$798 BILLION PUBLIC DEBT

HEARING

BEFORE THE

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT GENERALLY

OF THE

COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

JULY 11, 1978

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1978

31-466 O

S361-56

COMMITTEE ON FINANCE

RUSSELL B. LONG, Louisiana, *Chairman*

HERMAN E. TALMADGE, Georgia
ABRAHAM RIBICOFF, Connecticut
HARRY F. BYRD, JR., Virginia
GAYLORD NELSON, Wisconsin
MIKE GRAVEL, Alaska
LLOYD BENTSEN, Texas
WILLIAM D. HATHAWAY, Maine
FLOYD K. HASKELL, Colorado
SPARK M. MATSUNAGA, Hawaii
DANIEL PATRICK MOYNIHAN, New York
CARL T. CURTIS, Nebraska
CLIFFORD P. HANSEN, Wyoming
ROBERT DOLE, Kansas
BOB PACKWOOD, Oregon
WILLIAM V. ROTH, JR., Delaware
PAUL LAXALT, Nevada
JOHN C. DANFORTH, Missouri

MICHAEL STERN, *Staff Director*
GEORGE W. PRITTS, Jr., *Minority Counsel*

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT GENERALLY

HARRY F. BYRD, JR., Virginia, *Chairman*

HERMAN E. TALMADGE, Georgia
MIKE GRAVEL, Alaska
FLOYD K. HASKELL, Colorado
BOB PACKWOOD, Oregon
CLIFFORD P. HANSEN, Wyoming
WILLIAM V. ROTH, JR., Delaware

CONTENTS

$798 BILLION PUBLIC DEBT

TUESDAY, JULY 11, 1978

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 2221, Dirksen Senate Office Building, Senator Harry F. Byrd, Jr. (chairman of the subcommittee), presiding.

Present: Senators Byrd, Jr., of Virginia, and Hansen.

[The committee press release announcing this hearing follows:]

[PRESS RELEASE]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT SETS HEARING ON PUBLIC DEBT

Senator Harry F. Byrd, Jr. (I-Va.), Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, announced today that the Committee has scheduled a hearing on the Administration's request to increase the public debt. The Honorable W. Michael Blumenthal, Secretary of the Treasury, and Ms. Alice M. Rivlin, Director, Congressional Budget Office, will testify on the public debt at 10 a.m., Tuesday, July 11, 1978, in Room 2212, Dirksen Senate Office Building.

Senator Byrd noted that the permanent debt limitation under present law is set at $400 billion, with a temporary additional limit of $352 billion. This temporary debt limit of $752 billion is due to expire July 31, 1978.

Written Testimony.—The Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by July 21, 1978, to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510.

Senator BYRD. The committee will come to order. These hearings will focus on legislation to extend and increase the statutory debt ceiling.

The Federal debt is a consequence of accumulated and accelerated Federal deficits. Deficit spending is placing our Government in debt at a rate of $1 billion a week.

Government officials and the Congress would do well to heed the signal from California. The voters of California were sending a message with significance far beyond the question of property taxes in California. They were telling Washington that Americans are fed up with reckless government deficit spending, bigger government, high taxes at all levels, and the cruel tax of inflation.

Not only in California, but throughout the Nation, voters are beginning to demand a halt to runaway Federal deficits.

According to the National Taxpayer's Union, 22 of the required 34 State legislatures have passed a resolution calling for a constitutional convention to consider an amendment requiring a balanced Federal budget.

These calls for convention are passing rapidly and by wide margins. For example, in Kansas, the House voted 90 to 19 to approve the resolution, while the Senate almost unanimously approved it 38 to 2.

Nebraska approved its resolution 29 to 7; Georgia 156 to 11 in the House, and 52 to 2 in the Senate. Elsewhere the margins are just as impressive.

It is time for Washington to act to exercise fiscal discipline. By Washington, I mean both the Congress and the executive branch.

Year after year of excessively higher Federal deficits will cause the gross public debt to almost double from fiscal year 1972 through the end of fiscal year 1979.

The Federal funds deficit, which is the deficit for the day-to-day operation of the Federal Government, excluding trust funds, is estimated to be at the second highest level in our Nation's history for both fiscal years 1978 and 1979.

Excessive Government spending has serious adverse consequences for our economy and is a major cause of inflation which is eroding the purchasing power of all Americans.

The administration is requesting a statutory debt ceiling of $771 billion for fiscal year 1978 and $851 billion for fiscal year 1979—thus forecasting an $80 billion increase in the national debt for the upcoming fiscal year.

I might add at this point also an additional $19 billion for the remaining 2 months of the current fiscal year.

The committee is pleased to have the Secretary of the Treasury, the Honorable Michael Blumenthal, here this morning. Secretary Blumenthal, you are welcome and you may proceed as you wish.

STATEMENT OF MICHAEL BLUMENTHAL, SECRETARY OF THE TREASURY

Secretary BLUMENTHAL. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you on the three actions that we are requesting from the Congress in order to have the flexibility for the Treasury to proceed in its debt management requirement. I have a brief statement, prepared statement, which summarizes these three actions and I believe speaks for itself.

They relate first to the need as you have indicated, to raise the temporary debt limit to $771 billion by September 30 of this year and to $851 billion by September 30 of next year. That $851 relates to the budget resolution approved by the Congress of $849.1 billion.

The second action that we are requesting is to increase the authority for the Treasury to issue long-term debt without regard to the 4¼-percent limit from the present $27 billion to $37 billion. That is to enable us to continue to go into the market for long-term debt when conditions are favorable for this investment. We have now issued about $23 billion compared to the $27 billion limit for this kind of debt that we are operating on from the Congress.

Third and finally, the Treasury would also renew its request that the ceiling of 6 percent on interest for savings bonds be lifted. We don't require that at the moment, but we would like to have that flexibility. It is a request that we have made on a number of occasions in the past.

May I say in conclusion, Mr. Chairman, that I deplore as much as you do these increases in the debt limit and the continuing deficit in the Federal budget. I share with you the concern over this trend. In looking at the figures over the last several years, I share with you the concern that they are much too large. I am gratified that I believe we are making progress and the President's dedication to bringing the budget into balance is strong and firm and I believe that barring really major unforeseen investments that we will be able to be successful in the next years to achieve that.

Meanwhile the economy is doing reasonably well although the inflationary pressures are too high and it underlines to me the need to be very concerned and act very carefully on this debt limit. I can assure you we will do all we can to work in that direction.

I will be happy to answer any questions you may have.

Senator BYRD. As I read your statement, for the remaining 2 months of this current fiscal year the Government will go into the hole by $19 billion during that period of time and then by an additional $80 billion for the upcoming fiscal year?

Secretary BLUMENTHAL. That is correct.

Senator BYRD. So in a period of 14 months the Government will have increased the debt—operated at a deficit of $99 billion.

Secretary BLUMENTHAL. That is correct. In that calculation you are well aware of course, Mr. Chairman, that that does include the trust funds surplus.

Senator BYRD. That is right. Now, we want to get to that in a moment. For general operations of government, for the 14-month period of August and September of this year and going through September of next year the cost of operating the Government will exceed by $99 billion the revenue which is to be received for that purpose, namely, general operations of Government. That is correct, is it not?

Secretary BLUMENTHAL. It is in the definition that we use for this; yes.

Senator BYRD. The reason the deficit figure is different from the unified figure which is generally used by the administration and by the press is that there is a surplus in the trust fund?

Secretary BLUMENTHAL. Correct.

Senator BYRD. As I read the surplus in the trust fund, in the current fiscal year there is a $12 billion surplus in the trust fund?

Secretary BLUMENTHAL. I have a number of $11.8 billion.

Senator BYRD. $11.8 billion. For simplicity we could round it off to $12 billion. Then for the upcoming year there will be a surplus of $14 billion in the trust funds?

Secretary BLUMENTHAL. $14.5 billion actually.

Senator BYRD. Either year is more or less the same. Of that surplus you have a surplus of $6 billion in the unemployment trust fund. Is it not correct that that is money that is paid entirely by the employers?

Secretary BLUMENTHAL. That is correct.

Senator BYRD. There is no general revenue in there. It is paid entirely by the employers?

Secretary BLUMENTHAL. That is correct.

Senator BYRD. Why do you need to maintain that figure of $6 billion when unemployment is being reduced. Why do you need to keep such a large surplus?

Secretary BLUMENTHAL. We have to build up those funds in order to have them if and when they are needed, hopefully not for quite a while but the demands on it have been heavy in past times.

We are gratified that unemployment has been dropping but clearly it is necessary to rebuild those funds.

Senator BYRD. Then another large item in the trust fund surplus is $7 billion for Federal employees retirement. There again there is no general taxation involved. That money is put up partially by the employees and partially by the Government?

Secretary BLUMENTHAL. Yes.

Senator BYRD. So were it not for the $14.6 billion surplus in the trust funds, then the figure which is being publicized as the deficit figure, roughly $50 billion, would be that much higher. So the Government will really have a deficit in the current fiscal year and in the upcoming year of approximately $65 billion insofar as general operations of Government is concerned leaving out the trust funds surplus?

Secretary BLUMENTHAL. For fiscal year 1979, Mr. Chairman, if we take the unified budget deficit fo $48.5 billion and we add to it the off-budget deficit, we get to a total borrowing from the public of $62 billion and I think that is probably the relevant figure. Actually it is $48 billion plus the deficit of off-budget Federal entities. Those are the two main deficit items. That gives us $61 billion which is the extent to which the Government is in the hole as I would put it.

Senator BYRD. But the fact is, as both of us agreed earlier, the fact is you are saying in your statement that the cost of operating the Government, the general operations of Government will exceed by $19 billion the revenues during the next 2 months and by $80 billion the revenues for the following 12 months?

Secretary BLUMENTHAL. Yes; that includes, of course, the cash balances, that includes the contingency reserve that we normally provide for and that is somewhat different from the actual deficit that we anticipate.

Senator BYRD. The Treasury may have different figures—and I don't have the precise figure, in my head but my guess is that there has never been a 14-month period in the history of our country where we have had a $99 billion increase in the national debt over that short period of time. If the Treasury had different figures, I will be glad to have them put in the record.

Secretary BLUMENTHAL. I don't have it for a 14-month period, Mr. Chairman. That may well be correct. I do know that the worst year from that point of view as a year was 1976. We had then a Federal funds deficit of $69 billion. We had a unified budget deficit of $66 billion compared to $48.5 billion. Total borrowing from the public in 1976 was almost $83 billion. We are anticipating $62 billion in 1979, so we compare favorably to 1976 but to no other year.

But that is scant comfort. I don't mention that in order to praise our performance but rather that gives it on a year by year basis. You may well be right for that particular 14-month period, it is a record. I hope not but it may well be.

Senator BYRD. I think you are right. We can scarcely take comfort in being compared favorably with the worst year in history.

In mentioning the trust fund, it brings to mind social security of course. Senator Long, as chairman of the Finance Committee, stated many times that he felt it would be very undesirable to finance social security benefits from the general funds or from what he called printing press money since there is no surplus in the Treasury and payments can be made only through what he called printing press money.

Could you give the committee your view on that as to what would be the wisest and most appropriate approach?

Secretary BLUMENTHAL. There have been a number of suggestions that this year there be a change in the method of financing, that there be a reduction in social security taxes this year to be possibly made up with some general revenues. The administration's position has been that that is not desirable at this time. I strongly support that. It is my view that if we take another look at social security financing in the future, that we should rely on raising the resources that we need through taxation unless there are some very special circumstances.

I think their information is that as we do that we need to look at not only the long-term demands on the system but also the amount of benefits that are received, how they are increasing, the coverage—there are gaps in the coverage—and I would think if we look at the financing in the context of the demands on the system, the benefits that are received and the coverage, it would be my hope that we can try to do that without going to general revenue financing. But I am not really in a position to suggest at this time, Mr. Chairman, what the administration would propose in the context of such a revenue. I am clear that we do not wish to change that and go to general revenue financing this year.

Senator BYRD. It seems to me the social security program is probably more important to more people than any other program in Government. I feel we have a deep obligation to handle that program in a way that when individuals retire that there will be money available to take care of their retirement obligations. I assume you have no quarrel with Senator Long's description that if we do attempt to pay social security out of the general revenues under existing conditions it would be in effect printing press money that we would be using?

Secretary BLUMENTHAL. Certainly as long as we have a deficit and we use general revenue in a period in which we are substantially in deficit, some share of the general revenues are derived from this deficit financing. I think that is correct.

We recently published—I am one of the social security trustees as you know, together with the Secretaries of HEW and Labor—we recently published our report and we did indicate at the present time we consider the health of the social security fund to be adequate so that people are able to look with some assurance to these funds as being adequate to provide the resources to pay their benefits when the time comes for retirement. So we are in pretty good shape at the moment.

Senator BYRD. Had it not been for the action Congress took last year I assume these funds would be in a very adverse condition.

