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SENATE

} REPORT
No. 106

INCREASING THE DEBT LIMIT OF THE UNITED STATES

MARCH 16, 1945.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 2404]

The Committee on Finance, to whom was referred the bill (H. R. 2404) to increase the debt limit of the United States, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The bill which was referred to your committee is designed (1) to increase to \$300,000,000,000 the limitation on the amount of public-debt securities issued under the Second Liberty Bond Act, as amended, which may be outstanding at any one time, and to bring under such limitation guaranteed securities outstanding in the hands of the public; (2) to authorize the Secretary of the Treasury to utilize, in addition to incorporated banks and trust companies, certain other financial institutions, such as savings and loan associations, building and loan associations, credit unions, cash depositories, and industrial banks, as paying agents in connection with the redemption of United States savings bonds; (3) to allow findings of death authorized to be made by law, or by the Secretary of War or the Secretary of the Navy, to be accepted as sufficient proof of death by accountable officers of the Treasury Department and any Federal Reserve bank, without risk of financial responsibility, in connection with the payment, exchange, etc., of United States securities; (4) to authorize the Treasurer of the United States to redeem certain direct obligations of the United States which may become the property of the United States by gift or bequest, and, out of the proceeds thereof, to pay gift or inheritance taxes as may be due; and (5) to authorize the Secretary of the Treasury to sell, exchange, or otherwise dispose of bonds, notes, or other securities, not in excess of a million dollars of any single issuer, acquired by him on behalf of the United States under judicial process or otherwise.

These provisions are retained without change in the bill as reported, and the committee believes that they are necessary and in the public interest.

The Under Secretary of the Treasury, in testifying before your committee, called attention to the fact that on the basis of the Presi-

dent's Budget message transmitting the Budget for the fiscal year beginning July 1, 1945, it is estimated that the public debt would amount to \$251,800,000,000 on June 30, 1945, and a year later, would reach \$292,300,000,000, necessitating a statutory limitation of about \$304,000,000,000. The Under Secretary of the Treasury also testified that the Treasury has recently announced its Seventh War Loan drive which begins on April 9 and continues through July 7. Because of this situation it is important that this bill be enacted promptly so as to implement the existing authority of the Treasury and to enable it to have sufficient authority to cover the securities which will be issued during that drive.

The following excerpts from the report of the Committee on Ways and Means (H. Rept. No. 246, 79th Cong.) indicate additional reasons for and the effect of the provisions of this bill:

The bill differs from the bills which have been enacted in recent years placing a limitation on the amount of obligations which may be issued and outstanding at any one time under the Second Liberty Bond Act, as amended, by incorporating a provision, suggested by your committee, fixing an over-all limitation applying not only to the public-debt securities issued under the Second Liberty Bond Act, as amended, but also including securities issued by governmental corporations and agencies which are guaranteed as to principal and interest by the United States and are outstanding in the hands of the public. These securities are customarily referred to as guaranteed obligations of the United States and their issuance under certain statutory limitations and conditions has been authorized to finance activities of the following corporations and agencies:

Commodity Credit Corporation.
Federal Farm Mortgage Corporation.
Federal Housing Administration.
Federal Public Housing Authority.
Home Owners' Loan Corporation.
Reconstruction Finance Corporation.
Tennessee Valley Authority.
United States Maritime Commission.

On the basis of the limitation contained in the present bill, which includes guaranteed obligations, there would have been an unused balance under the present limitation of approximately \$16,433,000,000, as illustrated in the following table taken from the House report but revised to include figures as of February 28, 1945:

Total face amount that may be outstanding at any one time... \$260, 000, 000, 000
Issued under authority of Second Liberty Loan Act:

Outstanding as of Feb. 28, 1945:

Interest-bearing—

Bonds:

Treasury	\$92, 348, 801, 450
Savings (maturity value) ¹	51, 491, 452, 200
Depository	503, 168, 000
Adjusted service	716, 426, 407
Total	145, 059, 849, 057
Treasury notes	42, 437, 638, 575
Certificates of indebtedness ..	37, 555, 742, 000
Treasury bills (maturity value)	16, 398, 683, 000
Total	96, 392, 063, 575
Grand total	241, 451, 912, 632

¹ Approximate maturity value, principal amount (current redemption value) according to public-debt statement \$41,698,186,633.

