted until I heard your testimony this morning.

Mr. YEO. I can assure you that we have not had a relapse. We believe that the budget that has been prepared by the President is an appropriate one for the circumstances we are operating under.

As an objective, we would like to see a balanced budget as the economy moves toward a greater utilization of its capacity. I would agree with your characterization regarding the size of the budget deficit of the past.

Senator BYRD. We had made progress in one respect. Several years ago before Bill Simon came into the Treasury, we used to be harangued by the Treasury that the budget was balanced in a full-employment basis. One of the most encouraging signs is that I have not heard anyone in the last couple of years mention the full-employment budget. I want to say from my point of view that it is a healthy sign.

A disturbing thought to me, Mr. Secretary, if you add up these deficits, you will find that by the end of 1977, if your figures are correct, and they will probably be higher than what you predict, but anyway, let us assume that they are correct. That will mean that 45 percent of the total of the national debt will have been created in 7 years and 3 month. To me, that is a very alarming figure. I admit it is not alarming to the Congress, and I admit that it is not alarming to a lot of people. But to me it is a very alarming figure, that $317 billion out of a total debt of $707 billion, which will have been created, 45 percent of the total debt will have been created in 7 years and 3 months.

Mr. YEO. Senator, I find, as I have tried to communicate, I find this to be a cause of concern myself. That is why, given the size and dimension of what we are talking about, that is why it has to be financed in the balanced fashion.

Senator BYRD. I am not objecting to that at all. I am just objecting to the size of the deficit. I am not sure that I understand your reply to Senator Brock that the net debt to which the ceiling applies is after deducting the Federal Reserve total. Is that correct?

Mr. YEO. It applies to the gross. That was the chairman's question, and the ceiling applies to the gross debt.

Senator BYRD. Which would include the Federal Reserve?

Mr. YEO. Yes, sir. In my judgment, it is quite appropriate.

Senator BYRD. I agree with you, but I wanted to be sure. I think that I misunderstood you, but I thought that you said it applied to the net debt after the reduction.

Mr. YEO. No, sir.

Senator BYRD. In predicting the interest charges on the debt, you put it at $45 billion for the fiscal year 1977?

Mr. MCOMBER. That is correct, sir.

Senator BYRD. I know that you have projected the interest rate will drop to 5.5 percent in 1977. Is that a realistic projection?

Mr. YEO. I believe that it is a reasonable basis for this kind of projection, Senator.

Senator BYRD. Then, I assume that you feel that the interest rate will continue to come down?

Mr. YEO. The 5.5 percent is on the basis of the rate at the time the estimate was made. I think that if you have a copy of the budget, there is a footnote that says the "average rate on new issues within the period," and I cannot give you an interest rate forecast.

Senator BYRD. Well, your budget does use that on page 25, under the heading of "Projection." It gives a forecast of 5.5 for fiscal year 1977.

Mr. MCOMBER. If I may say so, that is not intended to be a forecast, as Mr. Yeo has indicated. We do that because we need some sort of basis for estimating the interest. As a convenience, we simply use the interest rate that exists at the time we make the estimate, and make no such forecast, because none of us can forecast the interest effectively.

Senator BYRD. So, if the interest rate goes up, the $45 billion goes up.

Mr. YEO. That is correct. It goes up.

Senator BYRD. I realize, of course, that it is not the Treasury Department which has the final say-so on these matters. It is not the Treasury Department that is creating the deficit. So, I am not quarreling with you on that at all. I am speaking mostly of the Congress, although I think that it also applies to the executive branch, because unless the executive branch is willing to submit a budget which comes somewhat within the range of the balanced budget, the Congress is not going to go in that direction.

So, I say again that I do believe that it is alarming that 45 percent of our national debt will be created in the period of 7 years and 3 months.

Thank you, gentlemen, very much.

[The prepared statement of Mr. Yeo follows:]

PREPARED STATEMENT OF HON. EDWIN H. YEO, III, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS

Mr. Chairman and Members of this distinguished Committee: On Wednesday, February 25, the House acted to authorize the Treasury to borrow up to $627 billion through the end of the current fiscal year for the purpose of financing the expenditures of the Federal Government. The House also approved an additional $2 billion of authority to issue bonds outside the 4¼ percent limitation and approved an increase to 10 years in the maximum maturity of Treasury notes. In addition, the House adopted an amendment requiring the Federal Government to provide a return on savings bonds of not less than 4 percent per annum, compounded semi-annually, for each full month during which bonds are held.

It is not easy to reconcile the manifold demands for more Government spending, on the one hand, with our willingness and ability to pay the bills, on the other. But while the budget, and particularly the substantial budget deficit, is closely related to the focus of this hearing, our problem is not to deal with proposals to increase or reduce the size of the deficit. Rather, we are here to consider how best to finance that deficit. This will necessitate a substantial increase in the present debt ceiling. But in addition, the Treasury has urgent need for additional debt management flexibility.

I have been gratified by this Committee's strong support on two previous occasions for Treasury's proposals to amend the Second Liberty Bond Act, first, to increase the maximum maturity of notes issued pursuant to that Act from seven years to ten years, and, second, to increase the amount of bonds exempted from the 4¼ percent rate ceiling imposed by the Act by an additional $10 billion.

These are even more important today than when you first considered them. The reasons upon which the restrictions in existing law were originally based no longer apply. Indeed, there are few, if any, observers of the capital markets who believe the existing restrictions are healthy for the Government, for the capital markets, for the economy.

Realistically, however, we cannot object to the smaller amount of bond authority contained in the House Bill. It seems unlikely that we would wish to issue more than $2 billion of additional bonds before June 30. Moreover, since under the House Bill, we would have to return during June for a higher debt limit for the transition quarter at a minimum, there would then be another opportunity to examine the bond authority.

You will recall that we have also proposed that the 6 percent rate ceiling on savings bonds be removed. Such action would permit the rate on savings bonds to be varied from time to time, reflecting the interests of both taxpayers and savers. Since we have no immediate intent to raise savings bonds rates, however, consideration of this provision can also be postponed until the next debt limit hearings without adverse consequences for the program.

Let me now address the primary question facing this Committee today: The increase in the temporary debt limitation.

As you know, the present temporary debt ceiling of $595 billion (enacted on November 14, 1975) will expire on March 15, a week from this coming Monday, at which time the limit will revert to the permanent ceiling of $400 billion. Moreover, next week, the actual amount of debt subject to limit will approach the temporary limit. As a result of some apparent improvement in our cash position, however, we now believe that this will not hinder the effective management of the Treasury's debt and cash balance during this period.

In accordance with our usual practice, I have provided you with a monthly record of the debt subject to limit from June 30, 1975, through September 30, 1977, and interim monthly estimates for months in which the peak does not occur on the last day of the month. While we are now concerned primarily with establishing a debt limit for the near term, the debt limit data through fiscal 1977 are indicators of our financing requirements based upon the President's budget through fiscal 1977. As I will discuss in detail later, these requirements have serious debt management implications.

The Second Concurrent Resolution on the 1976 Budget provided for levels of public debt of $622.6 billion at the end of the fiscal year 1976 and $641.0 billion at the end of the Transition Quarter. It is, however, not clear what level for cash balance was assumed in the Congressional Budget Resolution. Furthermore, the level of debt in the Resolution apparently does not provide for agency debt that is subject to the statutory limitation. As a technical matter, moreover, depending on the cash balance assumptions adopted, the peak debt levels would be reached on June 15 and August 31.

In the Federal budget for fiscal year 1977, debt subject to statutory limitation is estimated at $624.2 billion at the end of fiscal year 1976 and $643.1 billion on September 30. These figures assume a $9 billion cash balance. The Treasury estimates assume debt limit needs of $630 billion at the June peak and $645 billion at the August peak, to allow a $6 billion cash balance and a $3 billion margin for contingencies.

The $627 billion limit through June 30 approved by the House would allow a balance of as much as $6 billion on June 15, assuming no contingencies occur, and a balance of as much as $12 billion on June 30, on the same assumption.

Let me now turn to the current confinement of Treasury borrowing to maturities of seven years or less.

We believe this restriction poses severe risks to the capital markets and provides nothing in the way of economic benefits.

OBJECTIVES OF TREASURY DEBT MANAGEMENT

Federal borrowing now accounts for almost 80 percent of all financing in our Nation's capital markets. As a result, all other credit markets, all other financial assets are directly influenced by the debt management operations of Treasury and by the structure of the Federal debt. What we do, how we structure the debt, will contribute to economic stabilization or detract from it. It is my view, therefore, that we must use every available tool to insure that Federal borrowing needs are met in a way that will minimize the resulting cost, measured both in terms of interest rates and economic and financial dislocation.

Given these objectives, it is no longer possible to justify severe and anachronistic constraints that result in a debt structure that has been very expensive in both an economic and a financial sense.

Moreover, in light of our massive borrowing needs, these constraints would have been an even greater adverse impact in the future. The extensive economic work which has been done in the area of debt structure has not only confirmed the potential for harm, but has also demonstrated conclusively that there are no countervailing benefits.

CONSEQUENCES OF THE CURRENT RESTRICTIONS

We know what the current restrictions have meant in absolute terms: a decline of more than 33 percent in the average maturity of the publicly held debt in the last three years alone and more frequent and larger Treasury borrowings. But the question I want to concentrate on today is why we care: why we believe there are serious dangers in confining Treasury borrowing to only the short end of the market.

We care primarily because over-reliance on short-term financing, as reflected in a short and shortening maturity structure and the resulting lack of balance in the over-all debt structure exposes us to adverse financial and economic effects:

First, it poses the risk of higher Federal borrowing costs and imposes unnecessary transaction costs;

Second, it contributes to a more volatile market environment, placing substantial burdens on financial intermediaries and threatening the ability of the private sector—and particularly small and medium-sized businesses—to meet financing needs;

Finally, it poses an unmeasurable and uncontrollable threat to sound fiscal and monetary policies.

COST

Our concerns begin with the fact that unless the Treasury is authorized to balance its borrowing throughout the maturity ranges, the taxpayer will be vulnerable to short-run changes in interest rates. Moreover, whatevery may happen with respect to interest rates, a debt structure weighted heavily to the short end imposes unnecessary transaction costs.

In periods of unexpected rises in interest rates, such as we have experienced during most of the last decade, the average cost of borrowing in the short-term market, and subsequent refunding in this market, may well exceed the rate for borrowing long term in the first place. In fact, our analysis shows that if we had had reasonable access to the long-term market from 1966 to 1971 (a period when we in fact had no authority to issue bonds with coupons in excess of 4¼ percent) the interest on the public debt would have been reduced.

But in pursuing these proposals, it is not our purpose to suggest that interest cost considerations ought to be of primary importance. Rather, I am suggesting that, from the standpoint of costs, it is imprudent to have statutory limitations that in effect mandate further dramatic shortening in the maturity structure of the debt. We need a balanced debt structure, not an extreme one.

In addition to possible interest-rate costs, when Treasury borrowings are confined to the short-term area, a large amount of debt rollover is necessary, relative to what would be necessary if we could borrow more in the long-term area. Each time there is a rollover, there are inevitable direct transaction costs. Moreover, the proliferation of short-term borrowings means that dealers have to carry larger inventories of securities. The cost of carrying such large inventories adds further to the transaction price, increasing the over-all cost which is ultimately borne by the taxpayer.

EFFECT ON PRIVATE BORROWERS

A concentration of Treasury financing in the short-term area has potentially adverse effects on private users of short-term credit. With the Treasury constantly tapping the short-term market for substantial funds, both short-term interest rates and the availability of short-term financing become vulnerable to episodes of market congestion and to changes in the general monetary environment.

To understand the potential risks involved, we must first examine the enormous change in the magnitude of the Treasury's demands upon the market. Just in the last two years, the over-all amount of privately held marketable Federal debt outstanding has grown from $171 billion to $263 billion. When this over-all growth is viewed in the context of a shortening maturity structure—occasioned primarily by the limitations which concern us today—the results are even more disturbing. For the first two months of this year, Treasury borrowed an average $9½ billion per week. For the comparable period in 1974, the figure was $5½ billion.

Part of this increase is, of course, due to our large new money requirements, primarily to finance the deficits. But the bulk of the borrowing is to finance the rollover of maturing debt. And the shorter the debt structure, the greater the rollover burden.

From the market's standpoint, there is virtually no difference between the two components. Each type of borrowing requires a new underwriting and investment decision. Rollovers are not automatic: a holder of a maturing bill is free to choose between lending to the Treasury, lending to another borrower, or spending the proceeds. Accordingly, all of the costs and pressures of borrowing are there, irrespective of the purpose of the borrowing.

Let's be clear about the implications.

First, there are substantial pressures on intermediaries: Given a greater amount of securities outstanding and a sharp growth in periodic refunding, dealers must take larger and larger positions. To the degree that dealers cannot, or will not, increase their position-taking capacity, the breadth, depth and resiliency of the market suffers, the market becomes thinner, and prices—that is interest rates—become more volatile.

Volatility is also enhanced by other factors. The enormous supply of riskless, liquid Treasury securities provides a tempting alternative for investors with psychological concerns about other assets; e.g., commercial paper or certificates of deposits. Thus, in effect, our debt structure facilitates large scale and highly disruptive shifts of funds from one short-term sector to another irrespective of whether such shifts are economically justifiable.

Finally, the sheer increase in the number of decisions the market must make enhances the possibility of distortions.

Consider the process. The dealers on which we depend to distribute our securities must decide, separately, the amount they will purchase from us, and the price, as well as the terms on which they will sell to their customers. Holders of maturing instruments have to decide whether and where to reinvest the proceeds, giving them an opportunity to rethink their needs in terms of the type of security to purchase as well as the maturity. And other investors have to decide whether they are going to buy our new securities, how much, and at what price. In terms of volatility versus stability, what kind of debt structure would we prefer: one that causes this unsettling process to occur less than 100 times a year, as was the case only a few years ago? Or today's, under which the process occurs, on average, nearly every business day.

What are volatility's ultimate by-products? At a minimum, we are likely to see an increase in rates on new short-term debt and a higher dealer mark-up on debt trading in the secondary market. These phenomena are the natural reaction of investors and dealers to a condition markets do not tolerate well: uncertainty.

If the uncertainty reaches greater levels—for example, as might be the case if market disruption is accompanied by perceptions of change in Federal Reserve policy—many market participants may temporarily withdraw from the market altogether.

In such circumstances, Treasury's ability to finance is obviously impaired. But, more importantly, the non-Federal portion of the market may feel far more serious repercussions. Local governmental units, small and medium-seized business— indeed all but the top-rated credits—may find themselves facing serious difficulties as they are cut off from sources of funds to rollover maturing short-term debt.

Moreover, these shocks are not confined to the short-term market. They spread rapidly into the intermediate and longer term markets and begin to interfere with orderly financing plans of business corporations and state and municipal governments, as well as with the growing volume of mortgage financing which is handled through securities markets.

Again, the impact is particularly acute on the smaller or lower rated issuers. Because of the risks set forth above, investors know that such entities are more vulnerable to even normal changes in the business cycle, especially when they have substantial short-term debt outstanding.

In the final analysis therefore, perhaps the most dangerous consequence is a further reluctance on the part of investors to make long-term commitments to our nation's capital growth. This reaction, which accentuates the pressures on long-term investment caused by fears of future inflation, has grave implications for our future economic growth. It discourages outlays for new expansion, it discourages risk taking and it discourages entrepreneurship at precisely the time in our nation's economic history when such conduct is needed most.

IMPACT ON ECONOMIC POLICY

Another aspect of this continued trend toward a shorter and shorter debt maturity—which if carried to an extreme could give us a national debt with zero maturity, i.e., a huge stock of green pieces of paper called money—is growing liquidity in the economy. By pumping more and more liquidity into the system, spending may be increased at the expense of savings and investment.

Even more disturbing is the fact that these consequences are largely unpredictable and uncontrollable. Such spending effects could come at any time, irrespective of the course of fiscal and monetary policy at the time. And if the

dam bursts, so to speak, in a period of growing inflation, the resulting sharp acceleration of the inflationary trend may be invulnerable to fiscal and monetary efforts.

We believe debt management should complement long-term economic and financial stabilization goals. An unbalanced debt structure poses the risk that policy efforts to control cyclical excesses—such as might be appropriate at a future time when the economy is expanding rapidly—will be thwarted by an accumulation of liquidity; and accumulation in the form of short-term Treasury securities. Given that such debt structure is in effect mandated by the size of recent deficits and the maturity limitations, this risk is serious.

IMPACT ON INTEREST RATE STRUCTURE

The old argument against these proposals is that more long-term Federal borrowing would drive up long-term interest rates; in other words, that a balanced debt structure and judicious borrowing in all maturities would somehow be harmful to the long-term market. This argument, taken at face value, would imply that the Government should always finance in the short-term markets—a conclusion which not only is wrong in concept, but has also been extremely costly in both financial and economic terms.

