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PUBLIC DEBT ACT OF 1943

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-EIGHTH CONGRESS
FIRST SESSION

ON

S. 566

**A BILL TO INCREASE THE DEBT LIMIT
OF THE UNITED STATES, AND
FOR OTHER PURPOSES**

—————
JANUARY 29, 1943
—————

Printed for the use of the Committee on Finance



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PUBLIC DEBT ACT OF 1943

FRIDAY, JANUARY 29, 1943

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to notice, at 2:30 p. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding. The CHAIRMAN. Gentlemen, we have before us here this afternoon a bill to increase the debt limit. (S. 566 is as follows:)

[S. 566, 78th Cong., 1st sess.]

A BILL To increase the debt limit of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

"(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection."

The CHAIRMAN. Mr. Bell, the Acting Secretary, Mr. Sullivan, and other representatives of the Treasury are here to advise us about this bill.

You may proceed, Mr. Bell, and tell us anything you desire.

**STATEMENT OF DANIEL W. BELL, UNDER SECRETARY OF THE
TREASURY**

Mr. BELL. Mr. Chairman, the bill before you provides an increase in the borrowing authority of the Treasury from \$125,000,000,000 under the present law to \$210,000,000,000. The gross outstanding debt on December 31, 1942, was \$108,000,000,000. That leaves us about \$14,000,000,000 of borrowing authority with which to meet the Government expenditures, after taking into consideration future discount on United States Savings bonds. We estimate that that balance will be down to about \$6,000,000,000 on March 31 next.

In April we contemplate a rather large campaign for funds, somewhat similar to the one we had in December and may amount to as much or more than that drive. So it will be necessary for us to have an increase in our authority by April 1, in order to carry on that campaign.

The budget which was just submitted to Congress estimates that the gross debt on June 30, 1943, will be \$135,000,000,000, and on June 30, 1944, the end of the next fiscal year, it will be \$210,000,000,000. So, the authority which we are asking for just about takes care of the budget that is now before you. That is the basis for the figure in the bill.

Senator VANDENBERG. May I ask you a question at that point Mr. Bell?

Mr. BELL. Yes.

Senator VANDENBERG. I assume this \$210,000,000,000 in the budget estimate that you have just stated does not include the debts of the various Government corporations which have a borrowing power of their own?

Mr. BELL. That does not include the outstanding debt in the hands of the public, but it does include the expenditure that those corporations contemplate making in the next fiscal year.

Senator VANDENBERG. Have you the figure on what the outstanding debt is of all these collateral institutions?

I hope I am not interrupting your thought.

Mr. BELL. No. I am just making a general statement, so you can go right ahead.

The outstanding debt of these corporations that is in the hands of the public is \$4,283,000,000 as of December 31, 1942, and we hold in the Treasury \$5,200,000,000 additional of their obligations. You recall the Secretary advised you a year or so ago that we are now doing all of the financing of the corporations and that they would not issue any further obligations in the market.

Senator VANDENBERG. Does the \$5,000,000,000 that is now held in the Treasury find its way into this \$120,000,000,000?

Mr. BELL. It is already within the \$125,000,000,000 limit; yes, sir.

Senator VANDENBERG. So that as fast as the balance of the debt of these collateral institutions matures it will disappear as a collateral obligation and will be included within the main structure?

Mr. BELL. That is right; yes, sir.

Senator DAVIS. That is within this \$210,000,000,000.

Mr. BELL. To the extent that any of their obligations mature within the next 15 months, we will pay them off out of Treasury funds and they will become a part of the public debt of the United States. To

the extent that they are still remaining outstanding in the hands of the public at the end of June 30, 1944, they will not be a part of the \$210,000,000,000.

Senator VANDENBERG. Have you a break-down of the \$4,283,000,000?

Mr. BELL. By corporations?

Senator VANDENBERG. Yes. Will you put that in the record? You do not need to read it now.

Mr. BELL. I shall be glad to.

(The statement referred to is as follows:)

Unmatured securities of Government corporations and agencies guaranteed by the United States which were outstanding as of the close of business Dec. 31, 1942

Government corporations or agencies—series or loans	Par amount of securities outstanding	Average interest rate	Par amount of securities held by Treasury	Average interest rate	Total par amount of securities outstanding	Average interest rate
Home Owners' Loan Corporation:						
3-percent bonds, series A, 1944-52.....	\$778,578,075.00				\$778,578,075.00	
1½-percent bonds, series M, 1943-47.....	754,904,025.00				754,904,025.00	
1-percent bonds, series Q, 1942-43.....			\$411,000,000.00		411,000,000.00	
Total.....	1,533,482,100.00	2.262	411,000,000.00	1.000	1,944,482,100.00	1.995
Federal Farm Mortgage Corporation:						
3½-percent bonds of 1944-44.....	94,678,600.00				94,678,600.00	
3-percent bonds of 1941-49.....	833,085,600.00				833,085,600.00	
1-percent bonds, due June 30, 1943.....			49,000,000.00		49,000,000.00	
Total.....	929,764,200.00	3.025	49,000,000.00	1.000	978,764,200.00	2.924
Commodity Credit Corporation:						
1-percent interim notes, fourth series, due June 30, 1943.....			200,000,000.00		200,000,000.00	
1-percent interim notes, fifth series, due June 30, 1943.....			50,000,000.00		50,000,000.00	
1-percent interim notes, seventh series, due June 30, 1943.....			200,000,000.00		200,000,000.00	
¾-percent notes, series E, 1943.....	289,458,000.00				289,458,000.00	
1½-percent notes, series G, 1945.....	411,596,000.00				411,596,000.00	
¾-percent obligations.....	86,843,048.05				86,843,048.05	
Total.....	787,897,048.05	.918	450,000,000.00	1.000	1,237,897,048.05	.948
Reconstruction Finance Corporation:						
1½-percent notes, series V, 1943.....	324,397,000.00				324,397,000.00	
1-percent notes, series W, 1944.....	571,363,000.00				571,363,000.00	
1-percent notes, series X, due Jan. 1, 1945.....			3,954,682,445.91		3,954,682,445.91	
Total.....	895,760,000.00	1.045	3,954,682,445.91	1.000	4,850,442,445.91	1.008
Federal Public Housing Authority:						
1½-percent notes, series E, 1944.....	114,157,000.00				114,157,000.00	
1-percent notes, series J, due June 30, 1943.....			280,000,000.00		280,000,000.00	
Total.....	114,157,000.00	1.378	280,000,000.00	1.000	394,157,000.00	1.109

Unmatured securities of Government corporations and agencies guaranteed by the United States which were outstanding as of the close of business Dec. 31, 1942—Continued

