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GOOD EVENING:

I AM SPEAKING TO YOU TONIGHT TO GIVE YOU A REPORT ON THE STATE OF OUR NATION'S ECONOMY, AND REGRET TO SAY THAT WE ARE IN THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. A FEW DAYS AGO I WAS PRESENTED WITH A REPORT I HAD ASKED FOR -- A COMPREHENSIVE AUDIT IF YOU WILL OF OUR ECONOMIC CONDITION. YOU WON'T LIKE IT, I DIDN'T LIKE IT, BUT WE HAVE TO FACE THE TRUTH AND THEN GO TO WORK TO TURN THINGS AROUND. AND MAKE NO MISTAKE ABOUT IT, WE CAN TURN THEM AROUND.

I'M NOT GOING TO SUBJECT YOU TO THE JUMBLE OF CHARTS, FIGURES, AND ECONOMIC JARGON OF THAT AUDIT BUT RATHER WILL TRY

TO EXPLAIN WHERE WE ARE,
HOW WE GOT THERE, AND HOW
WE CAN GET BACK.

FIRST, HOWEVER, LET
ME JUST GIVE A FEW
"ATTENTION GETTERS"
FROM THE AUDIT. THE
FEDERAL BUDGET IS OUT OF
CONTROL AND WE FACE
RUNAWAY DEFICITS, OF
ALMOST \$80 BILLION FOR
THIS BUDGET YEAR THAT
ENDS SEPTEMBER 30.
THAT DEFICIT IS LARGER
THAN THE ENTIRE FEDERAL
BUDGET IN 1957 AND SO IS
THE ALMOST \$80 BILLION
WE WILL PAY IN INTEREST
THIS YEAR ON THE NATIONAL
DEBT.

TWENTY YEARS AGO
IN 1960 OUR FEDERAL
GOVERNMENT PAYROLL WAS
LESS THAN \$13 BILLION.
TODAY IT IS \$75 BILLION.

DURING THESE TWENTY YEARS,
OUR POPULATION HAS ONLY
INCREASED BY 23.3 PERCENT.
THE FEDERAL BUDGET HAS
GONE UP 528 PERCENT.

WE HAVE JUST HAD TWO
YEARS OF BACK-TO-BACK
DOUBLE DIGIT INFLATION,
13.3 PERCENT IN 1979 --
12.4 PERCENT LAST YEAR.
THE LAST TIME THIS
HAPPENED WAS IN WORLD
WAR I.

IN 1960 MORTGAGE
INTEREST RATES AVERAGED
ABOUT 6 PERCENT. THEY
ARE 2½ TIMES AS HIGH NOW,
15.4 PERCENT. THE
PERCENTAGE OF YOUR
EARNINGS THE FEDERAL
GOVERNMENT TOOK IN TAXES
IN 1960 HAS ALMOST DOUBLED.
AND FINALLY THERE ARE 7
MILLION AMERICANS CAUGHT UP
IN THE PERSONAL INDIGNITY
AND HUMAN TRAGEDY OF

UNEMPLOYMENT. IF THEY
STOOD IN A LINE --
ALLOWING 3 FEET FOR EACH
PERSON -- THE LINE WOULD
REACH FROM THE COAST OF
MAINE TO CALIFORNIA.

WELL, SO MUCH FOR
THE AUDIT ITSELF. LET ME
TRY TO PUT THIS IN
PERSONAL TERMS. HERE IS
A DOLLAR SUCH AS YOU
EARNED, SPENT, OR SAVED
IN 1960. HERE IS A
QUARTER, A DIME, AND A
PENNY -- 36¢. THIRTY-SIX
CENTS IS WHAT THIS 1960
DOLLAR IS WORTH TODAY.
AND IF THE PRESENT
INFLATION RATE SHOULD
CONTINUE THREE MORE YEARS,
THAT DOLLAR OF 1960 WILL
BE WORTH A QUARTER. WHAT
INCENTIVE IS THERE TO
SAVE? AND IF WE DON'T
SAVE, WE ARE SHORT OF THE

INVESTMENT CAPITAL NEEDED
FOR BUSINESS AND INDUSTRY
EXPANSION. WORKERS IN
JAPAN AND WEST GERMANY
SAVE SEVERAL TIMES THE
PERCENTAGE OF THEIR INCOME
THAN AMERICANS DO.

WHAT HAS HAPPENED TO
THAT AMERICAN DREAM OF
OWNING A HOME? ONLY TEN
YEARS AGO A FAMILY COULD
BUY A HOME AND THE MONTHLY
PAYMENT AVERAGED LITTLE
MORE THAN A QUARTER --
27¢ OUT OF EACH DOLLAR
EARNED. TODAY IT TAKES
42¢ OUT OF EVERY DOLLAR
OF INCOME. SO, FEWER THAN
1 OUT OF 11 FAMILIES CAN
AFFORD TO BUY THEIR FIRST
NEW HOME.

REGULATIONS ADOPTED
BY GOVERNMENT WITH THE
BEST OF INTENTIONS HAVE
ADDED \$666 TO THE COST OF
AN AUTOMOBILE. IT IS

ESTIMATED THAT ALTOGETHER REGULATIONS OF EVERY KIND, ON SHOPKEEPERS, FARMERS, AND MAJOR INDUSTRIES ADD \$100 BILLION TO THE COST OF THE GOODS AND SERVICES WE BUY. AND THEN ANOTHER \$20 BILLION IS SPENT BY GOVERNMENT HANDLING THE PAPERWORK CREATED BY THOSE REGULATIONS.

I'M SURE YOU ARE GETTING THE IDEA THAT THE AUDIT PRESENTED TO ME FOUND GOVERNMENT POLICIES OF THE LAST FEW DECADES RESPONSIBLE FOR OUR ECONOMIC TROUBLES. WE FORGOT OR JUST OVERLOOKED THE FACT THAT GOVERNMENT -- ANY GOVERNMENT HAS A BUILT-IN TENDENCY TO GROW. WE ALL HAD A HAND IN LOOKING TO GOVERNMENT FOR BENEFITS AS IF GOVERNMENT HAD SOME SOURCE OF REVENUE OTHER

THAN OUR EARNINGS. MANY
IF NOT MOST OF THE THINGS
WE THOUGHT OF OR THAT
GOVERNMENT OFFERED TO US
SEEMED ATTRACTIVE.

IN THE YEARS
FOLLOWING THE 2ND WORLD
WAR IT WAS EASY (FOR
AWHILE AT LEAST) TO
OVERLOOK THE PRICE TAG.
OUR INCOME MORE THAN
DOUBLED IN THE 25 YEARS
AFTER THE WAR. WE
INCREASED OUR TAKE HOME
PAY IN THOSE 25 YEARS
BY MORE THAN WE HAD
AMASSED IN ALL THE
PRECEDING 150 YEARS PUT
TOGETHER. YES, THERE WAS
SOME INFLATION, 1 OR 1½
PERCENT A YEAR, THAT DIDN'T
BOTHER US. BUT IF WE LOOK
BACK AT THOSE GOLDEN YEARS
WE RECALL THAT EVEN THEN
VOICES HAD BEEN RAISED
WARNING THAT INFLATION,

LIKE RADIOACTIVITY, WAS
CUMULATIVE AND THAT ONCE
STARTED IT COULD GET OUT
OF CONTROL. SOME
GOVERNMENT PROGRAMS SEEMED
SO WORTHWHILE THAT
BORROWING TO FUND THEM
DIDN'T BOTHER US.

BY 1960 OUR NATIONAL
DEBT STOOD AT \$284
BILLION. CONGRESS IN
1971 DECIDED TO PUT A
CEILING OF \$400 BILLION
ON OUR ABILITY TO BORROW.
TODAY THE DEBT IS \$934
BILLION. SO-CALLED
TEMPORARY INCREASES OR
EXTENSIONS IN THE DEBT
CEILING HAVE BEEN ALLOWED
21 TIMES IN THESE 10 YEARS
AND NOW I HAVE BEEN FORCED
TO ASK FOR ANOTHER INCREASE
IN THE DEBT CEILING OR THE
GOVERNMENT WILL BE UNABLE
TO FUNCTION PAST THE
MIDDLE OF FEBRUARY AND I'VE

ONLY BEEN HERE 16 DAYS. ✕
BEFORE WE REACH THE DAY
WHEN WE CAN REDUCE THE
DEBT CEILING WE MAY, IN
SPITE OF OUR BEST EFFORTS,
SEE A NATIONAL DEBT IN
EXCESS OF A TRILLION
DOLLARS. THIS IS A FIGURE
LITERALLY BEYOND OUR
COMPREHENSION.

WE KNOW NOW THAT
INFLATION RESULTS FROM ALL
THAT DEFICIT SPENDING.
GOVERNMENT HAS ONLY TWO
WAYS OF GETTING MONEY
OTHER THAN RAISING TAXES.
IT CAN GO INTO THE MONEY
MARKET AND BORROW,
COMPETING WITH ITS OWN
CITIZENS AND DRIVING UP
INTEREST RATES, WHICH IT
HAS DONE, OR IT CAN PRINT
MONEY, AND IT'S DONE THAT.
BOTH METHODS ARE
INFLATIONARY.

