

some Government obligations which might be affected by the debt ceiling; is that correct then?

Mr. SCHULTZE. I missed that. As I understand it, and I will admit I am not an expert in this part of it, there might be some problem with respect to marketing the debt necessary to cash in a special debt issue held by the social security trust fund, in the sense that the debt limit might give you some problems here with that financing.

Representative BROCK. The only conclusion I can draw from the statement is that either he was being most unfair in mentioning social security, or the actions of this administration have placed the social security trust fund in some jeopardy.

Mr. SCHULTZE. No, I wouldn't draw either of those conclusions.

Representative BROCK. I don't happen to think that that is true, but I do think that it was an unfair statement. I don't think it should have been mentioned. I think it was real poor judgment on the part of the Secretary.

Mr. SCHULTZE. As I say, the only thing I can draw from it is that in a short period of time—not long term, but a short period of time—there could possibly be some problems with respect to financing if he didn't have debt flexibility. I can't obviously say at this stage, and neither could the Secretary, exactly what payments and where, would be affected.

Representative BROCK. One final question. Just from a budgetary and accounting sense, should the participation sales of this Government, participation certificates, be included in the national debt?

Mr. SCHULTZE. You are asking me, should they?

Representative BROCK. Yes.

Mr. SCHULTZE. No, sir; I don't believe they should.

Representative BROCK. On what grounds?

Mr. SCHULTZE. On a number of grounds. First, they are not debt obligations of the agencies concerned, but guarantees of contingent liabilities. There are billions of dollars of guarantees of contingent liabilities that I don't think should be put in the debt limit.

There was a long legal discussion about this extending over 2 days before the Ways and Means Committee. To avoid repeating it, I will oversimplify my answer. Essentially, right now, the instruments subject to the debt limit are quite specifically defined. They exclude, obviously, participation certificates. Including participation certificates in the debt would mean including in that debt, guarantees of contingent liabilities. Once you take that route, you open up a whole host of problems.

Representative BROCK. I will conclude by saying that when you borrow money, if this is borrowing money, you are adding to the obligations of this Government, and I think I would have to disagree with you.

Mr. SCHULTZE. I realize that, Mr. Brock, and I would just reiterate my point, that this is the sale of a beneficial interest in a pool of loans. It is not the sale of a debt obligation. As a matter of fact, if you look at the history of this, the Federal Government for many years has used such techniques in its financing operations for CCC and a number of other agencies.

This is not unique. The amount is much larger than has ever been involved before, but not unique. I just don't think they are debt