Long-term interest rate levels respond primarily to investors' views regarding inflation and the future course of inflation. If inflation is expected to persist, investors demand to be compensated not only for the use of their money, but also for the fact that when the money is repaid, it is worth less, as a consequence of inflation, than when it was lent out. The result is higher long-term rates.

In addition, inflation makes all borrowers—but particularly the smaller or lower rated firms—more vulnerable to economic reversals. Accordingly, it tends to enhance the investment risk, with respect to many long-term investments. Again this higher investment risk will be reflected in the interest rate, providing another source of upward pressure on long-term rate levels.

Other factors in this level of long-term interest rates include expectations about the future course of short-term rates and existing short-term rates. If short-term interest rates are expected to rise, a potential long-term investor will demand a rate which compensates him not only for the principal risk presented by the investment, but also for the lost opportunity to rollover short-term debt at higher and higher returns.

Current short-term rate levels also play a role because many financial intermediaries rely on short-term credit as a principal source of funds. Thus, for example, if a savings and loan association is forced to pay higher rates on short-term deposits, the higher costs must ultimately be reflected in the rate of which it is willing to make long-term mortgage loans, and in the amount of long-term credit it is able to supply.

By contrast, there is no evidence that greater Treasury access to the longer maturites—if judiciously employed—would play any role whatsoever in the determination of long-term rates.

Indeed, for at least two reasons, just the contrary is likely to be the case. First, as we have shown, concentration of Federal borrowing in the short-term area can lead to greater uncertainty and, at some point, inflation in the economy. This leads to an increase both in short-term rate expectations and in the inflation premium demanded by long-term investors, and hence, to an increase in long-term interest rates.

Second, as heavy Treasury short-term borrowing drives up short-term rates, disintermediation takes place. As outflows occur, the ability of intermediaries to make long-term loans is curtailed and what loans are made are at higher rates, reflecting the relative scarcity of this form of credit.

In short, as we would expect, the distortion of the market mechanism caused by the artificial maturity limitations has no demonstrable benefits in terms of long-term interest rates or any other legitimate objective.

DEBT MANAGEMENT IN 1976–77

I have dwelled at length on the principles involved because they are crucial to an understanding of the issues. But let me turn now to the very real practical problems we face in the immediate future.

Our Government securities market is an immensely flexible, immensely capable market. Perhaps a good comparison is a freeway. With all lanes open, a freeway

can handle a tremendous volume of traffic at the most efficient speeds. But when overloaded, either because traffic volume is simply too high, or because an accident or construction has closed some of the lanes efficiency drops precipitously. Not only is traffic on the freeway slowed, but the effects spill over on to other roads.

The capital markets today are hampered by the fact that, in effect, two of the four lanes are blocked off, insofar as the Treasury is concerned. We are forced to confine ourselves to the below two-year and two-to-seven year ranges and these lanes, Mr. Chairman, have become severely congested.

Congestion exists not only because we must enter the market to raise new funds to finance our deficits and meet other new needs, but also because we must borrow to retire maturing debt. Looking first at new borrowing alone, by the end of this month, the Treasury will have borrowed nearly $16 billion in the market in 1976. And during the remainder of the fiscal year, through June, we will need to borrow an additional $19–24 billion of new funds: A total of $35–40 billion in the first six months of 1976. In later periods, we will need to borrow nearly $20 billion in the transition quarter, and some $50 billion of new money in the market in fiscal year 1977.

All in all, our new money market borrowing needs in the next 19 months—based on the President's budget—will total upwards of $90 billion.

This is nearly $5 billion a month and more than $1 billion every week.

On top of these new money borrowing requirements, we also have an immense refunding job to do. In the same nineteen-month period, over $51 billion of privately-held coupon debt will mature. Our weekly issues of 13 and 26-week bills are now in the $7 billion range and will inevitably increase. And our issues of 52-week bills, every four weeks, are now in the $3 billion range and may well be in the $4 billion range by the end of fiscal year 1977. In short, our total requirements for both purposes are some ten times our new money needs: approaching $2 billion of borrowing every day.

To meet these needs, since 1972, we have relied primarily on the auction technique: That is, the yield on a particular issue is determined by public bids. While the auction technique has resulted in substantial savings to the taxpayer, it has one important limitation. We have found from experience that given the absorptive capacity of the market, auctions of much more than $2.5 billion at one time result in disproportionately high interest costs.

All in all, we face a formidable financing job. It is one that can be managed, but there are severe costs and serious risks. And I hope, in my testimony this morning, I have conveyed some of these concerns to you.

Let me add that there is another legacy in this dilemma, one that will be faced by my successor, and yours as well. Even if we are successful in reducing the size of our deficits and the consequent need for new money financing, the enormous concentration of short-term financing will require similar magnitudes of financing, just for refunding, week after week far into the future.

Accordingly, I must urge this Committee, as strongly as I can, to respond to these immediate needs. What is done in managing the public debt this month, and this year, will have a direct effect on the strength and sustainability of the economic recovery. Treasury must promptly minimize its reliance on short-term bills and maximize its use of the longer intermediate and longer-term markets. If, instead, we are forced to rely on short-term financing, we will be obliged to come to the market more frequently and for larger amounts. The excessive liquidity injected into the economy as a result of shorter term financing, when coupled with these more frequent incursions, will destabilize the over-all market environment and will pose a continuing threat to all other borrowers and to the financial institutions on which the housing industry, small business, and all of us must rely.

Let me briefly address the amendment adopted by the House establishing a 4 percent floor on savings bond rates. The amendment was designed to address the fact that, under existing procedures, holders who redeem Series E bonds within the first year receive a reduced level of interest: no interest for the first 6 months and up to 3.78 percent for the remainder of the year. This policy is consistent with the underlying principle of the savings bond program to encourage long-term thrift. The House, however, concluded that it imposed an unfair burden on a substantial number of savings bond holders who choose to redeem within the first year.

Treasury opposed the amendment in the House because it deviated from the thrift principle, and because it would involve higher costs and additional ad-

ministrative burdens. However, notwithstanding our opposition in the House, I am not urging the Senate to reject the House amendment.

As I indicated at the outset of my testimony, the existing temporary debt limit expires in slightly more than one week. Moreover, as I also indicated, the bill as passed by the House contains certain debt management provisions which Treasury has long sought with, I might add, the much appreciated support of this Committee. These provisions must be preserved in the final legislation. Time factors, as well as the highly desirable features on the House bill, cause us to urge this Committee to adopt the House bill without amendment and to seek similar approval on the Senate floor. Such procedure will insure delivery of an enrolled bill to the President well within the time constraints which face us. From the standpoint of our immediate financing needs, as well as the over-all health of our capital markets, we believe this would be the appropriate approach to follow.

PUBLIC DEBT, SUBJECT TO LIMITATION, FISCAL YEAR 1976[1]

[In billions of dollars]

	Operating cash balance	Public debt subject to limit	With $3,000,000,000 margin for contingencies
1975 actual:			
June 30	7.6	534.2	.....
July 31	4.2	539.2	.....
Aug. 31	3.6	548.7	.....
Sept. 30	10.5	554.3	.....
Oct. 31	10.3	563.1	.....
Nov. 30	6.5	567.9	.....
Dec. 31	8.5	577.8	.....
1976:			
Jan. 31	12.0	585.5	.....
Feb. 29	12.1	595.0	.....
Estimated:			
Mar. 15	6	610	604
Mar. 31	6	607	610
Apr. 15	6	615	618
Apr. 30	6	606	609
May 31	6	621	624
June 15 (peak)	6	627	630
June 30	6	621	624

[1] Based on: Budget receipts of $298,000,000,000, budget outlays of $374,000,000,000, off-budget outlays of $9,000,000,000.

PUBLIC DEBT, SUBJECT TO LIMITATION, FISCAL YEAR 1977[1]

[In billions of dollars]

	Operating cash balance	Public debt subject to limit	With $3,000,000,000 margin for contingencies
1976 estimated:			
Sept. 30	6	640	643
Oct. 31	6	650	653
Nov. 30	6	659	662
Dec. 31	6	663	666
1977:			
Jan. 31	6	665	668
Feb. 28	6	680	683
Mar. 31	6	695	698
Apr. 15	6	703	706
Apr. 30	6	691	694
May 31	6	705	708
June 15 (peak)	6	694	697
June 30	6	694	697
July 31	6	699	702
Aug. 31	6	704	707
Sept. 30	6	707	710

[1] Based on: Budget receipts of $351,000,000,000, budget outlays of $394,000,000,000, off-budget outlays of $11,000,000,000.

UNIFIED BUDGET MONTHLY, FISCAL YEAR 1976 AND TRANSITION QUARTER

[Amounts in billions of dollars]

	Receipts	Outlays	Surplus or deficit (—)
Actual:			
1975:			
July	$20.2	$31.2	—$11.1
August	23.6	30.6	—7.0
September	28.6	29.0	—.4
October	19.3	32.4	—13.1
November	21.7	29.4	—7.7
December	26.0	13.8	—5.8
1976:			
January	25.6	30.7	—5.1
Estimated:			
February	20.4	30.7	—10.3
March	17.7	31.9	—14.2
April	35.1	33.3	1.8
May	23.3	31.7	—8.4
June	36.0	30.8	5.3
Fiscal year	297.5	373.5	—76.0
July	22.8	34.3	—11.5
August	26.8	32.2	—5.4
September	32.3	31.5	.8
Transition quarter	81.9	98.0	—16.1

FEDERAL FUNDS MONTHLY, FISCAL YEAR 1976 AND TRANSITION QUARTER

[Amounts in billions of dollars]

	Receipts	Outlays	Surplus or deficit (—)
Actual:			
1975:			
July	$13.4	$27.5	—$14.0
August	13.0	21.0	—8.0
September	22.3	20.2	2.1
October	13.6	21.6	—8.1
November	13.4	20.0	—6.6
December	19.8	27.2	—7.4
1976:			
January	18.6	20.5	—1.9
Estimated:			
February	10.0	20.7	—10.7
March	10.4	20.5	—10.1
April	25.2	23.5	1.7
May	10.2	22.0	—11.8
June	28.5	31.2	—2.7
Fiscal year	198.4	276.9	—78.5
July	15.2	27.9	—12.7
August	14.7	21.3	—6.6
September	24.8	20.6	4.2
Transition quarter	54.8	69.8	—15.0

Note: Detail may not add to total due to rounding.

TRUST FUNDS RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT

[In billions of dollars]

	Receipts	Outlays	Surplus or deficit (—)
Fiscal year 1976:			
Federal old-age survivors, and disability insurance trust funds	$70.8	$73.8	—$3.0
Health insurance trust funds	18.6	17.4	1.1
Unemployment trust fund	[1] 16.7	18.5	—1.8
Railroad employees retirement funds	3.3	3.5	—.2
Federal employee retirement funds	13.0	8.5	4.5
Airport and airway trust funds	1.1	.8	.3
Highway trust funds	6.3	6.6	—.3
Foreign military sales trust fund	6.5	5.9	.6
Veteran life insurance trust fund	.9	.7	.2
Other trust funds	7.0	[2] 5.9	1.1
Total trust funds	134.8	132.2	2.5
Transition quarter:			
Federal old-age survivors, and disability insurance trust funds	18.9	19.9	—1.1
Health insurance trust funds	5.1	4.6	.5
Unemployment trust fund	[3] 3.4	3.7	—.3
Railroad employees retirement funds	.5	.9	—.4
Federal employee retirement funds	2.1	2.3	—.2
Airport and airway trust funds	.3	.3	(4)
Highway trust funds	1.9	1.9	(4)
Foreign military sales trust fund	1.7	1.6	.1
Veteran life insurance trust fund	.2	.1	.1
Other trust funds	1.8	[5] 1.6	.2
Total trust funds	33.8	34.9	—1.1

[1] Includes $8,500,000,000 advances from general fund.
[2] Includes net activity of trust revolving funds of —$1,100,000,000.
[3] Includes $1,100,000,000 advances from general fund.
[4] Less than $50,000,000.
[5] Includes net activity of trust revolving funds of —$2,000,000,000.

Note: Detail may not add to total due to rounding.

OFF-BUDGET AGENCY OUTLAYS MONTHLY, FISCAL YEAR 1976 AND THE TRANSITION QUARTER

	Federal Financing Bank	Other [2]	Total
1975 actual:			
July	$0.6	(1)	$0.6
August	.7	—$1.0	—.3
September	.1	.5	.6
October	.5	.8	1.3
November	.6	.3	.9
December	.2	.6	.8
1976:			
January	1.3	.3	1.5
Estimated:			
February	.8	.3	1.1
March	.5	.5	1.0
April	.2	.5	.7
May	.1	.5	.6
June	.1	.5	.6
Fiscal year	5.6	3.8	9.3
July	1.8	.1	1.9
August	.7	.4	1.1
September	.4	.1	8.2
Transition quarter	2.8	1.3	4.1

[1] The outlays of the Federal Financing Bank reflect only its purchase of Government-guaranteed obligations, not its purchases of agency debt, in order to prevent double counting. Virtually all of the other off-budget activity is financed through debt issued to the Federal Financing Bank.
[2] Export-Import Bank, Postal Service and U.S. Railway Association. Date: March 3, 1976.

DEPARTMENT OF THE TREASURY,
Washington, D.C., February 12, 1976.

Memorandum to: Mr. Snyder.
From: Mr. Cook.
Subject: Federal Financing Bank.

The Federal Financing Bank has saved the Federal and federally-guaranteed borrowers who use the Bank $340 million in the 20 months of the Bank's existence.

The amount of savings is based on the conservative assumption that the agencies who have borrowed from the Bank on the average could have raised funds in the market at a cost of one-half of 1 percent above marketable Treasury obligations of similar maturities.

Whereas one or two of these agencies who were established in the market, for instance the Tennessee Valley Authority, were able to raise funds at rates reasonably close to Treasury's cost, many of the guaranteed borrowers whose debt was less well known and who raised funds through negotiated offerings paid rates substantially above the Treasury curve.

FEDERAL REVENUE ESTIMATE ASSUMPTIONS

The Department of Treasury is responsible for estimating Federal revenues as a basis for budget planning. These estimates are based importantly upon GNP forecasts by a trio of the Treasury, the Council of Economic Advisors and the Office of Management and Budget. The key components for revenue estimating purposes are nominal Gross National Product, personal income, wages and salaries, and corporate profits. As contained in Budget (p. 25), these forecasts are: (in billions)

PROJECTIONS—SHORT-RANGE ECONOMIC FORECAST

[Calendar years: dollar amounts in billions]

Item	Actual 1974	Forecast		
		1975	1976	1977
Gross national product:				
Current dollars:				
Amount	$1,407	$1,449	$1,684	$1,890
Percent change	7.7	6.5	12.4	12.2
Constant (1972) dollars:				
Amount	$1,211	$1,187	$1,260	$1,332
Percent change	−1.8	−2.0	6.2	5.7
Incomes (current dollars):				
Personal income	$1,155	$1,246	$1,386	$1,538
Wages and salaries	763	802	892	1,001
Corporate profits	132	118	156	181
Price level (percent change):				
GNP deflator:				
Year over year	9.7	8.7	5.9	6.2
4th quarter over 4th quarter	11.4	6.3	5.9	6.3
Consumer Price Index:				
Year over year	11.0	9.1	6.3	6.0
December over December	12.2	6.9	5.9	5.9
Unemployment rates (percent):				
Total	5.6	8.5	7.7	6.9
Insured [1]	3.8	7.2	6.3	5.4
Average Federal pay raise, October (percent)	5.5	5.0	4.7	8.6
Interest rate, 91-day Treasury bills (percent) [2]	7.9	5.8	5.5	5.5

[1] Insured unemployment as a percentage of covered employment.
[2] Average rate on new issues within period: the rate shown for 1976 was the current market rate at the time the estimates were made.

Using these general forecasts and specific revenue information obtained from a variety of sources, the Treasury prepares collection estimates.

The estimating process obviously depends upon several factors: (1) the accuracy of the GNP forecasts; (2) changes in the mix of economic results which cause adjustments in estimates of personal income and expenditures, business spending and profits, unemployment, government transfer payments, etc.; (3) the refinement of statistical estimating porecdures; and (4) the frequent revision of

tax legislation which can be anticipated only in part. As a result, actual receipts always vary from those which are forecast. However, the discrepancy usually is relatively small. Budget estimating errors over the past six years together with 1950 and 1960 are sumarized in Table 1.