Outstanding as of Feb. 28, 1945—Continued.

Matured obligations on which interest has ceased	\$202, 901, 850	
Bearing no interest:		
United States savings stamps	186, 710, 073	
Excess profits tax refund bonds	581, 614, 157	
Total	768, 324, 230	
Grand total	242, 423, 138, 712	
Guaranteed obligations outstanding as of Feb. 28, 1945 (not held by Treasury):		
Interest-bearing—		
Bonds: Home Owners' Loan Corporation	754, 904, 000	
Debentures: Federal Housing Administration	31, 579, 936	
Demand obligations: Commodity Credit Corporation	327, 510, 486	
Matured obligations on which interest has ceased	29, 735, 150	
Total	1, 143, 729, 572	
		\$243, 566, 868, 284
Face amount of obligations issuable, Feb. 28, 1945, had guaranteed obligations been subject to the debt limitation on that date		16, 433, 131, 716

RECONCILEMENT WITH DAILY STATEMENT OF THE U. S. TREASURY
FEB. 28, 1945

Total face amount of outstanding public-debt obligations issued under authority of the Second Liberty Bond Act	242, 423, 138, 712	
Total face amount of guaranteed obligations outstanding	1, 143, 729, 512	
Total	243, 566, 868, 284	
Deduct, unearned discount on savings bonds (difference between current redemption value and maturity value)	9, 793, 265, 547	
Total	233, 773, 602, 737	
Add other public-debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Postal Savings, etc.)	\$195, 824, 740	
Matured obligations on which interest has ceased	6, 434, 735	
Bearing no interest	875, 354, 766	
		1, 077, 614, 241
Total gross public debt and guaranteed obligations outstanding as of Feb. 28, 1945	234, 851, 216, 978	

The following shows the situation with respect to the limitation necessary to cover the public debt and publicly held guaranteed obligations on June 30, 1945, and June 30, 1946, on the basis of the Budget estimates of January 1945:

	Estimated	
	June 30, 1945	June 30, 1946
Gross public debt.....	\$251, 800, 000, 000	\$292, 300, 000, 000
Adjustments to show debt subject to statutory limitation: Add unearned discount on savings bonds (difference between current redemption value and maturity value).....	10, 500, 000, 000	12, 500, 000, 000
Total.....	262, 300, 000, 000	304, 800, 000, 000
Deduct other public-debt obligations outstanding, not subject to limitation.....	1, 035, 000, 000	800, 000, 000
Statutory limitation necessary on basis of above public-debt estimates.....	261, 265, 000, 000	304, 000, 000, 000
Guaranteed obligations.....	152, 000, 000	73, 000, 000
Total limitation necessary.....	261, 417, 000, 000	304, 073, 000, 000

Section 3 of the bill would amend subsections (h) and (i) of section 22 of the Second Liberty Bond Act, as amended, as added by the Public Debt Act of 1943 (Public Law No. 34, 78th Cong., 57 Stat. 63).

Pursuant to subsection (h) the Secretary of the Treasury is authorized to utilize incorporated banks and trust companies in connection with redemption of United States savings bonds, and redemptions have been made through such agencies since October 1, 1944. However, strong representations have been made to the Treasury that incorporated banks and trust companies alone do not furnish adequate redemption facilities to some communities and do not and cannot adequately provide for certain classes of bondholders, particularly those having no regular banking connections. To take care of this situation and to avoid undue delay in redemptions, section 3 of the bill would authorize the use of certain other financial institutions as paying agents, such as savings and loan associations, building and loan associations, credit unions, cash depositories, and industrial banks. The Treasury feels confident that the requested authority, together with existing authority already contained in section 22, as amended, authorizing the utilization of the Post Office Department and Postal Service, will be sufficient to enable it to set up facilities which will permit savings bonds to be redeemed without substantial delays.

To insure that only responsible institutions may redeem savings bonds, section 22 (h) of the Second Liberty Bond Act, as proposed to be amended, would provide that no institution shall act as a paying agent until it has been qualified for that purpose by the Secretary of the Treasury nor unless it is incorporated, accepts deposits, maintains a regular office and is under the supervision of the banking authorities of the jurisdiction where it is incorporated. It is the opinion of your committee that, pursuant to this section of the bill, adequate and safe facilities for redemption of savings bonds can be maintained.