Secretary BLUMENTHAL. The Congress I think, after careful consideration, voted increases rather than going to general revenue financing. The President indicated he found that approach acceptable and that is the one we are operating under and it should not be lightly changed.

Senator BYRD. I feel the same way. I just think the program is so vitally important to so many people.

Let me read you a statement and see whether you might concur in it.

> If the Federal Reserve takes the restraint off and lets the money be printed then, sure, there could be lower interest rates for a while but then there would be a terrible inflation and disaster.

Would you comment on that statement?

I might say it was made by Chairman Miller of the Federal Reserve Board.

Secretary BLUMENTHAL. I think as a general statement that clearly is correct. In other words, the argument that the Federal Reserve really does not need to worry about the degree to which credit is created and that restraints by the Federal Reserve under all circumstances are inflationary and therefore should be avoided clearly is only one side of the coin and I agree with the chairman that in the longer run it would mean more inflation and probably or almost certainly a severe downturn in the end.

I think the question is not either/or but the question is to what degree the Federal Reserve acts to restrain credit and that is a very difficult problem for the members of that Board, for the Open Market Committee and for the chairman, and I don't suppose anybody suggest that they not restrain at all in this period. I guess it is the degree to which they do so that most of the debate is about.

Senator BYRD. And the degree to which they must do so depends to a great extent on the fiscal policies of Government, does it not, and the extent of the deficits that will be created by the Federal Government?

Secretary BLUMENTHAL. I think there is no doubt, Mr. Chairman, that to the extent to which the Government in a period of inflation exercises fiscal restraint, to that extent the economy will not overheat and to that extent it will be possible for the Federal Reserve obviously to follow more relaxed monetary policies.

If the Federal Government does not exercise fiscal restraint it puts additional pressure on monetary policies. For this reason President Carter, who well recognizes that has in fact ordered us to employ a policy of considerable fiscal restraint for fiscal 1979 and fiscal 1980 and we are as you know, actively at work implementing that policy.

Senator BYRD. The trouble with that is that facts show spending in this fiscal year for example, is increasing, has increased more than 12 percent. Twelve-percent increase in Government spending this fiscal year of 1978. The new budget calls for increase in spending of more than 10 percent. I don't know whether you call that restraint or not. I don't think I could call it restraint.

Secretary BLUMENTHAL. I think an analysis, Mr. Chairman, of this budget, and of the mandated increases that are required, indicates the severe limitations on the administration in moving very rapidly, as rapidly as we would all like, in order to get that spending number down. This relates to the fact that there are many programs voted by the Congress that are mandated and that require certain spending levels.

Actually spending has been reduced. The President is seeking to reduce it to the maximum extent possible in 1979. We started off with a deficit figure that would have been around $60 billion. We are down to $48 and a half billion.

Senator BYRD. That is only because you reduced the tax reduction?

Secretary BLUMENTHAL. No.

Senator BYRD. You did not reduce spending.

Secretary BLUMENTHAL. Not only the tax reduction Mr. Chairman. There has been also less spending than we anticipated. We have reduced our spending estimates. Really it is a combination of several factors, including, on the one hand, the postponement and the reduction of the tax recommendations that we have made.

It is, second, the spending shortfall and the restraint on spending. It is, third, changes as to estimated revenues that will be coming in. So it is a combination of three or four different factors which together give us this lower figure of $48 and a half billion in the deficit. There is a fair amount of spending restraint in there.

Senator BYRD. Mainly it is coming from a postponement or reduction in the amount of taxes that you planned to reduce, presumably for the benefit of the taxpayers.

Secretary BLUMENTHAL. That is part of it. Let me give you one example, Mr. Chairman, of the kinds of problems that we run into. At a recent hearing before you at which I appeared—this was in connection with the capital gains tax issue—you will recall that one of the members of the committee raised with me the question that the travel costs of the Treasury had risen by a fair amount. I think he used the figure of roughly 20 percent. It was a rather large amount.

This shocked me and I went back after the hearing to investigate in some detail what the sources of this increase were because it seemed on the surface to be excessive. I found, Mr. Chairman, that most of that was due to the fact that the Congress had voted an increase in the mileage allowance, so it was a mechanical calculation in effect derived from the fact that there was a cent and a half additional allowance for driving.

There had been voted an increase in the per diem allowance so people traveling no more than they did before were getting a greater per diem, reflecting the inflation. This is where inflation really has its impact.

In addition to which, of course, airline fares have gone up during this period and it was really not so much that we were traveling more or being in any way lavish in that part of our activity, it was merely that the changes that have been agreed to in the Government caused this kind of increase.

This is a very disturbing factor, but it shows in a small way—this is a very small amount in overall terms—how difficult it is for us to control that.

Now, you can say that why don't you just travel less and try to make up the inflationary impact caused by higher car costs, travel costs, hotel, airlines, and so forth. We are a service agency. The Internal Revenue Service and the Customs Service perform important functions that, first of all, gain revenue and secondly are for the benefit of the average citizen. It provides advice on taxes, and is of assistance on various matters to our businessmen in exporting and facilitating the products that come in. If we try to restrict that service we hear from the Congress immediately, as you well know, and we hear from the citizens and the taxapyers, so we have to maintain—even if we don't increase it—the same level of service.

The same level of service causes these kinds of increases. It shows your concern about inflation is very, very well founded, for only if we control inflation are we able to control these costs.

Senator BYRD. Inflation of course affects Government adversely in many ways, just as it does the average citizen, but on the other hand, is it not correct the Government gains from inflation in that for every 1 percent increase in inflation, the Government gains the revenues of 1.6 percent. No one has an overall gain because it does have disadvantages to the Government as you expressed there when you mentioned the travel cost.

Secretary BLUMENTHAL. On the one hand the Government gains. On the other hand, the Government loses, for many of the payments that the Government makes are indexed. Apart from the kind of payments that you referred to, travel costs are indexed, as well as veterans payments and social security benefits, and in a variety of other ways inflation means the Government has to pay more, including its salaries. On balance I don't really believe anybody gains.

I think the Government loses because inflation then also causes a downturn in economic activity and that is what causes our deficit to increase even more.

Senator BYRD. Everyone loses by inflation as I see it.

Secretary BLUMENTHAL. Absolutely.

Senator BYRD. It seems to me that inflation is the most dangerous problem facing our country today.

Secretary BLUMENTHAL. I agree.

Senator BYRD. I believe in looking forward rather than looking back. I realize that so far as what has been done in the past is concerned, that is water over the dam but I don't think we are going to improve things much if the Government continues to accelerate its own spending at the rate of some 12 percent this year, and a minimum of 10 percent next year. Another interesting aspect is that the national debt has doubled since 1972. That to me is an astonishing figure.

Of our total national debt, one-half has been created in 7 years and the other one-half created in 150 years or whatever it might be, including fighting the War Between the States, the Spanish-American War, World War I, World War II, the Korean war, and most of the Vietnam war during that period of time.

I have read the speeches by various administration officials about how interested the Carter administration is in holding down spending and getting a balanced budget. But we are getting further and further away from a balanced budget. The deficits are accelerating. They are not decreasing.

Secretary BLUMENTHAL. That statement I hope we will be able to disprove, Mr. Chairman. I certainly fervently hope and expect so because we are reducing the deficit somewhat in 1979 over 1978. From the planning that is going on, I think I could say with virtual certainty that there will be a significant reduction in the deficit in fiscal 1980.

We are beginning to work on that and, of course, the President has said that he wishes to try to bring the budget to balance by 1981 and I certainly hope he will come reasonably close to that.

So that we are, at the moment, on the right track to get that down. And I think the increases in the deficit are precluded, that is, short of a very major disaster in the economy, and I don't expect that to happen.

Senator BYRD. I think you might be correct in that you may not exceed the deficits of 1976, which was the all-time high. But except for that, you have a long way to go to get down to what the deficits were—to even what they were in the Johnson administration. And they were high.

Secretary BLUMENTHAL. The present 1979 unified budget deficit figure of $48.5 billion is somewhat lower than that of 1978, of $51.1 billion, as we estimate it now.

Senator BYRD. It is close.

Secretary BLUMENTHAL. Close, but somewhat lower.

Senator BYRD. I think it is of some importance you are only doing that by taking advantage of the trust fund where the moneys are being paid in for a specific purpose and cannot be used for the general operation of government. The large surplus being created in the trust funds are paid mainly by business which is paying into the unemployment fund, which has been built up to a big surplus now, and by civil service retirement fund. You are using that to offset the tremendous increase in the deficit for the general operations of Government.

Secretary BLUMENTHAL. I think you get here into the sort of definitional questions of what is the deficit figure that really measures the extent to which the Government is spending more than it is taking in.

I would say the correct figure to measure that is the unified budget deficit—that is the one I was referring to. One should add in the off-budget borrowing as well, and take those two together.

Senator BYRD. That is another how many billion?

Secretary BLUMENTHAL. $12.9 billion as compared to $11 billion in 1978. We have to be careful because we have changes in cash balances, and so forth, but essentially, it is $12.9 billion compared to $11 billion. That has to be added in.

Senator BYRD. Maybe what happened in California will eventually be heard in Washington. It takes a little while for the news to travel 3,000 miles, I guess I am hopeful that those individuals who are drawing up our next budget will go out to California. I just got back from California.

Secretary BLUMENTHAL. So did I, Mr. Chairman. Just yesterday.

Senator BYRD. I am sorry we didn't go together.

Secretary BLUMENTHAL. Everybody asked me out there whether the message was being heard, and I said I thought that it was. Everybody also asked me what the impact on the Federal budget of the proposition 13 was likely to be, and whether we would find a way to give that money back to California.

I indicated that we were not really sure yet what it would be, but that it would mean some slight increase in revenues from California.

Senator BYRD. I was hoping you would say it would mean some reductions in spending by the Federal Government.

Incidentally, I think this is rather astonishing. The State of California just last week, when you and I were in California, passed the new budget and it has an actual dollar reduction for the first time in 17 years. It can be done. It can be done on a Federal level if the Congress and the President are so determined to do it. But it has to be done by both of them working together.

One can't do it without the cooperation and the help of the other.

Secretary BLUMENTHAL. Of course, they are in a somewhat more fortunate position in that they had an accumulated surplus that they can work off and they, I think, have an annual surplus that they can take into account.

Senator BYRD. They are in a much more fortunate position than the Federal Government. As a matter of fact, there is no State in the Union that is in as bad a financial condition as the Federal Government. Would you agree with that statement or not?

Secretary BLUMENTHAL. As measured by the deficit, that certainly is true.

Senator BYRD. And there is no city, including New York, that is in worse financial condition than the Federal Government.

Secretary BLUMENTHAL. If you take the deficit as a measure that is certainly true, but if you relate that deficit to other things, it is not quite as bad for the Federal Government.

In other words, if you take spending as a percentage of GNP, the President has, as you know, indicated that he wants to get that down to 21 percent of GNP.

We are moving in that direction. We are reducing that percentage. Even if you take taxes as a percentage of personal income, they are coming down somewhat, so we are improving our financial position.

I hope that that will be reflected in the kinds of buoyant economic activity that will enable us to get that deficit down and the budget into balance.

Senator BYRD. If taxes are coming down, I don't believe the public generally realizes it.

Secretary BLUMENTHAL. The public, understandably, feels that taxes are too high. They are too high in many ways. Sometimes people feel taxes are higher than they really are, but that is understandable, too.

I was at a town meeting, Mr. Chairman, in California and we discussed the tax legislation and one of the people in the town meeting suggested that there be a vote on whether taxes on business ought to be reduced within a $20 billion tax bill. And so, there was a vote, a show of hands on whether taxes on business ought to be reduced or taxes for individuals ought to be reduced, and it split very evenly.

Fifty percent of about 400 people there—50 percent wanted taxes on business reduced, 50 percent wanted taxes on individuals reduced. Then, I asked whether they wanted taxes on both reduced, and 100 percent raised their hands, including myself.

Everybody thinks taxes are too high and they want them all reduced. They don't necessarily want all the services reduced, so we do have a difficult problem to deal with.

Senator BYRD. I do believe, though, most people feel, maybe wrongly—I think rightly—that we have too much Government.

Government is trying to do too many things for too many people; trying to get into too many matters that Government ought not to get into and as long as we continue doing that, then the deficit, the spending is going to increase.

It will either be financed by inflation or it will be financed by more taxes. It is the only way you can do it, isn't it?

Secretary BLUMENTHAL. That is correct. That is the general feeling.

Senator BYRD. You can do it through printing press money, but that, in effect, is doing it through inflation, is it not?

Secretary BLUMENTHAL. Yes, sir.

Senator BYRD. Let me ask you this: It has been estimated $45 billion in net new cash must be raised publicly during the second half of this year. As I understand it, this is the second largest cash borrowing by the Treasury, is that correct?

Is my understanding of that correct?

Secretary BLUMENTHAL. It is the second largest. The amount of borrowing in the second half of the year—the figure I remember is about $33 billion which is very large, also.