Government corporations or agencies—series or loans	Par amount of securities outstanding	Average interest rate	Par amount of securities held by Treasury	Average interest rate	Total par amount of securities outstanding	Average interest rate
Federal Housing Administration:						
Mutual mortgage insurance fund debentures:						
3-percent, series A.....	\$5,914,486.23	.....	.....	.....	\$5,914,486.23	.....
2½-percent, series B (uncalled).....	342,450.00	.....	.....	.....	342,450.00	.....
2½-percent, series B (eighth called).....	833,200.00	.....	.....	.....	833,200.00	.....
2½-percent, series C.....	24,200.00	.....	.....	.....	24,200.00	.....
Housing insurance fund debentures:						
2½-percent, series C.....	45,900.00	.....	.....	.....	45,900.00	.....
2½-percent, series D.....	13,953,100.00	.....	.....	.....	13,953,100.00	.....
Total.....	22,113,336.23	2.828	.....	.....	22,113,336.23	2.828
Tennessee Valley Authority:						
2½-percent bonds, series A, Dec. 15, 1943.....	.....	.....	\$272,500.00	.....	272,500.00	.....
1½-percent bonds of 1943-51 ¹.....	.....	.....	10,000,000.00	.....	10,000,000.00	.....
2½-percent bonds of 1947-57 ¹.....	.....	.....	15,000,000.00	.....	15,000,000.00	.....
2½-percent bonds of 1951-63 ¹.....	.....	.....	15,000,000.00	.....	15,000,000.00	.....
2½-percent bonds of 1955-69 ¹.....	.....	.....	15,500,000.00	.....	15,500,000.00	.....
Total.....	.....	.....	56,772,500.00	1.005	56,772,500.00	1.005
Grand total.....	4,283,173,684.28	1.908	5,201,454,945.91	1.009	9,484,628,630.19	1.409

¹ The Treasury has agreed, until further notice, to accept from the Tennessee Valley Authority, interest at the rate of 1 percent per annum on the Authority's bonds while they are used by the Treasury.

Senator VANDENBERG. I suppose in the case of a corporation like H. O. L. C., then, the bonds which were previously a lien on the property cease to be a lien on the property, and the property in turn comes under the General Treasury as an asset behind the total national debt. Is that right?

Mr. BELL. That is right. The law provides that.

While we do not take the assets over, they are held in the corporation as a Government agency.

Senator VANDENBERG. You still have to pay 3 percent for money for these outside agencies, as most of the H. O. L. C. bonds, for instance, bore?

Mr. BELL. No; we could borrow in the market on the guaranteed obligations for practically the same rate as on the direct Government obligations. There is a little difference, but not much.

The CHAIRMAN. All right, Mr. Bell, do you have some other figures?

Mr. BELL. No, I haven't, Mr. Chairman.

The CHAIRMAN. Do you have some other features in this bill that you wish to discuss?

Mr. BELL. I can go over the sections of the bill, if you care to.

The CHAIRMAN. Yes. You have two new features aside from the provision increasing the debt limit?

Mr. BELL. Yes. Section 2 merely amends the present law to increase the amount of borrowing authority from \$125,000,000,000 to \$210,000,000,000.

Senator WALSH. How long do you think that would last, that borrowing?

Mr. BELL. That is supposed to last us to the end of the fiscal year 1944, which will be June 30, 1944, and is based on the present Budget now before the Congress.

Section 3 of the bill is an amendment to section 22 of the Second Liberty Bond Act to add two new subsections.

Subsection (h) would give the Secretary authority to use incorporated banks and trust companies in the redemption of savings bonds. We have outstanding at the present time some \$15,000,000,000 of these bonds, and of course they are increasing every month and as they increase in the amount outstanding our redemptions are bound to increase. We feel that the time is coming when we may have to make some other arrangements for redeeming them, other than through the Federal Reserve banks and the Treasurer of the United States. So, we are merely asking authority of the Congress to authorize redemptions through incorporated banks and trust companies if it becomes necessary.

The CHAIRMAN. That is the War Savings bonds?

Mr. BELL. That is just the War Savings bonds; yes, sir. That will facilitate redemption and avoid congestion in these other two places where we now redeem them.

Senator VANDENBERG. By "redemption," you mean the payment of them before they are due?

Mr. BELL. Yes; or at maturity, either one.

Senator VANDENBERG. Are you going to encourage the cashing of these bonds ahead of time?

Mr. BELL. No; we are going to discourage that all we can, and we are doing that now, but then there are bound to be many of them cashed in. There are many of them being cashed in now, and as the volume outstanding increases the amount of redemptions are bound to increase.

Senator VANDENBERG. You do not think increasing the facilities for redemption encourages the use of the facilities?

Mr. BELL. Well, I do not believe it would very much, but, nevertheless, if the bond is presented for redemption I think we have got to meet that redemption and meet it promptly. I think if we do not meet it promptly it will do more harm than anything else.

Senator GERRY. How much in these bonds did you say was outstanding?

Mr. BELL. \$15,000,000,000 current redemption value.

The CHAIRMAN. As a matter of fact, the holder of the bond who finds it necessary to cash it in usually goes to his local bank anyway, does he not?

Mr. BELL. In many cases he does; yes.

The CHAIRMAN. And it comes right on through?

Mr. BELL. That is right.

The CHAIRMAN. Now, the next section, Mr. Bell, you might explain that.

Mr. BELL. The next section is really an amendment to the Government Losses in Shipment Act.

At the present time, as I told you, we are redeeming these bonds at the Treasury and at the various Federal Reserve banks. We have about 60,000 stop orders against payment of these bonds. When they come in for redemption we cannot make payment therefor until lists are searched to see if any of the bonds so presented are on the lists of these stop orders. These stop orders are due to bonds that are lost, destroyed, or misplaced, and in many cases are the result of holdings in excess of the prescribed limit. The present limit now is \$5,000 for the series E bonds. If we find a person with excess holdings we put a stop order against the bonds.

When we redeem a bond the Federal Reserve bank and the Bureau of Public Debt both have to go through the list of 60,000 numbers, to see whether or not those particular bonds are on the stop-payment list. In December we redeemed a total of 1,600,000 bonds, and only about 114 were found on the list. Now, to go through all of those bonds for just 114 bonds of which 83 were the \$25 denomination cost us a great deal of money administratively. So, what we would like to do is simplify our procedure by permitting the commercial banks, if we use them, the Federal Reserve banks, and the Treasurer of the United States to cash them and have the bonds come right through to the Bureau of Public Debt in the Treasury and there do the final checking, just the same as we do now for our Treasury checks. The checks come to the Treasury and are checked against the disbursing officer's account, to see whether there is sufficient balance to pay them or if they are otherwise in order. If we find any bonds cashed that should not have been cashed, then we go back through regular channels and collect the erroneous payment. We go through, of course, the Secret Service and the present governmental set-up. If there are any actual losses incurred in the procedure, we want to charge them to this Government losses in shipment fund that Congress has already set up to take care of similar losses on other matters. This fund was set up in 1937 as a sort of self-insurance fund. Instead of paying premiums to insurance companies, Congress authorized an appropriation to be held as a fund in the Treasury to pay for losses in carrying and shipping of securities and valuables throughout the country.