WE'RE VICTIMS OF
LANGUAGE, THE VERY WORD
"INFLATION" LEADS US TO
THINK OF IT AS HIGH
PRICES. THEN, OF COURSE,
WE RESENT THE PERSON WHO
PUTS ON THE PRICE TAGS
FORGETTING THAT HE OR SHE
IS ALSO A VICTIM OF
INFLATION. INFLATION IS
NOT JUST HIGH PRICES,
IT IS A REDUCTION IN THE
VALUE OF OUR MONEY. WHEN
THE MONEY SUPPLY IS
INCREASED BUT THE GOODS
AND SERVICES AVAILABLE FOR
BUYING ARE NOT, WE HAVE
TOO MUCH MONEY CHASING
TOO FEW GOODS.

WARS ARE USUALLY
ACCOMPANIED BY INFLATION.
EVERYONE IS WORKING OR
FIGHTING BUT PRODUCTION IS
OF WEAPONS AND MUNITIONS,
NOT THINGS WE CAN BUY AND
USE.

ONE WAY OUT WOULD BE
TO RAISE TAXES SO THAT
GOVERNMENT NEED NOT
BORROW OR PRINT MONEY,
BUT IN ALL THESE YEARS
OF GOVERNMENT GROWTH
WE'VE REACHED -- INDEED
SURPASSED -- THE LIMIT OF
OUR PEOPLES' TOLERANCE OR
ABILITY TO BEAR AN
INCREASE IN THE TAX
BURDEN.

PRIOR TO WORLD WAR II,
TAXES WERE SUCH THAT ON
THE AVERAGE WE ONLY HAD TO
WORK ABOUT TWO AND A HALF
MONTHS EACH YEAR TO PAY
OUR TOTAL FEDERAL, STATE,
AND LOCAL TAX BILL.
TODAY WE HAVE TO WORK
FIVE MONTHS TO PAY THAT
BILL.

SOME SAY SHIFT THE
TAX BURDEN TO BUSINESS
AND INDUSTRY BUT BUSINESS
DOESN'T PAY TAXES. OH,

DON'T GET THE WRONG IDEA,
BUSINESS IS BEING TAXED --
SO MUCH SO THAT WE ARE
BEING PRICED OUT OF THE
WORLD MARKET. BUT
BUSINESS MUST PASS ITS
COSTS OF OPERATION AND
THAT INCLUDES TAXES, ON
TO THE CUSTOMER IN THE
PRICE OF THE PRODUCT.
ONLY PEOPLE PAY TAXES --
ALL THE TAXES. GOVERNMENT
FIRST USES BUSINESS IN A
KIND OF SNEAKY WAY TO
HELP COLLECT THE TAXES.
THEY ARE HIDDEN IN THE
PRICE AND WE AREN'T AWARE
OF HOW MUCH TAX WE
ACTUALLY PAY. TODAY,
THIS ONCE GREAT
INDUSTRIAL GIANT OF OURS
HAS THE LOWEST RATE OF
GAIN IN PRODUCTIVITY OF
VIRTUALLY ALL THE
INDUSTRIAL NATIONS WITH
WHOM WE MUST COMPETE IN
THE WORLD MARKET. WE

CAN'T EVEN HOLD OUR OWN
MARKET HERE IN AMERICA
AGAINST FOREIGN
AUTOMOBILES, STEEL, AND A
NUMBER OF OTHER PRODUCTS.

JAPANESE PRODUCTION
OF AUTOMOBILES IS ALMOST
TWICE AS GREAT PER WORKER
AS IT IS IN AMERICA.

JAPANESE STEEL WORKERS
OUT-PRODUCE THEIR
AMERICAN COUNTERPARTS
BY ABOUT 25 PERCENT.

THIS ISN'T BECAUSE
THEY ARE BETTER WORKERS.
I'LL MATCH THE AMERICAN
WORKING MAN OR WOMAN
AGAINST ANYONE IN THE
WORLD. BUT WE HAVE TO
GIVE THEM THE MODERN
TOOLS AND EQUIPMENT THAT
WORKERS IN THE OTHER
INDUSTRIAL NATIONS HAVE.

WE INVENTED THE
ASSEMBLY LINE AND MASS
PRODUCTION, BUT PUNITIVE

TAX POLICIES AND EXCESSIVE AND UNNECESSARY REGULATIONS PLUS GOVERNMENT BORROWING HAVE STIFLED OUR ABILITY TO UPDATE PLANT AND EQUIPMENT. WHEN CAPITAL INVESTMENT IS MADE IT IS TOO OFTEN FOR SOME UNPRODUCTIVE ALTERATIONS DEMANDED BY GOVERNMENT TO MEET VARIOUS OF ITS REGULATIONS.

EXCESSIVE TAXATION OF INDIVIDUALS HAS ROBBED US OF INCENTIVE AND MADE OVERTIME UNPROFITABLE.

WE ONCE PRODUCED ABOUT 40 PERCENT OF THE WORLD'S STEEL. WE NOW PRODUCE 19 PERCENT.

WE WERE ONCE THE GREATEST PRODUCER OF AUTOMOBILES, PRODUCING MORE THAN ALL THE REST OF THE WORLD COMBINED. THAT IS NO LONGER TRUE, AND IN

ADDITION, THE BIG 3, THE MAJOR AUTO COMPANIES, IN OUR LAND HAVE SUSTAINED TREMENDOUS LOSSES IN THE PAST YEAR AND HAVE BEEN FORCED TO LAY OFF THOUSANDS OF WORKERS.

ALL OF YOU WHO ARE WORKING KNOW THAT EVEN WITH COST OF LIVING PAY RAISES YOU CAN'T KEEP UP WITH INFLATION. IN OUR PROGRESSIVE TAX SYSTEM AS YOU INCREASE THE NUMBER OF DOLLARS YOU EARN YOU FIND YOURSELF MOVED UP INTO HIGHER TAX BRACKETS, PAYING A HIGHER TAX RATE JUST FOR TRYING TO HOLD YOUR OWN. THE RESULT? YOUR STANDARD OF LIVING IS GOING DOWN.

OVER THE PAST DECADES WE'VE TALKED OF CURTAILING GOVERNMENT SPENDING SO THAT WE CAN THEN LOWER THE TAX BURDEN. SOMETIMES

WE'VE EVEN TAKEN A RUN AT
DOING THAT. BUT THERE
WERE ALWAYS THOSE WHO TOLD
US TAXES COULDN'T BE CUT
UNTIL SPENDING WAS
REDUCED. WELL, WE CAN
LECTURE OUR CHILDREN ABOUT
EXTRAVAGANCE UNTIL WE RUN
OUT OF VOICE AND BREATH.
OR WE CAN CURE THEIR
EXTRAVAGANCE SIMPLY BY
REDUCING THEIR ALLOWANCE.

IT IS TIME TO
RECOGNIZE THAT WE HAVE
COME TO A TURNING POINT.
WE ARE THREATENED WITH
AN ECONOMIC CALAMITY OF
TREMENDOUS PROPORTIONS
AND THE OLD BUSINESS AS
USUAL TREATMENT CAN'T
SAVE US.

TOGETHER, WE MUST
CHART A DIFFERENT COURSE.
WE MUST INCREASE
PRODUCTIVITY. THAT MEANS
MAKING IT POSSIBLE FOR

INDUSTRY TO MODERNIZE AND
MAKE USE OF THE TECHNOLOGY
WHICH WE OURSELVES
INVENTED; THAT MEANS
PUTTING AMERICANS BACK
TO WORK. AND THAT MEANS,
ABOVE ALL, BRINGING
GOVERNMENT SPENDING BACK
WITHIN GOVERNMENT
REVENUES WHICH IS THE ONLY
WAY, TOGETHER WITH
INCREASED PRODUCTIVITY,
THAT WE CAN REDUCE AND
YES ELIMINATE INFLATION.

IN THE PAST WE'VE
TRIED TO FIGHT INFLATION
ONE YEAR AND THEN WHEN
UNEMPLOYMENT INCREASED
TURN THE NEXT YEAR TO
FIGHTING UNEMPLOYMENT WITH
MORE DEFICIT SPENDING AS A
PUMP PRIMER. SO AGAIN, UP
GOES INFLATION. IT HASN'T
WORKED. WE DON'T HAVE TO
CHOOSE BETWEEN INFLATION
AND UNEMPLOYMENT -- THEY
GO HAND IN HAND. IT'S TIME

TO TRY SOMETHING DIFFERENT
AND THAT'S WHAT WE'RE
GOING TO DO.

I'VE ALREADY PLACED
A FREEZE ON HIRING
REPLACEMENTS FOR THOSE
WHO RETIRE OR LEAVE
GOVERNMENT SERVICE. I
HAVE ORDERED A CUT IN
GOVERNMENT TRAVEL, THE
NUMBER OF CONSULTANTS
TO THE GOVERNMENT, AND
THE BUYING OF OFFICE
EQUIPMENT AND OTHER
ITEMS. I HAVE PUT A
FREEZE ON PENDING
REGULATIONS AND SET UP A
TASK FORCE UNDER VICE
PRESIDENT BUSH TO REVIEW
REGULATIONS WITH AN EYE
TOWARD GETTING RID OF AS
MANY AS POSSIBLE. I HAVE
DECONTROLLED OIL WHICH
SHOULD RESULT IN MORE
DOMESTIC PRODUCTION AND
LESS DEPENDENCE ON FOREIGN
OIL. AND I AM ELIMINATING

THE INEFFECTIVE ~~WAGE AND~~
~~PRICE PROGRAMS OF THE~~
COUNCIL ON WAGE AND PRICE
STABILITY.

