

The Day the United States Defaulted on Treasury Bills

Terry L. Zivney, Richard D. Marcus

First published: August 1989

<https://doi.org/10.1111/j.1540-6288.1989.tb00353.x>



Abstract

Because of severe technical difficulties, the U.S. government was unable to repay investors in Treasury bills (T-bills) in late April through early May, 1979. This incident led to a 60 basis point increase in T-bill rates at the initial occurrence of the default. Unlike other information effects of that era, such as Henry Kaufman's predictions or Paul Volcker's "Saturday night special," this increase in rates was not offset by a subsequent decrease in rates after the Treasury cured the default. The default apparently warned investors that Treasury issues were not completely riskless, which translates into a \$12 billion annual increase in federal interest payments as a result of the 60 basis point permanent increase in interest rates.

References

[1] *Black's Law Dictionary*. 5th ed. St. Paul, MN : West Publishing, 1979, p. 379.

[Google Scholar](#)

[2] Brown, Stephen J., and Jerold B. Warner. Measuring Security Price Performance. *Journal of Financial Economics* 8(September 1980): 205-258.

[CAS](#) | [PubMed](#) | [Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) 

[Google Scholar](#) 

[5] Fama, Eugene F. *Foundations of Finance*. New York : Basic Books, 1976.

[Google Scholar](#) 

[6] Foldessy, Edward P. Treasury Hits Delays in Mailing Checks to the Holders of Its Maturing Securities. *Wall Street Journal*, May 9, 1979, p. 8.

[Google Scholar](#) 

[7] French, Dan W. Stock Returns and the Weekend Effect. *Journal of Financial Economics* 8(March 1980): 55-69.

[Web of Science®](#)  | [Google Scholar](#) 

[8] Handjinicolaou, George, and Avner Kalay. Wealth Redistributions or Changes in Firm Value: An Analysis of Returns to Bondholders and Stockholders around Dividend Announcements. *Journal of Financial Economics* 13(March 1984): 35-63.

[Web of Science®](#)  | [Google Scholar](#) 

[9] Homer, Sidney, and Richard I. Johannesen. *The Price of Money*. New Brunswick , NJ : Rutgers University Press, 1969.

[Google Scholar](#) 

[10] Ibbotson, Roger G., and Carol L. Fall. The United States Market Wealth Portfolio. *Journal of Portfolio Management* 6(Fall 1979): 82-92.

[Google Scholar](#) 

[11] Monhollon, Jimmie R., and Glenn Picou. *Instruments of the Money Market*. Richmond , VA : Federal Reserve Bank of Richmond, 1974.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

[13] Roley, V. Vance. The Response of Short-Term Interest Rates to Weekly Money Announcements. *Journal of Money, Credit and Banking* 15(August 1983): 344–354.

[Web of Science®](#) | [Google Scholar](#)

[14] Staff Reporter. “ Damage Suit Filed over Delay by U.S. in Paying Off Notes. *Wall Street Journal*, May 29, 1979, p. 36.

[Google Scholar](#)

[15] Van Horne, James C.. *Financial Market Rates and Flows*. 2d ed. Englewood Cliffs , NJ : Prentice-Hall, 1984.

[Google Scholar](#)

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential