

PUBLIC DEBT CEILING

MAY 23, 1963.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

R E P O R T

[To accompany H.R. 6009]

The Senate Committee on Finance, to whom was referred the bill (H.R. 6009) to provide for the periods ending June 30, 1963, and August 31, 1963, temporary increases in the public debt limit set forth in section 21 of the Second Liberty Bond Act, having considered the same, favorably report thereon with amendments and recommend that the bill as amended do pass. The amendments are as follows:

(1) On page 1, line 10, strike out "August 31, 1963" and insert "June 30, 1964".

(2) Amend the title so as to read:

An Act to provide for the periods ending June 30, 1963, and June 30, 1964, temporary increases in the public debt limit set forth in section 21 of the Second Liberty Bond Act.

I. GENERAL STATEMENT

The bill, as passed by the House, provided a temporary debt limitation of \$307 billion for the remainder of the fiscal year ending June 30, 1963, and a temporary debt limitation of \$309 billion for July and August 1963. Your committee has amended the bill to provide that this debt limitation of \$309 billion is to apply for the entire fiscal year 1964, instead of merely the first 2 months of that fiscal year.

The temporary debt limitation applicable under the present law to the fiscal year 1963 was \$308 billion for the period from July 1, 1962 through March 31, 1963. For the period from April 1 through June 24, 1963, the limitation is \$305 billion and for the remaining week in the fiscal year 1963 the temporary limitation under present law will be \$300 billion. As of July 1, 1963, the debt limitation reverts to the permanent limitation of \$285 billion.

The Secretary of the Treasury in his appearance before the Committee on Finance made the following statements:

While the prospect of a balanced budget in fiscal year 1963 was admittedly dubious at the time of last year's legislation, it did not appear practical to legislate on any other basis. This was specifically recognized in the report of the Finance Committee which stated:

"Your committee concluded, however, that, in any case, it was desirable to base the statutory debt limitation for 1963 upon the assumption that the budget would be balanced in that year. Should this eventuality not occur, it concluded it would be desirable for Congress to have a further opportunity to review the statutory debt limitation when it is apparent that conditions have changed."

Unfortunately, a balanced budget has not eventuated. As you are aware, the administrative budget deficit for fiscal 1963 was estimated in the January budget message at \$8.8 billion. While the budget outlook for fiscal 1963 has improved somewhat since the January estimate, we still face a deficit in the neighborhood of \$8 billion.

As a consequence of the substantial fiscal 1963 deficit, the graduated reductions in the debt limit cannot be permitted to run their course. Our present projections show that the debt will rise from the present level of \$304 billion to \$305.6 billion on May 31, a figure \$600 million in excess of the present debt limit. From the May 31 level of \$305.6 billion, the debt is projected to rise to \$306.8 billion in the second week of June, a level \$1.8 billion in excess of the present debt limit. On June 25, when the present temporary debt ceiling is scheduled to fall to \$300 billion, our projections indicate that the debt will be \$304.2 billion, \$4.2 billion in excess of the limit. This would place the Treasury and the country in an impossible situation. On July 1, when the debt ceiling reverts to the permanent level of \$285 billion, the debt is estimated at \$305.3 billion, \$20.3 billion in excess of the limit.

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The preservation of the financial integrity of the United States is the primary mission and responsibility of the Treasury. It is for this very reason that we cannot willingly accept a debt limit which is so restrictive as to make it impossible to handle the finances of the U.S. Government in a prudent and responsible manner.

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A debt limit of \$307 billion through June 30, 1963, and \$309 billion from that date through August 31, 1963, will provide the absolute minimum degree of flexibility needed by the Treasury in handling the financial affairs of the Government. More restrictive debt limits than these would force the Treasury to resort to an array of unsound financial procedures of the sort which had to be used in 1957-58, procedures which, in the end, only add to the burdens of the taxpayers of this country. But apart from cost considerations, it is not in keeping with the status of the United States

as banker to the free world to be placed in such a position. The financial community, both here and abroad, would be utterly dismayed should they find that the U.S. Treasury is no longer permitted to cope in a responsible manner with the routine requirements of fiscal affairs. The consequences of such a situation are fraught with danger for the safety and stability of the dollar.

II. COMMITTEE AMENDMENT

Your committee felt that increasing the debt limit only until August 31, 1963, as provided in the House bill, may not allow sufficient time to evaluate the budget situation for the fiscal year 1964. More time may be needed to determine the level of expenditures resulting from the appropriations enacted, and more time may be required to consider the tax measures now pending in the Committee on Ways and Means as a result of the President's tax proposals. It appears unlikely, for example, that the tax bill will reach the Senate until July or August. Since the tax bill would probably reduce the revenue in the fiscal year 1964, the effect on the debt ceiling would have to be taken into account. For these reasons your committee amended the bill to provide that the \$309 billion debt limit is to apply to the entire fiscal year 1964.