	Calendar year—	
	1976	1977
GNP	1,684	$1,890
Personal income	1,386	1,538
Wages and salaries	892	1,001
Corporate profits (after tax)	156	181

BUDGET ESTIMATING ERRORS

	Overestimate (+) or underestimate (−) as a percent of the actual figure			
	Estimates made 18 mo prior to the end of the fiscal year		Estimates made 6 mo prior to the end of the fiscal year	
	Outlays	Receipts	Outlays	Receipts
Fiscal year:				
1950 [1]	+4.1	+10.3	+7.8	+1.9
1960 [1]	−.3	−1.7	+1.6	+.2
1970 [2]	−.7	+2.6	+.7	+2.9
1971 [2]	−5.0	+7.3	+.6	+3.1
1972 [2]	−1.1	+4.3	+2.0	−5.2
1973 [2]	−.1	−4.9	+1.3	−3.1
1974 [2]	+.1	−3.4	+2.3	+1.9
1975 [2]	−6.2	+5.0	−3.4	−.8

[1] Administrative budget.
[2] Unified budget. The 1st estimate on a unified budget basis was prepared in January 1968.

NET CHANGE IN FEDERAL RESERVE HOLDINGS OF TREASURY SECURITIES

[Amounts in millions of dollars]

	Net change in holdings	Net purchases of bonds over 4¼ percent	Net change in other securities
1975:			
January	844	28	816
February	−258	82	−340
March	332	201	131
April	6,428	165	6,263
May	−2,224	3	−2,227
June	−873	109	−982
July	−2,866		−2,866
August	663	47	616
September	4,452	124	4,328
October	186		186
November	−2,047	244	−2,291
December	2,797	73	2,724
1976:			
January	1,948	64	1,884
February	1,056	59	997

Source: Office of the Secretary of the Treasury, Office of Debt Analysis.

FRB MARKET PURCHASES OF BONDS ISSUED UNDER $10,000,000,000 AUTHORITY, JULY 1974 TO DATE

[In millions of dollars]

Month	Total	7 percent, August 1981	6⅜ percent, February 1982	6⅜ percent, August 1984	6⅛ percent, November 1986	7½ percent, August 1988–93	6¾ percent, February 1993	7 percent, May 1993–98	8½ percent, May 1994–99	8¼ percent, May 1990	7⅞ percent, February 1995–2000	8¼ percent, May 2000–05	8⅜ percent, August 1995–2000
1974:													
July	+36					7	8	4	16				
August													
September	+35		2	1		2	3	3	24				
October													
November	+25				2	8		7	8				
December	+22		5	1		3	2	2	9				
1975:													
January	+28		1		2		1		23				
February	+82				1	15	1	5	12		49		
March	+201			1		18	10	21	107		44		
April	+165			2		15	2	14	64	52	15		
May	+3											3	
June	+109							5	10	45	4	45	
July													
August	+47					1			2	13	3	5	23
September	+124	1				8		4	8	18	2	24	60
October													
November	+244					1	3		12	17	17	3	191
December	+73	1	2	1		1	3	1	10	10	2	8	34
1976:													
January	+64	2				1			9	21	1	9	22
February	+59					10		2	5	5		18	19

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

TREASURY BORROWING PROGRAM

During the next nineteen months the Treasury will be required to raise $85–90 billion of new money in marketable securities to refund over $51 billion of maturing marketable securities held by private investors.

In accomplishing this unprecedented financing job, the Treasury will, insofar as its statutory authorities and market conditions permit, make maximum use of the coupon market in order (1) to minimize the build-up in floating, highly liquid short-term debt and (2) to avoid, insofar as possible, increasing the already severe structural problems summed up in the decline in the average maturity of the privately-held marketable debt.

The instruments available to Treasury for these purposes, until such time as its statutory authorities are amended, include:

13 and 26 week bills, auctioned weekly, in current amounts now in the $7 billion range;

52 week bills, auctioned every four weeks, in current amounts now in the $3 billion range;

2-year cycle notes, at the end of each calendar month, which have been auctioned in amounts of up to about $3 billion;

4-year cycle notes, at the end of each calendar quarter, which have also been auctioned in amounts up to $2.5 billion;

Refunding issues, typically with 3, 5, or 7-year maturities, which have been auctioned in amounts from $3.5 billion for the shorter issues to $2.5 billion for the longer issues; with an overall limit of around $6 billion in any refunding; and

5-year cycle notes, which have been auctioned on an exeprimental basis in the first month of a calendar quarter to mature on a regular quarterly refunding date. Use of 5-year cycle notes, however, will likely preclude use of this maturity in regular refundings.

Apart from the auction method, either on a price basis against a fixed coupon or on a yield basis, the Treasury has recently used fixed pricing of a coupon issue; e.g., the 7-year note offered at par in the February 1976 refunding. This technique appears to allow a larger offering to be made than the auction technique by placing more debt directly with final investors, but raises policing problems to assure that the interest attracted is primarily investment interest.

	Estimated market borrowing requirements		
	New money	Refunding	Total
Mar. 1 to June 30, 1976	$19–$24	9¾	28¾–33¾
July 1 to Sept. 30, 1976	18½	7¾	26¼
Oct. 1, 1976 to Sept. 30, 1977	47½	34¼	81¾
Total	85–90	51¾	136¾–141¾

7-YEAR NOTE OFFERING

The Treasury has been gratified by the market response to a major effort toward achieving significant debt restructuring and reducing the amount of very short-term Treasury debt in the market by issuing a significant amount of longer-term notes.

The seriousness of the debt management problems facing the Treasury today can hardly be overestimated. In addition to $85–90 billion of new money needs over the next nineteen months, the Treasury is faced with refunding $51 billion of maturing coupon issues in the same period. Moreover, the tremendous buildup in the debt, including a $95 billion increase in the privately-held marketable debt in 1975 and the first two months of 1976, has severely impacted the financing calendar and greatly reduced the options for placing new Treasury debt in a constructive fashion.

These problems have been further exacerbated by the exhaustion of the authority to issue additional long-term bonds without regard to the 4¼ percent interest rate ceiling and by the limitation of the maximum maturity of notes to seven years. The prospect, unless these restrictions are eased, is for a further decline in the average maturity of the public debt and for a further increase in

the annual refunding burden. The consequence would be further calendar congestion, more difficulty in issuing coupon securities, and, therefore, increasing pressure to resort to the bill market to meet financing requirements, further shortening the average length of the debt and building up an already large, highly volatile pool of extremely liquid short-term Treasury debt in the hands of the public.

The offering of the 7-year, 8 percent notes at par represented a deliberate decision by Treasury to break away from the traditional pattern of debt offerings in order to, at least temporarily, relieve the structural problem.

Under the auction technique, which has been the standard offering method for Treasury securities since 1972, a considerable distributive burden is placed on the dealer community in its underwriting capacity. Unlike underwriters for corporate and municipal securities, however, government dealers receive no price concession beyond the marginal advantage afforded them by their close contact with the market and technical expertness. The spread between the average bid on new Treasury issues and the low bid, however, is typically quite small; i.e., 2 to 4/32, which, at best, would represent a price advantage to a dealer of $1.25 per bond, compared to a concession of $5 to $10 to $20 on corporate and municipal issues, depending on the maturity of the security and the credit rating and marketability of the issue.

As a result, while the auction technique is highly efficient for Treasury offerings of moderate size, say, up to $2.5 billion in a single issue and up to $6 billion in a multiple issue offering, the distributive mechanism is overloaded by larger offerings. Thus, a judgment was reached that to sell an issue, even as large as the $3½ billion initially offered, it would be necessary to change the offering technique so as to place more of the debt directly with final investors.

The response to the offering was unexpectedly strong, with more than 105 thousand individual tenders, totalling more than $29 billion, being received. Thus, the amount of the issue was increased to $6 billion, a 71 percent increase, and the maximum amount awarded to any subscriber was reduced to $200,000.

The subsequent market judgment is that the issue has been, in fact, well placed and that the speculative interest was held to small proportions. Indeed, the major complaint has been that there is an inadequate floating supply in the market to afford normal trading opportunities.

In contrast, the much smaller, much shorter 3-year, $3 billion issue initially was much less well placed, and temporarily overhung the market. This appears to confirm the judgment regarding the pricing of the 7-year issue.

THE DEPARTMENT OF THE TREASURY NEWS

For Immediate Release, January 27, 1976

TREASURY ANNOUNCES FEBRUARY REFINANCING

The Department of the Treasury will sell $3.0 billion of 3-year notes, $3.5 billion of 7-year notes and $0.4 billion of 29-year 3-month bonds to refund $4.3 billion of notes held by the public maturing February 15, 1976, and to raise $2.6 billion of new cash.

Additional amounts of the notes may be issued to the Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities and to certain Government accounts in exchange for maturing notes held by them in the amount of $3.8 billion, and to the Federal Reserve Banks as agents for foreign and international monetary authorities for cash. Government account holdings of the maturing notes in the amount of $0.5 billion will not be exchanged for the new issues but may be exchanged for special non-marketable issues.

The securities to be issued will be:

"Treasury Notes of Series H-1979 dated February 17, 1976, due February 15, 1979 (CUSIP No. 912827 FG 2) with interest payable on August 15, 1976, and thereafter on February 15 and August 15. These notes will be sold at auction. The coupon rate will be determined after tenders are allotted.

"8% Treasury Notes of Series A-1983 dated February 17, 1976, due February 15, 1983 (CUSIP No. 912827 FH 0) with interest payable on August 15, 1976, and thereafter on February 15 and August 15. These notes will be sold at par. Subscriptions will be received subject to allotment.

"An additional amount of 8¼ percent Treasury Bonds of 2000–05 dated May 15, 1975, due May 15, 2005, callable at the option of the United States on any interest payment date on and after May 15, 2000 (CUSIP No. 912810 BU 1) with interest payable on May 15 and November 15. These bonds will be sold at auction."

The 3-year notes will be issued in registered and bearer form in denominations of $5,000, $10,000, $100,000 and $1,000,000. The 7-year notes and the bonds will be issued in registered and bearer form in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. Both the notes and the bonds will be available for issue in book-entry form to designated bidders. Payment for the securities may not be made through tax and loan accounts.

The subscription books for the 7-year notes will be open through Tuesday, February 3 except that subscriptions for $500,000 or less will be considered timely received if they are mailed to an official agency under a postmark no later than February 2. Subscriptions must be in multiples of $1,000.

Tenders for the 3-year notes and bonds will be received up to 1:30 p.m., Eastern Standard time, Thursday, February 5. Noncompetitive tenders will be considered timely received if they are mailed to an official agency under a postmark no later than February 4. Tenders for the 3-year notes must be in the amount of $5,000 or a multiple thereof. Tenders for the bonds must be in the amount of $1,000 or a multiple thereof. Each tender for the 3-year notes must state the yield desired, and each tender for the bonds must state the price desired, if a competitive tender, or the term "noncompetitive", if a noncompetitive tender. Fractions may not be used in tenders. The notation "TENDER FOR TREASURY NOTES OF SERIES H–1979" or "TENDER FOR TREASURY BONDS" should be printed at the bottom of envelopes in which tenders are submitted.

Tenders and subscriptions will be received at any Federal Reserve Bank or Branch and at the Bureau of the Public Debt, Washington, D.C. 20226.

Competitive tenders for the 3-year notes must be expressed in terms of annual yield in two decimal places, e.g., 7.11, and not in terms of a price. Tenders at the lowest yields, and noncompetitive tenders, will be accepted to the extent required to attain the amount offered. After a determination is made as to which tenders are accepted, a coupon yield will be determined to the nearest ⅛ of 1 percent necessary to make the average accepted price 100.000 or less. That will be the rate of interest that will be paid on all of the notes. Based on such interest rate, the price on each competitive tender alloted will be determined and each successful competitive bidder will pay the price corresponding to the yield bid. Price calculations will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final. Tenders at a yield that will produce a price less than 99.501 will not be accepted. Noncompetitive bidders will be required to pay the average price of accepted competitive tenders; the price will be 100.000 or less.

Competitive tenders for the bonds must be expressed in terms of price, in two decimals, e.g., 100.00. Tenders at a price less than 92.76 will not be accepted. Tenders at the highest prices will be accepted to the extent required to attain the amount offered. Successful competitive bidders will be required to pay for the bonds at the price they bid. Noncompetitive bidders will be required to pay the average price of all accepted competitive tenders; the price may be 100.00, or more or less than 100.00.

The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders and subscriptions, in whole or in part, and his action in any such respect shall be final. Subject to these reservations noncompetitive tenders for 500,000 or less for the 3-year notes and the bonds will be accepted in full at the average price of accepted competitive tenders, and subscriptions for the 7-year notes in the amount of $500,000 or less will be allotted in full. Subscriptions over $500,000 for the 7-year notes may be allotted on a percentage basis but not less than $500,000.

Commercial banks, which for this purpose are defined as banks accepting demand deposits, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, may submit tenders and subscriptions for the account of customers, provided the names of the customers are set forth therein. Others will not be permitted to submit tenders or subscriptions except for their own account.

Tenders and subscriptions will be received without deposit from commercial and other banks for their own account, Federally-insured savings and loan as-

sociations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, Federal Reserve Banks, and Government accounts. Tenders and subscriptions from others must be accompanied by payment of 5 percent of the face amount of securities applied for. However, bidders who submit checks in payment on tenders or subscriptions submitted directly to a Federal Reserve Bank or the Treasury may find it necessary to submit full payment for the securities with their tenders or subscriptions in order to meet the time limits pertaining to checks as hereinafter set forth. Allotment notices will not be sent to bidders who submit noncompetitive tenders or subscriptions for $500,000 or less.

Payment for accepted tenders and subscriptions for the notes and bonds must be completed on or before Tuesday, February 17, 1976, and in the case of the bonds include accrued interest from November 15, 1975, to February 17, 1976, in the amount of $21.30495 per $1,000 of bonds allotted. Payment must be in cash, 6¼% Treasury Notes of Series A–1976 or 5⅞% Treasury Notes of Series F–1976, which will be accepted at par, in other funds immediately available to the Treasury by the payment date or by check drawn to the order of the Federal Reserve Bank to which the tender or subscription is submitted, or the United States Treasury if the tender or subscription is submitted to it, which must be received at such Bank or at the Treasury no later than: (1) Wednesday, February 11, 1976, if the check is drawn on a bank in the Federal Reserve District of the Bank to which the check is submitted, or the Fifth Federal Reserve District in case of the Treasury, or (2) Monday, February 9, 1976, if the check is drawn on a bank in another district. Checks received after the dates set forth in the preceding sentence will not be accepted unless they are payable at a Federal Reserve Bank. Where full payment is not completed on time, the allotment will be canceled and the deposit with the tender or subscription up to 5 percent of the amount of securities allotted will be subject to forfeiture to the United States.

TREASURY ANNOUNCEMENT.—FEBRUARY 3, 1976

In view of the substantial public response to the current 7-year note offering, the Treasury reminds investors that it has reserved the right to increase the size of the current offering of 8 percent notes due in 1983 or reduce below $500,000 the maximum amount to be awarded in full.

Consistent with sound debt management principles, either or both of these actions may be taken depending upon the extent of subscriptions received in amounts of $500,000 or less.

MEMORANDUM TO THE PRESS.—JANUARY 29, 1976

The response to the Treasury's financing package announced Tuesday has been highly favorable. To assure that the 7-year 8 percent note, which was announced as a part of the package, attracts investor interest, as distinct from interest of a more transitory nature, the Treasury is raising the downpayment requirement to 20 percent from the initially announced 5 percent.

THE DEPARTMENT OF THE TREASURY NEWS

For immediate release February 5, 1976

RESULTS OF AUCTIONS OF THREE-YEAR NOTES AND TWENTY-NINE-ONE-FOURTH-YEAR BONDS

The Treasury has accepted $3.0 billion of the $4.4 billion of tenders for the 3-year notes, Series H–1979, and $0.4 billion of the $0.7 billion of tenders for the 29¼-year 8¼ percent bonds maturing May 15, 2005, received from the public for the notes and bonds auctioned today.

The range of accepted competitive bids for the notes was as follows:

	Percent
Lowest yield	[1] 7.00
Highest yield	7.09
Average yield	7.05

[1] Excepting 4 tenders totaling $2,510,000.

The interest rate on the notes will be 7 percent. At that rate, the above yields result in the following prices:

Low-yield price	$100.000
High-yield price	99.761
Average-yield price	99.807

The range of accepted competitive bids for the bonds was as follows:

	Price	Approximate yield (percent)	
		To 1st callable date	To maturity
High	102.14	8.04	8.05
Low	101.42	8.11	8.12
Average	101.75	8.08	8.09

The $3.0 billion of accepted tenders for the notes includes 15 percent of the amount of notes bid for at the highest yield and $0.5 billion of noncompetitive tenders from the public accepted at the average yield.

The $0.4 billion of accepted tenders for the bonds includes 68 percent of the amount of bonds bid for at the low price and $25 million of noncompetitive tenders from the public accepted at the average price.

In addition, $1.7 billion of tenders for the notes and $0.2 billion of tenders for the bonds were accepted at the average yield/prices from Government accounts and from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities.

UNITED STATES DEPARTMENT OF THE TREASURY

Washington, D.C.

