CEYLON MUDENDA

NATIONAL DEBT MANAGEMENT

ATLANTIC INTERNATIONAL UNIVERSITY

Course Title:	National Debt Management
Course objectives:	To make the student understand how National Debt is managed
Course description:	This course aims at surveying the ways of managing National Debt
Activities and Evaluating plan:	Submission of a research paper of a minimum of fifteen pages
Source of data:	AIU’s online library and local library research
Bibliography:	The list of references for this course is attached.

INTRODUCTION

Different countries have different sources of income. It is from these various sources of income that countries are able to finance the many activities that governments are involved in. The activities that need government spending are in such areas as, social, economic and political fields. If a country is self sufficient, there will be no significant problem in terms of incurring National debt because this country will be able to meet its expenditure from its resources. However, the problem arises for those countries who are not self sufficient. Such countries are not in a position to meet all the needs of its citizens from its own resources and hence it will look to other sources of extra income to meet its obligations, hence incurring National debt. National debt is a real problem because once this debt is incurred, it has to be serviced. The servicing of most debts do not only require that the principal debt is serviced but in addition to servicing the principal debt, interest has also to be paid. This means therefore that instead of meeting other social needs of the people of a country, the money will go to the payment of interest. Because of the complexities that go with National Debt, it therefore calls for proper management.

In trying to understand this subject well, the approach that I will use, is that of first, surveying the historical aspects of National Debt with a view of finding solutions to this problem. I will thereafter address the issues of costs of servicing the debt and managing a perpetual debt. After giving the descriptive analysis, I will give my observations of the subject, discuss some issues of interest before giving my recommendations and conclusions. Before I go into details of the subject, let me first give some definitions of key words.

DEFINITIONS

Titley, B.and Moynihan, D. (2000) P.361 have pointed out that "all the money borrowed by the public sector over the past which has not been repaid is called the public sector debt or national debt".

Other scholars have also contributed to the debate of 'National debt'. Bernanke, S.B. and Abel B.A. (2001) P.579 have argued that "there is an important distinction between the government budget deficit and the government debt (also called the national debt)….. The government debt (a stock variable) is the total value of government bonds outstanding at any particular time. Because the excess of government expenditures over revenues equals the amount of new borrowing that the government must do – that is, the amount in dollar, or nominal terms) equals the change in the debt in that year".

DESCRIPTION:

Before I come to the specifics of 'national debt', let me give a scenario of 'personal debt'. Suppose an individual earns, say, U.S. $1,000 per month. From this $1,000 this individual has met his needs such as paying for rent, water, electricity, food, transport, school fees and any other expense that has to be met in his social life. Suppose that this person's budget comes to

$1,200 per month. What this means is that this individual's budget is in deficit and the deficit has to be met by borrowing from other sources thereby incurring a personal debt. By incurring this debt, this person faces a lot of challenges because if he does not manage his debt properly, then he runs into the risk of increasing his debt even further, eventually he may not be eligible to borrow any more money from his creditors. To avoid reaching to such an extent, this individual needs to look at all the possible ways of addressing this problem so that the debt remains within manageable levels. This scenario is exactly what can happen to a country, and hence the importance of this subject.

HISTORICAL PERSPECTIVES:

There are various ways in which a deficit can be caused. Deficits can occur when.

- there is excess of total outlays over total receipts
- there is national emergency and the government has to meet the unplanned costs
- there is a drop in tax collection due to a recession.
- There is a drop in revenue due to a tax cut.

Talking about some historical perspectives of the Federal deficit and National Debt, Clayton, E. G.(2005) P. 29-30 has argued that "the most direct measure of the deficit is the excess of total out lays over total receipts (both on-and off budget) in the federal budget. Deficits tend to occur when expenditures balloon because of a national emergency, as during world war II, or more recently, the additional expenditures required for homeland security in the wake of 9/11. A deficit can also occur whenever there is a drop in tax collections due to a recession, as in 1990-91, or whenever there is a drop in revenues due to a tax cut, as in the 1980s".