In the 5 years of the operation of that fund Congress appropriated \$693,000 and we have only paid out \$7,500 in losses. We feel administratively it is much cheaper for us to pay the few losses that we would have in these redemptions than to set up the administrative procedure and expense involved to check all of these lists through each of these agencies.

If we had paid premiums on all of the shipments that we have had in the last 5 years, we would have paid out to insurance companies \$3,800,000, but we have actually paid out only \$7,500 in losses, and much of this represents only bookkeeping transfers. So we think this is the best way to meet that problem. It simplifies our redemption procedure and will result in a substantial saving.

The CHAIRMAN. Are there any questions, gentlemen?

Senator DANAHER. Mr. Chairman.

The CHAIRMAN. Senator Danaher.

Senator DANAHER. I understood you to say, Mr. Bell, in answer to Senator Vandenberg, that Corporation obligations that are outstanding are included in that \$4,283,000,000 as of December 31, 1942, those are in the hands of the public?

Mr. BELL. Those are in the hands of the public; yes.

Senator DANAHER. Assuming that some of those obligations are to come due, how are you going to meet them?

Mr. BELL. We pay them off out of the general fund of the Treasury and they become part of the public debt of the United States.

Senator DANAHER. It does not increase the actual debt in any respect, does it?

Mr. BELL. Yes.

Senator DANAHER. How?

Mr. BELL. It does not increase the debt if you consider the guaranteed debt as a part of the public debt, but it increases what we call the gross public debt and comes within the \$125,000,000,000 limitation fixed by Congress. Otherwise, it is stated as a debt of the Corporation.

Senator DANAHER. In any case, the Government owns the Corporation?

Mr. BELL. That is right.

Senator DANAHER. Are such items as the Board of Economic Warfare commitments chargeable, as they now are, to R. F. C. included separately or specially within this total you ask for?

Mr. BELL. I just have the one figure for R. F. C. Everything that the R. F. C. spends and for which it borrows money is in this figure.

Senator DANAHER. And how much do they estimate between now and June 30, 1944, would be required for B. E. W. operations?

Mr. BELL. I will try to get that for you. The total expenditures that Government Corporations are expected to make in the fiscal year 1944 are about \$4,700,000,000, as I recall.

Senator DANAHER. Does that include Commodity Credit Corporation operations?

Mr. BELL. Yes; Commodity Credit is a part of that group.

Senator DANAHER. Do you have a break-down of what you anticipate from Commodity Credit between now and June 30, 1943?

Mr. BELL. No; I haven't, Mr. Danaher. I do not know how much they have incurred up to this date, but for the fiscal year 1943 the estimate is \$1,086,000,000, and it is \$787,000,000 for the fiscal year 1944.

Senator BARKLEY. That is the Budget estimate?

Mr. BELL. Yes, sir. I probably can get that break-down, as to what it actually incurred up to December 1942, and what it contemplates in the next 6 months.

(The statement referred to is as follows:)

Estimated expenditures, Commodity Credit Corporation, fiscal years 1943 and 1944

(In millions of dollars)

	Fiscal year 1943	Fiscal year 1944
Estimated expenditures in 1944 Budget (p. XX).....	1,086	787
Less actual expenditures (net) July 1 to Dec. 31, 1942, per daily Treasury statements..	92	.....
Balance of estimate, Jan. 1 to June 30, 1943.....	1,994	.....

¹ Includes \$289,000,000 for redemption of notes outstanding in the market, maturing May 1, 1943.

Senator DANAHER. We had some testimony before the Banking and Currency Committee that B. E. W. operations from April 15 last through approximately December 15 exceeded \$1,000,000,000. That is a lot of money.

Mr. BELL. That is a lot of money.

Senator DANAHER. I wondered if there is any source from which we can get a break-down of what is expected for B. E. W. between now and June 30 of this year, and the subsequent fiscal year.

Mr. BELL. I haven't got it, but I think I can get it for you and put it in the record.

Senator DANAHER. Might that be supplied for the record, Mr. Chairman?

The CHAIRMAN. Yes, you may furnish it.

(The information requested is as follows:)

[NOTE.—The following information has been informally obtained from the Board of Economic Warfare and the Bureau of the Budget.]

The Board of Economic Warfare handles practically all foreign procurement activities, with the exception of rubber, including preclusive buying. The Board of Economic Warfare locates and directs the purchasing in foreign countries of commodities for the account of such agencies as Metals Reserve Company and Defense Supplies Corporation. The United States Commercial Company was organized at the request of the Department of State and the Board of Economic Warfare as a subsidiary of the Reconstruction Finance Corporation. The Board of Economic Warfare utilizes the facilities of this Company in carrying out its preclusive operations. Included on the board of directors of the United States Commercial Company are four representatives of the Reconstruction Finance Corporation, two from the State Department, one from the Office of Coordinator of Inter-American Affairs, and three from the Board of Economic Warfare. A portion of the purchases directed by the Board of Economic Warfare are stockpiled and the balance is sold in this country, the proceeds of such sales going back *Estimated expenditures of the Board of Economic Warfare for the 6-month period to the Reconstruction Finance Corporation. Some of the acquisitions of food-stuffs, etc., are financed by the Commodity Credit Corporation.*

Jan. 1 to June 30, 1943, and for the fiscal year 1944

	Jan. 1 to June 30, 1943	Fiscal year 1944
Appropriated funds (net).....	\$13,393,000	\$33,215,000
Reconstruction Finance Corporation, and Commodity Credit Corporation funds (net).....	450,000,000	850,000,000
Total.....	463,393,000	883,215,000

¹ Of the net amount of \$450,000,000, it is estimated that approximately \$200,000,000 will be recovered by subsequent sales from stock pile; and of the net amount of \$350,000,000, it is estimated that approximately \$450,000,000 will be recovered by subsequent sales from stock pile

Senator BYRD. What is the amount of the obligations of the corporations that is not included in the gross statement?

Mr. BELL. \$4,283,000,000 as of December 31.

Senator BYRD. How many corporations have the power to issue direct obligations?

Mr. BELL. Only the Treasury has the authority to issue direct obligations.

Senator BYRD. Of course, it is a matter of discretion as to whether they should offer the obligations to the Treasury or to the public; isn't that correct?

Mr. BELL. That is right, yes.

Senator BYRD. How many of them can offer their notes and bonds either to you or to the public? I mean corporations.