Press Conference

Held by EDWIN H. YEO, Under-Secretary for Monetary Affairs and RALPH M. FORBES, Special Assistant to the Secretary and EDWARD P. SNYDER, Director, Office of Debt Analysis, at 4 p.m., Tuesday, January 27, 1976, at the Treasury Building, Room 4121, 15th and Pennsylvania Avenue NW., Washington, D.C.

The above-entitled press conference was convened, pursuant to notice, at 4:10 p.m.

Assistant Secretary YEO. We have I think an interesting and important job to do today. I am going to go slowly because we have a good many numbers to discuss.

First, our total requirements through the end of June. In other words, our requirements for the period January–June 1976, are in the range of $38 to $43 billion of borrowing from the public.

Market borrowing is in a range of $35 to $40 billion, the difference being essentially savings bonds. Through yesterday we had announced new cash financing totaling $8.6 billion. This includes the weekly bill to be settled on January 29 and the 2-year note which will be settled on February 2.

Taking our first set of assumptions, the $38 to $43 billion, market borrowing $35 to $40 billion, deducting what we have announced through yesterday, gives you a net balance in terms of market borrowing from now through the end of June in the range of $26 to $31 billion.

The $26 to $31 billion range, coincidentally, covers the amount of net borrowing we have before us to get through our low point in April.

We have some temporary borrowing to do in June at our low point, but our net cash needs in the last 2½ months of the fiscal year, based on our present estimates—I would like to emphasize that—are quite moderate.

The exact amount is really dependent on what sort of end-of-June balance we wish to arrive at. I think that if you take the combination of what we have done plus what we are going to announce, plus the concept involving the use of cash management bills to smooth out financing needs, you can see that we have a large but readily manageable debt management task before us.

As a matter of fact, we have already achieved a significant amount in terms of meeting with or dealing with this job.

Looking ahead, one of our objectives will be to minimize pressures on the bill market, making as much use as possible of the 2- and 4-year cycle notes, and we are also giving serious consideration to establishing a 5-year note cycle.

This would be during the first month of each quarter. You could take a—you could view our January financing as a start.

Now for the financing, we are planning on raising $6.3 billion of new money financing in February. We will need somewhere between $9 and $11 billion the first half of March. This amount is substantial, but the requirement can be met quite readily through the use of the 2-year note cycle, well established within the market structure; 4-year note cycle; and additions to the weekly and annual bills and cash management bills in the form of additions to late April or late June.

From mid-March through the April low point we estimate our needs between $12 and $13 billion of new money for borrowing.

As you know, there is a 2-year note maturing at the end of March, and as I mentioned, the possibility of a 5-year note issued in early April. The balance of requirements can be met through bill additions and further additions to regular bills, and further cash management bills.

Today we are announcing a $700 million addition to the weekly bill which settles on February 5 and the terms of the refunding which settles on February 16.

There is a total of $4.4 billion maturing on February 16, and we will be offering $6.9 billion of new securities in three issues. This will raise $2½ billion in new money, and bring the total amount through this announcement since the start of the year to $11.8 billion.

So you can see we have a rather, I think, good start.

The three refunding issues include the following: $3 billion of a 3-year note due February 15; $3½ billion of a 7-year note due February 15, 1983; and $400 million in the reopening of outstanding 8¾ of 5–15, 2,000 and 2,005.

The 3-year note and the reopened bond will be auctioned on Thursday, February 5. The 3-year note auction will be a yield auction. The bond auction will be a price auction, since the coupon is already established.

The 7-year note will be offered at par with an 8 percent coupon, with the books open through Tuesday, February 3.

Now if you don't mind, it is probably redundant, but I would like to go over this again a little faster.

Our total requirements through the end of June, $38 to $43 billion of borrowing from the public. Market borrowing total is in the range of $35 to $40 billion, with the difference being savings bonds.

Through yesterday we had announced new cash financing totaling $8.6 billion. That includes a weekly bill settled on January 29, a 2-year note which will be settled on February 2. As a result, we have a balance of net market borrowing from now through the end of June in the range of $26 to $31 billion.

The $26 to $31 billion range for market borrowing covers the amount of net borrowing. We still have before us to get through the low point in April.

Question. Mid-month?

Assistant Secretary YEO. Yes.

While we will have to do some temporary borrowing to handle our June low point, our cash needs in the last 2½ months of the fiscal year appear to be quite moderate.

I mentioned that one of our objectives will be to continue to minimize pressures on the bill market using the 2- and 4-year note cycles, and that we are considering establishment of a 5-year note cycle.

I mentioned that we are planning on raising $6.3 billion in February and the refunding, and in the weekly 1-year bills, the weekly and 1-year bills, and that we will have to raise $10 billion. I give you a range of $9 to $11 billion, which I think is a better way to approach it, in the first half of March.

In terms of our financing, $3 billion of a 3-year note, $3½ billion of a 7-year note due February 15, 1983, $400 million in the reopening of the outstanding 8¼, 5–15, 2,000 and 2,005, a 3-year note and the bond auction on Thursday, February 5, the note at yield auction, the bond at price auction because of coupons established, the 7-year note offered at par with an 8 percent coupon, with the books open through Tuesday, February 3.

Incidentally, on our refunding, the settlement is February 17, not the 16th, which I mentioned.

This represents an outline plan for dealing with our financing needs this half. We think that it is important that we use the bill market, but use it in such a way that we are not totally dependent on it.

We think that it is important that we continue to use our 2, 4, and possibly 5-year note cycles. But I would be less than candid if I told you that that was the solution to our overall debt management challenges, because if you have looked at our developing maturity structure, you can see that we are starting to fill up slot after available slot.

It is for this reason that we have asked Congress for additional long bond authority. It is for this reason that we have asked that notes be redefined from seven-year maturity to 10-year maturity.

What we are seeking to construct is a balanced debt structure, one that will not provide a legacy for the future in terms of massive amounts of short-term finance resulting in the Treasury being in the market constantly in very, very significant size.

I personally think that a debt structure that involved very considerable amounts of short-term maturities results in increased volatility, reduced efficiency, and over the course of events, a higher net interest cost to be paid by the American public.

I think that we have seen over the last 2 years both domestically and internationally, the effects—adverse effects—of market volatility, which in part resulted from heavy reliance, not just on the part of the Treasury, but on the part of most borrowers—heavy reliance on short-term finance.

We are using a pricing sale on the 7-year note with the objective of eliciting the maximum interest, and maximum response. It is related to another problem, which is that we are going to have to increase the size of amounts of individual maturities.

On the present basis we are exhausting the calendar. We think that the eights at par represent an attractive investment from the standpoint of potential buyers and an attractive financing medium for the Treasury.

In terms of one of our concerns, the longer-run effects on our system of thrift intermediaries, the challenge is to move in the direction of a debt structure that contributes to, among other things, less interest rate volatility, rather than tends to facilitate it.

That is our financing, and I will try to answer any questions you might have.

Question. Can you explain why you are not auctioning that 7-year note on a yield basis?

Assistant Secretary YEO. I am not auctioning it on a yield basis because we think that we can elicit a larger response by pricing it, putting it out wherever one can see it.

We have the feeling that there are institutional buyers and noninstitutional buyers that from time to time can benefit from the use of this particular technique.

Question. Looking ahead, can you estimate whether the borrowing needs in the last half of the calendar year will be greater or smaller than the first half?

Assistant Secretary YEO. I would just as soon not get into borrowing needs in the second half of the calendar year, Ed. I can say that I would expect that taking the second half of calendar 1975 and the first half of calendar 1976, that we will have completed the largest fiscal year financing that is prospective, assuming that the policies that we advocate in terms of the budget are agreed to by the Congress.

In other words, we are in a sense thinking in terms of fiscal year. We are well on our way to completing a very large financing task that confronted us at the start of fiscal 1976.

Question. What is borrowing totaling in the first half of the fiscal year?

Assistant Secretary YEO. 48.

Question. And just a small point—the amount that is maturing on February 15—is that $4.4 or $4.3 billion

Assistant Secretary YEO. 4.3.

Question. You said that the total through this announcement would be $11.8 billion. If you add the $8.6 billion plus the $2.6 billion you are announcing today plus the $700 million of additional weekly notes for next week, you get $11.9 billion. Which one should we use?

Assistant Secretary YEO. That is because you used the 4.3. It balances.

Question. Did I understand you to say that for the remainder of February it is this announcement and bills and that is it?

Assistant Secretary YEO. That is correct.

Question. Also—just a matter of memory—did you suggest—was there a 5-year note sold in January?

Assistant Secretary YEO. Yes.

Question. So that could be the start of a cycle?

Assistant Secretary YEO. Yes. We announced the 5-year note at the end of last year. I don't want to labor the point, but this is necessary, given the large use of the 2-year cycle and the 4-year note cycle, and while we are making a very decided effort to produce a balanced financing program, we are still of course using the bill market heavily.

Question. Will you go over how you get the $11.8 billion?

Assistant Secretary YEO. The $8.6 billion that we announced, $700 million in bills, $2.5 billion in terms of the financing.

Question. So the first paragraph should be changed to 2.5 instead of 2.6?

Assistant Secretary YEO. It depends on how you round. Ed will give you the figure.

Mr. SNYDER. The amount of maturing securities publicly held we have been carrying in our own minds as a 4.4, and the Fed in its operations from time to time has picked up some coupon issues, and I suppose some of the agencies in their trust accounts have picked up some of the stuff, too. It is very close to 4.35, so you pay your money and take your choice.

Assistant Secretary YEO. 4.35 is the precise figure.

Question. So if you use 4.4, then we should have 2.5 in the net?

Assistant Secretary YEO. Yes, sir. Why don't we just agree on that?

Question. 4.4 and 2.5?

Assistant Secretary YEO. Yes.

Question. We will change the release. I don't quite understand how, with the 7-year notes, this receiving subscriptions subject to allotment, works. Can you give me a brief description of that?

Assistant Secretary YEO. We are announcing to the public that investors with $1,000 or multiples of $1,000 can subscribe to a 7-year note with an 8 percent coupon placed as par, and the subscriptions are taken by the various Reserve Banks and by financial institutions that in effect submit those subscriptions for their customers.

So that a person—say that you wanted to invest in one of our 8 percent 7-year notes, you would go to your bank or Federal Reserve Bank and tender your subscription.

We set it out in detail in the announcement that you have—the procedure.

Question. If I want to buy just $1,000 in one bond and there was an allotment of 50 percent or something, what happens?

Assistant Secretary YEO. It is up to $500,000.

Question. I see. You are assuming that you will get enough subscriptions to make the $3.5 billion?

Assistant Secretary YEO. Yes, sir.

Question. What happens if you get more than that?

Assistant Secretary YEO. After the initial $500,000 we allot on a pro rata basis. Let me give you an example.

We are offering 3.5, and let's say just as an example, we had a $1½ billion in subscriptions allotted in full. On top of that we had $4 billion and that would mean a 50 percent allotment.

Question. Why did that 1.5 get a full allotment?

Assistant Secretary YEO. Because we have indicated that subscriptions up to——

Question. I see—OK. So the small investor is pretty well assured of getting the full amount——

Assistant Secretary YEO. Exactly. The idea is to give the smaller investor who is not in the position to gauge the ebb and flow of interest, not in a position to

really estimate what sort of allotments might be made—it gives him an opportunity to subscribe and not be concerned about what he is going to receive.

In other words, if he subscribes for $50,000 in 8 percent notes, he is going to get 50,000 8 percent notes.

Question. What are 7-year securities presently yielding in the market?

Assistant Secretary YEO. About 7.72, 7.73.

Question. Won't this push all those up to the 8 percent level?

Assistant Secretary YEO. Well, we are selling $3½ billion in notes. The market will adjust—it can adjust three ways—up, down, and unchanged.

The point is this—that I think generally the market expected a smaller issue for the purposes, for the reasons that I have mentioned. We think it is important to have a good start on our financing needs, and I think that post this financing, investors can or will perceive that a large part of the job, a significant part of the job, has been done.

Gradually, but in retrospect a large part, a significant part completed, so that we do not have a need that is conjectural in terms of how it can be met.

We described how it can be met and we have already done a significant part of it.

I might also say that through the April low point that additional coupon financing will be short of the seven-year area.

Question. Four would be the most?

Assistant Secretary YEO. Five; maybe a five.

I think the Wire Service might want to—if we are clear, the Wire Services might want to——

Question. Since it is so complicated, can you give us a little more than 5 minutes?

Assistant Secretary YEO. Sure. About 10 of?

Question. 10 of is fine.

Assistant Secretary YEO. Is there nothing more?

Thank you.

(Whereupon, at 4:40 p.m. the press conference was concluded.)

THE DEPARTMENT OF THE TREASURY NEWS

For Immediate Release February 20, 1976

RESULTS OF AUCTION OF 21-MONTH TREASURY NOTES

The Treasury has accepted $2.5 billion of the $4.8 billion of tenders received from the public for the 21-month notes, Series Q–1977, auctioned today.

The range of accepted competitive bids was as follows:

	Percent
Lowest yield	[1] 6.57
Highest yield	6.64
Average yield	6.62

[1] Excepting 1 tender of $90,000.

The interest rate on the notes will be 6⅝ percent. At the 6⅝ percent rate, the above yields result in the following prices:

Low-yield price	$100.039
High-yield price	99.925
Average-yield price	99.957

The $2.5 billion of accepted tenders includes 6 percent of the amount of notes bid for at the highest yield and $0.4 billion of noncompetitive tenders accepted at the average yield.

In addition, $110 million of tenders were accepted at the average-yield price from foreign and international monetary authorities.

Commercial banks, which for this purpose are defined as banks accepting demand deposits, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, may submit tenders for the account of customers, provided the names of the customers are set forth in such tenders. Others will not be permitted to submit tenders except for their own account.

Tenders will be received without deposit from commercial and other banks for their own account, Federally-insured savings and loan associations, States, politi-

cal subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, Federal Reserve Banks, and Government accounts. Tenders from others must be accompanied by payment of 5 percent of the face amount of notes applied for. However, bidders who submit checks in payment on tenders submitted directly to a Federal Reserve Bank or the Treasury may find it necessary to submit full payment for the notes with their tenders in order to meet the time limits pertaining to checks as hereinafter set forth. Allotment notices will not be sent to bidders who submit noncompetitive tenders.

Payment for accepted tenders must be completed on or before Wednesday, March 3, 1976, at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt in cash, in other funds immediately available to the Treasury by March 3, or by check drawn to the order of the Federal Reserve Bank to which the tender is submitted, or the United States Treasury if the tender is submitted to it, which must be received at such Bank or at the Treasury no later than: (1) Thursday, February 26, 1976, if the check is drawn on a bank in the Federal Reserve District of the Bank to which the check is submitted, or the Fifth Federal Reserve District in the case of the Treasury, or (2) Tuesday, February 24, 1976, if the check is drawn on a bank in another district. Checks received after the dates set forth in the preceding sentence will not be accepted unless they are payable at a Federal Reserve Bank. Where full payment is not completed on time, the allotment will be canceled and the deposit with the tender up to 5 percent of the amount of notes allotted will be subject to forfeiture to the United States.

THE DEPARTMENT OF THE TREASURY NEWS

For Release February 27, 1976

TREASURY TO AUCTION $2 BILLION OF NOTES

The Department of the Treasury will acution $2 billion of 4-year notes to raise new cash. Additional amounts of the notes may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities.

The notes now being offered will be Treasury Notes of Series C–1980 dated March 17, 1976, due March 31, 1980 (CUSIP No. 912827 FK 3), with interest payable on September 30, 1976, and thereafter on March 31 and September 30. They will be issued in registered and bearer form in denominations of $1,000, $5,000, $10,000, $100,000, and $1,000,000, and they will be available for issue in book-entry form.

Payment for the notes must be made on March 17, 1976. Payment may not be made through tax and loan accounts.

Tenders will be received up to 1:30 p.m., Eastern Standard time, Friday, March 5, 1976, at any Federal Reserve Bank or Branch and at the Bureau of the Public Debt, Washington, D. C. 20226; provided, however, that noncompetitive tenders will be considered timely received if they are mailed to any such agency under a postmark no later than Thursday, March 4. Each tender must be in the amount of $1,000 or a multiple thereof, and all tenders must state the yield desired, if a competitive tender, or the term "noncompetitive", if a noncompetitive tender. Fractions may not be used in tenders. The notation "TENDER FOR TREASURY NOTES" should be printed at the bottom of envelopes in which tenders are submitted.

Competitive tenders must be expressed in terms of annual yield in two decimal places, e.g., 7.11 and not in terms of a price. Tenders at the lowest yields, and noncompetitive tenders, will be accepted to the extent required to attain the amount offered. After a determination is made as to which tenders are accepted, a coupon yield will be determined to the nearest one-eighth of 1 percent necessary to make the average accepted price 100.000 or less. That will be the rate of interest that will be paid on all of the notes. Based on such interest rate, the price on each competitive tender allotted will be determined and each successful competitive bidder will pay the price corresponding to the yield bid. Price calculations will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final. Tenders at a yield that will produce a price less than 99.001 will not be accepted.