When there is a budget deficit, it means that money has to be found from somewhere in order to meet the short fall. However, despite the associated consequences of having a budget deficit, some scholars have seen the budget deficit as a necessary requirement in certain circumstances. Clayton, E.G. (2005) P. 29-39 has argued that "from an historical perspective, it also seems that deficits are becoming more acceptable. Keynesians, for example, have long argued that temporary federal deficit spending can provide a useful stimulus if the economy is growing too slowly or is in recession. Temporary is the key word here, because it was also expected that deficits would turn to surpluses when the economy recovered, thereby making the debt less of a burden . Some liberals have even argued that deficits due to government spending are socially acceptable, especially if the spending is for social purposes. In the wake of the Reagan – Bush deficits,… that the federal deficit was too small, and that the real deficits in society…"the run down infrastructure of roads, bridges, waste – disposal facilities, and protection of our environment, (and) our failure in the combat against crime and drugs"…. are too large".

While debt, resulting from borrowing to cover the deficit has it's own challenges, as we will see later during this study, other scholars, do not see any problem with running a budget deficit if the expenditure caused by this deficit is justifiable. Clayton, E.G. (2005) P.29-39 has argued that "even some conservatives, who traditionally opposed deficits for largely fiscal reasons, now argue that deficits matter less than we think. For example, when Wesbury and Forres (2003) defended the recent Bush tax cuts, they used cost-benefit logic to argue that "deficits are not a problem for any economy as long as the returns from running those deficits outweigh the costs. Boosting spending to fight terrorism is a necessary expenditure…..the use of U.S. military might in the Middle East has the potential to spread democracy to hundreds of millions of people. The potential positive impact is immeasurable".

INCOME RECEIPTS IN THE BUDGET

It is important to understand the relationship between national debt and income receipts in the budget. Of course if income receipts are more than the outlays, then there will be a budget surplus. However, if the outlays are more than the receipts, then, there will be a budget deficit, hence the nation resorts to borrowing and thereby incurring national debt.

SOURCES OF INCOME RECEIPTS IN THE BUDGET

There are various sources of income receipts in the government budget. According to Bernanke, S.B. and Abel, B.A. (2001) P.566 "on the revenue side of the government's budget are tax receipts. There are four principal categories of tax receipts: personal taxes, contributions for social insurance, indirect business taxes, and corporate taxes….the largest category of tax receipts in the United States is personal taxes, which are primarily personal income taxes and property taxes".

It suffices to mention here, that the total receipts from the above categories of income sources should be enough to pay for its current purchases of goods and services and its current social programs. If these total receipts are insufficient for the government to pay for its current purchases of goods and services and its current social programs, the government will be forced to borrow money in order to meet its obligations, hence incurring a national debt. An example of the Federal, state and Local receipts of the budget is shown below as provided by Bernanke, S.B. and Abel, B.A. (2001)P.568

	Federal		State and Local	
	Billions of dollars	**Percentage of Receipts**	**Billions of Dollars**	**Percentage of Receipts**
Receipts				
Personal Taxes	**858.0**	**46.5**	**240.3**	**20.9**
Contributions for Social insurance	**685.4**	**37.2**	**82.1**	**7.2**
Indirect Business Taxes	**95.9**	**5.2**	**559.4**	**48.7**
Corporate Taxes	**204.9**	**11.1**	**35.2**	**3.1**
Grants in aid	**0.0**	**0.0**	**231.1**	**20.1**
Total receipts	**1844.2**	**100.0**	**1148.1**	**100.0**
Current deficit (Current expenditures Less receipts; negative If surplus)	**- 72.8**		**- 150.2**	
Primary current deficit (negative if surplus)	**- 298.9**			**-67.2**

Having given examples of the sources of income for the U.S. government, I want also to demonstrate how the income received is used. We will again use the example of the U.S.A.

There are various items of expenditure in the U.S. budget as there are in any other government budget. Bernanke, S.B. and Abel, B.A. (2001)P.568 have provided the U.S. Federal, state and local expenditure for 1998 as shown in the table below.