Mr. BELL. I think there are eight of them. The Commodity Credit Corporation, the Federal Farm Mortgage Corporation, the Federal Housing Administration, the Federal Public Housing Authority, the Home Owners' Loan Corporation, the Reconstruction Finance Corporation, Tennessee Valley Authority, and United States Maritime Commission.

Senator BYRD. That includes R. F. C., does it?

Mr. BELL. Yes, sir, and that item includes all of the corporations under the R. F. C.

Senator BYRD. Why would Home Owners' Loan have the authority to issue additional obligations when they are now liquidating it?

Mr. BELL. From time to time they have to issue obligations in connection with their liquidation. They are not large.

Senator BYRD. Have you got available the complete authorizations of these different Government corporations?

Mr. BELL. Yes, sir, and I am putting a table in the record.

(The table referred to is as follows:)

Borrowing power and outstanding obligations of corporations and credit agencies which issue obligations guaranteed by the United States as of Dec. 31, 1942

(In millions of dollars)

Corporation or agency	Gross limit of authority	Outstanding obligations			
		Total	Held by Treasury	Held by others	
				Unmatured	Matured ¹
Commodity Credit Corporation.....	2,650	1,238	450	788	(¹)
Federal Farm Mortgage Corporation.....	2,000	983	49	930	4
Federal Housing Administration.....	4,800	22	.....	22	(²)
Federal Public Housing Authority.....	800	964	280	114	.....
Home Owners' Loan Corporation.....	4,750	1,958	411	1,533	13
Reconstruction Finance Corporation.....	17,360	4,851	2,955	896	(³)
Tennessee Valley Authority.....	62	57	.....	.....	.....
U. S. Maritime Commission.....	200	.....	.....	.....	.....
Total.....	32,622	9,802	5,201	4,283	18

NOTE.—Figures are rounded to nearest million and will not necessarily add to totals.

¹ Funds have been deposited with the Treasurer of the United States for payment of all obligations guaranteed by the United States, representing outstanding matured principal of \$17.8 million and interest of \$3.2 million.

² Less than \$500,000.

³ Limit of authority to insure mortgages. This amount may be increased by \$1,000,000,000 upon approval by the President. Debentures may be issued and tendered only in exchange for insured property acquired through foreclosure.

⁴ This amount may be increased only by the amount of issues for refunding purposes.

⁵ Exclusive of \$8,300,000 issued on the credit of the United States and held by the Reconstruction Finance Corporation.

⁶ Limit which may be outstanding at any one time with respect to the insuring of mortgages and the issuance of debentures.

Senator BYRD. What is the total of the unissued obligations that they are authorized to issue?

Mr. BELL. They have authority to issue \$32,600,000,000. There is approximately \$2,800,000,000 of that which is the Home Owners' Loan Corporation's and no longer available. All corporations have issued \$9,502,000,000, which was outstanding on December 31, 1942, of which \$5,200,000,000 was held by the Treasury and \$4,283,000,000 held by the public.

Senator BYRD. They can issue, then, \$21,000,000,000 more than they have already issued?

Mr. BELL. It is about \$20,300,000,000.

Senator BYRD. And if they choose to do it, and the Treasury consents to it, they can offer that direct to the public, in which event it will not be included in this gross limitation we are now considering?

Mr. BELL. That is right. But you know we are following the policy of requiring them all to come through the Treasury.

Senator BYRD. I mean there is no legal requirement that the Treasury shall buy their bonds, and if you do not buy them and they are offered to the public, then it is not included in this \$210,000,000,000?

Mr. BELL. That is right.

Senator VANDENBERG. Can you stop them from offering them to the public?

Mr. BELL. It requires the approval of the Secretary of the Treasury to issue a guaranteed obligation to the public. It requires his approval also for the purchase by the Treasury of those obligations, but I should think that if the Secretary should refuse to purchase such obligations he would be very much in the same position as if he refused to honor a check on an appropriation made to a department. I doubt if he would want to refuse to permit these corporations to carry out the functions which Congress has imposed upon them, if the obligations to be issued are otherwise legal.

Senator DANAHER. Mr. Chairman, another question.

The CHAIRMAN. Yes, Senator.

Senator DANAHER. Mr. Bell, it is my recollection that as of June 30, 1942, you carried into fiscal 1943 appropriations amounting to \$105,409,000,000. Does that figure ring substantially accurately to you?

Mr. BELL. I do not know, but I should say it was up in that neighborhood, yes, sir. I am inserting in the record a table taken from the 1944 Budget which shows balances of appropriations on June 30, 1942, amounting to \$97,280,000,000.

(The table referred to is as follows:)

Statement of balances of appropriations as of June 30, 1942 (exclusive of trust accounts), and of appropriations for the fiscal year 1943 (including permanent and indefinite appropriations), as of Nov. 1, 1942, reported by the Secretary of the Treasury

[This statement is included in the Budget only because of the requirements of the Budget and Accounting Act, 1921 (31 U. S. C. 11e). As budgetary information, the statement has little, if any, value, as it simply shows the balances of appropriations on the books of the Treasury, June 30, 1942, classified as between 1943 appropriations and those of prior years according to whether the funds were appropriated as "immediately available"]

Department or agency	Balances of appropriations, June 30, 1942	Appropriations for fiscal year 1943, including permanent and indefinite appropriations ¹	Total available
Legislative establishment.....	\$2,815,506.41	\$27,584,873.00	\$30,400,079.41
The Judiciary.....	794,870.34	12,503,774.00	13,298,644.34
Executive Offices.....	5,261,882,300.92	1,829,397,354.00	7,110,779,654.92
Independent establishments:			
Civil Service Commission.....	1,940,096.99	123,786,032.00	125,726,128.99
Employees' Compensation Commission.....	5,507,532.89	9,589,705.00	15,197,237.89
General Accounting Office.....	9,416,345.55	16,433,285.40	19,849,630.95
Interstate Commerce Commission.....	688,048.92	9,416,692.00	10,064,740.92

¹ Appropriations for fiscal year 1943, exclude items made immediately available, but include appropriations by deficiencies or supplemental acts.