III. APPENDIX

TABLE 1.—Statutory debt limitations, specified fiscal years 1946 through 1963
[In billions]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1946.....	\$300		\$300
1947-54.....	275		275
1955.....	275	\$6	281
1957.....	275	3	278
1959.....	283	5	288
1960.....	285	10	295
1961.....	285	8	293
1962 until Mar. 13.....	285	13	298
1962 from Mar. 13.....	285	15	300
Present law:			
1963 through Mar. 31.....	285	23	308
1963, Apr. 1 through June 24.....	285	20	305
1963, June 25 through June 30.....	285	15	300
Modifications by bill:			
Date of enactment to June 30, 1963.....	285	22	307
1964, July 1, 1963, to June 30, 1964 ¹	285	24	309

The House bill would have increased the debt limit only until Aug. 31, 1963.

Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—History of legislation

Sept. 24, 1917:		
40 Stat. 288, sec. 1, authorized bonds in the amount of		¹ \$7, 538, 945, 400
40 Stat. 290, sec. 5, authorized certificates of indebtedness (outstanding revolving authority)-----		² 4, 000, 000, 000
Apr. 4, 1918:		
40 Stat. 502, amending sec. 1, increased bond authority to-----		¹ 12, 000, 000, 000
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to-----		² 8, 000, 000, 000
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to-----		¹ 20, 000, 000, 000
Mar. 3, 1919:		
40 Stat. 1311, amending sec. 5, increased authority for certificates outstanding to-----		² 10, 000, 000, 000
40 Stat. 1309, new sec. 18 added, authorizing notes in the amount of-----		¹ 7, 000, 000, 000
Nov. 23, 1921: 42 Stat. 321, amending sec. 18, increased note authority to outstanding (establishing revolving authority)-----		² 7, 500, 000, 000
June 17, 1929: 46 Stat. 19, amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding-----		² 10, 000, 000, 000
Mar. 3, 1931: 46 Stat. 1506, amending sec. 1, increased bond authority to-----		¹ 28, 000, 000, 000
Jan. 30, 1934: 48 Stat. 343, amending sec. 18, increased authority for notes outstanding to-----		² 10, 000, 000, 000
Feb. 4, 1935:		
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority to)-----		² 25, 000, 000, 000
49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding-----		² 20, 000, 000, 000
49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1.		
May 26, 1938: 52 Stat. 447, amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to \$30,000,000,000). Same aggregate total outstanding-----		² 45, 000, 000, 000
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes-----		² 45, 000, 000, 000
June 25, 1940: 54 Stat. 526, amending sec. 21, adding new paragraph:		
“(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated ‘National Defense Series.’”-----		² 4, 000, 000, 000
Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time to-----		² 65, 000, 000, 000
Eliminates separate authority for \$4,000,000,000 of National Defense Series obligations.		
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to-----		² 125, 000, 000, 000

See footnotes at end of table.

Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—History of legislation—Continued

Apr. 11, 1943: 57 Stat. 63, amending sec. 21, increased limitation to	² \$210, 000, 000, 000
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to	² 260, 000, 000, 000
Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: "The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$300,000,000,000 outstanding at any one time."	² 300, 000, 000, 000
June 26, 1946: 60 Stat. 316, amending sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation," and decreasing limitation to	² 275, 000, 000, 000
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by \$6,000,000,000 to	² 281, 000, 000, 000
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to	² 281, 000, 000, 000
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, temporarily increasing limitation by \$3,000,000,000 for period beginning July 1, 1956, and ending June 30, 1957, to	² 278, 000, 000, 000
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1946, to	² 275, 000, 000, 000
Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by \$5,000,000,000	² 280, 000, 000, 000
Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to \$283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation	² 288, 000, 000, 000
June 30, 1959: 73 Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to \$285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959	² 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by \$10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959	² 295, 000, 000, 000
June 30, 1960: 74 Stat. 290, amending sec. 21, for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by \$8,000,000,000	² 293, 000, 000, 000
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 30, 1962, temporarily increasing limitation by \$13,000,000,000	² 298, 000, 000, 000
Mar. 13, 1962: 76 Stat. 23, amending sec. 21, for period beginning on Mar 13, 1962, and ending June 30, 1962, temporarily further increasing limitation by \$2,000,000,000	² 300, 000, 000, 000
July 1, 1962: 76 Stat. 124, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1963....	² 308, 000, 000, 000
2. Beginning Apr. 1, 1963, and ending June 24, 1963....	² 305, 000, 000, 000
3. Beginning June 25, 1963, and ending June 30, 1963....	² 300, 000, 000, 000

¹ Limitation on issue.

² Limitation on outstanding.

³ Limitation on issues less retirements.