Senator BYRD. In any case, it is the second largest borrowing that Government has had to do in a 6-month period.

Secretary BLUMENTHAL. Right. It is the largest half-year borrowing since the fiscal year 1976.

Senator BYRD. That, in itself, is not very encouraging, it seems to me.

Secretary BLUMENTHAL. That is right. It is of concern. I think we have to bear in mind that fortunately, the economy has been growing, is growing from year to year, and that therefore, the sources of funds are also increasing and therefore, while it is a large mount relating the credit demands of the Government to total credit demands, we are not really appreciably out of line with the previous year, and certainly, not with, again, that awful year of 1976.

So, we think it can be managed without any undue difficulty, but it is a large amount.

Senator BYRD. And I assume it is correct that the more the Government goes into the money market, the greater the pressure there is on interest rates.

Secretary BLUMENTHAL. That has to be related, Mr. Chairman, to the total supplies, total sources of funds available in the market and the total demands on it.

Actually, for 1978, the credit demands of the Federal Government, as a percentage of the total, are down over 1977, over 1976, and over 1975.

Let me give you the figures. In 1975, the Federal Government accounted for 38 percent of the total credit demands, 38.7 percent. That dropped to 22.2 percent in 1976, 14.1 percent in 1977, and to, we estimate, 12.9 percent for the total year of 1978.

Now, those figures have to be interpreted somewhat because, obviously, total credit demands in 1975, a deep recession year, were much, much lower than they are now. So, the private sector was not really that heavily in the market demanding credit.

Nevertheless, the direction in that regard has been encouraging and Federal Government credit demands, therefore, are not excessive in 1978, although the second half is greater than the first.

Senator BYRD. In the second half, you mentioned $33 billion. I assume that is new money that you are speaking of?

Secretary BLUMENTHAL. That is new money, that is right.

Senator BYRD. But then, is it not correct that on top of that, you would need another $10 to $12 billion for securities which will mature?

Secretary BLUMENTHAL. This includes refinancing, Mr. Chairman. It is the total financing requirements of the Federal Government. Refinancing and additional.

Senator BYRD. Is not the Treasury preparing to sell some $7 billion which will fall due either this month or in early August?

Secretary BLUMENTHAL. Mr. Chairman, I would like to correct that statement. There is an error here. You are quite right. The $33 billion is only new money. You are correct. The refinancing annually is about $175 billion. I don't have the exact number for the second half, so, obviously, that is only the new money.

Senator BYRD. Only the new money.

Secretary BLUMENTHAL. Yes.

Senator BYRD. Thank you. That is what I had thought.

I think one matter of concern—and it ties in with the need to increase the debt ceiling—is the fact that in one Department of Government, the Inspector General of that Department, HEW, on April 3 of this year, issued a formal report in which he stated between $6.3 and $7.4 billion was misspent last year by HEW; misspent through waste, mismanagement, and fraud. That is an official Government report from the Inspector General of that one Department. Yet—maybe I missed it—if it is available, I would like to put it in the record—I have not seen any administration official condemn that. You are closer to it than I am. Maybe you have seen and heard remarks that I have not heard, but I have not seen, in the public press, that any official has condemned it.

Secretary BLUMENTHAL. Mr. Chairman, I am not, at the moment, able to cite a public statement, although I am sure there have been some by the administration, and particularly by Secretary Califano.

I do know that the President and Secretary Califano are most concerned about the inefficient use of these funds in HEW and that they are doing their best to correct whatever sources of inefficiencies that exist.

I will be glad to get a statement on that.

Senator BYRD. Has the President made any public statement on that?

Secretary BLUMENTHAL. I am nor aware.

Senator BYRD. Mr. Califano has, and it was a most interesting public statement. He said the Inspector General was not totally correct, that it was only $6 billion which was misspent through waste, mismanagement, and fraud.

Secretary BLUMENTHAL. Did he say anything with regard to the $6 billion? I am sure he does not like it.

Senator BYRD. He did not indicate any affirmative action that he was taking to protect the taxpayers on that $6 billion? Incidentally, the Inspector General said the $6.3 to $7.4 was a conservative estimate. The only quarrel that Secretary Califano and the Inspector General seemed to have is a matter of whether it is a little more than $6 billion or $6 billion, but in any case, it is a huge amount of money. It is twice as much as all the taxpayers in the State of Virginia—the 12th largest State in the Union—pay in to your Treasury.

I must say that it is a discouraging thing when something like that happens and the administration in charge of the Government accepts it and says little or nothing in regard to it.

If you do run it to any statements, I would be glad to have them inserted in the record.

Secretary BLUMENTHAL. I will.

Senator BYRD. Thank you very much, Mr. Secretary. I appreciate your being here today.

Secretary BLUMENTHAL. Thank you, Mr. Chairman.

Senator BYRD. Mr. Secretary, we may have a few questions for the record if that is satisfactory to you.

Secretary BLUMENTHAL. Right.

[The prepared statement of Secretary Blumenthal and answers to Senator Byrd's questions follow:]

STATEMENT OF THE HON. W. MICHAEL BLUMENTHAL, SECRETARY OF THE TREASURY

Mr. Chairman and members of the committee: I am pleased to be here today to advise you of the Treasury's debt management requirements through the fiscal year 1979.

The present temporary debt limit of $752 billion will expire at the end of this month, and the debt limit will then revert to the permanent ceiling of $400 billion. Legislative action by July 31 will be necessary, therefore, to permit the Treasury to borrow to refund securities maturing after July 31 and to raise new cash to finance the estimated deficits in the budgets approved by Congress for the fiscal years 1978 and 1979.

In addition, to permit the Treasury to continue borrowing in the long-term market, it will be necessary to increase the $27 billion limit on the amount of bonds which we may issue without regard to the 4¼ percent interest rate ceiling on Treasury bond issues.

Finally, we are repeating our earlier request for authority to permit the Secretary of the Treasury, with the approval of the President, to change the interest rate on U.S. Savings Bonds if that should become necessary to assure a fair rate of return to savings bond investors.

DEBT LIMIT

Turning first to the debt limit, our current estimates of the amounts of debt subject to limit at the end of each month through the fiscal years 1978 and 1979 are shown in the attached table. The table indictates that the debt subject to limit will increase to $768 billion on September 30, 1978, and to $848 billion on September 30, 1979, assuming a $15 billion cash balance on those dates. The usual $3 billion margin for contingencies would raise these amounts to $771 billion on September 30, 1978, and $851 billion on September 30, 1979. Thus, the present debt limit of $752 billion would need to be increased by $19 billion to meet our financing requirements through the remainder of fiscal 1978 and by an additional $80 billion to meet the requirements in fiscal 1979. The amount of the debt subject to limit approved by Congress in the May 1978 Budget Resolution is $849.1 billion.

BOND AUTHORITY

I would like to turn now to our fiscal 1979 need for an increase in the Treasury's authority to issue long-term securities in the market without regard to the 4¼ percent ceiling. This limit has been increased a number of times, and in the debt limit act of October 4, 1977, it was increased from $17 billion to the current level of $27 billion. To meet our requirements in the fiscal year 1979, the limit should be increased to $37 billion.

The Treasury to date has used almost $23 billion of the $27 billion authority, which leaves the amount of unused authority at about $4 billion. While the timing and amounts of future bond issues will depend on prevailing market conditions, a

$10 billion increase in the bond authority would permit the Treasury to continue its recent pattern of bond issues throughout fiscal year 1979 and achieve a better balance in the maturity structure of the debt.

SAVINGS BONDS

In recent years, Treasury has recommended frequently that Congress repeal the ceiling on the rate of interest that the Treasury may pay on U.S. Savings Bonds. The current 6 percent statutory ceiling was enacted by Congress in 1970. Prior to 1970 the ceiling had been increased many times as market rates of interest rose and it became clear that an increase in the savings bond interest rate was necessary to provide investors in savings bonds with a fair rate of return.

Mr. Chairman, we do not feel that an increase in the interest rate on savings bonds is necessary today. Yet, we are concerned that the present requirement for legislation to cover each increase in the rate does not provide sufficient flexibility to adjust the rate in response to changing market conditions. The delays encountered in the legislative process could result in inequities to savings bond purchasers and holders as market interest rates rise on competing forms of savings.

Furthermore, Treasury relies on the savings bond program as an important and relatively stable source of long-term funds. On that basis, we are concerned that participants in the payroll savings plans and other savings bond purchasers might drop out of the program if the interest rate were not maintained at a level reasonably competitive with comparable forms of savings.

Any increase in the savings bond interest rate by the Treasury would continue to be subject to the provision in existing law which requires approval of the President. Also, the Treasury would, of course, give very careful consideration to the effect of any increase in the savings bond interest rate on the flow of savings to banks and thrift institutions.

I will be happy to try to answer questions.

ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION

[In billions of dollars]

	Public debt subject to limit [1]	With $3,000,000,000 margin for contingencies		Public debt subject to limit [1]	With $3,000,000,000 margin for contingencies
1978:			1979:		
July 31	755	758	Jan. 31	794	797
Aug. 31	766	769	Feb. 28	805	808
Sept. 30	768	771	Mar. 31	817	820
Oct. 31	779	782	Apr. 18	821	824
Nov. 30	791	794	Apr. 30	809	812
Dec. 31	793	796	May 31	827	830
			June 30	821	824
			July 31	829	832
			Aug. 31	843	846
			Sept. 30	848	851

[1] Monthly estimates are consistent with the fiscal year estimates in the Mid-Session Review of the 1979 Budget (released July 6, 1978) that the debt subject to limit will be $768,300,000,000 on Sept. 30, 1978, and $847,800,000,000 on Sept. 30, 1979, assuming a constant Treasury cash balance of $15,000,000,000.

ADDITIONAL INFORMATION REQUESTED BY HARRY F. BYRD, JR. FOR THE RECORD

(1) Please furnish the Subcommittee with an updated version of the attached Tables.

(2) One of the big issues surrounding the national debt is the extent to which Treasury borrowing will "crowd out" other borrowing. Please submit the total volume of Treasury borrowing in F/Y's 1978 and 1979, and compare this Treasury borrowing with the total funds to be raised in U.S. capital markets by all borrowers.

(3) Please submit the total funds held by foreign investors and the amount and percent of these funds which is held by foreign official accounts and by other investors.

(4) In addition to the public debt, there is also debt of off-budget government agencies. Please furnish the ownership of this off-budget debt.

Interest rates used to estimate interest on the public debt for fiscal years 1978 and 1979 (as presented in the mid-session review of the 1979 budget)

Maturity:	Interest rate [1] (percent)
13 weeks	6.6
26 weeks	7.1
52 weeks	7.3
1 to 3 years	8.0
3 to 6 years	8.25
Over 6 years	8.4

[1] Rates based on market yields prevailing in June 1978.

ESTIMATED FUNDS TO BE RAISED IN U.S. CAPITAL MARKETS

[Dollar amounts in billions]

	Total	U.S. Treasury	Treasury as percent of total
Fiscal year 1978	$442.9	$54.9	12.
Fiscal year 1979	441.5	62.1	14.

Source: U.S. Treasury Department (July 1978).

FOREIGN HOLDINGS OF TREASURY PUBLIC DEBT SECURITIES, MAY 31, 1978

	Amount (billions)	Percent
Foreign and international official accounts	$117.0	97.7
Other	2.7	2.3
Total	119.7	100.0

Source: U.S. Treasury Department (July 1978).

Major foreign holders of Treasury public debt securities, April 30, 1978

	(Millions)
Oil producing countries	$15,148
Belgium	1,459
Canada	2,286
France	3,817
Germany	31,134
Italy	3,862
Japan	24,512
Netherlands	2,791
Switzerland	7,965
United Kingdom	9,455
International and regional	5,742
All Other	12,236
Total	120,407

Source: Office of the Secretary of the Treasury, Office of Government Financing, June 27, 1978.

MATURITY DISTRIBUTION OF FOREIGN HOLDINGS OF TREASURY PUBLIC DEBT SECURITIES, APR. 30, 1978

[In millions of dollars]

Years to maturity	Marketable	Nonmarketable	Total
Under 1 yr	68,596	8,767	77,363
1 to 5 yr	26,198	12,365	38,563
5 to 10 yr	1,427	3,050	4,477
Over 10 yr	4		4
Total	96,225	24,182	120,407

Source: Office of the Secretary of the Treasury, Office of Government Financing, June 27, 1978.

OWNERSHIP OF FEDERAL AGENCY DEBT, MAY 31, 1978

[In millions of dollars]

Agency	Outstanding	Federal Reserve and Government accounts	Privately held
Export-Import Bank	$2,494	$84	$2,410
Federal Housing Administration	608	143	464
Government National Mortgage Association	3,701	1,659	2,042
Postal Service [1]	250	37	213
Tennessee Valley Authority	1,825		1,825
Other [2]	936	110	826
Total	9,814	2,034	7,781

[1] Postal Service in an off-budget agency.
[2] Includes Defense and Coast Guard family housing mortgages.