Statement of balances of appropriations as of June 30, 1942 (exclusive of trust accounts), and of appropriations for the fiscal year 1943 (including permanent and indefinite appropriations), as of Nov. 1, 1942, reported by the Secretary of the Treasury—Continued

Department or agency	Balances of appropriations, June 30, 1942	Appropriations for fiscal year 1943, including permanent and indefinite appropriations	Total available
Independent establishments—Continued			
National Advisory Committee for Aeronautics	\$12,036,954.68	\$12,011,736.00	\$24,048,690.68
Railroad Retirement Board	14,518,926.90	227,342,000.00	241,860,926.90
Securities and Exchange Commission	260,373.11	4,910,000.00	5,170,373.11
Selective Service System	6,394,045.45	24,745,000.00	31,139,045.45
Tennessee Valley Authority	81,130,353.66	136,300,000.00	217,250,353.66
The Alvey Drelling Authority	13,899,406.01	12,000.00	13,911,406.01
U. S. Maritime Commission	1,728,677,064.18	930,080,000.00	2,658,757,064.18
Veterans' Administration	540,253,987.90	127,923,988.00	668,156,975.90
Other independent establishments	3,794,833.78	23,184,189.00	26,979,022.78
Federal Security Agency:			
Office of Administrator	4,995,333.00	6,129,893.00	11,125,226.00
Civilian Conservation Corps	126,707,672.68		126,707,672.68
National Youth Administration	29,439,250.18	61,274,000.00	90,713,250.18
Office of Education	22,426,839.78	178,979,090.00	199,405,929.78
Public Health Service	1,894,429.95	3,365,245.00	5,259,674.95
Social Security Board	3,193,055.13	\$24,469,330.00	\$27,662,385.13
Other	1,599,063.91	3,168,288.50	4,767,352.41
Federal Works Agency:			
Office of Administrator	196,188,970.79	17,850,000.00	214,038,970.79
Public Buildings Administration	49,329,453.34	\$4,946,710.00	54,276,163.34
Public Roads Administration	157,101,431.49	5,000,000.00	162,101,431.49
Public Works Administration	31,161,716.83		31,161,716.83
Work Projects Administration	33,382,193.20	290,000,000.00	318,382,193.20
Other	601.08		601.08
National Housing Agency:			
Office of Administrator	134,203,307.34	615,000,000.00	749,203,307.34
Federal Housing Administration	296,399.03		296,399.03
Federal Public Housing Authority	344,835,417.45	13,000,000.00	357,835,417.45
Other	37,338.18	1,375,000.00	1,412,338.18
Department of Agriculture	1,467,926,363.88	823,921,798.97	2,291,848,162.85
Department of Commerce:			
Office of Administrator of Civil Aeronautics	81,913,064.14	316,655,225.00	\$392,568,289.14
Civil Aeronautics Board	243,154.37	1,243,500.00	1,486,654.37
Other	4,299,100.08	29,111,275.00	33,410,375.08
Department of the Interior	111,544,427.88	203,071,827.43	316,616,255.31
Department of Justice	9,531,103.99	93,963,100.00	103,494,203.99
Department of Labor	2,463,853.02	23,833,080.00	26,296,933.02
Navy Department	13,436,490,005.10	19,331,650,491.00	\$32,668,140,496.10
Post Office Department, payable from general revenues	224,590.32		224,590.32
Department of State	4,812,900.96	28,777,000.00	33,589,900.96
Treasury Department	1,303,432,749.74	461,582,291.65	1,765,015,041.39
War Department	68,816,468,382.31	42,822,101,558.00	111,638,569,940.31
Panama Canal	18,235,281.34	100,023,610.00	118,258,891.34
District of Columbia	6,022.26	6,030,000.00	6,036,022.26
Public debt, permanent appropriations:			
Sinking fund	3,177,792,123.31	\$ 540,000,000.00	3,767,792,123.31
Other public-debt redemptions, chargeable to ordinary receipts	159.15	\$ 1,290,000.00	1,290,159.15
Interest on the public debt		\$ 1,673,000,000.00	1,673,000,000.00
Total, exclusive of Postal Service, payable from postal revenues	97,280,495,796.30	71,722,161,870.55	169,002,657,666.75
Postal Service, payable from postal revenues		\$ 902,978,563.00	902,978,563.00
Total	97,280,495,796.30	72,625,140,433.55	169,905,635,929.75

† The total amount estimated for fiscal year 1943.

‡ Exclusive of estimated postal deficiency for the fiscal year 1943.

Senator DANAHY. Now, can you tell me at what rate you have actually been called upon to make expenditures out of those appropriations?

Mr. BELL. Well, I cannot tell you how much it was out of those particular balances, but we are spending at the present time about \$6,500,000,000 a month, and before the end of the next fiscal year

we will be spending at the rate of about \$9,000,000,000 a month if we meet the Budget estimates.

Senator DANAHER. \$6,500,000,000 a month?

Mr. BELL. Yes.

Senator BARKLEY. That is the total expenditure, including war and nonwar effort?

Mr. BELL. That includes everything; yes, sir, Senator.

Senator BARKLEY. How much of that will be represented by the war effort?

Mr. BELL. The total expenditures for the fiscal year 1943, up to December 31, amounted to \$35,106,000,000, and of that total \$32,114,000,000 represented war activities.

Senator DANAHER. Are you going to follow that up, Senator Barkley? If not, I want to know what he defines to be war activities.

The CHAIRMAN. You understand Senator Danaher's question?

Mr. BELL. I think so. In the expenditure figures, as far as war activities are concerned, we include the expenditures of the War and Navy Departments for military outlays, certain expenditures of the Agriculture Department, Federal Security Agency, Federal Works Agency, National Housing Agency, Treasury Department, United States Maritime Commission, War Shipping Administration, and then there are certain other miscellaneous items. Anything that is connected with the war that comes out of war appropriations, we consider that war activity.

Senator DANAHER. If we do not appropriate directly to any of these agencies but they in turn draw on R. F. C. under directives from the President, you do not include that in that item, do you?

Mr. BELL. That is not a budgetary expenditure. That comes in another category as corporate expenditures, and we do include an item under R. F. C. called "War activities."

Senator DANAHER. And what will the war activities under the R. F. C. allocation include?

Mr. BELL. That includes such things as Defense Plant Corporation, which is building the plants throughout the country for war purposes, and the U. S. Commercial Corporation, and others. I find that I have here a list of them.

Senator DANAHER. Will you please read them for the record?

Mr. BELL. Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, U. S. Commercial Company, and the R. F. C. Mortgage Company.

Senator DANAHER. And what do they aggregate, please?

Mr. BELL. About \$5,723,000,000 was the total disbursement through December 31, 1942, and they had receipts on account of those activities of about \$1,940,000,000. So the net outgo of those corporations was about \$3,783,000,000.

Senator DANAHER. Are those expenditures subject to audit by the Comptroller General?

Mr. BELL. I do not think that the RFC is subject to the Comptroller's audit. I believe it has its own audit.

Senator DANAHER. I think you are right.

Senator BYRD. It is not. It should be, though.

Senator DANAHER. I just wanted to verify, if you know. I am sure they are not.

Mr. BELL. I think that is right. They are not.

Senator BARKLEY. You say all of the activities of the War Department and Navy Department are allocated to war expenditures. Do you include the normal expenses of the War Department in peacetime and that are now, of course, operating for war purposes?

Mr. BELL. Yes.

Senator BARKLEY. You make no deduction from the total in the case of each of these departments by the amount that they have been spending normally, in the War and Navy Departments?