The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $500,000 or less will be accepted in full at the average price of accepted competitive tenders, which price will be 100.000 or less.

Commercial banks, which for this purpose are defined as banks accepting demand deposits, and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, may submit tenders for the account of customers, provided the names of the customers are set forth in such tenders. Others will not be permitted to submit tenders except for their own account.

Tenders will be received without deposit from commercial and other banks for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, Federal Reserve Banks, and Government accounts. Tenders from others must be accompanied by payment of 5 percent of the face amount of notes applied for. However, bidders who submit checks in payment on tenders submitted directly to a Federal Reserve Bank or the Treasury may find it necessary to submit full payment for the notes with their tenders in order to meet the time limits pertaining to checks hereinafter set forth. Allotment notices will not be sent to bidders who submit noncompetitive tenders.

Payment for accepted tenders must be completed on or before Wednesday, March 17, 1976, at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt in cash, in other funds immediately available to the Treasury by March 17, or by check drawn to the order of the Federal Reserve Bank to which the tender is submitted, or the United States Treasury if the tender is submitted to it, which much be received at such Bank or at the Treasury no latter than: (1) Thursday, March 11, 1976, if the check is drawn on a bank in the Federal Reserve District of the Bank to which the check is submitted, or the Fifth Federal Reserve District in the case of the Treasury, or (2) Tuesday, March 9, 1976, if the check is drawn on a bank in another district. Checks received after the dates set forth in the preceding sentence will not be accepted unless they are payable at Federal Reserve Bank. Where full payment is not completed on time, the allotment will be cancelled and the deposit with the tender up to 5 percent of the amount of notes alloted will be subject to forfeiture to the United States.

INTEREST ON THE PUBLIC DEBT UNDER ALTERNATIVE HYPOTHESES

[Millions of dollars]

Fiscal year	Total budget outlays	Interest on the public debt— Actual	Assuming no bonds	Assuming hypothetical bonds [1]
1966	134,652	12,014	12,014	12,014
1967	158,254	13,391	13,391	13,392
1968	178,833	14,573	14,573	14,571
1969	184,548	16,588	16,588	16,561
1970	196,588	19,304	19,304	19,243
1971	211,425	20,959	20,959	20,837
1972	231,876	21,849	21,837	21,789
1973	246,526	24,167	24,131	24,143
1974	268,392	29,319	29,270	29,304
1975	324,601	32,665	32,559	32,578
1976	[2] 373,535	[2] 37,700	37,530	37,584
Total	2,509,230	242,529	242,155	242,016

[1] Assumed bond sales are equal to 10 percent of actual notes issued in each quarterly financing in which no bonds were actually sold.
[2] Estimated.

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

Source: Office of the Secretary of the Treasury, Office of Debt Analysis.

EFFECTS ON GROSS OFFERINGS TO PRIVATE INVESTORS QUARTERLY FINANCINGS, UNDER ALTERNATIVE HYPOTHESES

[In billions of dollars]

Calendar year: Quarter	Gross offerings to private investors			Calendar year: Quarter	Gross offerings to private investors		
	Actual	With assumed bonds [1]	Assuming no bonds		Actual	With assumed bonds [1]	Assuming no bonds
1966:				1971:			
1	7.4	7.4	7.4	1	11.0	10.4	11.0
2	1.5	1.5	1.5	2	4.2	3.5	4.2
3	4.2	4.2	4.2	3	5.5	5.3	5.5
4	3.5	3.5	3.5	4	8.6	7.5	8.6
Total	16.6	16.6	16.6	Total	29.3	26.7	29.3
1967:				1972:			
1	4.0	4.0	4.0	1	4.0	3.4	4.0
2	4.7	4.7	4.7	2	1.8	1.1	1.8
3	4.0	3.7	4.0	3	8.2	7.7	8.2
4	4.9	4.8	4.9	4	2.9	2.9	2.9
Total	17.6	17.2	17.6	Total	17.0	15.2	17.0
1968:				1973:			
1	8.1	7.9	8.1	1	3.5	3.0	3.8
2	6.1	5.9	6.1	2	2.5	1.2	2.9
3	5.5	5.3	5.5	3	2.3	2.1	2.3
4	3.7	3.1	3.7	4	3.8	3.8	3.8
Total	23.4	22.2	23.4	Total	12.2	10.2	12.8
1969:				1974:			
1	3.5	3.1	3.5	1	4.1	3.6	4.1
2	4.3	3.8	4.3	2	4.2	3.6	4.0
3	2.8	2.4	2.8	3	4.6	3.9	4.6
4	5.8	5.8	5.8	4	4.9	3.9	4.9
Total	16.3	15.0	16.3	Total	17.9	15.0	17.7
1970:				1975:			
1	4.9	4.9	4.9	1	5.8	5.3	5.8
2	7.2	6.0	7.2	2	5.1	4.8	5.1
3	8.0	7.5	8.0	3	5.9	5.0	5.9
4	7.4	6.7	7.4	4	3.5	3.4	3.7
Total	27.5	25.2	27.5	Total	20.3	18.5	20.5
				1976: 1	9.5	9.1	10.0

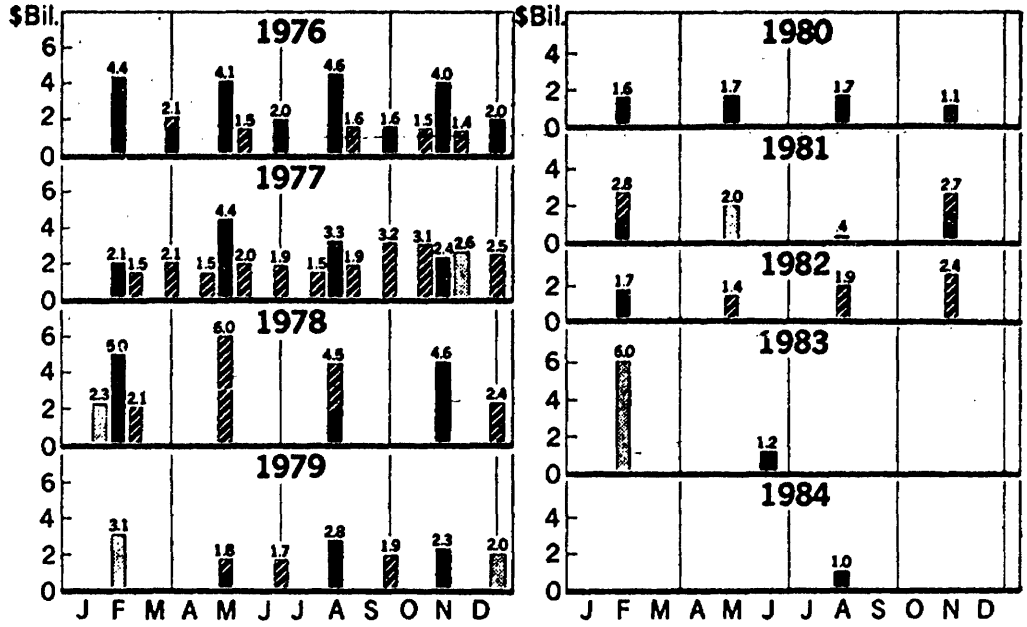
[1] Assumed bond sales are equal to 10 percent of actual notes issued in each quarterly financing in which no bonds were actually sold.

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

Source: Office of the Secretary of the Treasury, Office of Debt Analysis.

TREASURY MARKETABLE MATURITIES

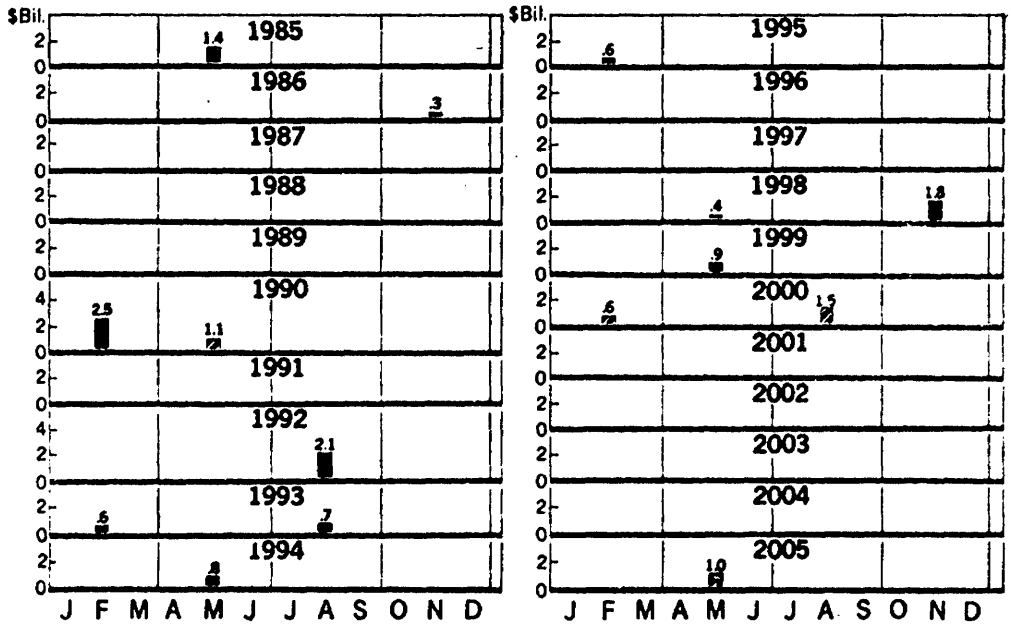
Privately Held, Excluding Bills and Exchange Notes



Office of the Secretary of the Treasury
Office of Debt Analysis

TREASURY MARKETABLE MATURITIES

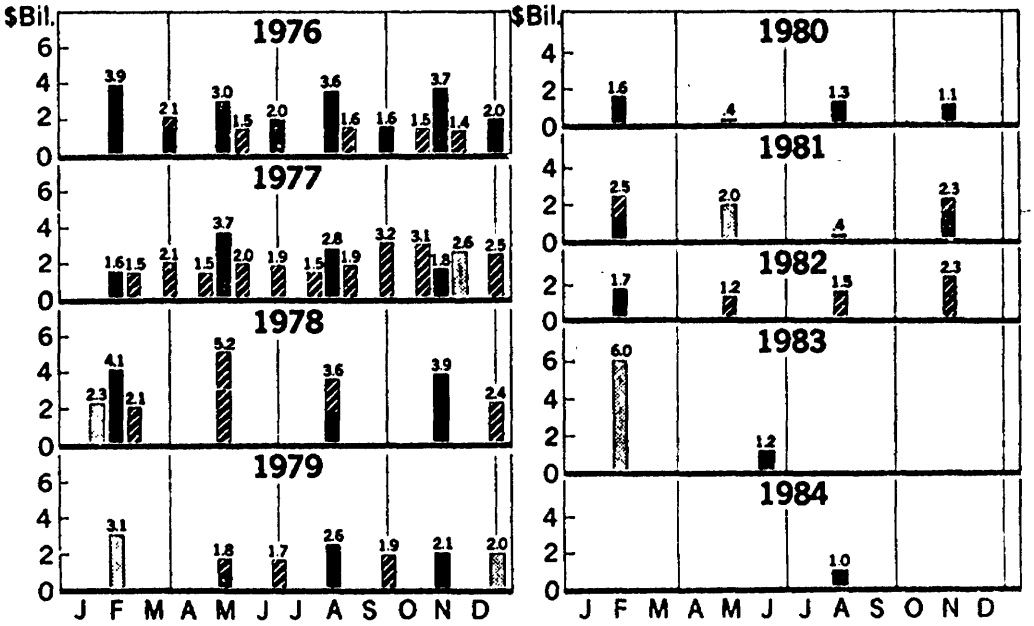
Privately Held, Excluding Bills and Exchange Notes



Office of the Secretary of the Treasury
Office of Debt Analysis

HYPOTHETICAL TREASURY MARKETABLE MATURITY STRUCTURE WITH ASSUMED BOND ISSUES 1/

Privately Held, Excluding Bills and Exchange Notes



▨ New issues calendar year 1975.
▭ Issued or announced through February 13, 1976.

Office of the Secretary of the Treasury
Office of Debt Analysis

1/Assumes sales of 20 year bonds equal to 10% of actual notes issued in each quarterly financing in which no bonds were actually sold.

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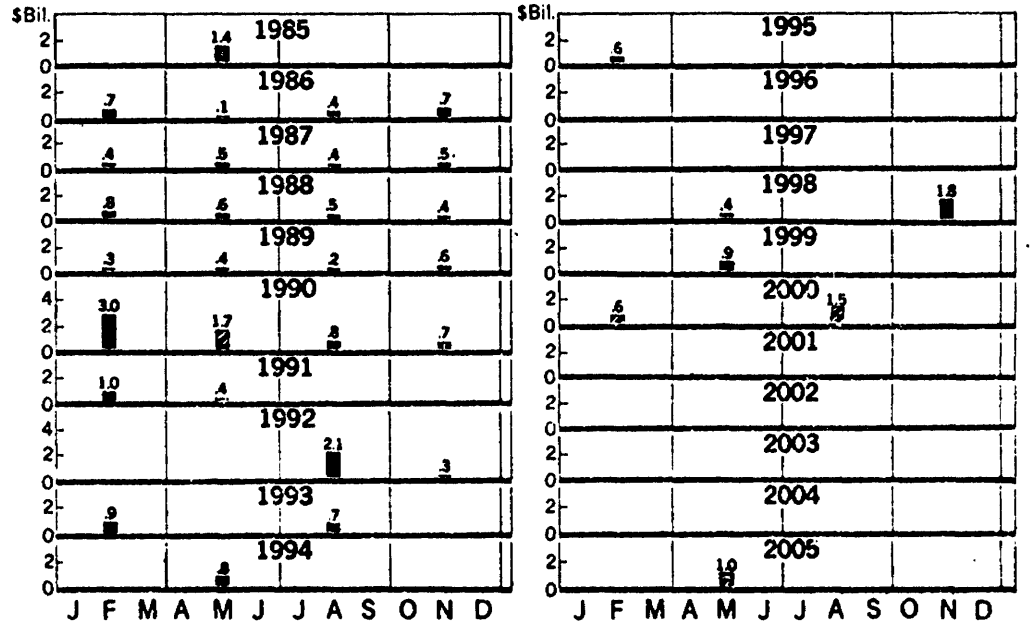
HYPOTHETICAL TREASURY MARKETABLE MATURITY STRUCTURE WITH ASSUMED BOND ISSUES 1/

Privately Held, Excluding Bills and Exchange Notes



▨ New issues calendar year 1975.
▭ Issued or announced through February 13, 1976.

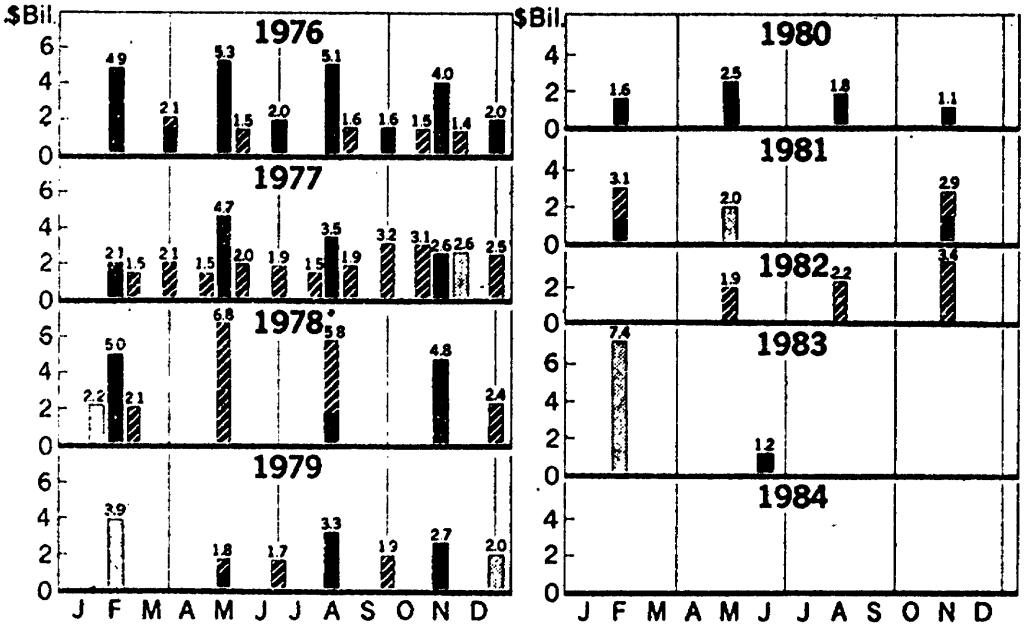
Office of the Secretary of the Treasury
Office of Debt Analysis

1/Assumes sales of 20 year bonds equal to 10% of actual notes issued in each quarterly financing in which no bonds were actually sold.