BUT IT WILL TAKE
MORE, MUCH MORE, AND WE
MUST REALIZE THERE IS NO
QUICK FIX. AT THE SAME
TIME, HOWEVER, WE CANNOT
DELAY IN IMPLEMENTING
AN ECONOMIC PROGRAM AIMED
AT BOTH REDUCING TAX RATES
TO STIMULATE PRODUCTIVITY
AND REDUCING THE GROWTH IN
GOVERNMENT SPENDING TO
REDUCE UNEMPLOYMENT AND
INFLATION.

ON FEBRUARY 18TH, I
WILL PRESENT IN DETAIL AN
ECONOMIC PROGRAM TO
CONGRESS EMBODYING THE
FEATURES I HAVE JUST
STATED. IT WILL PROPOSE
BUDGET CUTS IN VIRTUALLY
EVERY DEPARTMENT OF
GOVERNMENT. IT IS MY
BELIEF THAT THESE ACTUAL

BUDGET CUTS WILL ONLY BE PART OF THE SAVINGS. AS OUR CABINET SECRETARIES TAKE CHARGE OF THEIR DEPARTMENTS, THEY WILL SEARCH OUT AREAS OF WASTE, EXTRAVAGANCE, AND COSTLY ADMINISTRATIVE OVERHEAD WHICH COULD YIELD ADDITIONAL AND SUBSTANTIAL REDUCTIONS.

AT THE SAME TIME WE ARE DOING THIS, WE MUST GO FORWARD WITH A TAX RELIEF PACKAGE. I SHALL ASK FOR A 10 PERCENT REDUCTION ACROSS THE BOARD IN PERSONAL INCOME TAX RATES FOR EACH OF THE NEXT THREE YEARS. PROPOSALS WILL ALSO BE SUBMITTED FOR ACCELERATED DEPRECIATION ALLOWANCES FOR BUSINESS TO PROVIDE NECESSARY CAPITAL SO AS TO CREATE JOBS.

NOW HERE AGAIN, IN SAYING THIS, I KNOW THAT LANGUAGE AS I SAID EARLIER CAN GET IN THE WAY OF A CLEAR UNDERSTANDING OF WHAT OUR PROGRAM IS INTENDED TO DO. BUDGET CUTS CAN SOUND AS IF WE ARE GOING TO REDUCE TOTAL GOVERNMENT SPENDING TO A LOWER LEVEL THAN WAS SPENT THE YEAR BEFORE. THIS IS NOT THE CASE. THE BUDGETS WILL INCREASE AS OUR POPULATION INCREASES AND EACH YEAR WE'LL SEE SPENDING INCREASES TO MATCH THAT GROWTH. GOVERNMENT REVENUES WILL INCREASE AS THE ECONOMY GROWS BUT THE BURDEN WILL BE LIGHTER FOR EACH INDIVIDUAL BECAUSE THE ECONOMIC BASE WILL HAVE BEEN EXPANDED BY REASON OF THE REDUCED RATES.

LET ME SHOW YOU A CHART I'VE HAD DRAWN TO ILLUSTRATE HOW THIS CAN BE. HERE YOU SEE 2 TREND LINES. THE BOTTOM LINE SHOWS THE INCREASE IN TAX REVENUES. THE RED LINE ON TOP IS THE INCREASE IN GOVERNMENT SPENDING. BOTH LINES TURN UPWARD REFLECTING THE GIANT TAX INCREASE ALREADY BUILT INTO THE SYSTEM FOR THIS YEAR 1981 AND THE INCREASES IN SPENDING BUILT INTO THE 81 AND 82 BUDGETS AND ON INTO THE FUTURE.

AS YOU CAN SEE, THE SPENDING LINE RISES AT A STEEPER SLANT THAN THE REVENUE LINE. THAT GAP BETWEEN THOSE LINES ILLUSTRATES THE INCREASING DEFICITS WE'VE BEEN RUNNING INCLUDING THIS YEAR'S \$80 BILLION DEFICIT.

NOW, IN THE SECOND CHART, THE LINES REPRESENT THE POSITIVE EFFECTS WHEN CONGRESS ACCEPTS OUR ECONOMIC PROGRAM. BOTH LINES CONTINUE TO RISE ALLOWING FOR NECESSARY GROWTH BUT THE GAP NARROWS AS SPENDING CUTS CONTINUE OVER THE NEXT FEW YEARS, UNTIL FINALLY THE TWO LINES COME TOGETHER MEANING A BALANCED BUDGET.

I AM CONFIDENT THAT MY ADMINISTRATION CAN ACHIEVE THAT. AT THAT POINT TAX REVENUES IN SPITE OF RATE REDUCTIONS WILL BE INCREASING FASTER THAN SPENDING WHICH MEANS WE CAN LOOK FORWARD TO FURTHER REDUCTIONS IN THE TAX RATES.

IN ALL OF THIS WE WILL OF COURSE WORK CLOSELY WITH THE FEDERAL

RESERVE SYSTEM TOWARD
THE OBJECTIVE OF A
STABLE MONETARY POLICY.

OUR SPENDING CUTS
WILL NOT BE AT THE
EXPENSE OF THE TRULY
NEEDY. WE WILL, HOWEVER,
SEEK TO ELIMINATE
BENEFITS TO THOSE WHO
ARE NOT REALLY QUALIFIED
BY REASON OF NEED.

AS I'VE SAID BEFORE,
ON FEBRUARY 18TH, I WILL
PRESENT THIS ECONOMIC
PACKAGE OF BUDGET
REDUCTIONS AND TAX REFORM
TO A JOINT SESSION OF
CONGRESS AND TO YOU IN
FULL DETAIL.

OUR BASIC SYSTEM IS
SOUND. WE CAN, WITH
COMPASSION, CONTINUE TO
MEET OUR RESPONSIBILITY
TO THOSE WHO THROUGH NO
FAULT OF THEIR OWN NEED
OUR HELP. WE CAN MEET

FULLY THE OTHER
LEGITIMATE RESPONSIBILITIES
OF GOVERNMENT. WE CANNOT
CONTINUE ANY LONGER OUR
WASTEFUL WAYS AT THE
EXPENSE OF THE WORKERS
OF THIS LAND OR OUR
CHILDREN.

SINCE 1960 OUR
GOVERNMENT HAS SPENT
\$5.1 TRILLION; OUR DEBT
HAS GROWN BY \$648
BILLION. PRICES HAVE
EXPLODED BY 178 PERCENT.
HOW MUCH BETTER OFF ARE
WE FOR IT ALL? WE ALL
KNOW, WE ARE VERY MUCH
WORSE OFF.

WHEN WE MEASURE HOW
HARSHLY THESE YEARS OF
INFLATION, LOWER
PRODUCTIVITY, AND
UNCONTROLLED GOVERNMENT
GROWTH HAVE AFFECTED OUR
LIVES, WE KNOW WE MUST
ACT AND ACT NOW.

WE MUST NOT BE TIMID.

WE WILL RESTORE THE
FREEDOM OF ALL MEN AND
WOMEN TO EXCEL AND TO
CREATE. WE WILL UNLEASH
THE ENERGY AND GENIUS OF
THE AMERICAN PEOPLE --
TRAITS WHICH HAVE NEVER
FAILED US.

TO THE CONGRESS OF
THE UNITED STATES, I
EXTEND MY HAND IN
COOPERATION AND I BELIEVE
WE CAN GO FORWARD IN A
BI-PARTISAN MANNER.

I HAVE FOUND A REAL
WILLINGNESS TO COOPERATE
ON THE PART OF DEMOCRATS
AND MEMBERS OF MY OWN
PARTY.

TO MY COLLEAGUES IN
THE EXECUTIVE BRANCH OF
GOVERNMENT AND TO ALL
FEDERAL EMPLOYEES I ASK
THAT WE WORK IN THE SPIRIT
OF SERVICE.

I URGE THOSE GREAT
INSTITUTIONS IN AMERICA --
BUSINESS AND LABOR -- TO
BE GUIDED BY THE NATIONAL
INTEREST AND I'M CONFIDENT
THEY WILL. THE ONLY
SPECIAL INTEREST WE WILL
SERVE IS THE INTEREST OF
THE PEOPLE.

WE CAN CREATE THE
INCENTIVES WHICH TAKE
ADVANTAGE OF THE GENIUS
OF OUR ECONOMIC SYSTEM --
A SYSTEM, AS WALTER
LIPPMANN OBSERVED MORE
THAN 40 YEARS AGO, WHICH
FOR THE FIRST TIME IN
HISTORY GAVE MEN
"A WAY OF PRODUCING
WEALTH IN WHICH THE GOOD
FORTUNE OF OTHERS
MULTIPLIED THEIR OWN."

OUR AIM IS TO
INCREASE OUR NATIONAL
WEALTH SO ALL WILL HAVE
MORE, NOT JUST

REDISTRIBUTE WHAT WE
ALREADY HAVE WHICH IS JUST
A SHARING OF SCARCITY.
WE CAN BEGIN TO REWARD
HARD WORK AND RISK-TAKING
BY FORCING THIS
GOVERNMENT TO LIVE
WITHIN ITS MEANS.