Note.—Figures may not add to totals due to rounding.
Source: Office of the Secretary of the Treasury, Office of Government Financing, June 29, 1978.

TRUST FUND RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT, FISCAL YEARS 1978 AND 1979

[In billions of dollars]

Description	1978 estimate			1979 estimate		
	Receipts	Outlays	Surplus or deficit (—)	Receipts	Outlays	Surplus or deficit (—)
Federal old-age and survivors, and disability insurance trust funds	89.8	94.2	—4.4	102.4	104.1	—1.7
Health insurance trust funds	27.7	25.2	2.4	31.8	29.5	2.3
State and local government fiscal assistance trust fund	6.9	6.8	(1)	6.9	6.9	(1)
Unemployment trust fund	15.0	11.3	3.7	16.1	11.9	4.2
Railroad employees retirement funds	4.0	4.1	—.1	4.0	4.3	—.3
Federal employees retirement funds	17.9	11.0	6.9	19.5	12.3	7.2
Airport and airway trust funds	1.5	1.1	.4	1.3	1.1	.2
Highway trust funds	7.6	6.1	1.5	8.0	7.1	.9
Foreign military sales trust fund	7.9	8.2	—.3	9.4	9.5	—.1
Veterans life insurance trust funds	1.0	0.7	.3	1.0	.8	.2
Other trust funds and trust revolving funds	1.0	—0.3	1.4	1.2	—.5	1.7
Subtotal	180.2	168.5	11.8	201.7	187.1	14.6
Intrafund transactions	—1.6	—1.6		—1.4	—1.4	
Proprietary receipts from the public	—8.9	—8.9		—10.5	—10.5	
Receipts from off-budget Federal entities	—1.2	—1.2		—1.2	—1.2	
Total	168.4	156.7	11.8	188.6	174.0	14.6

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

Note: Includes proposed legislation as follows:

	1978 estimate			1979 estimate		
	Receipts	Outlays	Surplus or deficit (—)	Receipts	Outlays	Surplus or deficit (—)
Federal old-age and survivors, and disability insurance trust funds				(*)	—0.3	—0.3
Health insurance trust funds		(*)	(*)	(*)	—.6	—.6
Federal employees retirement funds				(*)		(*)
Airport and airway trust funds				(*)	(*)	(*)
Highway trust funds				—0.3		—.3
Other trust funds and trust revolving funds				(*)	(*)	(*)

* Less than $50,000,000.

Source: Office of Management and Budget. 1978 and 1979 estimates are from the Mid-Session Review of the Budget, July 6, 1978.

The national debt in the 20th century* [1]*: Totals at the end of fiscal years

(Rounded to the nearest billion dollars)

1900	1	1941	58
1901	1	1942	79
1902	1	1943	143
1903	1	1944	204
1904	1	1945	260
1905	1	1946	271
1906	1	1947	257
1907	1	1948	252
1908	1	1949	253
1909	1	1950	257
1910	1	1951	255
1911	1	1952	259
1912	1	1953	266
1913	1	1954	271
1914	1	1955	274
1915	1	1956	273
1916	1	1957	272
1917	3	1958	280
1918	12	1959	288
1919	25	1960	291
1920	24	1961	293
1921	24	1962	303
1922	23	1963	311
1923	22	1964	317
1924	21	1965	323
1925	21	1966	329
1926	20	1967	341
1927	19	1968	370
1928	18	1969	367
1929	17	1970	383
1930	16	1971	409
1931	17	1972	437
1932	19	1973	468
1933	23	1974	486
1934	27	1975	544
1935	29	1976	632
1936	34	TQ	646
1937	36	1977	709
1938	37	1978 [2]	776
1939	48	1979 [2]	845
1940	51		

[1] Gross Federal debt.
[2] Estimated figures.

Source: Office of Management and Budget (July 1978).

DEFICITS IN FEDERAL FUNDS AND INTEREST ON THE NATIONAL DEBT FOR FISCAL YEARS 1959 TO 1979, INCLUSIVE

[Prepared by U.S. Senator Harry F. Byrd, Jr., of Virginia; in billions of dollars]

Year	Receipts	Outlays	Surplus (+) or deficit (−)	Debt interest [1]
1959	65.8	77.0	−11.2	7.8
1960	75.7	74.9	+.8	9.5
1961	75.2	79.3	−4.1	9.3
1962	79.7	86.6	−6.9	9.5
1963	83.6	90.1	−6.5	10.3
1964	87.2	95.8	−8.6	11.0
1965	90.9	94.8	−3.9	11.8
1966	101.4	106.5	−5.1	12.6
1967	111.8	126.8	−15.0	14.2
1968	114.7	143.1	−28.4	15.6
1969	143.3	148.8	−5.5	17.6
1970	143.2	156.3	−13.1	20.0
1971	133.8	163.7	−29.9	21.6
1972	148.8	178.1	−29.3	22.5
1973	161.4	187.0	−25.6	24.8
1974	181.2	199.9	−18.7	30.0
1975	187.5	240.0	−52.5	33.5
1976	201.1	269.9	−68.9	37.7
Transition quarter	54.1	65.1	−11.0	8.3
1977	241.3	295.9	−54.5	42.6
1978 (estimated)	269.4	332.2	−62.9	49.2
1979	298.3	361.4	−63.1	55.9

[1] Interest on gross Federal debt.

Source: Office of Management and Budget, (July 1978).

ANALYSIS OF FEDERAL RECEIPTS AND EXPENDITURES, FISCAL YEARS 1970–79

[Prepared by Senator Harry F. Byrd, Jr., of Virginia, July 1978; in billions of dollars]

	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979 [1]
RECEIPTS											
Individual income taxes	90	86	95	103	119	122	132	39	158	182	200
Corporate income taxes	33	27	32	36	39	41	41	8	55	59	61
Subtotal, income taxes	123	113	126	136	158	163	173	47	213	241	261
Excise taxes (excluding trust funds)	11	10	11	10	10	9	11	3	10	10	16
Estate and gift	4	4	5	5	5	5	5	1	7	5	6
Customs	2	3	3	3	3	4	4	1	5	6	7
Misce'laneous Federal funds	3	4	4	4	5	7	8	2	7	7	9
Total, Federal fund receipts	143	134	149	161	181	188	201	54	241	269	298
Trust funds (social security and highway, etc.) less interfund transactions	51	54	60	71	84	93	99	28	116	132	150
Total	194	188	209	232	265	281	300	82	358	401	448
EXPENDITURES											
Federal funds	156	164	178	187	200	240	270	65	296	332	361
Trust funds (less interfund transactions)	40	48	54	60	70	86	96	30	107	120	135
Total	197	211	232	247	270	326	366	95	403	452	497
Unified budget surplus (+) or deficit (−)	−3	−23	−23	−15	−5	−45	−66	−13	−45	−51	−48
Federal funds deficit	−13	−30	−29	−25	−19	−53	−69	−11	−55	−63	−63

[1] Estimated figures.

Source: Office of Management and Budget July 1978.

GROSS NATIONAL PRODUCT

[Prepared by U.S. Senator Harry F. Byrd, Jr., of Virginia, July 1978; in billions of dollars]

Year	Raw figure	Adjusted figure[1]
1972	1,171	1,171
1973	1,307	1,235
1974	1,413	1,214
1975	1,516	1,192
1976	1,706	1,275
1977	1,890	1,337
1978 (estimated)	2,095	1,392
1979 (estimated)	2,330	1,453

[1] To account for inflation; Adjusted to 1972 dollars.

Source: Office of Management and Budget.

U.S. GOLD HOLDINGS, TOTAL U.S. RESERVE ASSETS, AND U.S. GOVERNMENT LIQUID LIABILITIES TO FOREIGNERS

[Prepared by U.S. Senator Harry F. Byrd, Jr., of Virginia; selected periods in billions of dollars]

	Gold holdings	Total assets	Liquid liabilities
End of World War II	20.1	20.1	6.9
Dec. 31, 1959	19.5	21.5	19.4
Dec. 31, 1970	11.1	14.5	47.0
Dec. 31, 1973	11.7	14.4	92.5
Dec. 31, 1974	11.7	15.9	119.2
Dec. 31, 1975	11.6	16.2	126.6
Dec. 31, 1976	11.6	18.7	151.4
June 30, 1977	11.7	19.2	163.4
Dec. 31, 1977	11.7	19.3	192.3
May 31, 1978	11.7	19.0	205.2

Source: U.S. Treasury Department (July 1978).

Senator BYRD. The next witness today is Dr. Raymond J. Saulnier, Professor Emeritus, Barnard College, Columbia University, former Chairman of the Council of Economic Advisers.

The committee is very pleased to have you, Dr. Saulnier. We appreciate your coming from New York and being here this morning. You may proceed as you wish and any statements that you wish to put in the record will be put there in full. You can handle your remarks in any way you see fit.

STATEMENT OF RAYMOND J. SAULNIER, PROFESSOR EMERITUS, BARNARD COLLEGE, COLUMBIA UNIVERSITY, FORMER CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

Mr. SAULNIER. Thank you very much, Mr. Chairman.

My name is Raymond J. Saulnier. I am Professor Emeritus of Economics at Barnard College, Columbia University, and I was Chairman of the Council of Economic Advisers from December 1956 to January 1961, President Eisenhower's second term.

I am delighted, Mr. Chairman, to be here this morning.

I have a short statement which I will read, and I would be happy, at the conclusion of that, to respond as best I can to any questions you may have.

Senator BYRD. Thank you, sir.

Mr. SAULNIER. I appreciate this opportunity to appear before your committee on the question of raising the Federal debt ceiling. It is obvious that an increase is needed. Without knowing the Treasury's mind on how much this should be, I doubt that I would quarrel with what they ask for. But I have serious concerns about the fiscal policies that make another lifting necessary.

The root of the difficulty is that we have not fully appreciated the need for the Federal Government to balance what it spends into the economy with what it takes out in taxes.

To put it differently, we have failed to appreciate the consequences of huge Federal budget deficits, year after year, and especially when the inflation rate is high and the economy is operating at high levels of employment and production.

This failure, which is part political but also part intellectual, is at the bottom of the inflation problem. And it is at the bottom of the recession risk that we face today. Accordingly, as you debate the perennial debt limit question, I hope you will consider doing something to help put our fiscal affairs in better order. I will have a suggestion before I finish, but first, let me state why I am disturbed at the present situation.

To put it simply, I believe we are on the edge of another full-scale credit crunch, and if it comes, you can be sure it will be followed by another full-scale recession. There seems to me no more than a 50–50 chance we can avoid it. Three key points bear on these risks.

First, it is increasingly clear that for some months we have been much closer to full utilization of productive resources, in any realistic sense of what that means, than has been commonly understood. Economywide averages of unemployment and capacity utilization serve more to mislead and invite complacency than to keep us informed and alert to trouble.

It is specific shortages—skilled labor, materials, transportation facilities, et cetera—that determine when and to what extent increases in overall demand will lead to inflation, and there are many such shortages in the economy today. In other words, we have been much more vulnerable to an inflation speedup than has been commonly realized.

Second, for months we have been in the middle of a credit boom so huge as to guarantee faster inflation, yet little public notice has been taken of this. On the private side of the economy, extensions of consumer instalment credit, net of repayments, reached $50 billion a year as a monthly average early in 1978, twice as high as in 1973.

In mortgage credit, net extensions reached an annualized monthly volume between $80 and $90 billion, just short of twice their 1972–73 peak. The laggard was borrowing by business, but business has now joined the parade. Outstandings of commercial and industrial loans made by commercial banks have recently been rising 30 percent a year.

Third, instead of helping prevent this explosion of private credit from driving us into a credit crunch, Federal fiscal operations have been helping push us into it. This happens, as we all know, when the Federal budget is heavily in deficit. Consider the figures: In the first 8 months of this fiscal year the Federal Government, in the unified budget, injected $49.7 billion more into the economy in spending than it took out in taxes.

Obviously, it had to borrow heavily to do this, thereby adding to credit demands. According to Federal Reserve estimates, the U.S. Government raised funds in credit markets in the first quarter of 1978 at a seasonally adjusted annual rate just below $60 billion, about $2.5 billion more than in the first quarter of 1977. At the same time, there was a spectacular increase in borrowing by federally-sponsored credit agencies.

Let me say here, Mr. Chairman, I am not referring now to off-budget items, but rather to that great collection of agencies sponsored by the Federal Government that are themselves enormously heavy borrowers in the credit markets.

Senator BYRD. If I could interrupt you at that point, Doctor, that would be over and above the figure that Secretary Blumenthal mentioned?

Mr. SAULNIER. It would indeed, sir, and in the first quarter of 1978, which is the last period for which we have Federal Reserve flow-of-fund figures, it is my recollection—I could look the number up to be quite correct, but I think my memory does not fail me—that while the Federal Government was borrowing at a $60 billion rate, federally-sponsored agencies were borrowing at a $24 billion rate, so it is a very large amount.

Senator BYRD. Almost half of what the Federal Government——

Mr. SAULNIER. Almost half, correct.

Putting public and private credit together, what we have is a full-scale credit boom, easily the match of 1972–73. And remember that 1972–73 was followed by severe recession.

Naturally, this vast expansion of credit is causing money supply to increase at a faster rate. And this faster increase of money supply has occurred side by side with faster inflation. The M1 money supply rose a bit under 8 percent annually in the second half of last year. This was already enough to guarantee inflation of at least 6 percent a year, but since March 1978 M1 has been rising at a 12-percent rate.

I am referring here to tabulations that are published regularly by the Federal Reserve Bank of St. Louis, utilizing Federal Reserve figures.

Whether this causes inflation or merely permits it to happen can be left for theoretical discussion. What is relevant is that in a monetary environment of this kind you get inflation. If you flood the economy with money, whatever the reason for the flooding, you get inflation. And the bigger the flood, the bigger the inflation.

Similarly, it follows that in this monetary environment, costs rise faster and faster and help accelerate price inflation. In the first quarter of 1978, compensation costs rose 14 percent per annum while productivity fell 3.6 percent. Labor cost per unit of output, which sooner or later is reflected in prices, rose at the nearly unbelievable rate of 18 percent.

Let me say, Mr. Chairman, this is an estimate of the Bureau of Labor Statistics. It is an annualization of what happened in the first quarter of 1973.

Senator BYRD. Would you mind repeating that again?

Mr. SAULNIER. In the first quarter of 1978, compensation costs rose 14 percent per annum while productivity fell 3.6 percent. Labor cost per unit of output, which sooner or later is reflected in prices, rose at the nearly unbelievable rate of 18 percent, again, an annualized figure.

There must be nonrecurring aberrations in these figures, and it is true that the first quarter of 1978 was full of oddities we hope will not recur. But even allowing for these, the figures are scary to say the least.

So much for where we stand: In the middle of a credit boom, perhaps on the edge of a credit bust, with the Federal Government, however innocently, pushing us closer to the brink. The question is: What to do about it?

Obviously, the committee will want to recommend a higher debt ceiling, and the Congress should vote it. I will not attempt to say how much the increase should be. I have had the experience of being in Government while we were bumping against the ceiling, and I can tell you it is very awkward. I assume Treasury will ask for all the room it needs, but I have difficulty believing that the deficit can be held to the $51.1 billion now being estimated for the full fiscal year 1978 when a shortfall of $49.7 billion has been reported for the first 8 months alone.

Furthermore, there are grounds for doubting that the fiscal 1979 deficit can be held to the official 1978 figure, which, I gather, is approximately the present espectation of the Treasury.

In any case, you can be sure that deficits for the fiscal years 1979 and 1980 will be a lot bigger than $50 billion if the economy goes into recession later this year or nest.

But estimating how much the ceiling should be lifted now is not what concerns me. What concerns me is the destructive effect on the economy of a Federal budget continously in deficit by huge amounts that remain at record levels even at high employment.

Adjusting the ceiling up another notch will take care of the immediate problem, but Treasury will be back again. I hope the committee will do something now that will help make these future appearances less deplorable occasions.

I am gratified that in his remarks this morning, the Secretary of the Treasury, himself, employs the word "deplorable."

The basic need is to bring budget deficits down by considerable amounts. And this is something only Congress can do. You cannot "leave it to the Fed" to cope with the inflationary consequences of a long series of high-employment deficits. If you leave it to the Fed, interest rates will go higher, the credit boom will become a credit bust, and we will drop again into recession.

If this doesn't follow from the present credit boom—and I believe the chances of avoiding it are no better than 50–50—you can be sure there will be another crisis point later on. And you cannot leave the inflation problem to Mr. Strauss or to Mr. Bosworth. The answer is to start the corrective process here in Congress, where budget deficits are hatched in decisions on spending and taxes.

Accordingly, when this committee proposes once more to lift the debt ceiling, as I anticipated it will, I hope you will say in the strongest and plainest language you can find that budget deficits must be reduced and ultimately eliminated. What we need is not a discussion budget theory in the abstract; we need a proposal for getting from where we are to where we should be.

I hope you will say that the way to do this is systematically and gradually—but not too gradually—to reduce the rate at which Federal expenditures are increasing. The practical question for the committee is clear: How to define the proper spending rate and how to reach it.

It seems obvious that one should not try to do this by putting a limit on the deficit itself, although in some States the law requires that if a deficit occurs in a given year, the Governor must propose a budget for the following year that corrects it, in some cases, even to come in before a fiscal period is finished with corrective proposals.

For one thing, it is a mistake to assume that what is workable for one or more State governments is workable for the Federal Government. National economic stabilization requires not the jiggering of Federal expenditures to meet revenues of the previous year, but an expenditure trend that is steady and broadly in line with revenues when economic resources are employed as they have been in 1977–78.

Second, I am skeptical of proposals that would try to restrain Federal spending by putting a limit on the amount the Federal Government can tax. Those who put their faith in this apparently believe that Government can be relied on to limit expenditures to available revenues. This may work for State governments unless the Federal Government underwrites anything they do—and it is being opportuned to do so frequently, especially by my own city—State governments and municipalities are brought up short in capital markets if their budget deficits are too big for too long.

But the Federal Government is free of this restraint. It can always borrow, even if the money has to be freshly printed. All that will stop inflationary budgeting at the Federal level—if it is not stopped by a self-imposed restraint on spending—is the trauma of hyperinflation.

Clearly, the sensible way to reduce deficits is to set limits on the increase of Federal spending, and I suggest that you say so to the Senate Budget Committee.

Speaking respectfully, I believe the budget committees of both houses, and their economic aides, need to weigh more heavily than they have in the past the serious consequences for inflation, for the structure of the economy, and for the U.S. position in the world, specifically for the U.S. dollar, of operating the Federal Government with huge budget deficits when inflation is high and when economic resources are utilized at the 1977–78 rate.

We need a new look in national economic policy. We need it not because of what happened in California, though there are messages in proposition 13 for Government at every level. We need it because the old look has put us in trouble. In particular, the budget committees of Congress need to take a more realistic view of the conditions under which demand pressures cause inflation to accelerate.

And they should reassess their views on how to stimulate the economy to greater productivity and higher growth. It is time to abandon the belief that the way to do this is to increase Federal spending; or that when the economy needs a lift, a bigger deficit is better than a smaller one.

It is time to show faith in what the private side of the economy will do if the Federal Government operates within a budget broadly in balance. It is a question of business environment. Under interest rates that are lower than when Federal deficits are huge, and with the outlook for lower inflation rates assured, the enterprise system will provide the dynamism that yields higher productivity, higher growth and higher real income.

How much the rate of spending increase will need to be cut to balance the Federal budget, and how long it will take, are questions that require careful calculation, but as a rough estimate, I would say the present rate of increase in spending should be cut by about one-third. I emphasize, Mr. Chairman, that I am not saying that Federal spending should be cut by one-third. I am saying that the annual rate of increase should be reduced by one-third.

Senator BYRD. The rate of increase is reduced, that does not mean a reduction in spending. It would still be an increase in spending.

Mr. SAULNIER. It would still be an increase in spending, exactly, sir. This would mean cutting the increase of annual spending from the present 12 percent a year to something closer to 8 percent. It would bring the budget to balance in fiscal 1982 if revenues increase in the interim at their current 11 percent a year.

It is already late to be doing this. I do not say it should be done quickly, or that it can be done without complaint. But it had better be started.

The occasion of lifting the debt ceiling would be a good time to start the process.

That concludes my prepared statement, Mr. Chairman. As I indicated, I would be glad to respond to any questions there may be for me.

Senator BYRD. Thank you, Dr. Saulnier. That was a powerful statement that you presented to the committee. It is so sensible that I regret to say I am not sure how well it will be received around the Capitol. There is so much sound advice and judgment in what you have to say, I would hope that my colleagues would give it very serious study.

Besides putting it in the record of this committee hearing, I want to, in a couple of days when I have had a chance to add a few prefatory remarks, I want to put it into the Congressional Record rather than wait until these hearings are formally printed.

I am delighted Senator Hansen, of Wyoming, is here this monring. I have several questions and then I will yield to Senator Hansen and I will ask several more after that.

I think the points you make about reducing the rate of increase in spending is a key point. When we increase spending by 12 percent, as we are doing in the current fiscal year, more than 10 percent being proposed for next year, among other things, I don't see how the Government can logically and with any degree of success, say to the labor people, you hold down your demands, and say to the business people, you hold down your demands, but we admit we can't hold down the costs of government.

It seems to me we are going in a direction that for many reasons encourages inflation. You mentioned the Budget Committee. My quarrel with the Budget Committee is that under the procedures that we are using, the deficits have become even greater. One thing I can say, however, about the present system, it is better than the old system. It gets all the appropriation bills under one roof and it is beneficial in that respect.

While I don't like to take issue with my colleagues, I agree with you that the Budget Committee should set limits on the rate of increase and take steps to reduce the rate of increase. I also think, however, that if it is to be successful, that the budget originally submitted by the President, whoever he may be, is the first step toward reducing the rate of increase and getting back toward a balanced budget because once the Chief Executive submits a budget, then everyone seems to feel they have a proprietary right; anything that is a change in a downward direction is being taken away from someone.

So, as I see it, both the Congress and the executive branch have to work together on this if we are going to reduce that rate of increase.

Let me ask you this: You mentioned the Federal Reserve Board, and I certainly agree with you the Federal Reserve Board can't be expected to do the job which, in most cases, is really the problem of the executive branch and the Congress. What restraint, if anything, is there on the Federal Reserve Board in increasing, creating money? Just the restraint of the judgment of the individuals, I would assume?

Mr. SAULNIER. That is correct, sir. It is their own restraint. They have virtually unlimited powers to expand the reserves of the banking system, and as they expand the reserve base of the banking system, there can be a multiple expansion of the money supply through the acquisition by the banks of loan assets and securities, including the securities of the Federal Government.

So, the Federal Reserve Board acts basically under a very liberal mandate, and is in the position of having to exercise its own restraint.

Senator BYRD. As I visualize it, as I recollect, there is no statutory limit on the Federal Reserve Board as to what it can do in the way of expanding the money supply.

Mr SAULNIER. No, sir. I should add, Senator, that nowadays we do have understandings between the Federal Reserve and the appropriate committees of the Congress as to what the Board's targets for money supply increase in the future are to be, not that those targets are determined by the Congress, but rather that they are reported to the Congress by the Federal Reserve.

There is extended discussion of them, and presumably, significant influence on the Federal Reserve from the Congress in the setting of the targets, but that is not a statutory limit.

Senator BYRD. There is no statutory limitation that prevents the Federal Reserve from going beyond a certain stipulated amount in expanding the supply.

Mr. SAULNIER. No, there is not; and what is more, Senator, there is no block in practice from the money supply actually increasing by an amount significantly in excess of the target is, which is exactly the situation that we have been in recently.

Senator BYRD. That is what the Congress wants done, anyway.

Mr. SAULNIER. In my observation, Senator, the Federal Reserve Board has usually been in the position of being deterred by the Congress from putting restraints on the increase of the money supply rather than the opposite.

Senator BYRD. That is correct. So, maybe it is a little shorthand in a way, but what this deficit spending that we have been going through for so may years does, really, we are financing the Government, you might say, through printing press money.

Mr. SAULNIER. We are financing our whole economy through substantial increases in what you might call printing press money. I mean by that the aggregate of demand deposits and currency. And part of the responsibility for that rests on the Federal Government, because of its deficits.

Senator BYRD. Senator Hansen?

Senator HANSEN. Mr. Chairman, first let me compliment you on your foresight and wisdom in calling these hearings. For a long time, I have noted your advice as a lone one crying in the wilderness, sensing and perceiving more clearly than most of us the great importance of the Federal Government getting its fiscal house in order.

I despaired a few years ago that we were going to make any progress. I find reason now to take encouragement from some things that have been happening around the country. I think that if there is one message reflected throughout the country in consequence of the actions taken by the California voters, it is to say that most people deplore the excesses of government spending at local, State, and Federal levels and they are particularly incensed with our waste at the national level.

I think they feel we are spending money wastefully and unjustifiably. When you look at some of the things we have done in the last several years to stimulate the economy, we have reason to understand the frustration of the typical voter.

I had an experience 2 weeks ago in Wyoming. Someone asked me what causes inflation. Then, without my having an opportunity to try to explain, he said it is an excess of money that does not represent any effort. It is printing press money.

And that becomes a very personal problem to all people, rich and poor alike, when you note the effort that we have gone to in order to try to combat the impressive weight of the burden of inflation.

I happen to be a cattle rancher and I know a number of my older acquaintances have sold out. They have been frugal. They have been saving. They have done everything that conservative people could do to try to care for themselves in their old age.

And with the increases in capital gains taxes, and the declining value of the dollars that they are able to come up with after they have paid the Federal tax bill, what at one time would have been an adequate amount of money to have seen them through autumn years of their lives now is not sufficient.