Government Receipts and current expenditure, 1998.

	Federal Billions of Dollars	Percentage of Current Expenditure	**State and Local** Billions of Dollars	Percentage of Current Expenditure
Current expenditures				
Consumption expenditures	**461.0**	**26.0**	**789.1**	**79.1**
National defense	**340.4**	**19.2**	**0.0**	**0.0**
Non defense	**120.6**	**6.8**	**789.1**	**79.1**
Transfer payments	**816.6**	**46.1**	**317.4**	**31.8**
Grants in aid	**231.1**	**13.0**	**0.0**	**0.0**
Net interest paid	**226.1**	**12.8**	**-83.0**	**- 8.3**
Subsidies less surpluses Of government enterprises And less dividends received	**36.6**	**2.1**	**-25.6**	**- 2.6**
Total current expenditures	**1771.4**	**100.0**	**997.9**	**100.0**

From the two tables above we have seen that the current expenditure has to be financed from the income received on the revenue side of the budget. If, therefore, the income received cannot adequately meet the expenditure obligations of government, then the government has to resort to borrowing so as to finance the shortfall of the budget deficit, hence national debt.

Since we know how the national debt comes about, I now want to attempt to tackle the subject of national debt management in more specific terms.

MANAGING NATIONAL DEBT

The staffs of the International Monetary Fund and the World Bank, (2001) P.1 pointed out that "sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities".

As will be demonstrated shortly, debt management requires a combined effort from all stake holders to ensure that all risky areas are addressed in order to remain within manageable debt levels. The staff of the International Monetary Fund and the world Bank, (2001) P.4 have argued that "pubic debt management problems often find their origins in the lack of attention paid by policy markers to the benefits of having a prudent debt management strategy and the cost of weak macroeconomic management. In the first case, authorities should pay greater attention to the benefits of having a prudent debt management strategy, framework and policies that are coordinated with a sound macro policy framework. In the second, inappropriate fiscal, monetary or exchange rate policies generate uncertainty in financial markets regarding the future returns available on local currency – denominated investments, thereby inducing investors to demand higher risk premiums".

OBJECTIVES OF NATIONAL DEBT MANAGEMENT

We know that once a debt is incurred, it has to be repaid. Hence therefore, the first objective of national debt management is to see to it that the financing and payment obligations of government are carried out at the lowest possible cost; that is by taking care of the risks that are involved in borrowing and repayment.

It is important at this point to look at the risks that may be encountered in public debt management. Some of these risks are; market, rollover, liquidity, credit, settlement and operational risks. Let us look at these risks individually. According to the staffs of the International Monetary Fund and the world Bank, (2001) P. 8 "Market risk refers to the risks associated with changes in market prices, such as interest rates, exchange rates, commodity prices on the cost of the government's debt servicing.

- Rollover risk is the risk that debt will have to be rolled over at an unusually high cost or, in extreme cases, cannot be rolled over at all.
- Liquidity risk: One refers to the cost or penalty investors face in trying to exit a position when the number of transactions have markedly decreased or because of the lack of depth of a particular market…. Particularly relevant in cases where debt management includes the management of liquid assets or the use of derivatives contracts. The second type refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations.
- Credit risk is the risk of non performance by borrowers on loans or other financial assets or by a counterparty on financial contracts.
- Settlement risk refers to the potential loss that the government, as a counterparty, could suffer as a result of failure to settle by another counterparty.
- Operational risk includes a range of different types of risks, including transaction errors, inadequacies or failures in internal controls, or in systems and services; reputation risk; legal."

Control: In national debt management, one of the key areas that needs to be looked into, is the 'control' aspect of the debt obligations. In order for me to give a clear explanation, let me first give an example of an individual who owes money to somebody. In this scenario of the individual, it is the borrower who should know how to repay the debt. At the time of borrowing, the borrower and the lender should have entered into an agreement, clearely specifying the terms that are involved in the borrowing and lending arrangement. Once these arrangements have been entered into, it is the responsibility of the debtor to be in control of his debt by ensuring that the terms of the loans are adhered to. Such responsibilities cannot be left to any other individual because it is the borrower who is supposed to be accountable for all actions that are taken in the management of his debt. In like manner, the national government is supposed to take control of all financial obligations that are related to national debt. In this way, the government will be in a position to monitor the status of its debt obligations and be in a strong position to make decisions as concerns its national debt.

