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SENATE

} REPORT
} No. 1755

AMEND SECOND LIBERTY BOND ACT, AS AMENDED

APRIL 20 (calendar day, MAY 10), 1938.—Ordered to be printed

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

REPORT

[To accompany S. 3972]

The Committee on Finance, to whom was referred the bill (S. 3972) to amend the Second Liberty Bond Act, as amended, having considered the same, report thereon favorably without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The purpose of the proposed bill is to provide greater flexibility in the management of the public debt. Under existing law the total amount of public debt obligations which may be outstanding at any one time is \$45,000,000,000 subject to a limitation on the amount of bonds which may be outstanding at any one time to an aggregate of \$25,000,000,000 and a limitation on the amount of Treasury notes, certificates of indebtedness and Treasury bills to be outstanding at any one time to an aggregate of \$20,000,000,000.

The Secretary of the Treasury has pointed out that the present limitations on the different classes of securities which may be outstanding at any one time will seriously interfere with the efficient and economical financing of Government requirements during the next year unless amended at this time.

Under existing legislation the total additional amount of bonds which may be issued is approximately \$1,700,000,000, while the total additional amount of notes, certificates of indebtedness and Treasury bills which may be issued is about \$6,170,000,000. There is authority to issue approximately \$7,870,000,000 of additional public debt obligations and the Secretary of the Treasury has stated that while the total authority is sufficient for the present, the division as between bonds and notes, certificates of indebtedness and Treasury bills should be adjusted in order to give the Treasury more latitude as to the kind of securities it can issue. During the balance of the calendar

year outstanding Treasury notes aggregating more than \$1,600,000,000 will mature and in addition it will probably be necessary for the Treasury to raise additional cash of from \$500,000,000 to \$1,000,000,000, making maximum financing during the next 8-month period, exclusive of Treasury bill operations of approximately \$2,600,000,000. The Secretary of the Treasury informed the committee that it may be highly desirable from the standpoint of the public-debt program and the Government security market for the Treasury to meet the maturing notes and to raise whatever additional cash is necessary, or a major portion thereof, through the issuance of additional Treasury bonds, rather than through the issuance of Treasury notes. The Treasury deems it necessary to reserve approximately \$248,000,000 of the present bond limitation to cover estimated additional issues of United States savings bonds during the balance of the calendar year. This will leave only \$1,450,000,000 available for further bond issues under the present limitation and this might not be sufficient to meet the Treasury's requirements in connection with the maturing notes aggregating more than \$1,600,000,000 and the additional financing which will be necessary.

The bill will have no effect on the total of the public debt outstanding, as this amount will depend upon expenditures made in pursuance of law. It does permit the Secretary of the Treasury to issue securities best suited at the time to meet the conditions of the market and the needs of the Government within the limits of the bill.

The Secretary of the Treasury recommends the early enactment of this bill. He has pointed out to the committee that the proposed legislation is essential to enable the Treasury to continue its efforts to finance the needs of the Government in the most economical manner possible.

The following statement shows the amount of public debt obligations issued under the Second Liberty Bond Act, as amended, and outstanding as of April 30, 1938, and the additional amounts which the Secretary of the Treasury may issue under the authority of that act:

Bonds:

Total amount that may be outstanding at any one time... \$25,000,000,000

Outstanding as of Apr. 30, 1938:

Treasury bonds..... \$20,927,252,250

United States savings bonds (maturity value)..... ¹ 1,546,000,000

Veterans adjusted service bonds... 828,713,806

23,301,966,056

Total additional amount of bonds which may be issued under present limitation.....

1,698,033,944

Notes, certificates of indebtedness and Treasury bills:

Total amount that may be outstanding at any one time... 20,000,000,000

Outstanding as of Apr. 30, 1938:

Treasury notes..... \$11,309,276,050

Certificates of indebtedness..... 767,465,000

Treasury bills..... 1,753,268,000

13,830,009,050

Total additional amount which may be issued under present limitation.....

6,169,990,950

¹ Current redemption value \$1,180,736,166.

Recapitulation:

Total public debt obligations which may be issued under authority of the Second Liberty Bond Act, as amended, and be outstanding at any one time.....	45,000,000,000
Total outstanding public debt obligations as of Apr. 30, 1938 which were issued under authority of the Second Liberty Bond Act, as amended.....	37,131,975,106
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Total amount which may be issued under present limitation.....	7,868,024,894

EXPLANATION OF BILL

Section 1 of the bill amends the first paragraph of section 1 of the Second Liberty Bond Act, as amended (U. S. C., title 31 sec. 752), by striking out the present limitation of \$25,000,000,000 on the amount of bonds which may be outstanding at any one time.

Section 2 of the bill amends section 21 of the Second Liberty Bond Act, as amended (U. S. C., title 31, sec. 757 (b)), by combining under one limitation of \$45,000,000,000 the face amount of bonds, certificates of indebtedness, Treasury bills, and notes which may be outstanding at any one time.