Mr. BELL. That is right; we do not.

Senator BARKLEY. They all go in together?

Mr. BELL. Yes, sir.

Senator BYRD. I think you failed to include in your statement, Mr. Bell, that the N. Y. A. has been transferred as a war agency, and the T. V. A., too, was taken from peacetime spending and put into war spending.

Mr. BELL. I think that is right as to the N. Y. A. which is now in the War Manpower Commission, but we do not include the T. V. A. in "War activities."

Senator BYRD. There are a number of others that were heretofore considered as peacetime spending and are now, under the budget, transferred to war spending.

Senator DANAHER. How do you classify lend-lease, Mr. Bell?

Mr. BELL. Lend-lease at one time was classified as a special item under war activities, but last year, most of the money was made available to the various departments and agencies, so we have since then considered it as an expenditure by those agencies. Take the Treasury Department, here is a war expenditure of \$83,000,000 in the month of December and \$581,000,000 for the year. That is practically all lend-lease expenditure by our Procurement Division. Lend-lease funds are allocated by the President to the various departments and they spend it.

Senator GERRY. What is your formula for determining what should be a war expenditure?

Mr. BELL. The nature of the fund, Senator.

Senator GERRY. What do you mean by that?

Mr. BELL. I mean if the money is made available for carrying on the war or related activities, then we consider that a war expenditure. This classification is discussed between the Treasury and Bureau of the Budget and determined by the two agencies.

We do not go below the appropriation level and allocate a portion of an appropriation to "war activities" and the balance to "nonwar." For example, Congress has provided the T. V. A. with considerable funds for production of power for aluminum plants. The appropriation acts which included these funds specified that they be appropriated to the "Tennessee Valley Authority fund," which is T. V. A.'s regular appropriation. All of their checks are drawn on this one fund. Consequently, as the Treasurer of the United States pays the checks he has no way of determining whether or not they are in payment for a purpose relating directly to the war effort. Therefore, having no convenient way of determining definitely what proportion of T. V. A.'s expenditures are made pursuant to the war effort, we have allowed all of its operations to remain in the so-called "nonwar" category.

Senator GERRY. In other words, that language would cover anything. It practically means what the Treasury decides to be a war expenditure, does it not?

Mr. BELL. Well, in some respects; yes. As to some it might be pretty clear from the appropriation that Congress makes, and in others there might be a doubt. In that case it would be the judgment of the two agencies.

Senator BYRD. The benefit of the doubt is given to the side of the board which makes the expenditure?

Mr. BELL. I think they try to be honest about it.

Senator BYRD. If there is any doubt that exists they classify it as a war expenditure?

Mr. BELL. It is pretty difficult to draw the line today. I think, however, that any error we have made is on the side of classifying too few items in the "war activities" group.

Senator BYRD. I think there should be a very careful analysis made of that, so Congress will know exactly what agencies' activities have been transferred in the last year from peacetime expenditures to so-called war expenditures.

Mr. BELL. It is hard to tell where to draw the line, Senator Byrd. Take our own activities in the Treasury, practically all of our borrowing activities now are certainly for war, and yet we do not classify Treasury expenditures for borrowing purposes as war expenditures.

Senator BYRD. Take as an example, we have always had to have an Army and a Navy, we had to pay the Secretary of War and the Secretary of State and no matter whether it was wartime or peacetime, all of those expenses now are classified as war expenses.

Mr. BELL. Not the State Department.

Senator BYRD. For the purpose of comparison, it is very confusing, because we have got to have the Army and we have got to have the Navy.

Along the line of Senator Barkley's question, the normal expenses of the Army and Navy are certainly not due to this emergency of war, so to speak.

Senator VANDENBERG. The rivers and harbors expenditure is even a more obvious example.

Mr. BELL. That is not a war expenditure, Senator. That is separated.

Senator LODGE. How about the veterans' expenditure?

Mr. BELL. Neither is that a war expenditure, although it could very well be classified as a war expenditure, carried over from the last war, as could also a great deal of the interest on the public debt from the last war be classified as a war expenditure.

Senator BARKLEY. I presume it might be said even in peacetime the expenditures for the Army and Navy are in contemplation for some part of the war. When the war actually transpires then you allocate all of that to the actual war expenditure.

Mr. BELL. For that period.

Senator BARKLEY. For that period.

Senator BYRD. Normally, we would spend about five or six hundred million dollars a year on the Army and Navy.

Mr. BELL. In 1932, 1933 and 1934 we spent from \$540,000,000 to \$700,000,000 per year.

Senator BYRD. Technically, you are correct. I am speaking of the comparison the Treasury makes as to the nonwar and war expenditures. Until the last budget, the budget before this, was adopted, the normal expenses of the Army and Navy were considered as

peacetime expenditures, so there was no classification at that time that they would be war expenditures.

Mr. BELL. Before July 1941 you will find them classified as national defense expenditures. The war activities classification, I think, came after Pearl Harbor.

Senator BYRD. It might have been the year before that, but the Treasury has had two budgets ever since 1933, one was a normal budget and then there was the recovery budget; now, there is one budget and one peacetime budget.

Mr. BELL. I call them two subdivisions of the same budget.

Senator BYRD. The expenditures of the Army and Navy, up until you adopted this defense budget, were all included in the normal expenses; that is correct, is it not?

Mr. BELL. I think that is right; yes, sir; up to the time we adopted the national defense program, which was July 1, 1940.

Senator BYRD. That is right.

The CHAIRMAN. Any further questions?

Senator VANDENBERG. What has become of the stabilization fund, Mr. Bell? Is that intact? I have not heard of that for a long time.

Mr. BELL. That is intact, and still operating. We made a few monetary arrangements, last year, with some South American countries, and also one with China. Before the \$500,000,000 fund was authorized by the Congress, we had a stabilization fund with China in operation amounting to about \$50,000,000, part of which they have used and part of which they have not.

Senator VANDENBERG. You still have a \$2,000,000,000 balance in the fund?

Mr. BELL. Yes, sir. As a matter of fact, there is about a \$30,000,000 profit on it.

Senator DAVIS. Did you have any losses in the fund?

Mr. BELL. No, sir; we have not.

Senator DAVIS. I did not hear you.

Mr. BELL. I say, we have not. The net profit on the fund, Senator Davis, is about \$30,000,000.

Senator LODGE. Do you use the fund in day-to-day exchange operations?

Mr. BELL. No, sir; not at this time. We did prior to the European war, but it has not been used in that sense since then. We have, however, made some stabilization agreements with countries like China, Mexico, and some of the smaller South American countries. There was one in contemplation with Argentina, but that one has never become effective.

Senator VANDENBERG. While we have got you here, I would like to ask you one other question.

Has the Treasury made any answer to the charge that there is no law authorizing the Treasury's action in issuing Federal Reserve bank notes up to \$660,000,000?