February 24, 1976 3

HYPOTHETICAL TREASURY MARKETABLE MATURITY STRUCTURE, ASSUMES NO AUTHORITY TO ISSUE BONDS

Privately Held, Excluding Bills and Exchange Notes



Office of the Secretary of the Treasury
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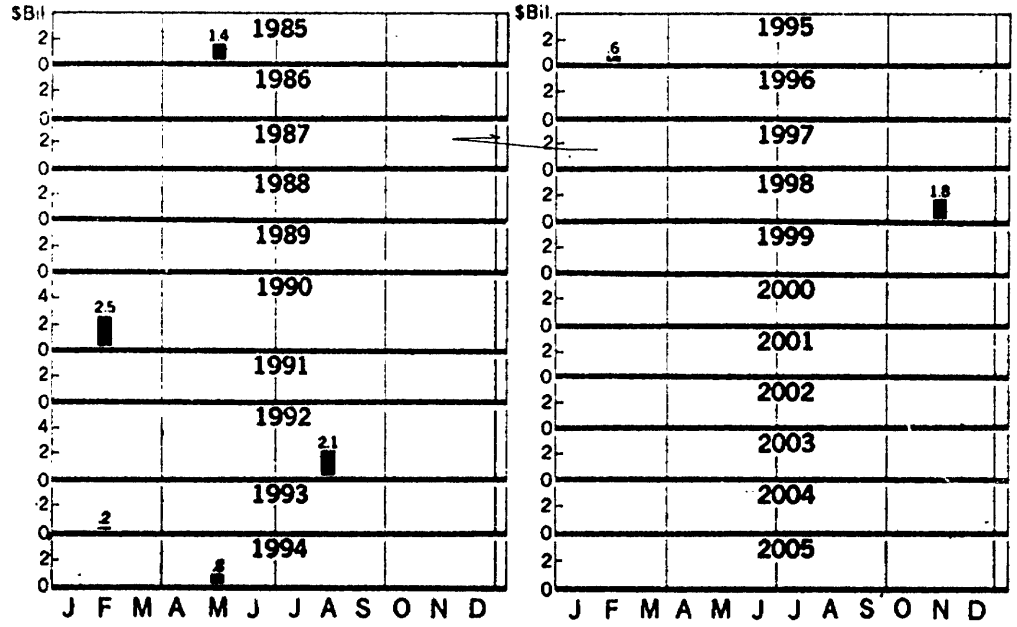
February 24 1976

HYPOTHETICAL TREASURY MARKETABLE MATURITY STRUCTURE, ASSUMES NO AUTHORITY TO ISSUE BONDS

Privately Held, Excluding Bills and Exchange Notes



Office of the Secretary of the Treasury
Office of Debt Analysis

February 24 1976

EFFECT OF STARK BILL ON SERIES E BOND REDEMPTION VALUES

Period (years and months after issue)	Current schedule—Redemption values and yields for $25 bond				Stark bill minimum redemption values and yields for $25 bond [1]			
	Redemption value during each period	Approximate investment yield (annual percentage rate)			Redemption value during each period	Approximate investment yield (annual percentage rate)		
		(1)	(2)	(3)		(1)	(2)	(3)
0-0 to 0-1				6.00				6.00
0-1 to 0-2				6.10				6.10
0-2 to 0-3	$18.75	0	0	6.21	$18.82	2.25	3.86	6.13
0-3 to 0-4	18.75	0	0	6.32	18.88	2.78	3.84	6.17
0-4 to 0-5	18.75	0	0	6.44	18.94	3.05	3.83	6.21
0-5 to 0-6	18.75	0	23.47	6.56	19.00	3.20	3.46	6.26
0-6 to 0-7	19.10	3.73	0	6.25	19.07	3.41	3.81	6.29
0-7 to 0-8	19.10	3.20	0	6.37	19.13	3.17	3.79	6.34
0-8 to 0-9	19.10	2.79	0	6.50	19.19	3.51	4.42	6.39
0-9 to 0-10	19.10	2.48	0	6.63	19.26	3.61	3.77	6.43
0-10 to 0-11	19.10	2.23	0	6.76	19.32	3.63	3.76	6.48
0-11 to 1-0	19.10	2.03	34.26	6.90	19.38	3.64	4.37	6.54
1-0 to 1-1	19.61	4.54	0	6.37	19.45	3.70	3.73	6.58
1-1 to 1-2	19.61	4.18	0	6.51	19.51	3.70	4.34	6.64
1-2 to 1-3	19.61	3.88	0	6.65	19.58	3.75	3.71	6.69
1-3 to 1-4	19.61	3.62	0	6.80	19.64	3.74	4.32	6.76
1-4 to 1-5	19.61	3.39	0	6.96	19.71	3.78	3.68	6.81
1-5 to 1-6	19.61	3.19	31.92	7.12	19.77	3.77	4.29	6.89
1-6 to 1-7	20.10	4.69	0	6.57	19.84	3.80	3.66	6.95
1-7 to 1-8	20.10	4.44	0	6.73	19.90	3.80	4.26	7.03
1-8 to 1-9	20.10	4.22	0	6.90	19.97	3.82	3.63	7.10
1-9 to 1-10	20.10	4.01	0	7.08	20.03	3.81	4.23	7.19
1-10 to 1-11	20.10	3.83	0	7.27	20.10	3.83	4.22	7.27
1-11 to 2-0	20.10	3.66	31.77	7.47	20.17	3.85	3.60	7.35
2-0 to 2-1	20.60	4.76	0	6.83	20.23	3.83	4.19	7.46
2-1 to 2-2	20.60	4.57	0	7.03	20.30	3.85	4.17	7.55
2-2 to 2-3	20.60	4.39	0	7.24	20.37	3.86	4.16	7.65
2-3 to 2-4	20.60	4.23	0	7.47	20.44	3.87	3.55	7.76
2-4 to 2-5	20.60	4.07	0	7.70	20.50	3.86	4.13	7.89
2-5 to 2-6	20.60	3.93	33.59	7.96	20.57	3.87	4.12	8.01
2-6 to 2-7	21.14	4.86	.....	7.15	20.64	3.88	.....	8.15

[1] Estimated annual cost of Stark bill minimum equals $22,000,000.

Note: (1) From issue date to beginning of each period. (2) From beginning of each period to beginning of next period (3) From beginning of each period to maturity.

Source: Office of the Secretary of the Treasury, Office of Debt Analysis, Mar. 3, 1976.

SERIES E U.S. SAVINGS BONDS REDEMPTION VALUES AND YIELDS—BONDS BEARING ISSUE DATES BEGINNING DEC, 1, 1973

Issue price	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	Approximate investment yield (annual percentage rate)		
Denomination	25.00	50.00	75.00	100.00	200.00	500.00	1,000.00	10,000			
Period (years and months after issue)	(1) Redemption values during each half-year period (values increase on 1st day of period)								(2) From issue date to beginning of each ½-yr period	(3) From beginning of each ½ yr period to beginning of next ½-yr period	(4) From beginning of each ½-yr period to maturity
0-0 to 0-6	$18.75	$37.50	$56.25	$75.00	$150.00	$375.00	$750.00	$7,500	----------	3.73	6.00
0-6 to 1-0	19.10	38.20	57.30	76.40	152.80	382.00	764.00	7,640	3.73	5.34	6.25
1-0 to 1-6	19.61	39.22	58.83	78.44	156.88	392.20	784.40	7,844	4.54	5.00	6.37
1-6 to 2-0	20.10	40.20	60.30	80.40	160.80	402.00	804.00	8,040	4.69	4.98	6.57
2-0 to 2-6	20.60	41.20	61.80	82.40	164.80	412.00	824.00	8,240	4.76	5.24	6.83
2-6 to 3-0	21.14	42.28	63.42	84.56	169.12	422.80	845.60	8,456	4.86	5.39	7.15
3-0 to 3-6	21.71	43.42	65.13	86.84	173.68	434.20	868.40	8,684	4.95	5.53	7.59
3-6 to 4-0	22.31	44.62	66.93	89.24	178.48	446.20	892.40	8,924	5.03	5.92	8.29
4-0 to 4-6	22.97	45.94	68.91	91.88	183.76	459.40	918.80	9,188	5.14	6.09	9.48
4-6 to 5-0	23.67	47.34	71.01	94.68	189.36	473.40	946.80	9,468	5.25	12.93	12.93
5-0 [1]	25.20	50.40	75.60	100.80	201.60	504.00	1,008.00	10,080	6.00	----------	----------

[1] Maturity value reached at 5 years and 0 months after issue.

For Release On Thursday, March 4, 1976

STATEMENT FOR THE RECORD ON THE PUBLIC DEBT LIMIT SUPPLIED BY THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman and Members of the Committee: The Office of Management and Budget supports the Secretary of the Treasury's request for an increase in the statutory debt limit and his proposals for improving the management of the debt. This statement will discuss the budget outlook and its effect on the public debt subject to the statutory limitation.

BUDGET TOTALS

As shown in the following table, the fiscal year 1976 deficit is now estimated at about $76.0 billion, with outlays of $373.5 billion and receipts of $297.5 billion. The estimated deficit for the transition quarter is estimated at about $16 billion. The President's budget calls for total 1977 outlays of $394.2 billion, and receipts estimated at $351.3 billion.

BUDGET TOTALS

[In fiscal years and billions of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Budget receipts	281.0	297.5	81.9	351.3
Budget outlays	324.6	373.5	98.0	394.2
Deficit	−43.6	−76.0	−16.1	−43.0

OUTLAYS

Estimated outlays for 1976 increased by $24 billion between the time the President submitted his budget for 1976 over a year ago, and the time he submitted the 1977 budget. About $10½ billion of that increase was the result of congressional changes in the President's budget. Most of the remaining change was caused by reestimates for fixed-cost and open-ended programs, and for offsetting receipts from offshore oil and leases.

The Administration is very concerned that the Congress may push budget outlays still higher. Since the 1977 budget was submitted, the Congress has overridden the President's veto of the 1976 Labor-HEW appropriations, and has rejected rescissions proposed in the special messages of November 18 and 20, 1975. Together, these actions will increase 1976 outlays by $0.5 billion, TQ outlays by $0.3 billion, and 1977 outlays by $1.2 billion.

These add-ons to deficits and the Nation's debt are unnecessary and undesirable. The President's budget as submitted will, to use his words from the Budget Message: "* * * set us on a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path that we can sustain. This is not a policy of the quick fix; it does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy—a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent, balanced approach. This policy has begun to prove itself in recent months as we have made substantial headway in pulling out of the recession and reducing the rate of inflation; it will prove itself decisively if we stick to it."

The President's proposals for further income tax cuts and tax incentives are of great importance to real, rewarding, permanent jobs. The President's budget plans major increases in the already high levels for public works and other job-creating additions to physical assets. Spending for these categories is estimated to increase by more than 11 percent in 1976 and by 17 percent in 1977. And the President's budget addresses the jobs situation in a number of other ways as well.

But the major point for the committee is that there is a continuing substantial risk of higher budget deficits resulting from threatened congressional initiatives, both by way of new programs and add-ons to existing programs.

RECEIPTS

The 1976 estimate of receipts reflects tax reductions of $15.8 billion—$13.2 billion of which are reductions in individual income taxes. The President proposes further reductions in the 1977 budget that would begin to take effect in the transition quarter. The total proposed tax reductions for the transition quarter are $5.5 billion, of which $4.6 billion would be in individual income taxes.

Most of the Federal debt subject to statutory limitation arises from the Federal funds parts of the unified budget. For this reason, changes in the debt subject to limit are more closely related to Federal funds surplus or deficit than to unified budget surplus or deficit. Therefore, attached to this statement for the record is a table indicating budget totals by fund group. (Attachment A.)

In addition, off-budget Federal agencies have a significant effect on government borrowing and on the debt subject to limit. Also attached to this statement is a table for the record that indicates the effect of off-budget Federal agency activity on the debt subject to limit and includes the level of the debt limit that we anticipate will be needed, taking into account these transactions as well as other means of financing, such as changes in the cash balance. (Attachment B.)

ATTACHMENT A

BUDGET TOTALS BY FUND GROUP

[In fiscal years and millions of dollars]

	1975 actual	1976 estimate	Transition quarter estimate
Receipts:			
Federal funds	187,505	198,373	54,758
Trust funds	118,590	134,754	33,783
Interfund transactions	−25,098	−35,593	−6,647
Total budget receipts	280,997	297,534	81,894
Outlays:			
Federal funds	238,527	276,923	69,764
Trust funds	111,171	132,205	34,855
Interfund transactions	−25,098	−35,593	−6,647
Total budget outlays	324,601	373,535	97,971
Surplus or deficit (−):			
Federal funds	−51,023	−78,550	−15,006
Trust funds	7,419	2,549	−1,072
Total budget	−43,604	−76,001	−16,077

ATTACHMENT B

DEBT SUBJECT TO LIMIT

[In fiscal periods and billions of dollars]

	Estimate	
	1976	Transition quarter
Unified budget deficit	76.0	16.1
Portion of budget deficit attributable to trust funds surplus or deficit (−)	2.5	−1.1
Federal funds deficit	78.5	15.0
Effect of offbudget agencies on debt subject to limit	8.8	3.9
Total to be financed	87.4	18.9
Means of financing other than borrowing, and other adjustments	2.6	(1)
Change in debt subject to limit	90.0	18.9
Debt subject to limit, beginning of year	534.2	624.2
Anticipated debt subject to limit, end of year	624.2	643.1

[1] Less than $50,000,000.

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

[Dollar amounts in billions]

Dec. 31	Private [1]			State and local	Federal [2]			Total gross debt	Percent Federal of total
	Individual	Corporate	Total		Public	Agency	Total		
1929	$72.9	$107.0	$179.9	$17.8	$16.3	$1.2	$17.5	$215.2	8.1
1930	71.8	107.4	179.2	18.9	16.0	1.3	17.3	215.4	8.0
1931	64.9	100.3	165.2	19.5	17.8	1.3	19.1	203.8	9.4
1932	57.1	96.1	153.2	19.7	20.8	1.2	22.0	194.9	11.3
1933	51.0	92.4	143.4	19.5	23.8	1.5	25.3	188.2	13.4
1934	49.8	90.6	140.4	19.2	28.5	4.8	33.3	192.9	17.3
1935	49.7	89.8	139.5	19.6	30.6	5.6	36.2	195.3	18.5
1936	50.6	90.9	141.5	19.6	34.4	5.9	40.3	201.4	20.0
1937	51.1	90.2	141.3	19.6	37.3	5.8	43.1	204.0	21.1
1938	50.0	86.8	136.8	19.8	39.4	6.2	45.6	202.2	22.6
1939	50.8	86.8	137.6	20.1	41.9	6.9	48.8	206.5	23.6
1940	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24.3
1941	55.6	97.5	153.1	20.0	57.9	7.7	65.6	238.7	27.5
1942	49.9	106.3	156.2	19.2	108.2	5.5	113.7	289.1	39.3
1943	48.8	110.3	159.1	18.1	165.9	5.1	171.0	348.2	49.1
1944	50.7	109.0	159.7	17.1	230.6	3.0	233.6	410.4	56.9
1945	54.7	99.5	154.2	16.0	278.1	1.5	279.6	449.8	62.2
1946	59.9	109.3	169.2	16.1	259.1	1.6	260.7	446.0	58.5
1947	69.4	128.9	198.3	17.5	256.9	.7	257.6	473.4	54.4
1948	80.6	139.4	220.0	19.6	252.8	1.0	253.8	493.4	51.4
1949	90.4	140.3	230.7	22.2	257.1	.8	257.9	510.8	50.5
1950	104.3	167.7	272.0	25.3	256.7	1.1	257.8	555.1	46.4
1951	114.3	191.9	306.2	28.0	259.4	.8	260.2	594.4	43.8
1952	129.4	202.9	332.3	31.0	267.4	.9	268.3	631.6	42.5
1953	143.2	212.9	356.1	35.0	275.2	.8	276.0	667.1	41.4
1954	157.2	217.6	374.8	40.2	278.8	.7	279.5	694.5	40.2
1955	180.1	253.9	434.0	46.3	280.8	1.4	282.2	762.5	37.0
1956	195.5	277.3	472.8	50.1	276.6	1.7	278.3	801.2	34.7
1957	207.6	295.8	503.4	54.7	274.9	3.2	278.1	836.2	33.3
1958	222.9	312.0	534.9	60.4	289.9	2.4	292.3	887.6	32.9
1959	245.0	341.4	586.4	66.6	290.8	5.7	296.5	949.5	31.2
1960	263.3	365.1	628.4	72.0	290.2	6.4	296.6	997.0	29.7
1961	284.8	391.5	676.3	77.6	296.2	6.8	303.0	1,056.9	28.7
1962	311.9	421.5	733.4	83.4	303.5	7.8	311.3	1,128.1	27.6
1963	345.8	457.1	802.9	89.5	309.3	8.1	317.4	1,209.8	26.2
1964	380.1	497.3	877.4	95.5	317.9	9.1	327.0	1,299.9	25.2
1965	415.7	551.9	967.6	103.1	320.9	9.8	330.7	1,401.4	23.6
1966	444.2	617.3	1,061.5	109.4	329.3	14.0	343.3	1,514.2	22.7
1967	476.3	672.9	1,149.2	117.3	344.7	20.1	364.8	1,631.3	22.4
1968	513.8	779.1	1,292.9	127.2	358.0	15.1	373.1	1,793.2	20.8
1969	548.6	912.7	1,461.3	137.9	368.2	13.8	382.0	1,981.2	19.3
1970	586.2	997.7	1,583.9	149.2	389.2	12.5	401.7	2,134.8	18.8
1971	647.6	1,084.7	1,732.3	167.0	424.1	11.0	435.1	2,334.4	18.6
1972	734.3	1,230.8	1,965.1	181.2	449.3	11.8	461.1	2,607.4	17.7
1973	821.9	1,413.8	2,235.7	193.5	469.9	11.6	481.5	2,910.7	16.5
1974	880.1	1,584.2	2,464.3	209.3	492.7	11.4	504.1	3,177.7	15.9
1975	(*)	(*)	(*)	(*)	576.6	11.9	587.6	(*)	(*)

See footnotes at end of tables.

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

Dec. 31	Private[a]			State and local	Federal[a]			Total gross debt
	Individual	Corporate	Total		Public	Agency	Total	
1929	$598	$878	$1,477	$146	$133	$9	$143	$1,767
1930	583	872	1,455	153	129	10	140	1,750
1931	523	808	1,331	157	143	10	153	1,643
1932	457	769	1,227	157	166	9	176	1,561
1933	406	735	1,141	155	189	11	201	1,498
1934	394	716	1,110	151	225	37	263	1,526
1935	390	705	1,096	154	240	44	284	1,534
1936	395	709	1,105	153	268	46	314	1,572
1937	396	700	1,096	152	289	45	334	1,583
1938	385	668	1,053	152	303	47	351	1,557
1939	388	663	1,051	153	320	52	372	1,577
1940	399	671	1,070	152	339	54	393	1,616
1941	415	728	1,143	149	432	57	489	1,782
1942	368	785	1,153	141	799	40	839	2,135
1943	355	803	1,159	131	1,208	37	1,245	2,536
1944	364	784	1,149	123	1,659	21	1,681	2,954
1945	389	708	1,097	113	1,979	10	1,990	3,202
1946	422	770	1,192	113	1,825	11	1,836	3,142
1947	479	890	1,370	120	1,775	4	1,780	3,271
1948	547	946	1,494	133	1,717	6	1,724	3,351
1949	603	936	1,540	148	1,716	5	1,722	3,410
1950	684	1,101	1,786	166	1,685	7	1,693	3,645
1951	738	1,239	1,977	180	1,674	5	1,680	3,837
1952	821	1,287	2,109	196	1,697	5	1,702	4,008
1953	893	1,329	2,223	218	1,718	4	1,723	4,164
1954	964	1,334	2,299	246	1,710	4	1,714	4,260
1955	1,085	1,530	2,615	279	1,692	8	1,700	4,595
1956	1,157	1,641	2,799	296	1,637	10	1,647	4,743
1957	1,207	1,719	2,927	318	1,598	18	1,617	4,862
1958	1,274	1,784	3,058	345	1,657	13	1,671	5,075
1959	1,377	1,919	3,297	374	1,635	32	1,667	5,339
1960	1,457	2,020	3,478	398	1,606	35	1,641	5,518
1961	1,550	2,131	3,681	422	1,612	37	1,649	5,753
1962	1,672	2,259	3,931	447	1,627	41	1,668	6,047
1963	1,827	2,415	4,242	472	1,634	42	1,677	6,392
1964	1,980	2,591	4,572	497	1,656	47	1,704	6,774
1965	2,139	2,840	4,979	530	1,651	50	1,701	7,212
1966	2,259	3,140	5,400	556	1,675	71	1,746	7,703
1967	2,396	3,386	5,783	590	1,734	101	1,835	8,209
1968	2,559	3,881	6,441	633	1,783	75	1,858	8,934
1969	2,706	4,503	7,209	680	1,816	68	1,884	9,775
1970	2,861	4,869	7,731	728	1,899	61	1,960	10,420
1971	3,127	5,238	8,366	806	2,048	53	2,101	11,274
1972	3,516	5,893	9,409	867	2,151	56	2,207	12,485
1973	3,906	6,719	10,626	919	2,233	55	2,288	13,834
1974	4,153	7,475	11,629	987	2,325	53	2,378	14,995
1975	(*)	(*)	(*)	(*)	2,682	55	2,737	(*)

See footnotes at end of tables.

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

[Ratios of debt to gross national product (percent)]

Dec. 31	Gross [4] National Product (millions)	Private [5]			State and local	Federal [6]			Total gross debt
		Individual	Corporate	Total		Public	Agency	Total	
1929	$96.7	75.4	110.7	186.0	18.4	16.9	1.2	18.1	222.5
1930	83.1	86.4	129.2	215.6	22.7	19.3	1.6	20.8	59.2
1931	66.9	97.0	149.9	246.9	29.1	26.6	1.9	28.6	304.6
1932	56.8	100.5	169.2	269.7	34.7	36.6	2.1	38.7	343.1
1933	60.3	84.6	153.2	237.8	32.3	39.5	2.5	42.0	312.1
1934	68.6	72.6	132.1	204.7	28.0	41.5	7.0	48.5	281.2
1935	77.4	64.2	116.0	180.2	25.3	39.5	7.2	46.8	252.3
1936	86.5	58.5	105.1	163.6	22.7	39.8	6.8	46.6	232.8
1937	87.6	58.3	103.0	161.3	22.4	42.6	6.6	49.2	232.9
1938	87.6	57.1	99.1	156.2	22.6	45.0	7.1	52.1	230.8
1939	94.8	53.6	91.6	145.1	21.2	44.2	7.3	51.5	217.8
1940	107.6	49.3	82.7	132.0	18.8	41.8	6.7	48.5	199.3
1941	138.8	40.1	70.2	110.3	14.4	41.7	5.5	47.3	172.0
1942	179.0	27.9	59.4	87.3	10.7	60.4	3.1	63.5	161.5
1943	202.4	24.1	54.5	78.6	8.9	82.0	2.5	84.5	172.0
1944	217.4	23.3	50.1	73.5	7.9	106.1	1.4	107.5	188.8
1945	196.0	27.9	50.8	78.7	8.2	141.9	.8	142.7	229.5
1946	209.6	28.6	52.1	80.7	7.7	123.6	.8	124.4	212.8
1947	232.8	29.8	55.4	85.2	7.5	110.4	.3	110.7	203.4
1948	259.1	31.1	53.8	84.9	7.6	97.6	.4	98.0	190.4
1949	258.0	35.0	54.4	89.4	8.6	99.7	.3	100.0	198.0
1950	286.2	36.4	58.6	95.0	8.8	89.7	.4	90.1	194.0
1951	330.2	34.6	58.1	92.7	8.5	78.6	.2	78.8	180.0
1952	347.2	37.3	58.4	95.7	8.9	77.0	.3	77.3	181.9
1953	366.1	39.1	58.2	97.3	9.6	75.2	.2	75.4	182.2
1954	366.3	42.9	59.4	102.3	11.0	76.1	.2	76.3	189.6
1955	399.3	45.1	63.6	108.7	11.6	70.3	.4	70.7	191.0
1956	420.7	46.5	65.9	112.4	11.9	65.7	.4	66.2	190.4
1957	442.8	46.9	66.8	113.7	12.4	62.1	.7	62.8	188.8
1958	448.9	49.7	69.5	119.2	13.5	64.6	.5	65.1	197.7
1959	486.5	50.4	70.2	120.5	13.7	59.8	1.2	60.9	195.2
1960	506.0	52.0	72.2	124.2	14.2	57.4	1.3	58.6	197.0
1961	523.3	54.4	74.8	129.2	14.8	56.6	1.3	57.9	202.0
1962	563.8	55.3	74.8	130.1	14.8	53.8	1.4	55.2	200.1
1963	594.7	58.1	76.9	135.0	15.0	52.0	1.4	53.4	203.4
1964	635.7	59.8	78.2	138.0	15.0	50.0	1.4	51.4	204.5
1965	688.1	60.4	80.2	140.6	15.0	46.6	1.4	48.1	203.7
1966	753.0	59.0	82.0	141.0	14.5	43.7	1.9	45.6	201.1
1967	796.3	59.8	84.5	144.3	14.7	43.3	2.5	45.8	204.9
1968	868.5	59.2	89.7	148.9	14.6	41.2	1.7	43.0	206.5
1969	935.5	58.6	97.6	156.2	14.7	39.4	1.5	40.8	211.8
1970	982.4	59.7	101.6	161.2	15.2	39.6	1.3	40.9	217.3
1971	1,063.4	60.9	102.0	162.9	15.7	39.9	1.0	40.9	219.5
1972	1,171.1	62.7	105.1	167.8	15.5	38.4	1.0	39.4	222.6
1973	1,306.3	62.9	108.2	171.1	14.8	36.0	.9	36.9	222.8
1974	1,406.9	62.6	112.6	175.2	14.9	35.0	.8	35.8	225.9
1975	1,499.0	(*)	(*)	(*)	(*)	38.5	.8	39.2	(*)

See footnotes at end of tables.

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

Dec. 31	Private [1]			State and local	Federal [2]	Total net debt	Percent Federal of total
	Individual	Corporate	Total				
1916	$35.3	$40.2	$76.5	$4.5	$1.2	$82.2	1.5
1917	38.7	43.7	82.4	4.8	7.3	94.5	7.7
1918	44.5	47.0	91.5	5.1	20.9	117.5	17.8
1919	43.9	53.3	97.2	5.5	25.6	128.3	20.0
1920	48.1	57.7	105.8	6.2	23.7	135.7	17.5
1921	49.2	57.0	106.2	7.0	23.1	136.3	16.9
1922	50.9	58.6	109.5	7.9	22.8	140.2	16.3
1923	53.7	62.6	116.3	8.6	21.8	146.7	14.9
1924	55.8	67.2	123.0	9.4	21.0	153.4	13.7
1925	59.6	72.7	132.3	10.3	20.3	162.9	12.5
1926	62.7	76.2	138.9	11.1	19.2	169.2	11.3
1927	66.4	81.2	147.6	12.1	18.2	177.9	10.2
1928	70.0	86.1	156.1	12.7	17.5	186.3	9.4
1929	72.9	88.9	161.8	13.6	16.5	191.9	8.6
1930	71.8	89.3	161.1	14.7	16.5	192.3	8.6
1931	64.9	83.5	148.4	16.0	18.5	182.9	10.1
1932	57.1	80.0	137.1	16.6	21.3	175.0	12.2
1933	51.0	76.9	127.9	16.3	24.3	168.5	14.4
1934	49.8	75.5	125.3	15.9	30.4	171.6	17.7
1935	49.7	74.8	124.5	16.1	34.4	175.0	19.7
1936	50.6	76.1	126.7	16.2	37.7	180.6	20.9
1937	51.1	75.8	126.9	16.1	39.2	182.2	21.5
1938	50.0	73.3	123.3	16.1	40.5	179.9	22.5
1939	50.8	73.5	124.3	16.4	42.6	183.3	23.2
1940	53.0	75.6	128.6	16.4	44.8	189.8	23.6
1941	55.6	83.4	139.0	16.1	56.3	211.4	26.6
1942	49.9	91.6	141.5	15.4	101.7	258.6	39.3
1943	48.8	95.5	144.3	14.5	154.4	313.2	49.3
1944	50.7	94.1	144.8	13.9	211.9	370.6	57.2
1945	54.7	85.3	140.0	13.4	252.5	405.9	62.2
1946	59.9	93.5	153.4	13.7	229.5	396.6	57.9
1947	69.4	109.6	179.0	15.0	221.7	415.7	53.3
1948	80.6	118.4	199.0	17.0	215.3	431.3	49.9
1949	90.4	118.7	209.1	19.1	217.6	445.8	48.8
1950	104.3	142.8	247.1	21.7	217.4	486.2	44.7
1951	114.3	163.8	278.1	24.2	216.9	519.2	41.8
1952	129.4	172.3	301.7	27.0	221.5	550.2	40.3
1953	143.2	180.9	324.1	30.7	226.8	581.6	39.0
1954	157.2	184.1	341.3	35.5	229.1	606.9	37.8
1955	180.1	215.0	395.1	41.1	229.6	665.8	34.5
1956	195.5	234.1	429.6	44.5	224.3	698.4	32.1
1957	207.6	249.1	456.7	48.6	223.0	728.3	30.6
1958	222.9	262.0	484.9	53.7	231.0	769.6	30.0
1959	245.0	287.0	532.0	59.6	241.4	833.0	29.0
1960	263.3	306.3	569.6	64.9	239.8	874.3	27.4
1961	284.8	328.3	613.1	70.5	246.7	930.3	26.5
1962	311.9	353.5	665.4	77.0	253.6	996.0	25.5
1963	345.8	383.6	729.4	83.9	257.5	1,070.8	24.0
1964	380.1	417.1	797.2	90.4	264.0	1,151.6	22.9
1965	415.7	463.2	878.9	98.3	266.4	1,243.6	21.4
1966	444.2	517.8	962.0	104.8	271.8	1,338.6	20.3
1967	476.3	562.6	1,038.9	112.8	286.4	1,438.1	19.9
1968	513.8	653.0	1,166.8	122.7	291.9	1,581.4	18.5
1969	548.6	764.8	1,313.4	133.3	289.3	1,736.0	16.7
1970	586.2	836.4	1,422.6	144.8	301.1	1,868.5	16.1
1971	647.6	909.1	1,556.7	162.8	325.9	2,045.4	15.9
1972	734.3	1,030.8	1,765.1	176.9	341.2	2,283.2	14.9
1973	821.9	1,185.7	2,007.6	189.5	349.1	2,546.2	13.7
1974	880.1	1,330.6	2,210.7	205.6	360.8	2,777.1	13.0
1975	(*)	(*)	(*)	(*)	466.3	(*)	(*)

See footnotes at end of tables.

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

Dec. 31	Private[4]			State and local	Federal[5]	Total net debt
	Individual	Corporate	Total			
1916	$356	$394	$750	$44	$11	$806
1917	374	423	797	46	70	915
1918	431	455	886	49	202	1,138
1919	420	509	930	52	244	1,227
1920	451	541	993	58	222	1,274
1921	453	525	978	64	212	1,255
1922	462	532	994	71	207	1,273
1923	479	559	1,038	76	194	1,310
1924	488	588	1,077	82	184	1,344
1925	514	627	1,142	88	175	1,406
1926	534	649	1,183	94	163	1,441
1927	557	682	1,239	101	152	1,494
1928	580	714	1,295	105	145	1,546
1929	598	730	1,328	111	135	1,575
1930	583	725	1,308	119	134	1,562
1931	523	673	1,196	128	149	1,474
1932	457	640	1,098	132	170	1,401
1933	406	612	1,018	129	193	1,341
1934	394	597	991	125	240	1,357
1935	390	587	978	126	270	1,375
1936	395	594	989	126	294	1,410
1937	396	588	985	124	304	1,414
1938	385	564	949	124	311	1,385
1939	388	561	949	125	325	1,400
1940	399	570	969	123	337	1,431
1941	415	622	1,038	120	420	1,578
1942	368	676	1,045	113	751	1,910
1943	355	695	1,051	105	1,124	2,281
1944	364	677	1,042	100	1,525	2,667
1945	389	607	996	95	1,797	2,889
1946	422	658	1,080	96	1,616	2,794
1947	479	757	1,237	103	1,532	2,872
1948	547	804	1,351	115	1,462	2,929
1949	603	792	1,396	127	1,452	2,976
1950	684	937	1,622	142	1,427	3,192
1951	738	1,057	1,795	156	1,400	3,352
1952	821	1,093	1,914	171	1,405	3,492
1953	893	1,129	2,023	191	1,415	3,630
1954	964	1,129	2,093	217	1,405	3,716
1955	1,085	1,295	2,381	247	1,383	4,012
1956	1,157	1,386	2,543	263	1,327	4,134
1957	1,207	1,448	2,655	282	1,296	4,234
1958	1,274	1,498	2,772	307	1,320	4,400
1959	1,377	1,613	2,991	335	1,357	4,684
1960	1,457	1,695	3,152	359	1,327	4,839
1961	1,550	1,787	3,337	383	1,343	5,064
1962	1,672	1,895	3,567	412	1,359	5,339
1963	1,827	2,027	3,854	443	1,360	5,658
1964	1,930	2,173	4,154	471	1,375	6,001
1965	2,139	2,383	4,523	505	1,371	6,400
1966	2,259	2,634	4,994	533	1,382	6,810
1967	2,396	2,831	5,228	567	1,441	7,237
1968	2,559	3,253	5,813	611	1,454	7,879
1969	2,706	3,773	6,480	657	1,427	8,565
1970	2,861	4,082	6,943	706	1,469	9,120
1971	3,127	4,390	7,518	786	1,574	9,879
1972	3,516	4,935	8,451	847	1,633	10,932
1973	3,906	5,635	9,542	900	1,659	12,101
1974	4,153	6,279	10,432	970	1,702	13,105
1975	(*)	(*)	(*)	(*)	2,168	(*)

See footnotes at end of tables.