Coordination with monetary and fiscal policies

In discussing the above item, the Staffs of the International Monetary Fund and the World Bank. (2001)P.9 argued that "Debt managers, fiscal policy advisers, and central bankers should share an understanding of the objectives of debt management, fiscal, and monetary policies given the interdependencies between their different policy instruments. Debt managers should convey to fiscal authorities their views on the costs and risks associated with government financing requirements and debt levels."

Since management of national debt involves coordination with monetary and fiscal policies, we need to understand what monetary and fiscal policy are all about. Monetary policy are the actions taken by government to try and control either the supply of money in the economy or the price of money. Interest rates become the price of money for the borrowers and the same interest rates are the reward of money to the lenders of money.

Fiscal policy addresses the management of public spending and taxation and how these affect the levels of aggregate demand.

From the above, we can see that public debt management needs to be in close contact with monetary and fiscal policies so that as national debt is being demolished, it does not bring conflict to the management of fiscal and monetary policies.

Information sharing

National debt management, fiscal and monetary authorities need to share information on the government's current and future liquidity needs. Monetary policy deals with the question of money supply and interest rates in the economy whereas fiscal policy deals with government spending and taxation. Information sharing by the managers of national debt, monetary policy and fiscal policy in such areas as, policy issues and government's current and future liquidity needs, is necessary. It is also important for these three sections to coordinate their market operations to avoid operating in the same market arena at the same time. However, let it be mentioned here that achieving total separation of functions between debt management and monetary policy is not easy especially in countries with less developed financial markets. Contributing to the debate of information sharing, the staff of the International Monetary Fund and the World Bank, (2001)P.10 have argued that "since monetary operations are often conducted using government debt instruments and markets, the choice of monetary instruments and operating procedures can have an impact on the functioning of government debt markets, and potentially on the financial condition of dealers in these markets. By the same token, the efficient conduct of monetary policy requires a solid understanding of the government's short and longer term financial flows. As a result, debt management and fiscal and monetary officials often meet to discuss a wide range of policy issues. At the operational level, debt management, fiscal, and monetary authorities generally share information on the government's current and future liquidity needs. They often coordinate their market operations so as to ensure that they are not both operating in the same market segment at the same time".

Integrity

One attribute that each debt manager should have is, integrity. It is therefore important that there should be a code of conduct for all debt managers if debt management has to be done professionally. There are so many vices that may surface if those who are charged with the responsibility of debt management have no integrity. Some of the possible vices that may come up are, unnecessarily committing the nation by borrowing without making necessary analysis. The other thing that can also come up if debt managers have no integrity is that borrowed money can be misused to the detriment of the government.

Audit

Another important area in national debt management is, audit. Government debt activities should be audited annually, since national debt management is a public activity. Annual audits of debt management activities are needed in order to ensure that system procedures in debt management activities are followed. This is a good practice because it is a deterrent tool on its own.

Availability of information

The significance of availability of public information cannot be overemphasized. If information that is for public consumption is not available, the public will lose confidence and will not support the idea or project whose information is kept private. We know that one of the major sources of government revenue is taxation. If the tax payers are not educated on debt management activities, they will not appreciate the fact that their money is being taxed. The staffs of the International Monetary Fund and the World Bank, (2001)P.12 have argued that "the public should be provided with information on the past, current and projected budgetary activity, including its financing and the consolidated financial position of the government. Disclosure of information on the flow and stock of government debt (if possible on a cash and accrual basis) is important".

Legal framework

Governance issues in national debt management matter a lot. The legal framework should be set in such a way as to clearly state authority levels of borrowing for new debt and disbursements of borrowed funds. A sound legal framework also gives confidence to partners that those debt managers are true representatives of government and that government is behind any debt transaction the debt managers enter into. The legal framework plays an important role in sound debt management especially where pieces of legislation exist which spell out the debt ceilings in terms of new borrowings.

Disclosure of information

It is a good practice to ensure that the financial position of any public sector is disclosed. Transparency in pubic activities is very necessary and this includes activities in debt management. The staffs of the International Monetary Fund and the world Bank (2001)P.12 argued that "the government should regularly publish information on the stock and composition of its debt and financial assets, including their currency, maturity and interest rate structure. It is vital that such information is disclosed in the public accounts for public consumption.

Management information system

The importance of a good record system in any organization cannot be over emphasized. Having a good information system in debt management activities is of great necessity because it makes the Job of monitoring the debt activities easy. Having such a system will provide debt managers an opportunity to retrieve data easily, report correctly and add to the credibility of the transparency of government financial accounts. The staffs of the International Monetary fund and the world Bank, (2001)P.14 have argued that "debt management activities should be supported by an accurate and comprehensive management information system with proper safeguards. Countries who are beginning the process of building capacity in government debt management need to give a high priority to developing accurate debt recording and reporting systems. This is required not only for producing debt data and ensuring timely payment of debt service, but also for improving the quality of budgetary reporting and the transparency of government financial accounts. The management information system should capture all relevant cash flows, and should be fully integrated into the government's accounting system."

Clarity of roles

This is also an important aspect in public debt management. The roles, responsibilities and objectives of financial institutions responsible for debt management should be clearly specified. The roles of financial agencies such as the central bank, ministry of finance and the debt management section in debt management issues should be as clear as possible. The staffs of the International Monetary Fund and the World Bank, (2001) P.11 noted that “the allocation of responsibilities among the ministry of finance, the central bank or a separate debt management agency, for debt management policy advice and for undertaking primary debt issues, secondary market arrangements, depository facilities and clearing and settlement arrangements for trade in government securities should be publicly disclosed. Transparency in the mandates and clear rules and procedures in the operations of the central bank and ministry of finance can help resolve conflicts between monetary and debt management policies and operations”.

Internal management controls

This is a necessary tool in public debt management because if this is exercised diligently, pilferages of government funds can be minimized. Management controls that can be put in place include the establishment of good business practices, monitoring policies and reporting systems. In any organization, when the employees know that their actions are being monitored, they will tend to be more responsible and accountable for their actions. The other advantage of having proper management controls is that should there be a pilferage in an organization, it will quickly be detected and thereby deter the occurrence of a similar scourge which could lead to huge losses. Contributing to this debate, the staffs of the International monetary Fund and the World Bank, (2001) P.13 have argued that “risks of government loses from inadequate operational controls should be managed according to sound business practices, including well-articulated responsibilities for staff, and clear monitoring and control policies and reporting arrangements. Operational risk, due to inadequate controls and policy breaches, can entail large losses to the government and tarnish the reputation of debt managers. Sound risk monitoring and control practices are essential to reduce operational risk”.

Managing risk in public debt management is crucial. Let us mention here that the management of this risk calls for careful planning. To this effect, let us take a specific example and see what exactly happened in the case of France at one particular time. Public sector debt and risk management in France was discussed during the budget bill for 2006.Browa,M.and Chambers, A.(2005)p.1 indicated that “proposals in the French budget bill for 2006 and discussions in parliament could lead to significant changes in France’s public debt and risk management. Agency France Tresor is being lined up to manage the risks incurred by government ministries, while the French parliament is discussing whether to consolidate the country’s different government borrowers”. As has been seen, because national debt is of a public nature, the example that we have provided called for a public debate in parliament which is good information sharing in debt management.

OBSERVATIONS

National debt management poses a lot of challenges as seen in this paper, However, my major observation is that, which ever way one looks at this problem, future generations will feel the impact of the debt experienced by the nation. However, different sections of the community will react differently to the fact that the country has huge debt.