OVER THE YEARS WE
HAVE LET NEGATIVE
ECONOMIC FORCES RUN OUT
OF CONTROL. WE HAVE
STALLED THE JUDGMENT
DAY. WE NO LONGER HAVE
THAT LUXURY. WE ARE
OUT OF TIME.

AND TO YOU MY
FELLOW CITIZENS, LET US
JOIN IN A NEW
DETERMINATION TO REBUILD
THE FOUNDATION OF OUR
SOCIETY: TO WORK TOGETHER
TO ACT RESPONSIBLY. LET US
DO SO WITH THE MOST
PROFOUND RESPECT FOR THAT
WHICH MUST BE PRESERVED AS
WELL AS WITH SENSITIVE

UNDERSTANDING AND
COMPASSION FOR THOSE WHO
MUST BE PROTECTED.

WE CAN LEAVE OUR
CHILDREN WITH AN
UNREPAYABLE MASSIVE
DEBT AND A SHATTERED
ECONOMY OR WE CAN LEAVE
THEM LIBERTY IN A LAND
WHERE EVERY INDIVIDUAL
HAS THE OPPORTUNITY TO
BE WHATEVER GOD INTENDED
US TO BE. ALL IT TAKES
IS A LITTLE COMMON SENSE
AND RECOGNITION OF OUR
OWN ABILITY. TOGETHER
WE CAN FORGE A NEW
BEGINNING FOR AMERICA.

THANK YOU AND GOOD
NIGHT.

[JOINT COMMITTEE PRINT]

File

**BACKGROUND AND ISSUES
RELATING TO THE
PUBLIC DEBT LIMIT**

**PREPARED FOR THE
COMMITTEE ON WAYS AND MEANS
AND THE
COMMITTEE ON FINANCE
BY THE STAFF
OF THE
JOINT COMMITTEE ON TAXATION**



JANUARY 30, 1961

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INTRODUCTION

This pamphlet was prepared by the staff of the Joint Committee on Taxation for the use of the House Committee on Ways and Means and the Senate Committee on Finance in their consideration of the Administration's requested increase in the public debt limit.

Part one contains a summary of the present public debt limit situation. The second part of the pamphlet is a discussion of present law, the budgetary situation, and the Administration's request for an increase in the debt limit. The third part presents background on the legislative procedures regarding changes in the public debt limit. The fourth part discusses characteristics of the Federal debt, including relationship of the debt limit and the budget and data on the ownership of the Federal debt. Finally, an Appendix presents historical data on prior debt limit increases.

I. SUMMARY

Present law

Statutory debt limit

The public debt limit is \$935.1 billion through September 30, 1981. The limit consists of a permanent limit of \$400 billion and a temporary increase of \$535.1 billion. This temporary increase was enacted in December 1980, and it is consistent with the budgetary and economic objectives of the first concurrent resolution on the budget for fiscal year 1981. That resolution was passed by Congress on June 12, 1981.

Budget situation

Both the second budget resolution for fiscal year 1981 and the revised budget estimates for 1981 recently submitted by the Carter Administration project higher levels of outlays and a much larger deficit. The budget revisions reflect increased spending associated with higher unemployment, interest rates, and inflation, as well as additional appropriations for both civilian and military spending.

Administration's requested increase in debt limit

Treasury has requested an increase of \$49.9 billion in the debt limit to \$985 billion. This would increase the temporary debt limit to \$585 billion through September 30, 1981.

Although the present temporary limit does not expire before the end of the fiscal year, the limit will not meet the Federal Government's financial requirements past mid-February. Once the debt ceiling is reached and the operating cash balance is exhausted, no funds will be available to make payments under any authorized program or contractual obligation. The United States Government would have to default on its obligations.

II. PRESENT LAW AND ADMINISTRATION REQUEST

A. Statutory debt limit

Overview

Present law contains a statutory limit on the amount of debt the Federal Government may issue. This limit applies not only to debt issued to finance the unified budget deficit, but also debt sold to trust funds and debt issued to finance the deficit of off-budget federal entities.¹ Thus, it is usually necessary to increase the debt ceiling by

¹The unified budget deficit equals the excess of outlays of on-budget federal agencies over budget receipts during the fiscal year. Thus, a surplus in (say) the social security trust fund reduces the unified budget deficit. However, the debt sold by the Treasury to the trust fund for investment of its reserves is subject to the statutory debt limit.

more than the unified budget deficit. For example, in fiscal year 1980, the unified budget deficit was \$59.6 billion, but the debt subject to limit grew \$81.1 billion. Of this difference, about \$14 billion related to the deficit of off-budget entities and about \$8 billion to the surplus of the trust funds.

Once the debt ceiling is reached, no new debt may be issued, although existing debt may be refinanced. If the debt subject to limit exceeds the statutory debt limit, no new debt may be issued for any purpose. Under these circumstances, once the Treasury has used up its cash balance, it must default on its obligations, which include such things as payments to government contractors, social security payments, interest payments, and civilian and military payrolls. If this were ever to occur, it would probably lead to permanently higher costs of government. For example, investors would demand higher interest rates to compensate them for the increased risks associated with owning U.S. government securities. Even if no default actually occurs, there are costs associated with inadequate debt ceiling because it prevents the Treasury from managing the public debt so as to minimize interest costs.

Permanent and temporary debt limits

Currently the limit on public debt consists of a permanent limit that has no expiration date and a temporary limit that expires on a specific date. Temporary limits have been enacted since 1955 when their need was assumed to be temporary. The permanent limit was \$275 billion at that time. This limit has been raised 7 times since then, and the present \$400 billion permanent limit was enacted in March 1971.

Current debt limit

The current debt limit is \$935.1 billion. This consists of a permanent limit of \$400 billion and a temporary limit of \$535.1 billion. The temporary limit expires on September 30, 1981, the end of the fiscal year.

B. Budget prospects

The \$935.1 billion limit originated in the first budget resolution for fiscal year 1981. (See part II below for a description of the House procedure for coordinating debt ceiling legislation with the budget process.) This resolution provided for a \$500 million unified budget surplus (revenues of \$613.8 billion and outlays of \$613.3 billion), and the \$935.1 billion debt limit was expected to be adequate through September 30, 1981.

Since then, budget prospects have changed significantly. The second budget resolution added almost \$20 billion in outlays and provided for a tax reduction. It projected a deficit of \$27.4 billion (revenues of \$605.0 billion and outlays of \$632.4 billion). A debt limit of \$978.6 billion through fiscal year 1981 would have been consistent with these budget estimates.

The latest official estimates of the 1981 budget, which are included in the Carter Administration's budget for fiscal year 1982, show revenues of \$607.5 billion, outlays of \$662.7 billion and a deficit of \$55.2 billion. Even these estimates may prove too optimistic because they are based on a policy which includes net tax increases of \$2.5 billion in fiscal year 1981; the new Administration and members of both Houses of Congress have said they intend to enact tax cuts. Moreover, the Congressional Budget Office has recently estimated that the Carter Administration's budget involves \$600 million more spending and \$1.6 billion less revenue than the Carter Administration's own estimates. Neither of these estimates, however, takes account of the \$2.8 billion of additional windfall profit tax revenue expected to result from President Reagan's decision to deregulate oil prices in January instead of allowing the present phaseout of price controls to be completed in September.

A rough breakdown of the causes of the increase in spending since the first resolution is as follows: spending resulting from higher unemployment than originally expected (\$6 billion), spending resulting from higher interest rates than expected (\$12 billion), additional defense spending (\$8 billion), spending resulting from higher inflation than expected (\$10 billion), and additional nondefense spending unrelated to changing economic conditions (\$11 billion).

Under these circumstances, the \$935.1 billion debt limit is likely to be reached in mid-February, instead of at the end of fiscal year 1981.

C. Administration request

The Reagan Administration has requested an increase in the debt limit to \$985 billion through fiscal year 1981. The Treasury stated that this amount is based upon the revised budget estimates for this fiscal year that were submitted by the Carter Administration, not upon the Reagan Administration's economic program. An increase to \$985 billion through the remainder of this fiscal year is requested to allow time for the President to submit his proposed revisions in outlays and receipts and enable Congress to pass the bills it believes are consistent with the proposals.

II. LEGISLATIVE PROCEDURES FOR THE PUBLIC DEBT

Normal procedure

Increases in the public debt may be enacted in accordance with the normal pattern for revenue bills. Such legislation must originate in the House and be reported to the House floor. After approval by the House, with or without amendment, the bill is transmitted to the Senate and then normally is referred to the Finance Committee. After the Finance Committee has reviewed the bill, it is returned to the Senate floor, as amended, for Senate approval. If the two Houses disagree, a conference and approval of a conference report, are necessary before the bill is forwarded to the President for his approval.

Nongermane amendments

Because enactment of a debt limit increase generally cannot be accomplished without immediate, major changes in the budget, a bill providing for such an increase has often been a vehicle for amendments. In the 1960's, the most important amendments often were increases in social security benefit payments and other adjustments in the social security programs. Adoption of the automatic cost-of living adjustment for social security beneficiaries in 1972, however, effectively removed this subject from the range of potential amendments to debt limit bills.