It is a pretty deplorable thing, to find people who have managed their affairs well, who have been industrious and active and productive, to find that despite their well-thought-out and well-executed plans, they must fall back on public charity to see them through the golden years of their life.

I think it is time you called these hearings and I am so greatly impressed, Mr. Chairman, with your opening statement that I am going to insert it in the record today because I know that the interest of most Americans is not reflected at all by the absence of members of this committee here today.

I happen to have been tied up, as I know other members have, with other responsibilities. We had a markup on the Alaska D-2 Land bill this morning, and only because of the requirement that that operation be shut down was I able to get over here.

But I want to compliment you also, Dr. Saulnier, for your very perceptive observations on the serious implications of the present fiscal course that we are continuing to follow on and the advice you have offered on ways that we can do practical things to insure that at a later date, we will have a balanced budget.

I am not so much concerned—though I am concerned, of course—that we have the great amount of public debt that we have, as I am with the hopelessness of the present situation, that we are going to keep on down that same fateful course.

I would hope others, too, may become aware of the good wisdom that characterizes the recommendations you offer and the cautions and the caveats that Senator Byrd has been offering us for a number of years now, and that you today underscore and support in your recommendations.

I am sorry I was not able to hear your full statement. I do assure you, doctor, I will read every word of it and I am delighted that Senator Byrd proposes later on to include it in the record because, though this city is rather callous in its attitude to those of us who recommend some fiscal conservatism, I think one way or another, the message is getting around and it certainly is given added impetus by the presence of such a distinguished witness as you are.

Thank you very much for coming here today.

Mr. SAULNIER. Thank you, sir.

Senator Byrd. Thank you, Senator Hansen. Unfortunately, the Senate went in session at 10 o'clock this morning. I just have a note here, Senator Hansen, that the Senate is now voting on amendment 3107, by Senator Hart, to the military procurement bill. For that reason, we will need to adjourn the hearings.

I would like to ask Dr. Saulnier one question. In looking ahead 6 or 8 months, how do you see interest rates at that point?

Mr. SAULNIER. Well, the prime rate is 9 percent today. Frankly, I expected to see it go up again last Friday. It didn't. My feeling is that it is set for another increase. It is hard for me to believe, Senator, that in this context we can avoid going up in one or two jumps to as much as 9½ percent. But I will say this: That while it may do that as a result of any one of a number of different sectors of borrowing or a combination of these—of which the Federal Government is one—if the prime rate, and I am using it as a kind of a measure of the whole market of rates, if the prime rate goes above 9½ percent, I am going to revise my 50–50 odds.

I would say, then, that the chances of our going into what you would call a real credit crunch, the result of which would be a downturn in the economy, would be higher than 50–50. We would be in grave danger of another recession.

Senator BYRD. Thank you very much, Dr. Saulnier. We appreciate your being here.

The committee will stand in adjournment.

[The following was submitted by Senator Byrd:]

RELATIONSHIP OF TRUST FUND SURPLUSES, FEDERAL FUNDS DEFICITS, AND UNIFIED BUDGET DEFICITS, FISCAL YEARS 1976-79

[Prepared by U.S. Senator Harry F. Byrd, Jr., of Virginia; in billions of dollars]

	1976	1977	1978 estimate	1979 estimat
1. Individual trust fund surpluses and deficits, and total trust fund surplus:				
OASDI	-3	-4	-5	-3
Health insurance	+1	+1	+2	+2
Unemployment	-2	0	+4	+6
Federal employees retirement	+5	+7	+7	+7
Highways	-1	+1	+1	+1
Other	+2	+4	+3	+1
Total	+2	+9	+12	+14
2. Federal funds deficits	-68	-54	-65	-65
3. Unified budget deficits	-66	-45	-53	-51

NOTE.—1978 estimates, Office of Management and Budget; 1979 estimates, 1st concurrent budget resolution and Office of Management and Budget.

[Whereupon, at 11:40 a.m., the subcommittee recessed, to reconvene subject to the call of the chair.]

APPENDIX

TABLES ON ESTIMATED GROSS AND NET GOVERNMENT AND PRIVATE DEBT

(1) Estimated Gross Government and Private Debt, by Major Categories
(2) Estimated Per Capita Gross Government and Private Debt
(3) Estimated Gross Government and Private Debt related to Gross National Product
(4) Estimated Net Government and Private Debt, by Major Categories
(5) Estimated Per Capita Net Government and Private Debt
(6) Estimated Net Government and Private Debt related to Gross National Product
(7) Estimated Federal Debt Related to Population and Prices
(8) Privately-Held Federal Debt Related to Gross National Product
(9) Changes in Per Capita Real Gross National Product

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

[Dollar amounts in billions]

Year	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	8.2
1930	71.8	107.4	179.2	18.9	16.0	1.3	17.3	215.4	8.1
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	13.5
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	18.6
1936	50.6	90.9	141.5	19.6	34.4	5.9	40.3	201.4	20.1
1937	51.1	90.2	141.3	19.6	37.3	5.8	43.1	204.0	21.2
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	23.7
1940	53.0	89.0	142.0	20.2	45.0	7.2	52.2	214.4	24.4
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	39.4
1943	48.8	110.3	159.1	18.1	165.9	5.1	171.0	348.2	49.2
1944	50.7	109.0	159.7	17.1	230.6	3.0	233.6	410.4	57.0
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	258.9	1.5	260.4	445.7	58.5
1947	69.4	128.9	198.3	17.5	255.4	.7	256.1	471.9	54.3
1948	80.6	139.4	220.0	19.6	251.6	1.0	252.6	492.2	51.4

1949	90.4	140.3	230.7	22.2	256.1	.8	256.9	509.8	50.4
1950	104.3	167.7	272.0	25.3	255.4	1.1	256.5	553.8	46.4
1951	114.3	191.9	306.2	28.0	258.1	.8	258.9	593.1	43.7
1952	129.4	202.9	332.3	31.0	266.2	.8	267.0	630.3	42.4
1953	143.2	212.9	356.1	35.0	273.8	.9	274.7	665.8	41.3
1954	157.2	217.6	374.8	40.2	277.2	.8	278.0	693.0	40.2
1955	180.1	253.9	434.0	46.3	279.1	1.5	280.6	760.9	36.9
1956	195.5	277.3	472.8	50.1	275.5	1.7	277.2	800.1	34.7
1957	207.6	295.8	503.4	54.7	274.2	3.2	277.4	835.5	33.3
1958	222.9	312.0	534.9	60.4	282.2	2.3	284.5	879.8	32.4
1959	245.0	341.4	586.4	66.6	288.7	5.7	294.4	947.4	31.1
1960	263.3	365.1	628.4	72.0	287.7	6.4	294.1	994.5	29.6
1961	284.8	391.5	676.3	77.6	293.6	6.9	300.5	1,054.4	28.5
1962	311.9	421.5	733.4	83.4	300.2	7.8	308.0	1,124.8	27.4
1963	345.8	457.1	802.9	89.5	306.0	8.1	314.1	1,206.5	26.0
1964	380.1	497.3	877.4	95.5	314.3	9.1	323.4	1,296.3	24.9
1965	424.6	551.9	976.5	103.1	317.2	9.8	326.9	1,406.5	23.2
1966	454.7	617.4	1,072.1	109.3	325.6	14.0	339.6	1,521.1	22.3
1967	489.1	672.9	1,162.0	117.3	341.8	20.1	361.9	1,641.0	22.2
1968	529.3	779.1	1,308.4	127.2	356.2	15.1	371.3	1,806.9	20.5
1969	566.2	912.7	1,478.9	137.9	367.4	13.8	381.2	1,997.9	19.1
1970	600.0	997.9	1,597.9	149.2	388.3	12.5	400.8	2,147.8	18.7
1971	667.5	1,087.8	1,755.3	167.0	423.4	11.0	434.4	2,356.6	18.4
1972	763.9	1,214.3	1,978.2	181.2	448.4	11.8	460.2	2,620.7	17.6
1973	854.4	1,390.5	2,244.9	196.1	469.1	11.6	480.7	2,921.7	16.5

See footnotes at end of table.

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

[Dollar amounts in billions]

Year	Private [1]			State and local	Federal [2]			Total gross debt	Percent Federal of total
	Individual	Corporate	Total		Public	Agency	Total		
1974	$922.1	$1,546.4	$2,468.5	$214.7	$492.7	$11.3	$504.0	$3,187.2	15.8
1975	994.4	1,626.1	2,620.5	229.6	576.7	10.9	587.6	3,437.7	17.1
1976	1,106.8	1,781.7	2,888.5	246.4	653.5	11.3	664.8	3,799.7	17.5
1977					718.9	10.2	729.2		

[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 amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

TABLE 2.—ESTIMATED PER CAPITA GROSS GOVERNMENT AND PRIVATE DEBT [1]

[Amounts in dollars]

Year	Private [2]			State and local	Federal [3]			Total gross debt
	Individual	Corporate	Total		Public	Agency	Total	
1929	$599	$879	$1,477	$146	$134	$10	$144	$1,767
1930	583	873	1,456	154	130	11	141	1,750
1931	523	809	1,332	157	144	10	154	1,643
1932	457	770	1,227	158	167	10	176	1,561
1933	406	736	1,142	155	190	12	201	1,499
1934	394	717	1,111	152	226	38	264	1,526
1935	391	706	1,096	154	240	44	284	1,535
1936	395	710	1,105	153	269	46	315	1,573
1937	397	700	1,097	152	290	45	335	1,584
1938	385	669	1,054	153	303	48	351	1,557
1939	388	663	1,051	154	320	53	373	1,578
1940	400	671	1,071	152	339	54	394	1,617
1941	415	728	1,143	149	432	58	490	1,783
1942	369	785	1,154	142	799	41	840	2,136
1943	356	804	1,159	132	1,209	37	1,246	2,537
1944	365	785	1,150	123	1,660	22	1,682	2,954
1945	389	708	1,098	114	1,980	11	1,990	3,202
1946	422	770	1,192	113	1,824	11	1,835	3,140
1947	480	891	1,370	121	1,765	5	1,770	3,261
1948	548	947	1,494	133	1,709	7	1,716	3,344

See footnotes at end of table.

TABLE 2.—ESTIMATED PER CAPITA GROSS GOVERNMENT AND PRIVATE DEBT [1]—Continued

[Amounts in dollars]

Year	Private [2]			State and local	Federal [3]			Total gross debt
	Individual	Corporate	Total		Public	Agency	Total	
1949	$604	$937	$1,540	$148	$1,710	$5	$1,715	$3,404
1950	685	1,101	1,786	166	1,677	7	1,684	3,637
1951	738	1,239	1,977	181	1,666	5	1,672	3,829
1952	821	1,288	2,109	197	1,690	5	1,695	4,001
1953	894	1,329	2,223	218	1,709	6	1,715	4,156
1954	964	1,335	2,299	247	1,700	5	1,705	4,251
1955	1,085	1,530	2,616	279	1,682	9	1,691	4,586
1956	1,157	1,642	2,799	297	1,631	10	1,641	4,737
1957	1,207	1,720	2,927	318	1,594	19	1,613	4,858
1958	1,275	1,784	3,059	345	1,614	13	1,627	5,031
1959	1,378	1,920	3,298	375	1,623	32	1,656	5,328
1960	1,457	2,021	3,478	399	1,592	35	1,628	5,504
1961	1,550	2,131	3,682	422	1,598	38	1,636	5,740
1962	1,672	2,260	3,932	447	1,609	42	1,651	6,030
1963	1,827	2,415	4,243	473	1,617	43	1,660	6,375
1964	1,981	2,592	4,572	498	1,638	47	1,685	6,755
1965	2,185	2,840	5,026	531	1,633	50	1,682	7,239
1966	2,313	3,141	5,454	557	1,656	71	1,728	7,739
1967	2,461	3,386	5,848	590	1,720	101	1,821	8,258
1968	2,637	3,882	6,519	634	1,775	75	1,850	9,003

1969	2,794	4,503	7,297	680	1,813	68	1,881	9,858
1970	2,929	4,871	7,799	728	1,895	61	1,956	10,483
1971	3,224	5,254	8,478	807	2,045	53	2,098	11,382
1972	3,658	5,814	9,472	868	2,147	56	2,203	12,548
1973	4,061	6,609	10,669	932	2,229	55	2,285	13,886
1974	4,352	7,298	11,649	1,013	2,325	53	2,379	15,041
1975	4,657	7,615	12,272	1,075	2,701	51	2,752	16,099
1976	5,145	8,282	13,428	1,145	3,038	53	3,090	17,663
1977					3,316	47	3,364	

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii and Alaska.

[2] 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 amounted to \$0.7 billion on Dec. 31, 1947, \$3.5 billion on Dec. 31, 1960, \$38.8 billion on Dec. 31, 1970, \$78.8 billion on Dec. 31, 1975, and \$81.4 billion on Dec. 31, 1976. on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

Year	Gross national product (billions)	Ratios of debt to gross national product							
		Private [1]			State and local	Federal [2]			Total gross debt
		Individual	Corporate	Total		Public	Agency	Total	
1929	$103.4	70.5	103.5	174.0	17.3	15.8	1.2	17.0	208.1
1930	90.7	79.2	118.5	197.6	20.9	17.7	1.5	19.1	237.5
1931	76.1	85.4	131.9	217.2	25.7	23.4	1.8	25.2	268.0
1932	58.3	98.0	164.9	262.9	33.9	35.7	2.1	37.8	334.5
1933	55.8	91.4	165.6	257.0	35.0	42.7	2.7	45.4	337.2
1934	65.3	76.3	138.8	215.1	29.5	43.7	7.4	51.1	295.5
1935	72.5	68.6	123.9	192.5	27.1	42.3	7.8	50.0	269.5
1936	82.7	61.2	109.9	171.1	23.7	41.6	7.2	48.8	243.5
1937	96.7	52.9	93.3	146.1	20.3	38.6	6.0	44.6	210.9
1938	85.0	58.9	102.2	161.1	23.4	46.4	7.3	53.7	238.0
1939	90.8	56.0	95.6	151.6	22.2	46.2	7.6	53.8	227.5
1940	100.0	53.1	89.1	142.1	20.3	45.1	7.3	52.3	214.5
1941	124.9	44.6	78.1	122.6	16.1	46.4	6.2	52.6	191.2
1942	158.3	31.6	67.2	98.7	12.2	68.4	3.5	71.9	182.7
1943	192.0	25.5	57.5	82.9	9.5	86.5	2.7	89.1	181.4
1944	210.5	24.1	51.8	75.9	8.2	109.6	1.5	111.0	195.0
1945	212.3	25.8	46.9	72.7	7.6	131.0	.8	131.7	211.9
1946	209.6	28.6	52.2	80.8	7.7	123.6	.8	124.3	212.7
1947	232.8	29.9	55.4	85.2	7.6	109.8	.4	110.1	202.8
1948	259.1	31.2	53.9	85.0	7.6	97.2	.4	97.5	190.0

1949	258.0	35.1	54.4	89.5	8.7	99.3	.4	99.6	197.6
1950	286.2	36.5	58.6	95.1	8.9	89.3	.4	89.7	193.6
1951	330.2	34.7	58.2	92.8	8.5	78.2	.3	78.5	179.7
1952	347.2	37.2	58.5	95.8	9.0	76.7	.3	77.0	181.6
1953	366.1	39.2	58.2	97.3	9.6	74.8	.3	75.1	181.9
1954	366.3	43.0	59.5	102.4	11.0	75.7	.3	75.9	189.2
1955	399.3	45.2	63.6	108.7	11.6	69.9	.4	70.3	190.6
1956	420.7	46.5	66.0	112.4	12.0	65.5	.5	65.9	190.2
1957	442.8	46.9	66.9	113.7	12.4	62.0	.8	62.7	188.7
1958	448.9	49.7	69.6	119.2	13.5	62.9	.6	63.4	196.0
1959	486.5	50.4	70.2	120.6	13.7	59.4	1.2	60.6	194.8
1960	506.0	52.1	72.2	124.2	14.3	56.9	1.3	58.2	196.6
1961	523.3	54.5	74.9	129.3	14.9	56.2	1.4	57.5	201.5
1962	563.8	55.4	74.8	130.1	14.8	53.3	1.4	54.7	199.6
1963	594.7	58.2	76.9	135.1	15.1	51.5	1.4	52.9	202.9
1964	635.7	59.8	78.3	138.1	15.1	49.5	1.5	50.9	204.0
1965	688.1	61.7	80.2	142.0	15.0	46.1	1.5	47.5	204.4
1966	753.0	60.4	82.0	142.4	14.5	43.2	1.9	45.1	202.0
1967	796.3	61.4	84.5	145.9	14.7	42.9	2.5	45.4	206.1
1968	868.5	60.9	89.7	150.7	14.6	41.0	1.7	42.8	208.0
1969	935.5	60.5	97.6	158.1	14.7	39.3	1.5	40.7	213.6
1970	982.4	61.1	101.6	162.7	15.2	39.5	1.3	40.8	218.6
1971	1,063.4	62.8	102.3	165.1	15.7	39.8	1.0	40.9	221.6
1972	1,171.1	65.3	103.7	168.9	15.5	38.3	1.0	39.3	223.8
1973	1,306.3	65.4	106.4	171.9	15.0	35.9	.9	36.8	223.7

See footnotes at end of table.

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

Year	Gross national product (billions)	Ratios of debt to gross national product							
		Private [1]			State and local	Federal [2]			Total gross debt
		Individual	Corporate	Total		Public	Agency	Total	
1974	$1,412.9	65.3	109.4	174.7	15.2	34.9	.8	35.7	225.5
1975	1,528.8	65.0	106.4	171.4	15.0	37.7	.7	38.4	224.9
1976	1,706.5	64.9	104.4	169.3	16.9	38.3	.7	39.0	222.7
1977	1,890.4	....	....	....	....	38.0	.5	38.6	....

[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 amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

[Dollar amounts in billions]

Year	Private [1]			State and local	Federal [2]	Total net debt	Percent Federal of total
	Individual	Corporate	Total				
1916	$36.3	$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	7.8
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	17.0
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	11.4
1927	66.4	81.2	147.6	12.1	18.2	177.9	10.3
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

See footnotes at end of table.

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

[Dollar amounts in billions]

Year	Private [1] Individual	Private [1] Corporate	Private [1] Total	State and local	Federal [2]	Total net debt	Percent Federal of total
1931	$64.9	$83.5	$148.4	$16.0	$18.5	$182.9	10.2
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	14.5
1934	49.8	75.5	125.3	15.9	30.4	171.6	17.8
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	21.6
1938	50.0	73.3	123.3	16.1	40.5	179.9	22.6
1939	50.8	73.5	124.3	16.4	42.6	183.3	23.3
1940	53.0	75.6	128.6	16.4	44.8	189.8	23.7
1941	55.6	83.4	139.0	16.1	56.3	211.4	26.7
1942	49.9	91.6	141.5	15.4	101.7	258.6	39.4
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	62.3
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	53.4
1948	80.6	118.4	199.0	17.0	215.3	431.3	50.0
1949	90.4	118.7	209.1	19.1	217.6	445.8	48.9
1950	104.3	142.8	247.1	21.7	217.4	486.2	44.8

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	605.9	37.9
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	32.2
1957	207.6	249.1	456.7	48.6	223.0	728.3	30.7
1958	222.9	262.0	484.9	53.7	231.0	769.6	30.1
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	27.5
1961	284.8	328.3	613.1	70.5	246.7	930.3	26.6
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	24.1
1964	380.1	417.1	797.2	90.4	264.0	1,151.6	23.0
1965	424.6	463.2	887.8	98.3	266.4	1,252.5	21.3
1966	454.7	517.8	972.5	104.7	271.8	1,349.1	20.1
1967	489.1	562.6	1,051.7	112.8	286.4	1,450.8	19.7
1968	529.3	653.0	1,182.3	122.7	291.9	1,596.8	18.3
1969	566.2	764.7	1,330.9	133.3	289.3	1,753.4	16.5
1970	600.0	836.1	1,436.1	144.8	301.1	1,881.9	16.0

See footnotes at end of table.

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

[Dollar amounts in billions]

Year	Private [1] Individual	Private [1] Corporate	Private [1] Total	State and local	Federal [2]	Total net debt	Percent Federal of total
1971	$667.5	$911.2	$1,578.7	$162.7	$325.9	$2,067.3	15.8
1972	763.9	1,016.7	1,780.6	178.0	341.2	2,299.8	14.8
1973	854.4	1,166.5	2,020.9	192.3	349.1	2,562.3	13.6
1974	922.1	1,299.4	2,221.5	211.2	360.8	2,793.5	12.9
1975	994.4	1,365.4	2,359.8	222.7	446.3	3,028.8	14.7
1976	1,106.8	1,496.1	2,602.9	236.3	515.8	3,354.9	15.4
1977					572.5		

[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 amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

[Amounts in dollars]

Year	Private [2] Individual	Private [2] Corporate	Private [2] Total	State and local	Federal [3]	Total net debt
1916	$356	$394	$750	$44	$12	$806
1917	375	423	798	46	71	915
1918	431	455	887	49	203	1,139
1919	420	510	930	53	245	1,228
1920	452	542	994	58	223	1,275
1921	453	525	978	64	213	1,256
1922	462	532	995	72	207	1,274
1923	480	559	1,039	77	195	1,310
1924	489	589	1,078	82	184	1,344
1925	515	628	1,142	89	175	1,406
1926	534	649	1,183	95	164	1,441
1927	558	682	1,240	102	153	1,494
1928	581	715	1,295	105	145	1,546
1929	599	730	1,329	112	136	1,576
1930	583	726	1,309	119	134	1,562

See footnotes at end of table.

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

[Amounts in dollars]

Year	Private [2]			State and local	Federal [3]	Total net debt
	Individual	Corporate	Total			
1931	$523	$673	$1,196	$129	$149	$1,475
1932	457	641	1,098	133	171	1,402
1933	406	612	1,018	130	194	1,342
1934	394	597	992	126	241	1,358
1935	391	588	978	127	270	1,375
1936	395	594	989	127	294	1,410
1937	397	588	985	125	304	1,414
1938	385	565	950	124	312	1,386
1939	388	562	950	125	325	1,401
1940	400	570	970	124	338	1,431
1941	415	623	1,038	120	420	1,579
1942	369	677	1,045	114	751	1,910
1943	356	696	1,051	106	1,125	2,282
1944	365	677	1,042	100	1,525	2,668
1945	389	607	997	95	1,798	2,890
1946	422	659	1,081	97	1,617	2,794
1947	480	757	1,237	104	1,532	2,873
1948	548	804	1,352	115	1,463	2,930
1949	604	793	1,396	128	1,453	2,977
1950	685	938	1,623	143	1,428	3,193

1951	738	1,058	1,796	156	1,400	3,352
1952	821	1,094	1,915	171	1,406	3,492
1953	894	1,129	2,023	192	1,416	3,631
1954	964	1,129	2,094	218	1,405	3,717
1955	1,085	1,296	2,381	248	1,384	4,013
1956	1,157	1,386	2,543	263	1,328	4,135
1957	1,207	1,448	2,655	283	1,297	4,235
1958	1,275	1,498	2,773	307	1,321	4,401
1959	1,378	1,614	2,992	335	1,357	4,684
1960	1,457	1,695	3,153	359	1,327	4,839
1961	1,550	1,787	3,338	384	1,343	5,064
1962	1,672	1,895	3,567	413	1,360	5,339
1963	1,827	2,027	3,854	443	1,361	5,658
1964	1,981	2,174	4,154	471	1,376	6,001
1965	2,185	2,384	4,569	506	1,371	6,446
1966	2,313	2,634	4,948	533	1,383	6,864
1967	2,461	2,831	5,293	568	1,441	7,301
1968	2,637	3,254	5,891	611	1,454	7,956
1969	2,794	3,773	6,567	658	1,427	8,651
1970	2,929	4,081	7,010	707	1,470	9,185

See footnotes at end of table.

TABLE 5.—ESTIMATED PER CAPITA NET GOVERNMENT AND PRIVATE DEBT—Continued

[Amonuts in dollars]

Year	Private [2]			State and local	Federal [3]	Total net debt
	Individual	Corporate	Total			
1971	$3,224	$4,401	$7,625	$786	$1,574	$9,984
1972	3,658	4,868	8,526	852	1,634	11,012
1973	4,061	5,544	9,605	914	1,659	12,178
1974	4,352	6,132	10,484	997	1,703	13,183
1975	4,693	6,444	11,136	1,051	2,090	14,293
1976	5,145	6,955	12,100	1,098	2,398	15,596
1977					2,641	

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

[2] 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 amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

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

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

Note.—Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

Year	Gross national product (billion)	Ratios of debt to gross national product					
		Private [1]					
		Individual	Corporate	Total	State and local	Federal [2]	Total net debt
1929	$103.4	$70.5	$86.0	$156.5	$13.2	$16.0	$185.6
1930	90.7	79.2	98.5	177.7	16.3	18.2	212.1
1931	76.1	85.4	109.8	195.1	21.1	24.4	240.5
1932	58.3	98.0	137.3	235.3	28.5	36.6	300.3
1933	55.8	91.4	137.8	229.2	29.3	43.6	301.9
1934	65.3	76.3	115.7	192.0	24.4	46.6	262.9
1935	72.5	68.6	103.2	171.8	22.3	47.5	241.4
1936	82.7	61.2	92.0	153.2	19.6	45.6	218.3
1937	96.7	52.9	78.4	131.2	16.7	40.6	188.4
1938	85.0	58.9	86.3	145.2	19.0	47.7	211.8
1939	90.8	56.0	81.0	136.9	18.1	47.0	201.9
1940	100.0	53.1	75.7	128.7	16.5	44.9	189.9
1941	124.9	44.6	66.8	111.4	12.9	45.1	169.3
1942	158.3	31.6	57.9	89.4	9.8	64.3	163.4
1943	192.0	25.5	49.8	75.2	7.6	80.5	163.2

See footnotes at end of table.