DISCUSSION

There are implications that go with national debt. In order to discuss this issue, let us take a specific example. Turner, S. (2005) P. 1 pointed out that "according to the congressional Budget Office, the national deficit reached $317 billion at the end of FY 2005; a figure that does not take into account the money being borrowed, from social security Trust, the cost of fighting the war on terrorism, tax reform proposals, or recent emergency spending in response to the hurricanes. Add it all up and the total national debt is more than $575 billion! Regardless of which sum you consider, the national debt amounts to an enormous pile of money. Unfortunately, this large pile of money doesn't seem to bother many people. Some don't worry about it because it has little bearing on their daily lives, their communities and the people with whom they work and serve. Others are overwhelmed by the shear size of the deficit and feel that there is little that they can do about it. Still others think that the national debt is a Washington, D.C. problem that will be fixed in the future. But to the career and technical education community, the increasing national debt is an enormous problem… a problem that, if ignored, has dire consequences for the future of career and technical education, CTE students and employers."

My thoughts on this issue are that regardless of the feelings of the different sections of the community, national debt affects every citizen of the nation concerned. Somebody may feel that he/she is not directly affected by the debt that the nation is carrying, but he/she is affected indirectly. Take for instance, if the government repays the debt at whatever time, what this means is that one social program has been foregone, may be a bridge would have been constructed with that money that has gone to pay for the debt.

There is yet another area that needs discussion in our subject of national debt management and this is the area of government debt projections. It is a normal practice for a government to project the amount of debt that it should incur in a given period. Such projections are based on certain variables, eg.the average surplus on the current budget, or indeed the deficit on the current budget. The projections also depend on the economic indicators at the time a government is making some projections of the future national debt. It is important to mention here that there are some uncertainties involved in making such projections. Riley, R. and Hurst, I. (2006)P.1 have argued that "since 1998, fiscal policy in the UK has been guided by two rules: the golden rule to borrow over the economic cycle only to invest, such that the average annual surplus on the public sector current budget as a share GDP is greater or equal to zero; and the sustainable investment rule that public sector net debt should not exceed 40 per cent of GDP over the economic cycle. The Treasury publishes forecasts of its fiscal target variables on a regular basis in its budget and pre-budget reports. The uncertainty associated with evaluating fiscal policy against the golden rule is twofold, in the sense that not only is there uncertainty with respect to the future course of the target variable (the average surplus on the current budget), but there is also uncertainty about the dating of the economic cycle and hence the period over which the target variable should be measured."

Others have argued that debt is a positive phenomenon to a nation. Alen, T.J. (2000)P.1 has argued that "for one, the debt helped make America the world's financial hub. Because they are risk free and in ample supply, Treasury bonds have attracted needed foreign capital while becoming the global benchmark for pricing financial transactions".

Let me just discuss the above assertion that the debt made America to be the world's financial hub. This assertion should not be taken to be the gospel truth for all countries. Each country has different prevailing economic conditions at any particular time. Because of the different economic conditions prevailing at any particular time in a given country, national debt can have various impacts on a nation. In addition to the above, we need to take into consideration the different national debt management styles that prevail in various countries which will shape the direction of the impact of the debt.

At this moment, I would like to look at yet another interesting issue in national debt management. This is the issue of the actual paying off of the debt. There are so many things that go with paying off the debt and one of them is the issue of interest. When money is borrowed, it has to be repaid with interest. Depending on the prevailing interest rates, repaying the debt can be such a taxing issue. Bergmann, R.B. (2001) P.2 has argued that "even if one were to accept the "crowding out" theory of investment as gospel truth, it does not follow that paying down the debt is necessarily a good idea. The public program we could finance with the surplus would produce a healthier and more productive labor force and would therefore do far more to improve the nation's future economic condition than any increase in our capacity to produce still more consumer goodies for the well off".