Many nongermane amendments to debt limit bills have involved changes in debt management. Such amendments have included exceptions to the statutory interest rate ceilings on long-term bonds issued by the Treasury, increases in the maturity definition of Treasury notes, increases in the statutory interest rates on U.S. savings bonds. In 1970, an amendment in 1971 eliminated the use of future issues of Treasury bonds as "flower bonds." Flower bonds are redeemed at face value before maturity in payment of estate taxes, even though the market value of the bonds is below the face value.

In September 1972, a spending limitation on the budget for fiscal year 1973 was added to a debt limit bill, when it was under consideration by the Ways and Means Committee, at President Nixon's request. (The spending limitation was deleted by the Conference Committee.) In the same session of the Ways and Means Committee, an additional amendment was approved—to establish a joint study committee to recommend a congressional budget process.

In 1979, an amendment was included in a debt ceiling bill which required the Administration and the budget committee to propose an alternative balanced budget when their regular budgets were in excess of the debt limit.

In 1980, Congress added a resolution to a debt ceiling bill disapproving President Carter's proposed oil import fee. Enactment of the fee was delayed until Congress overrode President Carter's veto of the bill. Later in the year, an effort to increase the debt limit to

C. Relation of debt ceiling to budget process

In 1974, legislation establishing a congressional budget procedure was enacted. Under the new procedure, each of the two budget resolutions required for a fiscal year would prescribe a debt limit for each fiscal year covered in the budget resolution that would be appropriate in view of the budget and economic assumptions that were implicit in the budget resolution. Although debt limit bills continued to be enacted separately from the budget resolutions, the debt limits that were enacted were generally consistent with the budget in the budget resolutions.

D. Revised House procedure

The House, in 1979, took another step to integrate the process of enacting increases in the public debt limit with the congressional budget process. The House approved a procedure through which a public debt limit specified in a concurrent budget resolution would automatically initiate a joint resolution to increase the public debt limit. The Senate did not change its rules. The procedure was incorporated into the House rules and included the addition of House Rule XLIX. A summary of the rule follows.

1. House Rule XLIX concerns the consideration by the House of the statutory limit on the public debt.

a. When a budget resolution on adoption of its conference report specifies a public debt limit for a fiscal year which differs from the statutory limit in effect, the Enrolling Clerk of the House shall prepare a joint resolution which appropriately changes the current statutory public debt limit.

The vote by which the House agreed to the conference report on the budget resolution shall be deemed to have been a vote in favor of the joint resolution upon final passage in the House. If there is no conference report, the House vote to adopt the budget resolution shall apply.

The joint resolution shall be signed by the Clerk of the House and sent to the Senate for legislative action. After final passage by both Houses, the joint resolution shall be transmitted to the President for his signature.

b. The report by the House Budget Committee accompanying the budget resolution shall state clearly how the statutory public debt limit is amended by the budget resolution. It will not be in order in the House to consider or adopt a budget resolution if the report does not contain this explanation.

c. The new procedure does not preclude changing the public debt limit by passing a public debt limit bill that originates in the Ways and Means Committee.

2. Clause 4(g) of House Rule X was amended to state that the Ways and Means Committee shall submit in its report to the House Budget Committee a specific recommendation for the appropriate public debt limit to be included in the budget resolution.

3. Clause (8) of the House Rule XXIII was amended to state that the appropriate level of the public debt limit in a budget resolution may be changed only by an amendment by the House Budget Committee, or at its direction, which is needed to achieve mathematical consistency in the budget totals.

III. LEGISLATIVE PROCEDURES FOR THE PUBLIC DEBT

A. Normal procedure

Increases in the public debt may be enacted in accordance with the normal pattern for revenue bills. Such legislation must originate in the Ways and Means Committee and be reported to the House floor. After approval by the House, with or without amendment, the bill is transmitted to the Senate and then normally is referred to the Finance Committee. After the Finance Committee has reviewed the bill, it is sent to the Senate floor, as amended, for Senate approval. If the two bodies disagree, a conference and approval of a conference report, are necessary before the bill is forwarded to the President for his approval.

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In 1979, an amendment was included in a debt ceiling bill which required the Administration and the budget committees to propose an alternative balanced budget when their regular budgets were in deficit.

In 1980, Congress added a resolution to a debt ceiling bill disapproving President Carter's proposed oil import fee. Enactment of the bill was delayed until Congress overrode President Carter's veto of that bill. Later in the year, an effort to increase the debt limit to \$956 billion through March 31, 1981, was abandoned because of a nongermane amendment relating to imported passenger automobiles.

C. Relation of debt ceiling to budget process

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3. Clause (8) of the House Rule XXIII was amended to state that the appropriate level of the public debt limit in a budget resolution may be changed only by an amendment by the House Budget Committee, or at its direction, which is needed to achieve mathematical consistency in the budget totals.

4. The Second Liberty Bond Act was amended to state that the public debt limit may be amended through the congressional budget process.

IV. CHARACTERISTICS OF THE FEDERAL DEBT

A. Relationship of the debt limit and budget

The debt subject to the statutory debt limit essentially consists of debt issued to finance the unified budget deficit, debt sold to trust funds whose surpluses are invested in U.S. government debt, and debt issued by the Federal Financing Bank. Thus, the increase in the debt subject to limit generally exceeds the unified budget deficit.

The unified budget covers outlays and receipts of on-budget federal entities, which are accounted for on a cash-flow basis. The congressional budget process is based on the unified budget, as is most public discussion of the budget.

Before the unified budget was adopted in 1968, most public attention was paid to the federal funds budget, which consists of the unified budget minus outlays and revenues of trust funds. These trust funds consist of the social security trust funds, the highway trust fund, the unemployment trust fund, the federal employee trust fund, and various others. Trust fund revenues come from sources that are dedicated to meet benefit and other payments specified by law. Surplus trust funds must be invested in U.S. Government debt issues.

The debt subject to limit also includes debt issued to finance various federal credit programs which are not included in the unified budget. For the most part, these credit programs finance their activities by selling debt to the Federal Financing Bank. The Bank was enacted on December 31, 1973. It was enacted to coordinate borrowing by the various federal credit programs in order to reduce the costs of federal and federally assisted borrowing from the public and to assure that the credit programs are financed efficiently and with minimum disruption of the money market. The Federal Financing Bank in turn sells the agency debt to the Treasury Department, which acquires the funds it needs for these programs by selling debt that is included within the debt limit. Continuation of these programs can require an increase in the public debt limit even when the unified budget or the federal funds budget would require no net additions to the outstanding public debt. In the budget resolutions for fiscal year 1981, ceilings were placed on the amounts of credit raised by federal agencies outside of the budget.

In fiscal year 1980, the debt subject to limit increased by \$81.1 billion. This consisted of \$59.6 billion to finance the unified budget deficit, \$8.8 billion of debt issued in connection with the surplus of the trust funds, and \$14.2 billion to finance off-budget agencies, reduced by \$1.5 billion of incidental reductions in the debt. The Carter Administration's revised budget estimates for fiscal year 1981 recommend an increase in the debt subject to limit of \$78.5 billion in fiscal year 1981. This consists of \$55.2 billion to finance the unified budget deficit, a trust fund surplus of \$4.5 billion, and incidental reductions in the debt (mainly through lower cash balances) of \$4.3 billion.

B. Ownership of the Federal debt

At the end of fiscal year 1980, the gross Federal debt was \$914.3 billion. Almost \$200 billion, more than 20 percent, was held in Federal Government accounts which chiefly are accounts of trust funds. An additional 13 percent was held by the Federal Reserve System. Approximately the same amount was held by foreign persons, primarily governments, which, mainly because of U.S. balance of payments deficits, has increased from about 4 percent in 1965. The rest of the debt is 1. The debt held by the public, including the Federal Reserve System, was 27.9 percent of the gross national product. This is a decline from the 61.7 percent level in 1954, but an increase from a lower percentage of 25.0 in 1974.

TABLE 1.—COMPARISON OF TRENDS IN FEDERAL DEBT AND GROSS NATIONAL PRODUCT

[Dollar amount in billions]

Fiscal year	Debt outstanding, end of year							GNP	Debt held by public as percent of GNP
	Gross Federal debt ^a	Federal Government accounts	Held by—						
			Total	The public					
				Federal Reserve System	Foreign	Other ^b			
1954.....	270.8	46.3	224.5	25.0	(^c)	199.5	364.1	61.7	
1955.....	274.4	47.8	226.6	23.6	(^c)	203.0	381.7	59.4	
1956.....	272.8	50.5	222.2	23.8	(^c)	198.5	411.7	54.0	
1957.....	272.4	52.9	219.4	23.0	(^c)	196.4	434.5	50.5	
1958.....	279.7	53.3	226.4	25.4	(^c)	200.9	442.7	51.1	
1959.....	287.8	52.8	235.0	26.0	(^c)	209.0	472.1	49.8	
1960.....	290.9	53.7	237.2	26.5	(^c)	210.7	499.3	47.5	
1961.....	292.9	54.3	238.6	27.3	(^c)	211.4	510.1	46.8	
1962.....	303.3	54.9	248.4	29.7	(^c)	218.7	546.9	45.4	
1963.....	310.8	56.3	254.5	32.0	(^c)	222.4	579.0	43.9	
1964.....	316.8	59.2	257.6	34.8	(^c)	222.8	618.4	41.6	
1965.....	323.2	61.5	261.6	39.1	12.3	210.2	660.5	39.6	
1966.....	329.5	64.8	264.7	42.2	11.6	210.9	725.5	36.5	

1967	341.3	73.8	267.5	46.7	11.4	209.4	776.2	34.5
1968	369.8	79.1	290.6	52.2	10.7	227.7	834.4	34.8
1969 ¹	367.1	87.7	279.5	54.1	10.3	215.1	911.0	30.7
1970 ²	382.6	97.7	284.9	57.7	14.0	213.2	968.9	29.4
1971	409.5	105.1	304.3	65.5	31.8	207.0	1,032.7	29.5
1972	437.3	113.6	323.8	71.4	49.2	220.5	1,126.6	28.7
1973 ³	468.4	125.4	343.0	75.2	59.4	208.5	1,255.2	27.3
1974	486.2	140.2	346.1	80.6	56.8	208.6	1,381.5	25.0
1975	544.1	147.2	396.9	85.0	66.0	245.9	1,480.5	26.8
1976 ⁴	631.9	151.6	480.3	94.7	68.9	315.8	1,642.7	29.2
Transition quarter	646.4	148.1	498.3	96.7	74.6	327.0	1,729.0	28.8
1977	709.1	157.3	551.8	105.0	95.5	351.3	1,864.0	29.6
1978	780.4	169.5	610.9	115.5	120.9	374.6	2,085.3	29.3
1979	833.8	189.2	644.6	115.6	125.2	403.8	2,357.8	27.3
1980	914.8	199.2	715.1	120.8	126.0	468.3	2,567.5	27.9

¹ During 1969, 3 Government-sponsored enterprises became completely privately owned, and their debt was removed from the totals for the Federal Government. At the dates of their conversion, gross Federal debt was reduced \$10.7 billion, debt held by Government accounts was reduced \$0.6 billion, and debt held by the public was reduced \$10.1 billion.

² Gross Federal debt and debt held by the public increased \$1.6 billion due to a reclassification of the Commodity Credit Corporation certificates of interest from loan assets to debt.

Source: Tables E3 and 5, Special Analyses of the Budget to the United States Government, Fiscal Year 1982, pp. 113 and 118.

³ A procedural change in the recording of trust fund holdings of Treasury debt at the end of the month increased gross Federal debt and debt held in Government accounts by about \$4.5 billion.

⁴ Gross Federal debt and debt held by the public increased \$0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan assets to debt.

⁵ Not available.

⁶ Gross federal debt exceeds debt subject to limitation by the amount of certain securities issued by agencies, which amounted to \$6.6 billion at the end of fiscal year 1980.

⁷ Banks and other financial institutions, pension funds, individuals and others.

C. Maturity distribution and average interest rate on outstanding debt

A continuing concern of Treasury Department officials, private money market specialists and the Committees on Finance and Ways and Means is the maturity distribution of the federal debt held by the general public. Congress has passed legislation influencing the ability of Treasury to issue various maturities of debt as separate titles of public debt limit bills or as separate bills.

The immediate source of this difficult debt management is a provision in the Second Liberty Bond Act which limits the interest rate on bonds to 4 $\frac{1}{4}$ percent per year. Interest rates on notes and bills, debt with shorter maturities than bonds, are not limited. The limitation was enacted when both prices and interest rates were lower and stable. Inflation and its effect in raising interest rates have made it impossible to issue bonds at this interest rate. For a while, an effort was made to circumvent the limitation by issuing at discount bonds that would pay between 4 and 4 $\frac{1}{4}$ percent at par, but Congress eliminated this way of avoiding the interest ceiling.

In recent years, Congress has made several changes designed to lengthen the maturity of the debt despite the interest rate limit. The definition of a Treasury note was increased in a series of steps from 5 years to the 10-year limit in present law. These steps made it possible for the Treasury to participate in the market for the intermediate maturities. The second step has involved providing exceptions from the interest rate ceiling for specified amounts of bonds held by the general public, that is, outside of Federal Government accounts. At present, the exception is \$70 billion. Recently, the Treasury has sold about \$15 billion a year of bonds with maturities longer than 10 years.

Maturities that are too short increase the vulnerability of Treasury debt management to short-lived events that increase the difficulty in marketing an issue. In addition, when the average maturity is longer, the Federal Government borrows less money for any one issue and places fewer demands on the market, there are fewer federally caused problems that could disrupt financing of private business activity. Some observers of the money market believe, however, that the Treasury should adjust its participation in the various maturity sectors of the money market according to the economic situation. For example, immediately following a credit crunch, the Treasury should issue relatively fewer bonds, or none at all, while businesses are refinancing short-term debt into longer maturities. If Treasury would forebear according to this prescription, the interest rate payable on business refinancings would be lower, but the average debt maturity would become shorter.

Table 2, which follows, shows the maturity distribution and average length of federal debt held by private investors. The table covers fiscal years 1971-1980 and each month from October 1979 through 1980. At the end of fiscal year 1976, the average maturity was 2 years and 7 months. Since then, the average has been increased to 3 years and 9 months. In that time span, debt that matures in less than one year has been decreased from 54 percent to 47½ percent.

Table 3 shows the interest charges on the interest-bearing public debt from 1972 through November 1980. In that period, the average rate has increased from about 5.1 percent to 9.4 percent on all interest bearing public debt. The highest rates, at the end of November, are being paid on Treasury bills, i.e., debt with maturities of one year or shorter.

TABLE 2.—MATURITY DISTRIBUTION AND AVERAGE LENGTH OF MARKETABLE INTEREST-BEARING PUBLIC DEBT
HELD BY PRIVATE INVESTORS

[In millions of dollars]

End of fiscal year or month	Amount outstanding privately held	Maturity Classes					Average length ¹	
		Within 1 year	1-5 years	5-10 years	10-20 years	20 years and over	Years	Months
1971.....	161,863	74,803	58,557	14,503	6,357	7,645	3	6
1972.....	165,978	79,509	57,157	16,033	6,358	6,922	3	3
1973.....	167,869	84,041	54,139	16,385	8,741	4,564	3	1
1974.....	164,862	87,150	50,103	14,197	9,930	3,481	2	11
1975.....	210,382	115,677	65,852	15,385	8,857	4,611	2	8
1976.....	279,782	151,723	89,151	24,169	8,087	6,652	2	7
Transition quarter.....	294,596	153,203	94,845	31,247	7,939	7,262	2	9
1977.....	326,674	161,329	113,319	33,067	8,428	10,531	2	11
1978.....	356,501	163,819	132,993	33,500	11,383	14,805	3	3
1979.....	380,530	181,883	127,574	32,279	18,489	20,304	3	7
1980.....	463,717	220,084	156,244	38,809	25,901	22,679	3	9

1979:								
October.....	389,074	182,297	134,205	32,325	19,938	20,309	3	8
November.....	390,439	180,670	133,278	34,319	19,860	22,302	3	10
December.....	402,226	190,403	133,173	36,592	19,700	22,262	3	9
1980:								
January.....	408,300	192,829	135,132	36,793	21,247	22,299	3	9
February.....	414,647	195,694	137,442	37,593	21,794	22,124	3	10
March.....	430,036	208,542	137,514	40,151	21,725	22,104	3	8
April.....	435,283	207,942	141,992	40,111	23,140	22,079	3	8
May.....	433,175	209,899	140,835	36,317	22,270	23,854	3	10
June.....	431,893	198,365	147,756	39,715	22,229	23,828	3	10
July.....	446,255	210,106	149,215	39,426	23,682	23,826	3	9
August.....	454,063	218,977	150,764	35,652	25,948	22,722	3	10
September.....	463,717	220,084	156,244	38,809	25,901	22,679	3	9
October.....	467,845	222,346	156,712	38,747	27,338	22,702	3	9

¹ Beginning with the September 1976 Treasury Bulletin the average length of the interest-bearing marketable public debt is computed on that part of the outstanding public debt privately held.

Source: Office of Government Financing in the Office of the Secretary of the Treasury.