Mr. BELL. We are in process of preparing an answer, but the Treasury did not issue them; the Federal Reserve System issued them. We think it is clearly within the law. We will have an answer to it probably tomorrow.

Senator VANDENBERG. I think it ought to be answered.

Mr. BELL. Yes; so do I.

Senator VANDENBERG. This charge of Dr. Spahr has created quite a sensation.

Mr. BELL. Senator Taft asked me for a report on it. That will be in his hands either this evening or tomorrow morning.

Senator VANDENBERG. I quote from his circular:

The statement on the face of these notes to the effect they are "secured by United States bonds deposited with the Treasury of the United States of America or by like deposit of other securities" is a falsehood.

You dissent from that indictment?

Mr. BELL. Yes, sir.

Senator VANDENBERG. You are going to prove that tomorrow?

Mr. BELL. Yes, sir. Government securities were deposited, just as the act and regulations require. Subsequent to the deposit of the securities, the Federal Reserve System deposited money with the Treasury to redeem the notes. We have the money. That is as much security as the other security. What would be behind them if Government securities were continued to be pledged would be the good faith and credit of the United States, and what you have behind them now in the form of a deposit with the Treasury is still the good faith and credit of the United States. There is no difference in the character of the notes now outstanding, with the good faith and credit behind them, no more difference than there would be if you had a Government bond behind them. There is no difference whatever.

Senator BARKLEY. Is that the same Dr. Spahr that appeared before the committee?

Senator VANDENBERG. He is the secretary of the National Committee on Monetary Policy. He is professor of economics in the New York University.

Senator BARKLEY. That is the same one.

Mr. BELL. He knows better than that, I am sure.

The CHAIRMAN. Are there any other questions, gentlemen?

Are there any other statements to be made by the Treasury regarding this particular bill?

Mr. BELL. Not this bill; no, sir.

Senator BYRD. I would like to ask Mr. Bell if the committee can have the assurance of the Treasury that these obligations, to the extent of \$21,000,000,000 that these corporations can issue, will be sold to the Treasury and thereby included in the public debt?

Mr. BELL. You can get my assurance, so far as I can give it to you. I can assure you that the Treasury does not want anybody else in the market at this time, when we have to raise \$70,000,000,000.

Senator BARKLEY. There is no likelihood that this \$21,000,000,000 is actually going to be sold to anybody, is it?

Senator BYRD. A good deal of it will be because it is financing all of the constructions of these war plants, and everything else.

Mr. BELL. The big part of that has been accomplished. There are very few additional plants.

Senator BYRD. I would certainly be in favor of canceling it.

Senator BARKLEY. I would not say there is no more need of any of it, but I imagine, in view of the fact, that probably the peak of plant construction is passed; no new plants are now being established, I think, outside of synthetic rubber, butadiene, or something like that; the general plan of war plants is just now about accomplished,

and they are under construction. That is why I say I doubt if there is any need for all the \$21,000,000,000.

The CHAIRMAN. The Treasury has followed that announced policy?

Mr. BELL. Yes.

The CHAIRMAN. Since the announcement was made to the committees of Congress and the public?

Mr. BELL. That is right. We expect to follow that.

The CHAIRMAN. A couple of years ago, of course.

Mr. BELL. Yes, sir; since October 1941. Most of this authority is in the Reconstruction Finance Corporation. The Federal Farm Mortgage Corporation and Home Owners' Loan Corporation are liquidating. I think they have shown remarkable results in the last year. Their debts are being paid off very fast.

Senator BYRD. What is the authority of the R. F. C. that has not been used up to date?

Mr. BELL. The total authority of the R. F. C. is \$17,360,000,000.

Senator BYRD. Why is it that the R. F. C. comes before Congress every few months and asks for additional authority?

Mr. BELL. I believe that it has committed most of the balance.

Senator BYRD. Then, it must be more than the \$17,000,000,000 in that case.

Mr. BELL. It is possible they are getting close to that \$17,000,000,000.

Senator BYRD. Then, Senator Barkley is not correct in the statement that this money is not going to be spent.

Senator BARKLEY. I am speaking of the \$21,000,000,000 of the \$32,000,000,000 that has not been committed.

Senator BYRD. He is speaking of the \$17,000,000,000 of the \$21,000,000,000 that must have been committed, because the R. F. C. just recently came up and asked for additional authorization.

Mr. BELL. \$5,000,000,000. They have spent about a \$12,000,000,000 balance of borrowing authority, and I assume a great deal of that has been committed or they would not have asked for another \$5,000,000,000.

Senator BYRD. Is there any way, Mr. Bell, that you could suggest that Congress could exercise some control over these corporations? Their affairs are not audited, they have a blanket authorization to borrow, and, as I understand it, it is entirely determined by the directors of that particular corporation as to what they will borrow and for what purposes; isn't that correct—within the limitation of the law, of course?

Mr. BELL. That is right, within the limitation of the law. In that respect they are a great deal like any department that has a large appropriation for broad general purposes.

Senator BYRD. Why could not the authorizations be made somewhat in the nature of appropriations, and not make a blanket authorization of \$15,000,000,000 or \$20,000,000,000, but to hold it within some limitation whereby Congress could be informed as to what is being done with this money and have some check on it?

Mr. BELL. I think the borrowing authority you give these corporations is in the nature of an appropriation. It is my understanding that the R. F. C. renders a report to you every quarter in detail. If you want to go beyond that, the thing to do is to ask for more detailed reports, or have an audit of your own made. You can probably get

the audit that is already made. I think it is made by some private concern.

Senator BYRD. What is the objection to having the Comptroller General audit the corporations?

Mr. BELL. No objection from my standpoint, but I think the R. F. C. would object.

Senator BYRD. Why would the R. F. C. object?

Mr. BELL. It feels I suppose that there is more flexibility in controlling their own funds, and construing their own authority.

Senator BYRD. Why should they have more flexibility in making the loans than a department has in spending the money appropriated to that department? If he carries out the provision of the law, then the Comptroller General has got to approve the loan, just the same as a department if it carries out the law in disbursing its appropriation. It does seem to me that there should be some control over these corporations, more control than there exists now. I have been suggesting that for years. The corporations are opposed to it. So far as I know, there has never been an audit as to the loans of the H. O. L. C.

You take Mr. Jones, he is paying a subsidy to the oil companies out of some fund that was intended by Congress to be loaned. He is spending \$300,000,000 a year and paying a subsidy to the oil companies to equalize the price of gasoline. I think it was clearly never intended for those purposes. It could not be regarded as a loan, because he has no anticipation of getting it back at all.

Mr. BELL. I was under the impression that that was authorized under the Price Control Act.