Subsection (i) of section 22 of the Second Liberty Bond Act, as amended, provides that losses resulting from erroneous payments of savings bonds made by the Treasurer of the United States, the Federal Reserve banks or incorporated banks and trust companies, without fault or negligence, shall be replaced out of the losses in shipment fund. Section 3 of this bill would amend this subsection by substituting the words "qualified paying agent" for the words "incorporated bank or trust company," to extend similar relief to the additional classes of paying agents authorized by the bill.

Section 4 of the bill would add two new sections designated as sections 23 and 24, to the Second Liberty Bond Act, as amended.

Section 23 would facilitate the payment, exchange, transfer, reissuance, or redemption of United States securities in the event of death of certain owners. It would provide, in effect, for the acceptance for such purposes as proof of death a finding of death made by any official or agency of the United States authorized by section 5 of the act of March 7, 1942, as amended (U. S. C., Supp. III, title 50, App., sec. 1005), or by any other law to make such a finding, or by the Secretary of War or the Secretary of the Navy. The act of March 7, 1942, as amended, entitled the "War Pay and Allowances Act of 1942," authorizes the head of the department concerned to continue certain pay and allowances of persons in the military services, or civilian officers or employees of departments or agencies during such time as they may be assigned for duty outside the continental limits of the United States or in Alaska, during the period they are found to be missing

or missing in action, and, after 12 months from the time the absence began, to make a finding of death for the purposes of termination of pay and allowances, settlements of accounts, and payment of death gratuities. The act further provides that within the scope of authority granted by the act such determination of death shall be conclusive.

Your committee has been informed that in a number of instances such findings of death have been presented to the Treasury as proof of death required in connection with the payment, transfer, exchange, reissue, or redemption of United States securities. The acceptance of such findings in those cases is desirable, but the Treasury is of the opinion that such transactions are not within the scope of the War Pay and Allowances Act, and that findings of death could not be accepted as conclusive evidence of death without exposing the Treasury Department or its officials, as well as the Federal Reserve banks, to financial liability in the case of the return of the person whose death has been presumed. To take care of this situation section 23, as added by this bill, would relieve such officials and the Federal Reserve banks from such financial responsibility by providing that a finding of death so made shall be sufficient proof of death to support the allowance of credit in the accounts of any Federal Reserve bank or accountable officer of the Treasury Department in any case involving such transactions in connection with United States securities.

Section 24, as added by the bill, would provide for the expeditious and orderly handling of certain gifts to the United States. It appears that the number of bequests and gifts to the United States is increasing and that there is also an appreciable number of United States savings bonds outstanding so registered that upon the death of the purchaser they will become the property of the United States. In some instances such bequests and gifts are subject to the gift or inheritance taxes imposed by a State or other governmental authority.

There does not now exist any statutory authority for the Treasurer of the United States to pay such inheritance or gift taxes without specific authority from the Congress. Section 24, as added by the bill, would authorize the Treasurer in the case of direct obligations of the United States, bearing interest or sold on a discount basis, which become the property of the United States by gift, bequest, or as the result of the form of registration to redeem the obligations. Also, it would authorize the Treasurer, out of the proceeds to pay such taxes as may be due and deposit the balance in the Treasury as miscellaneous receipts or as otherwise authorized by law.

Section 5 of the bill would enable the Secretary of the Treasury to take advantage of favorable market conditions for the disposition of bonds, notes, and other securities acquired under judicial process or otherwise, by removing the requirement of existing law which permits the disposal of such securities only after advertising for 3 months (sec. 3740 of the Revised Statutes, U. S. C., title 40, sec. 302). It would authorize the Secretary of the Treasury to sell, exchange, or otherwise dispose of such securities without advertisement for bids, subject to the limitation that the amount of the securities of any single issuer held by the Treasury Department at any one time which may be so disposed of shall not exceed \$1,000,000. Similar authority to that proposed by this section, but without the foregoing limitation, has been conferred by the Congress with respect to bonds, notes, or other securities of counties and municipalities transferred by the Reconstruction Finance Corporation to the Secretary of the Treasury (56 Stat. 40, U. S. C., title 15, sec. 611 (a) (1)) and bonds, notes, and other securities acquired by the United States under the Transportation Act of 1920 (54 Stat. 788, U. S. C., title 40, sec. 316).