TABLE 8.—COMPUTED INTEREST CHARGE AND COMPUTED INTEREST RATE ON INTEREST-BEARING PUBLIC DEBT
 [Dollar amounts in millions]

End of fiscal year or month	Total interest- bearing public debt ¹	Computed annual interest charge ²	Total interest- bearing public debt ¹	Computed annual interest rate					
				Marketable issues			Nonmarketable		
				Total	Treasury bills ³	Notes	Treasury bonds	Other ⁴	Government account series ⁵
1972.....	425,360	21,545	5,093	5,099	4,188	6,312	4,018	4,636	5,475
1973.....	456,353	26,591	5,872	6,129	6,591	6,412	4,393	5,138	5,880
1974.....	473,238	30,741	6,560	7,030	8,416	6,529	4,755	5,374	6,430
1975.....	532,122	33,509	6,352	6,533	6,253	7,058	5,339	5,387	6,614
1976.....	619,254	39,494	6,436	6,559	5,819	7,352	5,654	3,452	6,789
Transition quarter.....	633,560	40,683	6,478	6,591	5,784	7,356	5,811	5,487	6,871
1977.....	697,629	44,481	6,424	6,481	5,656	7,066	6,120	5,603	6,921
1978.....	706,971	53,885	7,126	7,388	7,668	7,397	6,587	5,726	7,491
1979.....	819,007	64,946	8,057	8,592	10,110	8,130	7,153	5,968	8,167
1980.....	906,402	80,437	9,032	9,608	10,436	9,443	8,466	6,221	9,081
1979:									
November.....	832,730	69,228	8,456	9,089	11,183	8,459	7,138	6,063	8,485
December.....	843,960	71,367	8,606	9,312	11,648	8,562	7,139	6,090	8,476

1980:									
January.....	846,517	72,584	8.781	9.471	11.998	8.638	7.210	6.144	8.533
February.....	854,591	74,975	8.951	9.744	12.896	8.834	7.469	6.157	8.715
March.....	862,211	79,886	9.390	10.840	13.891	9.056	8.198	6.046	8.903
April.....	868,866	81,889	9.617	10.590	13.996	9.109	8.285	6.233	8.988
May.....	873,529	80,527	9.401	10.323	13.077	9.179	8.358	6.284	8.750
June.....	876,275	78,252	9.097	9.867	11.795	9.199	8.360	6.209	8.717
July.....	880,395	77,065	8.913	9.567	10.748	9.204	8.402	6.237	8.721
August.....	888,733	77,876	8.921	9.544	10.486	9.287	8.461	6.225	8.796
September.....	906,402	80,437	9.032	9.608	10.436	9.443	8.466	6.221	9.081
October.....	906,948	81,361	9.134	9.720	10.689	9.487	8.525	6.235	9.191
November.....	909,371	84,014	9.415	10.124	11.581	9.606	8.741	6.228	9.244

¹ As of July 1974, includes Federal Financing Bank.

² Excludes Federal Financing Bank.

³ Included in debt outstanding at face amount, but discount value is used in computing annual interest charge and annual interest rate.

⁴ On United States savings bonds the rate to maturity is applied against the amount outstanding.

⁵ As of July 31, 1974, Monthly Statement of the Public Debt of the United States, the column heading was changed to "Government account series" which includes Treasury deposit funds in addition to those accounts previously shown as special issues.

NOTE.—The computed annual interest charge represents the amount of interest that would be paid if each interest-bearing issue outstanding at the end of each month or year should remain out-

standing for a year at the applicable annual rate of interest. The charge is computed for each issue by applying the appropriate annual interest rate to the amount outstanding on that date (the amount actually borrowed in the case of securities sold at a premium or discount, beginning with May 1960). The aggregate charge for all interest-bearing issues constitutes the total computed annual interest charged. The average annual rate is computed by dividing the computed annual interest charge for the total, or for any group of issues, by the corresponding principal amount. Beginning with data for December 31, 1958, the computation is based on the rate of effective yield for issues sold at premium or discount. Prior to that date it was based on the coupon rate for all issues.

Source: Bureau of Government Financial Operations, Treasury Dept.

APPENDIX

There are three tables in this appendix.

Table A1 lists the statutory changes in the public debt limitation for fiscal years 1947 through 1981. The permanent, temporary and total limits are shown for each adjustment.

Table A2 presents the history of public debt limit legislation from enactment of the Second Liberty Bond Act in 1917 through the last increase in the debt limit in December 1980. Dates of enactment, amounts involved and statutory citations are shown.

Table A3 presents the amounts of outstanding public debt subject to limitation at the end of each fiscal year from 1916 through 1980 and on the most recent date for which data are available. Debt subject to limit does not include certain agency securities, which amounted to \$6.6 billion at the end of fiscal year 1980.

TABLE A1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 THROUGH 1981¹

[In billions of dollars]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1947-54	275		275
1955 through Aug. 27	275		275
1955: Aug. 28 through June 30	275	6	281
1956	275	6	281
1957	275	3	278
1958 through Feb. 25	275		275
1958: Feb. 26 through June 30	275	5	280
1959 through Sept. 1	275	5	280
1959: Sept. 2 through June 29	283	5	288
1959: June 30	288	5	290
1960	285	10	295
1961	285	8	293
1962 through Mar. 12	285	13	298
1962: Mar. 13 through June 30	285	15	300
1963 through Mar. 31	285	23	308
1963: Apr. 1 through May 28	285	20	305
1963: May 29 through June 30	285	22	307
1964 through Nov. 30	285	24	309
1964: Dec. 1 through June 28	285	30	315
1964: June 29 and 30	285	39	324
1965	285	39	324
1966	285	43	328
1967 through Mar. 1	285	45	330
1967: Mar. 2 through June 30	285	51	336
1968 ¹	358		358
1969 through Apr. 6 ¹	358	7	365
1969 after Apr. 6 ¹	358		358
1970 through June 30 ¹	365	10	375
1971 through June 30 ¹	380	15	395
1972 through June 30 ¹	400	50	450
1973 through Oct. 31 ¹	400	50	450
1973 through June 30 ¹	400	65	465
1974 through Nov. 30 ¹	400	65	465
1974: Dec. 3 through June 30 ¹	400	75.7	475.7
1975 through Feb. 18 ¹	400	95	495
1975: Feb. 19 through June 30 ¹	400	131	531
1976 through Nov. 15 ¹	400	177	577
1976 through Mar. 15 ¹	400	195	595
1976 through June 30 ¹	400	227	627
TQ: from enactment through Sept. 30, 1971 ¹	400	236	636
1977: from Oct. 1, 1976 through Mar. 31, 1977 ¹	400	282	682
1977: from Apr. 1 through Sept. 30, 1977 ¹	400	300	700
1978: from Oct. 1, 1977, through July 31, 1978 ¹	400	352	752
1978: from Aug. 3, 1978, through Mar. 31, 1979 ¹	400	398	798
1979: from Apr. 2 through Sept. 30, 1979 ¹	400	430	830
1980: through June 30, 1980 ¹	400	479	879
1981: through Feb. 28, 1981 ¹	400	525	925
1981: through Sept. 30, 1981 ¹	400	535.1	935.1

¹ Includes FNMA participation certificates issued in fiscal year 1968.

TABLE A2.—DEBT LIMITATION UNDER SEC. 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED—HISTORY OF LEGISLATION

<i>In billions</i>	
Sept. 24, 1917:	
40 Stat. 288, sec. 1, authorized bonds in the amount of.....	\$7.5
40 Stat. 290, sec. 5, authorized certificates of indebtedness outstanding revolving authority.....	4.0
Apr. 4, 1918:	
40 Stat. 502, amending sec. 1, increased bond authority to.....	12.0
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to.....	8.0
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to.....	20.0
Mar. 3, 1919:	
40 Stat. 13, amending sec. 5, increased authority for certificates outstanding to.....	10.0
40 Stat. 1309, new sec. 18 added, authorizing note in the amount of...	7.0
Nov. 23, 1921: 42 Stat. 321 amending sec. 18, increased note authority outstanding (established revolving authority) to.....	7.5
June 17, 1929: 46 Stat. 19 amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding.	10.0
Mar. 3, 1931: 46 Stat. 1506 amending sec. 1, increased bond authority to.....	28.0
Jan. 30, 1934: 49 Stat. 343 amending sec. 18, increased authority for notes outstanding to.....	10.0
Feb. 4, 1935:	
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority) to.....	25.0
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.....	20.0
49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1.....	
May 26, 1938: 52 Stat. 447, amending sec. 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.....	45.0
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bond, certificates of indebtedness, bills and notes.....	45.0
June 25, 1940: 54 Stat. 526, amending sec. 31, adding new paragraph: “(b) In addition to the amount authorized by the preceding paragraph of this section, any obligation authorized by secs. 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 sec. 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’ ”.....	49.0
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... Eliminated separated authority for \$4,000,000,000 of national defense series obligations.....	65.0
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to.....	125.0
Apr. 11, 1943: 57 Stat. 63, amending sec. 21, increased limitation to.....	210.0
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to.....	260.0
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 one time”.....	300.0

See footnotes at end of table.

TABLE A2.—DEBT LIMITATION UNDER SEC. 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED—HISTORY OF LEGISLATION—Continued

	<i>In billions</i>
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 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 of-----	278.0
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, increasing temporary limitation by \$3,000,000,000 to-----	281.0
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to-----	281.0
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, increasing temporary limitation by \$30,000,000,000 for period, beginning July 1, 1955, and ending June 30, 1957 to-----	278.0
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1956, to-----	275.0
Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1969, increasing limitation by \$5,000,000,000-----	280.0
Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation by \$5,000,000,000-----	280.0
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-----	288.0
June 30, 1959: Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to \$295,000,000,000, which with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959-----	290.0
Amending sec. 21, increasing limitation by \$10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 3, 1959-----	295.0
July 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-----	293.0
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 3, 1972, increasing limitation by \$13,000,000,000 to-----	298.0
Mar. 13, 1962: 75 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 3, 1962, further increasing limitation by \$2,000,000,000-----	300.0
July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1963-----	308.0
2. Beginning Apr. 1, 1963, and ending June 24, 1963-----	305.0
3. Beginning June 25, 1963, and ending June 30, 1963-----	300.0
May 29, 1963: 77 Stat. 50, amending sec. 21, for period—	
1. Beginning May 29, 1963, and ending June 30, 1963-----	307.0
2. Beginning July 1, 1963, and ending Aug. 31, 1963-----	309.0
Aug. 27, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963-----	309.0
Nov. 26, 1963: Stat. 342, amending sec. 21, for the period—	
1. Beginning on Dec. 1, 1963, and ending June 29, 1964-----	315.0
2. On June 30, 1964-----	309.0
June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, increasing the temporary debt limit to-----	324.0
June 24, 1965: 79 Stat. 172, amending sec. 21, for the period beginning July 1, 1965, and ending on June 30, 1966, increasing the temporary debt limit to-----	328.0
June 24, 1966: 80 Stat. 21, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, increasing the temporary debt limit to-----	330.0

See footnotes at end of table.

TABLE A2.—DEBT LIMITATION UNDER SEC. 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED—HISTORY OF LEGISLATION—Continued

In billions

Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, increasing the temporary debt limit to.....	336.0
June 30, 1967: 81 Stat. 99—	
1. Amending sec. 21, effective June 30, 1967, increasing limitation to.....	358.0
2. Increasing the temporary debt limit by \$7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period.....	365.0
Apr. 7, 1969: 84 Stat. 7—	
1. Amending sec. 21, effective Apr. 7, 1969, increasing debt limitation to.....	365.0
2. Increasing the temporary debt limit by \$12,000,000,000 for the period from Apr. 7, 1969, through June 30, 1970, to make the limit for such period.....	377.0
June 30, 1970: 84 Stat. 368—	
1. Amending sec. 21, effective July 1, 1970, increasing debt limitation to.....	380.0
2. Increasing the temporary debt limit by \$15,000,000,000 for the period from July 1, 1970, through June 20, 1971, to make the limit for such period.....	395.0
Mar. 17, 1971: 85 Stat. 5—	
1. Amending sec. 21, effective Mar. 17, 1972, increasing debt limitation to.....	400.0
2. Increasing the temporary debt limit by \$30,000,000,000 for the period from Mar. 17, 1971, through June 30, 1972, to make the limit for such period.....	400.0
Mar. 15, 1972: 86 Stat. 63, increasing the temporary debt limit by an additional \$20,000,000,000 for the period from Mar. 15, 1972, through June 30, 1972, to make the limit for such period.....	450.0
July 1, 1972: 86 Stat. 406, extending the temporary debt limit of \$50,000,000,000 for the period from July 1 through Oct. 31, 1972, to make the limit for such period.....	450.0
Oct. 27, 1972: 86 Stat. 1324, increasing the temporary public debt by \$65,000,000,000 for the period from Nov. 1, 1972, through June 30, 1974, to make the limit for such period.....	465.0
July 1, 1973: 87 Stat. 134, extending the temporary debt limit of \$65,000,000,000 for the period from June 30, 1973, through Nov. 30, 1973, to make the limit for such period.....	465.0
Dec. 3, 1973: 87 Stat. 691, increasing the temporary debt limit by \$75,700,000,000 for the period from Dec. 3, 1973, through June 30, 1974, to make the limit for such period.....	475.7
June 30, 1974: 88 Stat. 285, increasing the temporary debt limit by \$95,000,000,000 for the period from June 3, 1974, through Mar. 31, 1975, to make the limit for such period.....	495.0
Feb. 19, 1975: 89 Stat. 5, increasing the temporary debt limit by \$131,000,000,000 for the period from Feb. 10, 1975, through June 3, 1976 to make the limit for such period.....	531.0
June 30, 1975: 89 Stat. 246, increasing the temporary debt limit by \$177,000,000,000 for the period from June 30, 1975, through Nov. 16, 1975, to make the limit for such period.....	577.0
Nov. 14, 1975: 89 Stat. 693, increasing the temporary debt limit by \$195,000,000,000 for the period from Nov. 14, 1975, through Mar. 15, 1975, to make the limit for such period.....	595.0
Mar. 15, 1976: 90 Stat. 217, increasing the temporary debt limit by \$277,000,000,000 for the period from Mar. 15, 1976, through June 30, 1976, to make the limit for such period.....	627.0

See footnotes at end of table.

TABLE A2.—DEBT LIMITATION UNDER SEC. 21 OF THE SECOND LIBERTY
BOND ACT AS AMENDED—HISTORY OF LEGISLATION—Continued

In billions

June 30, 1976: 90 stat. 793—	
1. Increasing the temporary debt limit by \$238,000,000,000 for the period from July 1, 1976, through Sept. 30, 1976, to make the limit for such period.....	² 636. 0
2. Increasing the temporary debt limit by \$282,000,000,000 for the period from Oct. 1, 1976, through Mar. 3, 1977, to make the limit for such period.....	² 682. 0
3. Increasing the temporary debt limit by \$300,000,000,000 for the period from Apr. 2, 1977, through Sept. 30, 1977, to make the limit for such period.....	² 700. 0
Oct. 4, 1977: 91 Stat. 1090, increasing the temporary debt limit by \$352,000,000,000 for the period from the date of enactment through Mar. 31, 1978, to make the limit for such period.....	² 752. 0
Mar. 27, 1978: 92 Stat. 185, extending the temporary debt limit of \$352,000,000,000 from the date of enactment through July 31, 1978, to make the limit for such period.....	² 752. 0
Aug. 3, 1978: 92 Stat. 419, increasing the temporary debt limit by \$398,000,000,000 from the date of enactment through Mar. 31, 1979, to make the limit for such period.....	² 798. 0
Apr. 2, 1979: 93 Stat. 8, increasing the temporary debt limit by \$430,000,000,000 from the date of enactment through September 30, 1979, to make the limit for such period.....	² 830. 0
Sept. 29, 1979: 93 Stat. 589, increasing the temporary debt limit by \$479,000,000,000 from the date of enactment through May 31, 1980, to make the limit for such period.....	² 879. 0
May 30, 1980: 94 Stat. 421, increasing the temporary debt limit by \$479,000,000,000 from the date of enactment through June 5, 1980, to make the limit for such period.....	² 879. 0
June 6, 1980: 94 Stat. 439, increasing the temporary debt limit by \$479,000,000,000 from the date of enactment through June 30, 1980, to make the limit for such period.....	² 879. 0
June 28, 1980: 94 Stat. 598, increasing the temporary debt limit by \$525,000,000,000 from the date of enactment through February 28, 1981, to make the limit for such period.....	² 925. 0
December 19, 1980: 94 Stat. 3, increasing the temporary debt limit by \$535,100,000,000 from the date of enactment through September 30, 1981, to make the limit for such period.....	² 935. 1

¹ Limitation on issue.

² Limitation on outstanding.

³ Not available.

TABLE A3.—OUTSTANDING PUBLIC DEBT SUBJECT TO LIMITATION AT
END OF FISCAL YEAR 1916-80, AND ON JANUARY 27, 1981

Millions		Millions	
Fiscal year:		Fiscal year	
1916.....	\$1, 225	1950.....	\$255, 382
1917.....	2, 976	1951.....	253, 283
1918.....	12, 455	1952.....	257, 233
1919.....	25, 485	1953.....	264, 220
1920.....	24, 299	1954.....	269, 379
1921.....	23, 977	1955.....	272, 348
1922.....	22, 963	1956.....	270, 619
1923.....	22, 350	1957.....	269, 120
1924.....	21, 251	1958.....	275, 395
1925.....	20, 516	1959.....	282, 419
1926.....	19, 643	1960.....	283, 827
1927.....	18, 512	1961.....	286, 308
1928.....	17, 604	1962.....	296, 374
1929.....	16, 931	1963.....	302, 923
1930.....	16, 185	1964.....	308, 583
1931.....	16, 801	1965.....	314, 126
1932.....	19, 487	1966.....	316, 298
1933.....	22, 539	1967.....	323, 143
1934.....	27, 053	1968.....	¹ 348, 534
1935.....	28, 701	1969.....	¹ 356, 107
1936.....	33, 779	1970.....	¹ 372, 600
1937.....	36, 425	1971.....	¹ 398, 650
1938.....	36, 882	1972.....	¹ 427, 751
1939.....	40, 371	1973.....	¹ 458, 264
1940.....	43, 219	1974.....	¹ 475, 181
1941.....	49, 494	1975.....	¹ 534, 207
1942.....	74, 154	1976.....	¹ 620, 556
1943.....	140, 469	Transition quarter.....	¹ 635, 822
1944.....	208, 077	1977.....	¹ 699, 963
1945.....	268, 671	1978.....	¹ 772, 691
1946.....	268, 932	1979.....	¹ 827, 614
1947.....	255, 767	1980.....	¹ 908, 723
1948.....	250, 381	1981 ²	¹ 932, 291
1949.....	\$250, 965		

¹ Includes FNMA participation certificates issued in fiscal year 1968 in debt of fiscal years 1968-79.

² Debt at close of business, January 27, 1981.

Source: Annual Report of the Secretary of the Treasury for fiscal year 1942, table 34, p. 544, for 1916-17; Annual Report for fiscal year 1962, table 507, for 1938 and 1939; Annual Report for fiscal year 1976, Statistical Appendix, table 21, p. 87, for 1940-75; Treasury Bulletin, April 1980, table FD-3, p. 26 for 1977 and 1978 and Monthly Statement of the Public Debt of the United States, September 30, 1980, and Daily Treasury Statement, January 27, 1981.