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

[Ratios of debt to gross national product—percent]

Dec. 31	Gross [4] National Product (millions)	Private [5]			State and local	Federal [6]	Total net debt
		Individual	Corporate	Total			
1929	$96.7	75.4	91.9	167.3	14.1	17.1	198.4
1930	83.1	86.4	107.5	193.9	17.7	19.9	231.4
1931	66.9	97.0	124.8	221.8	23.9	27.7	273.4
1932	56.8	100.5	140.8	241.4	29.2	37.5	308.1
1933	60.3	84.6	127.5	212.1	27.0	40.3	279.4
1934	68.6	72.6	110.1	182.7	23.2	44.3	250.1
1935	77.4	64.2	96.6	160.9	20.8	44.4	226.1
1936	86.5	58.5	88.0	146.5	18.7	43.6	208.8
1937	87.6	58.3	86.5	144.9	18.4	44.7	208.0
1938	87.6	57.1	83.7	140.8	18.4	46.2	205.4
1939	94.8	53.6	77.5	131.1	17.3	44.9	193.4
1940	107.6	49.3	70.3	119.5	15.2	41.6	176.4
1941	138.8	40.1	60.1	100.1	11.6	40.6	152.3
1942	179.0	27.9	51.2	79.1	8.6	56.8	144.5
1943	202.4	24.1	47.2	71.3	7.2	76.3	154.7
1944	217.4	23.3	43.3	66.6	6.4	97.5	170.5
1945	196.0	27.9	43.5	71.4	6.8	128.8	207.1
1946	209.6	28.6	44.6	73.2	6.5	109.5	189.2
1947	232.8	29.8	47.1	76.9	6.4	95.2	178.6
1948	259.1	31.1	45.7	76.8	6.6	83.1	166.5
1949	258.0	35.0	46.0	81.0	7.4	84.3	172.8
1950	286.2	36.4	49.9	86.3	7.6	76.0	169.9
1951	330.2	34.6	49.6	84.2	7.3	65.7	157.2
1952	347.2	37.3	49.6	86.9	7.8	63.8	158.5
1953	366.1	39.1	49.4	88.5	8.4	62.0	158.9
1954	366.3	42.9	50.3	93.2	9.7	62.5	165.4
1955	399.3	45.1	53.8	98.9	10.3	57.5	166.7
1956	420.7	46.5	55.6	102.1	10.6	53.3	166.0
1957	442.8	46.9	56.3	103.1	11.0	50.4	164.5
1958	448.9	49.7	58.4	108.0	12.0	51.5	171.4
1959	486.5	50.4	59.0	109.4	12.3	49.6	171.2
1960	506.0	52.0	60.5	112.6	12.8	47.4	172.8
1961	523.3	54.4	62.7	117.2	13.5	47.1	177.8
1962	563.8	55.3	62.7	118.0	13.7	45.0	176.7
1963	594.7	58.1	64.5	122.7	14.1	43.3	180.1
1964	635.7	59.8	65.6	125.4	14.2	41.5	181.2
1965	688.1	60.4	67.3	127.7	14.3	38.7	180.7
1966	753.0	59.0	68.8	127.8	13.9	36.1	177.8
1967	796.3	59.8	70.7	130.5	14.2	36.0	180.6
1968	868.5	59.2	75.2	134.3	14.1	33.6	182.1
1969	935.5	58.6	81.8	140.4	14.2	30.9	185.6
1970	982.4	59.7	85.1	144.8	14.7	30.6	190.2
1971	1,063.4	60.9	85.5	146.4	15.3	30.6	192.3
1972	1,171.1	62.7	88.0	150.7	15.1	29.1	195.0
1973	1,306.3	62.9	90.8	153.7	14.5	26.7	194.9
1974	1,406.9	62.6	94.6	157.1	14.6	25.6	197.4
1975	1,499.0	(*)	(*)	(*)	(*)	31.1	(*)

See footnotes at end of tables.

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

Dec. 31	Outstanding Federal debt			Per capital Federal debt[3]			Real per capital Federal debt[4]		
	Gross[3]	Net[5]	Privately held net[6]	Gross[3]	Net[5]	Privately held net[6]	Gross[3]	Net[5]	Privately held net[6]
1929	$17.5	$16.5	$16.0	$143.7	$135.5	$131.4	$465.0	$438.4	$425.1
1930	17.3	16.5	15.8	140.6	134.1	128.4	484.0	461.6	442.0
1931	19.1	18.5	17.7	154.0	149.1	142.7	586.0	567.6	543.0
1932	22.0	21.3	19.4	176.2	170.6	155.4	747.6	723.8	659.3
1933	25.3	24.3	21.9	201.5	193.5	174.4	850.4	816.7	736.1
1934	33.3	30.4	28.0	263.5	240.6	221.6	1,090.1	995.1	916.6
1935	36.2	34.4	32.0	284.5	270.3	251.5	1,142.7	1,085.9	1,010.1
1936	40.3	37.7	35.3	314.7	294.4	275.7	1,249.1	1,168.5	1,094.1
1937	43.1	39.2	36.6	334.6	304.3	284.1	1,287.9	1,171.4	1,093.7
1938	45.6	40.5	37.9	351.2	312.0	291.9	1,390.8	1,235.2	1,155.9
1939	48.8	42.6	40.1	372.9	325.5	306.4	1,483.4	1,294.9	1,219.0
1940	52.2	44.8	42.6	393.7	337.9	321.3	1,551.4	1,331.5	1,266.1
1941	65.6	56.3	54.0	489.9	420.5	403.3	1,759.8	1,510.3	1,448.6
1942	113.7	101.7	95.5	840.0	751.3	705.5	2,760.6	2,469.3	2,318.7
1943	171.0	154.4	142.9	1,245.9	1,125.0	1,041.2	3,969.2	3,583.9	3,317.0
1944	233.6	211.9	193.1	1,681.6	1,525.4	1,390.0	5,246.7	4,759.3	4,337.1
1945	279.6	252.5	228.2	1,990.5	1,797.6	1,624.6	6,073.7	5,485.0	4,957.2
1946	260.7	229.5	206.1	1,836.7	1,616.9	1,452.1	4,728.3	4,162.5	3,738.1
1947	257.6	221.7	199.1	1,780.3	1,532.2	1,376.0	4,217.3	3,629.6	3,259.6
1948	253.8	215.3	192.0	1,724.1	1,462.6	1,304.3	3,982.2	3,378.1	3,012.5
1949	257.9	217.6	197.7	1,722.0	1,452.9	1,320.1	4,050.5	3,417.6	3,105.0
1950	257.8	217.4	196.6	1,693.0	1,427.7	1,291.1	3,762.5	3,172.9	2,869.3
1951	260.2	216.9	193.1	1,680.0	1,400.5	1,246.8	3,524.1	2,937.6	2,615.3
1952	268.3	221.5	196.8	1,702.9	1,405.9	1,249.1	3,540.8	2,923.2	2,597.2
1953	276.0	226.8	200.9	1,723.0	1,415.9	1,254.2	3,559.0	2,924.6	2,590.6
1954	279.5	229.1	204.2	1,714.5	1,405.3	1,252.6	3,557.2	2,915.8	2,598.9
1955	282.2	229.6	204.8	1,700.7	1,383.7	1,234.2	3,515.1	2,859.9	2,551.0
1956	278.3	224.3	199.4	1,647.7	1,328.0	1,180.6	3,310.1	2,667.8	2,371.7
1957	278.1	223.0	198.8	1,617.0	1,296.6	1,155.9	3,153.6	2,528.8	2,254.4
1958	292.3	231.0	204.7	1,671.4	1,320.9	1,170.5	3,203.7	2,531.9	2,243.6
1959	296.5	241.4	214.8	1,667.3	1,357.5	1,207.9	3,148.7	2,563.6	2,281.1
1960	296.6	239.8	212.4	1,641.7	1,327.3	1,175.6	3,055.8	2,470.6	2,188.3
1961	303.0	246.7	217.8	1,649.5	1,343.0	1,185.7	3,051.0	2,484.1	2,193.1
1962	311.3	253.6	222.8	1,668.8	1,359.5	1,194.4	3,049.7	2,484.5	2,182.7
1963	317.4	257.5	223.9	1,677.2	1,360.7	1,183.1	3,015.4	2,446.3	2,127.1
1964	327.0	264.0	227.0	1,704.1	1,375.8	1,183.0	3,027.7	2,444.4	2,101.8
1965	330.7	266.4	225.6	1,702.0	1,371.1	1,161.1	2,966.6	2,389.8	2,023.8
1966	343.3	271.8	227.5	1,746.5	1,382.8	1,157.4	2,946.0	2,332.5	1,952.3
1967	364.8	286.4	237.3	1,835.8	1,441.3	1,194.2	3,005.2	2,359.3	1,954.9
1968	373.1	291.9	238.9	1,858.9	1,454.4	1,190.3	2,905.8	2,273.4	1,860.6
1969	382.0	289.3	232.1	1,884.8	1,427.4	1,145.2	2,776.0	2,102.3	1,686.7
1970	401.7	301.1	239.0	1,960.7	1,469.7	1,166.6	2,737.7	2,052.1	1,628.9
1971	435.1	325.9	255.1	2,101.5	1,574.1	1,232.1	2,839.0	2,126.4	1,664.5
1972	461.1	341.2	269.9	2,207.9	1,633.8	1,292.4	2,884.6	2,134.5	1,688.5
1973	481.5	349.1	268.6	2,288.5	1,659.3	1,276.6	2,747.9	1,992.3	1,532.9
1974	504.1	360.8	280.1	2,378.9	1,702.6	1,321.8	2,545.7	1,822.0	1,414.5
1975	587.6	466.3	361.3	2,737.5	2,168.8	1,680.4	2,737.5	2,168.8	1,680.4

See footnotes at end of tables.

TABLE 8.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

[Dollar amounts in billions]

Dec. 31	Gross national product [4]	Privately held debt [5]	Percent	
			Ratio of debt to GNP	Year-to-year price changes [7]
1929	$96.7	$16.0	16.5	----------
1930	83.1	15.8	19.0	−6.0
1931	66.9	17.7	26.5	−9.5
1932	56.8	19.4	34.2	−10.3
1933	60.3	21.9	36.3	.5
1934	68.6	28.0	40.8	2.0
1935	77.4	32.0	41.3	3.0
1936	86.5	35.3	40.8	1.2
1937	87.6	36.6	41.8	3.1
1938	87.6	37.9	43.3	−2.8
1939	94.8	40.1	42.3	−.5
1940	107.6	42.6	39.6	1.0
1941	138.8	54.0	38.9	9.7
1942	179.0	95.5	53.4	9.3
1943	202.4	142.9	70.6	3.2
1944	217.4	193.1	88.8	2.1
1945	196.0	228.2	116.4	2.3
1946	209.6	206.1	98.3	18.5
1947	232.8	199.1	85.5	8.7
1948	259.1	192.0	74.1	2.6
1949	258.0	197.7	76.6	−1.8
1950	286.2	196.6	68.7	5.8
1951	330.2	193.1	58.5	5.9
1952	347.2	196.8	56.7	.9
1953	366.1	200.9	54.9	.7
1954	366.3	204.2	55.7	−.4
1955	399.3	204.8	51.3	.4
1956	420.7	199.4	47.4	2.9
1957	442.8	198.8	44.9	3.0
1958	448.9	204.7	45.6	1.7
1959	486.5	214.8	44.2	1.5
1960	506.0	212.4	42.0	1.5
1961	523.3	217.8	41.6	.6
1962	563.8	222.8	39.5	1.2
1963	594.7	223.9	37.6	1.6
1964	635.7	227.0	35.7	1.2
1965	688.1	225.6	32.8	1.9
1966	753.0	227.5	30.2	3.3
1967	796.3	237.3	29.8	3.0
1968	868.5	238.9	27.5	4.7
1969	935.5	232.1	24.8	6.1
1970	982.4	239.0	24.3	5.5
1971	1,063.4	255.1	24.0	3.4
1972	1,171.1	269.9	23.0	3.4
1973	1,306.3	268.6	20.6	8.8
1974	1,406.9	280.1	19.9	12.2
1975	1,499.0	361.3	24.1	7.0

See footnotes at end of tables.

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

Year	Real GNP [4]	Real [3] GNP per capita	Real GNP per capita, change from year ago	
			Amount	Percent
	(Constant 1958 dollars)			
1929	$203.6	$1,672.5	----------	----------
1930	183.5	1,491.4	—$181.1	—10.8
1931	169.3	1,365.4	—126.1	—8.5
1932	144.2	1,155.6	—209.8	—15.4
1933	141.5	1,127.3	—28.3	—2.4
1934	154.3	1,221.5	94.2	8.4
1935	169.5	1,332.5	111.0	9.1
1936	193.0	1,507.7	175.2	13.1
1937	203.2	1,577.8	70.1	4.7
1938	192.9	1,486.3	—91.5	—5.8
1939	209.4	1,600.4	114.1	7.7
1940	227.2	1,714.0	113.6	7.1
1941	263.7	1,970.0	256.0	14.9
1942	297.8	2,200.5	230.6	11.7
1943	337.1	2,456.6	256.1	11.6
1944	361.3	2,601.4	144.8	5.9
1945	355.2	2,529.2	—72.2	—2.8
	(Constant 1972 dollars)			
1946	475.7	3,352.0	822.8	32.5
1947	468.3	3,236.9	—115.1	—3.4
1948	487.7	3,313.5	76.6	2.4
1949	490.7	3,276.9	—36.6	—1.1
1950	533.5	3,504.1	227.2	6.9
1951	576.5	3,722.8	218.7	6.2
1952	598.5	3,799.2	76.4	2.1
1953	621.8	3,882.3	83.1	2.2
1954	613.7	3,764.9	—117.4	—3.0
1955	654.8	3,946.7	181.8	4.8
1956	668.8	3,960.2	13.5	.3
1957	680.9	3,959.6	—.6	—0
1958	679.5	3,886.0	—73.6	—1.9
1959	720.4	4,051.6	165.6	4.3
1960	736.8	4,078.6	27.1	.7
1961	755.3	4,112.3	33.7	.8
1962	799.1	4,284.3	172.0	4.2
1963	830.7	4,390.1	105.8	2.5
1964	874.4	4,557.3	167.2	3.8
1965	925.9	4,765.7	208.4	4.6
1966	981.0	4,991.3	225.6	4.7
1967	1,007.7	5,071.7	80.3	1.6
1968	1,051.8	5,241.0	169.3	3.3
1969	1,078.8	5,323.3	82.3	1.6
1970	1,075.3	5,249.1	—74.2	—1.4
1971	1,107.5	5,349.6	100.5	1.9
1972	1,171.1	5,608.1	258.6	4.8
1973	1,233.4	5,862.8	254.7	4.5
1974	1,210.7	5,713.8	—149.0	—2.5
1975	1,186.4	5,518.6	—195.2	—3.4

[2] Not available.

[1] Private corporate debt includes the debt of certain federally sponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLB's in 1949; FHLB's in 1951; FNMA-secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amount to $700,000,000 on Dec. 31, 1947, $3,500,000,000 on Dec. 31, 1960, $38,800,000,000 on Dec. 31, 1970, $59,800,000,000 on Dec. 31, 1973, and $76,400,000,000 on Dec. 31, 1974.

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

[8] Per capita debt is calculated by dividing debt figures by population of coterminous United States Beginning 1949, population includes armed forces overseas, Hawaii, and Alaska.

[4] Real GNP is in constant 1972 dollars from 1946 to 1975. Real GNP prior to 1946 is in constant 1958 dollars. Changes from 1945 to 1946 are not comparable.

[5] Borrowing from the public equals gross Federal debt less securites 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, December to December basis.

[9] Per capita debt expressed in December 1975 prices (Consumer Price Index for all items).

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

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

Senator BYRD. The committee will adjourn until 10 a.m. tomorrow morning, when we will have the Trade Commission authorization sales bill.

[Whereupon, at 1:05 p.m., the committee recessed, to reconvene at 10 a.m. on March 5, 1976.]

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