Senator BYRD. That is what he contends. I wrote him about it, and that is his reply. Nevertheless, it comes out of the money that is intended to be borrowed and loaned. We do not appropriate to Mr. Jones, except for his administrative expenses, funds for the purpose of immediate disbursement in the way of subsidies, do we? I did not understand that he could make a direct gift of these funds that are appropriated to be loaned. That is what he has done in this case.

Mr. BELL. I think he must have legal opinion that he could do what he has done, under either the R. F. C. law or under the Price Control Act.

Senator BYRD. How can we find out how much of these loans he has made would be returnable to the Government and how much unreturnable? Certainly, that would help.

Senator BARKLEY. These are not direct gifts. They may be called a subsidy, but they are in the nature of undertaking to absorb certain transportation expenses in connection with the transportation of oil and gas for the benefit of the public.

Mr. BELL. That is right.

Senator BARKLEY. The oil company itself does not get a subsidy by way of donation out of the Treasury, as I understand it.

Senator BYRD. It is a gift in the sense that the Treasury does not get it back.

Mr. BELL. It is an attempt to hold down prices through a subsidy.

Senator BYRD. These appropriations we made to the R. F. C. were not for the purpose of making a disbursement or a gift, as I understand it.

Mr. BELL. That was not the purpose of the R. F. C. law, as originally contemplated. Many things have been done since it was first set up, however. You recall Congress on many occasions has authorized Mr. Jones to turn over a half a billion dollars at a time for relief purposes.

Senator BYRD. Mr. Jones has some indefinite authorization in the Price Control Act. If Congress wants to appropriate \$300,000,000 to equalize the price of gasoline, then it should state that is the amount they want to spend for that purpose. He does not contend that \$300,000,000 was made available under the Price Control Act. He has taken some general provision in the Price Control Act as authority for him to do with this \$300,000,000 whatever he desires to do with it, and thereby Congress loses control.

Senator JOHNSON. Will the agricultural subsidies be paid by Mr. Jones, now that we are going to add \$100,000,000 to the agricultural subsidy?

Mr. BELL. I assume they will; either through that organization or the Commodity Credit Corporation.

Senator BARKLEY. I think it is through Commodity Credit.

Senator BYRD. Congress, as I see it, lost practically all control over the disbursements of these corporations.

There should be some way that that could be regained.

Senator VANDENBERG. How does the Board of Economic Warfare operate? Do they have any borrowing power?

Mr. BELL. No, sir. They operate through a corporation. It is either the U. S. Commercial Corporation or some other subdivision of R. F. C.

Senator VANDENBERG. When they require funds, you mean it is not necessary for them to come to the Congress for an appropriation, they can go to a corporation and get the equivalent of an appropriation?

Mr. BELL. I do not know offhand whether they have got to come to Congress for some of the funds, but as I understand it, some of their operations are carried on through the R. F. C. activities. Just to what extent, I cannot say. I think originally they had an allocation from the President's emergency fund.

Senator VANDENBERG. So the determination of a Board of Economic Warfare policy would really pass under Mr. Jones' review rather than the review of Congress?

Mr. BELL. It would pass under the board of directors of whatever corporation it operates through. I think the U. S. Commercial Co., as I recall, has been transferred from Mr. Jones to the Board of Economic Warfare.

Senator VANDENBERG. The only point at which Congress has had any expression on the subject was in the original grant of the general borrowing power to the R. F. C.?

Mr. BELL. That, and specific authority in the act to set up these corporations.

Senator DANAHER. Mr. Chairman, an interruption, please.

The CHAIRMAN. Yes.

Senator DANAHER. I do not believe Mr. Bell would leave the answer in that way if his recollection were refreshed.

Mr. BELL. I would like to have my recollection refreshed.

Senator DANAHER. The fact is that the President, on April 13, 1942, issued an executive order under the terms of which, having outlined the scope of the activities of B. E. W., he gave that agency the power to issue a directive to R. F. C., through its subsidiary corporations, to pay for whatever operations B. E. W. conducts. Actually, B. E. W. spends no money whatever but does draw on R. F. C. corporations to meet the cost of whatever activities B. E. W. operates. Thus, within the scope of the executive order, B. E. W. is sole judge of what it does. R. F. C. has no alternative but to pay the bill. It cannot question it, it cannot approve it, and it cannot disapprove it. It has no voice in it whatsoever. That is as far as the Executive order of April 13, 1942, goes. The fact is that R. F. C. does not approve or disapprove B. E. W. items.

Mr. BELL. I assume the board of directors of the U. S. Commercial Corporation might have some say about it. Is not that board composed largely of B. E. W. nominees?

Senator DANAHER. Yes; which comes back to B. E. W.

Senator BYRD. Do you regard, Mr. Bell, the notes you buy from R. F. C. as an asset?

Mr. BELL. Yes; I would regard them as an asset.

Senator BYRD. The part of that which is given to the public is not an asset, is it?

Mr. BELL. It is an obligation of the R. F. C.

Senator BYRD. Suppose the R. F. C. has got to make good that obligation by having loaned the money, as it is supposed to have done, to other corporations, in this instance they have given the money away?

Mr. BELL. Sooner or later that will be adjusted.

Senator BYRD. As far as your books are now concerned, you regard the notes of R. F. C. as a deduction from the gross debt, is that correct?

Mr. BELL. No.

Senator BYRD. I mean a credit on the debt, as an asset on the Treasury.

Mr. BELL. No; we include an amount equivalent to the obligations that we purchase from them, in the public debt, and we add to the public debt the amount of the guaranteed obligations standing in the hands of the public to get the total public debt and guaranteed debt. There is no offset.

Senator BYRD. You made statements from time to time, the Treasury has, that the notes of the R. F. C. will some day be collected and therefore should be a credit upon the public debt.

Mr. BELL. I think I said to the extent they are collected the proceeds will be applied on the public debt.

Senator BYRD. That is all right if R. F. C. was engaged in a banking business, as it was intended to engage, but apparently now it is going into other fields of activities, where the money will not be recovered, as in the case of the Board of Economic Warfare.

None of that money is recoverable, is it?

Mr. BELL. I do not know what will be recovered from R. F. C. activities.

Senator BYRD. Has the Treasury ever made any appraisalment of the assets of R. F. C.?

Mr. BELL. No, sir, no more than what we submitted in the report to Congress, which was an appraisal by the R. F. C. You realize they could not actually appraise each note. There are thousands of them.

Senator BYRD. They do not assume a loss has occurred until it has actually been sold out and charged off?

Mr. BELL. I think that is right.

Senator DANAHER. Will the Senator hold the record up long enough to ask Mr. Bell to identify the document from which he read as to the war activities?

Mr. BELL. Daily Treasury statement.

Senator DANAHER. Thank you, sir.

The CHAIRMAN. If there are no further matters before the committee, the committee is adjourned subject to call.

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