The subject of national debt management is an interesting one because so many arguments have come up regarding this subject. One argument that is worthy noting is the one that says that 'some debt' is good. This argument states that borrowing to accomplish some social programs is good because through debt, the economy will be efficient. Jenkins, K. Jr. (1997) P.1 has argued that "many economists believe chronic surpluses can be almost as threatening as chronic debt, since they take some purchasing power out of an economy and can cause recession. Because the government's debt is financed mostly by American citizens who earn interest on their loans (Treasury Bills) and because borrowing to pay for roads and infrastructure makes the economy more efficient…. Economists say some debt is good."

My view on this argument is that while some debt may be good because it would improve infrastructure, one of the most important issues is the management of this debt. A debt can be obtained for a good reason, but if the personnel charged with the management of that debt has no integrity, then the borrowed money will just be a waste. National debt management needs people of high integrity who put national interest above personal gains.

The subject of national debt management has attracted attention to many scholars. Some of these scholars are for the national debt while others are against the accumulation of national debt. Buckley, F.W JR. (2000) P.1 contributing to the debate of national debt management, argued that "if a country needs to borrow in order to sustain, or to magnify, the deficit incurred by its fiscal practices, then it has to find someone who will lend it the money." The above implies that borrowing in order to magnify the economy, is good and money has to be found from somewhere.

At this point, I want to bring out the issue of 'surplus' budget. While 'surplus' budget is good, I think this should be advocated for, with careful scrutiny. In most instances, surplus budgets are achieved with the bulk of the money contributing to this 'surplus' budget coming from over taxing the tax payers. I think that a budget surplus achieved in this manner will leave the taxpayers more impoverished than they were. This argument has been supported by Buckley, F. W.(2000) P.1 when he said "surveying the problem of debt reduction bit by bit. Suppose we were talking about a $100 billion surplus and confronted the alternatives of applying it to debt reduction, or returning the money to the taxpayer. Self –evidently, we are talking about the overtaxed taxpayer, since that is why we have a surplus. Tax rates aren't supposed to be motivated by a desire to generate a surplus".

In our survey of national debt management, we continue looking at various arguments from various scholars. Evans, M. (1999) P.1 argues that "now Bill Clinton says he is going to end the entire national debt by 2015." From this, we can see that some members of society would like to see the national debt disappear as evidenced by the above quotation. However, the above is a wish and translating such a wish into reality is something else, as they say that it is easier said than done. Of course we know that ending the deficit requires that the country records a surplus budget. The question that comes to mind is that if a 'surplus' is achieved, does it necessarily follow that this surplus is going to be used to pay off the debt. Others have questioned government spending in times when a surplus is achieved. Glassman, K. J. (1997) P.1 pointed out that "instead of a cause for rejoicing, an imminent budget surplus is deeply worrisome to some Republicans. They see big government spending, not big deficits, as the real danger to the economy. Without fear of a deficit to deter them, politicians will spend freely again."

As mentioned elsewhere, availability of information about national debt to citizens is important If people do not have correct information about something, they will not appreciate even when they are supposed to, or they will appreciate something when they are not supposed to. U.S. News and world Report (1996) P.1 has pointed out that "it's not what people don't know that's dangerous; it's what they do know that just isn't so. That old saying is especially apt when it comes to economics and, in particular to government finances. In a recent poll by the Washington Post and the Henry J. Kaiser Family Foundation, 70 percent of those surveyed thought the Federal deficit was larger than five years ago, while 17 percent thought it had stayed about the same. Only 12 percent picked the right answer. That the deficit has fallen…. From 4.7 percent of gross domestic product in fiscal 1991 to around 1.5 percent in 1996, the lowest level in 22 years".

RECOMMENDATIONS

From the study of national debt management, I recommend the following:

- National debt managers should be people of high integrity so that they manage the public debt professionally.
- Management controls in public debt management should be introduced so as to provide checks and balances.
- The public should be informed about the happenings in debt management. A well informed citizen is a better citizen.
- Risk analysis in debt management should be done with care to take into account all issues that can make national debt management a success
- Roles should be clearly spelt out between government financial institutions so that the institution that deals with national debt management is clearly identifiable.

CONCLUSION

The subject of national debt management is of great concern and therefore there is need that all interested parties are provided with the necessary information they need in order to make constructive contributions to the subject.

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