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

Year	Gross national product (billion)	Ratios of debt to gross national product					
		Private [1]			State and local	Federal [2]	Total net debt
		Individual	Corporate	Total			
1944	$210.5	24.1	44.8	68.8	6.7	100.7	176.1
1945	212.3	25.8	40.2	66.0	6.4	119.0	191.2
1946	209.6	28.6	44.7	73.2	6.6	109.5	189.3
1947	232.8	29.9	47.1	76.9	6.5	95.3	178.6
1948	259.1	31.2	45.7	76.9	6.6	83.1	166.5
1949	258.0	35.1	46.1	81.1	7.5	84.4	172.8
1950	286.2	36.5	49.9	86.4	7.6	76.0	169.9
1951	330.2	34.7	49.7	84.3	7.4	65.7	157.3
1952	347.2	37.3	49.7	86.9	7.8	63.8	158.5
1953	366.1	39.2	49.5	88.6	8.4	62.0	158.9
1954	366.3	43.0	50.3	93.2	9.7	62.6	165.5
1955	399.3	45.2	53.9	99.0	10.3	57.6	166.8
1956	420.7	46.5	55.7	102.2	10.6	53.4	166.1
1957	442.8	46.9	56.3	103.2	11.0	50.4	164.5
1958	448.9	49.7	58.4	108.1	12.0	51.5	171.5
1959	486.5	50.4	59.0	109.4	12.3	49.7	171.3
1960	506.0	52.1	60.6	112.6	12.9	47.4	172.8
1961	523.3	54.5	62.8	117.2	13.5	47.2	177.8
1962	563.8	55.4	62.7	118.1	13.7	45.0	176.7
1963	594.7	58.2	64.6	122.7	14.2	43.3	180.1

1964	635.7	59.8	65.7	125.5	14.3	41.6	181.2
1965	688.1	61.7	67.3	129.0	14.3	38.7	182.0
1966	753.0	60.4	68.6	129.2	13.9	36.1	179.2
1967	796.3	61.4	70.7	132.1	14.2	36.0	182.2
1968	868.5	60.9	75.2	136.1	14.1	33.6	183.9
1969	935.5	60.5	81.7	142.2	14.2	30.9	187.4
1970	982.4	61.1	85.1	146.2	14.7	30.6	191.6
1971	1,063.4	62.8	85.7	148.5	15.3	30.6	194.4
1972	1,171.1	65.2	86.8	152.0	15.2	29.2	196.4
1973	1,306.3	65.4	89.3	154.7	14.6	26.7	196.1
1974	1,412.9	65.3	92.0	157.2	14.9	25.5	197.7
1975	1,528.8	65.0	89.3	154.4	14.6	29.2	198.1
1976	1,706.5	64.9	87.7	152.5	13.8	30.2	196.6
1977	1,890.4	...	...	...	...	30.3	...

[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 amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

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

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items.

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

[Amounts in dollars]

Year	Outstanding Federal debt			Per capita Federal debt [1]			Real per capita Federal debt		
	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [4]
1929	$17.5	$16.5	$16.0	$144	$136	$131	$281	$265	$256
1930	17.3	16.5	15.8	141	134	128	292	279	266
1931	19.1	18.5	17.7	154	149	142	354	342	327
1932	22.0	21.3	19.4	176	171	155	451	437	396
1933	25.3	24.3	21.9	201	194	174	513	492	443
1934	33.3	30.4	28.0	264	241	221	657	600	551
1935	36.2	34.4	32.0	284	270	251	688	654	607
1936	40.3	37.7	35.3	315	294	275	752	704	658
1937	43.1	39.2	36.6	335	304	284	776	706	658
1938	45.6	40.5	37.9	351	312	291	837	744	695
1939	48.8	42.6	40.1	373	325	306	893	780	733
1940	52.2	44.8	42.6	394	338	321	934	802	761
1941	65.6	56.3	54.0	490	420	403	1,059	909	871
1942	113.7	101.7	95.5	840	751	705	1,661	1,486	1,394
1943	171.0	154.4	142.9	1,246	1,125	1,041	2,388	2,156	1,995

1944	233.6	211.9	193.1	1,682	1,525	1,390	3,156	2,863	2,608
1945	279.6	252.5	228.2	1,990	1,798	1,624	3,653	3,299	2,981
1946	260.4	229.5	206.1	1,835	1,617	1,452	2,841	2,504	2,248
1947	256.1	221.7	199.1	1,770	1,532	1,375	2,522	2,183	1,960
1948	252.6	215.3	192.0	1,716	1,463	1,304	2,384	2,032	1,811
1949	256.9	217.6	197.7	1,715	1,453	1,320	2,427	2,056	1,867
1950	256.5	217.4	196.6	1,684	1,428	1,291	2,252	1,909	1,725
1951	258.9	216.9	193.1	1,672	1,400	1,246	2,109	1,767	1,573
1952	267.0	221.5	196.8	1,695	1,406	1,249	2,119	1,758	1,562
1953	274.7	226.8	200.9	1,715	1,416	1,254	2,131	1,759	1,558
1954	278.0	229.1	204.2	1,705	1,405	1,252	2,128	1,754	1,563
1955	280.6	229.6	204.8	1,691	1,384	1,234	2,102	1,720	1,534
1956	277.2	224.3	199.4	1,641	1,328	1,180	1,983	1,605	1,426
1957	277.4	223.0	198.8	1,613	1,297	1,155	1,892	1,521	1,356
1958	284.5	231.0	204.7	1,627	1,321	1,170	1,876	1,523	1,349
1959	294.4	241.4	214.8	1,656	1,357	1,207	1,881	1,542	1,372
1960	294.1	239.8	212.4	1,628	1,327	1,175	1,823	1,486	1,316
1961	300.5	246.7	217.8	1,636	1,343	1,185	1,820	1,494	1,319
1962	308.0	253.6	222.8	1,651	1,360	1,194	1,815	1,495	1,313
1963	314.1	257.5	223.9	1,660	1,361	1,183	1,795	1,472	1,279

See footnotes at end of table.

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

[Amounts in dollars]

Year	Outstanding Federal debt			Per capita Federal debt [1]			Real per capita Federal debt		
	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [4]
1964	$323.4	$264.0	$227.0	$1,685	$1,376	$1,183	$1,801	$1,470	$1,264
1965	326.9	266.4	225.6	1,682	1,371	1,161	1,764	1,438	1,217
1966	339.6	271.8	227.5	1,728	1,383	1,157	1,753	1,403	1,174
1967	361.9	286.4	237.3	1,821	1,441	1,194	1,793	1,419	1,176
1968	371.3	291.9	238.9	1,850	1,454	1,190	1,739	1,367	1,119
1969	381.2	289.3	232.1	1,881	1,427	1,145	1,666	1,265	1,014
1970	400.8	301.1	239.0	1,956	1,470	1,166	1,643	1,234	979
1971	434.4	325.9	255.1	2,098	1,574	1,232	1,705	1,279	1,001
1972	460.2	341.2	269.9	2,203	1,634	1,292	1,732	1,284	1,015
1973	480.7	349.1	268.6	2,285	1,659	1,276	1,650	1,198	922
1974	504.0	360.8	280.1	2,378	1,703	1,322	1,531	1,096	851
1975	587.6	446.3	358.2	2,752	2,090	1,677	1,655	1,257	1,009
1976	664.8	515.8	418.5	3,090	2,398	1,945	1,773	1,376	1,116
1977	729.2	572.5	470.8	3,364	2,641	2,171	1,810	1,422	1,170

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

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

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

[4] Borrowing from the public less Federal Reserve holdings.

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

TABLE 8.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

[Dollar amounts in billions]

Year	Gross national product	Privately held debt [1]	Ratio of debt to GNP	Year-to-year price changes [2]
1929	$103.4	$16.0	15.5	....
1930	90.7	15.8	17.5	−6.0
1931	76.1	17.7	23.3	−9.5
1932	58.3	19.4	33.3	−10.2
1933	55.8	21.9	39.3	.6
1934	65.3	28.0	42.9	2.1
1935	72.5	32.0	44.2	3.0
1936	82.7	35.3	42.7	1.3
1937	96.7	36.6	37.9	3.2
1938	85.0	37.9	44.7	−2.7
1939	90.8	40.1	44.2	−.4
1940	100.0	42.6	42.7	1.0
1941	124.9	54.0	43.3	9.8
1942	158.3	95.5	60.4	9.3
1943	192.0	142.9	74.5	3.2
1944	210.5	193.1	91.8	2.2
1945	212.3	228.2	107.5	2.3
1946	209.6	206.1	98.4	18.6
1947	232.8	199.1	85.6	8.7
1948	259.1	192.0	74.2	2.6
1949	258.0	197.7	76.7	−1.8
1950	286.2	196.6	68.7	5.9
1951	330.2	193.1	58.5	6.0
1952	347.2	196.8	56.7	.9
1953	366.1	200.9	54.9	.7
1954	366.3	204.2	55.8	−.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	3.1
1958	448.9	204.7	45.7	1.8
1959	486.5	214.8	44.2	1.5
1960	506.0	212.4	42.0	1.5
1961	523.3	217.8	41.7	.7
1962	563.8	222.8	39.6	1.3
1963	594.7	223.9	37.7	1.7

See footnotes at end of table.

TABLE 8.—PRIVATELY HELD FEDERAL DEBT RELATED TO GNP—Continued

[Dollar amounts in billions]

Year	Gross national product	Privately held debt [1]	Ratio of debt to GNP	Year-to-year price changes [2]
1964	$635.7	$227.0	35.8	1.2
1965	688.1	225.6	32.8	2.0
1966	753.0	227.5	30.3	3.4
1967	796.3	237.3	29.9	3.0
1968	868.5	238.9	27.6	4.7
1969	935.5	232.1	24.9	6.1
1970	982.4	239.0	24.4	5.5
1971	1,063.4	255.6	24.0	3.4
1972	1,171.1	271.1	23.1	3.4
1973	1,306.3	270.4	20.7	8.8
1974	1,412.9	280.1	19.8	12.2
1975	1,528.8	358.2	23.4	7.0
1976	1,706.5	418.5	24.5	4.8
1977	1,890.4	470.8	24.9	6.8

[1] Borrowing from the public less Federal Reserve holdings.
[2] Measured by all item Consumer Price Index, December to December basis.

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

Year	GNP in billions of 1972 dollars	GNP per capita constant 1972 dollars [1]	GNP per capita, change from year ago: Constant 1972 dollars	GNP per capita, change from year ago: Percent
1929	314.7	2,584	....	....
1930	385.1	3,129	544	21
1931	263.3	2,123	−1,006	−32
1932	227.1	1,819	−303	−14
1933	222.1	1,769	−50	−2
1934	239.3	1,894	125	7
1935	261.0	2,051	157	8
1936	297.1	2,320	269	13
1937	310.8	2,413	92	4
1938	297.8	2,294	−118	−4
1939	319.7	2,443	148	6
1940	343.6	2,591	148	6
1941	396.6	2,962	370	14
1942	454.6	3,358	396	13
1943	527.3	3,842	483	14
1944	567.0	4,082	239	6
1945	559.0	3,980	−101	−2
1946	477.0	3,361	−618	−15
1947	468.3	3,236	−124	−3
1948	487.7	3,313	76	2
1949	490.7	3,276	−36	−1
1950	533.5	3,504	227	6
1951	576.5	3,722	218	6
1952	598.5	3,799	76	2
1953	621.8	3,882	83	2
1954	613.7	3,764	−117	−2
1955	654.8	3,946	181	4
1956	668.8	3,960	13	....
1957	680.9	3,959	....	....
1958	679.5	3,885	−73	−1
1959	720.4	4,051	165	4
1960	736.8	4,078	27	....
1961	755.3	4,112	33	....
1962	799.1	4,284	172	4
1963	830.7	4,390	105	2

See footnotes at end of table.

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

Year	GNP in billions of 1972 dollars	GNP per capita constant 1972 dollars [1]	GNP per capita, change from year ago: Constant 1972 dollars	Percent
1964	874.4	4,557	167	3
1965	925.9	4,765	208	4
1966	981.0	4,991	225	4
1967	1,007.7	5,071	80	1
1968	1,051.8	5,241	169	3
1969	1,078.8	5,323	82	1
1970	1,075.3	5,249	−74	−1
1971	1,107.5	5,349	100	1
1972	1,171.1	5,607	258	4
1973	1,235.0	5,869	262	4
1974	1,217.8	5,747	−122	−2
1975	1,202.1	5,629	−118	−2
1976	1,274.7	5,926	297	5
1977	1,337.6	6,169	243	4

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

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

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

O