

# Calendar No. 126

78TH CONGRESS }  
1st Session }

SENATE

} REPORT  
No. 123

## PUBLIC DEBT ACT OF 1943

MARCH 19 (legislative day, MARCH 9), 1943.—Ordered to be printed

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

### REPORT

[To accompany H. R. 1780]

The Committee on Finance, to whom was referred the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

#### STATEMENT

The bill which was referred to the committee provided for increasing the limitation of the public debt from \$125,000,000,000 to \$210,000,000,000, and also authorized the Secretary of the Treasury to utilize incorporated banks and trust companies in connection with the redemption of United States Savings bonds.

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 following excerpt from the report of the Committee on Ways and Means (H. Rept. No. 181, 78th Cong.) indicates the reasons for and the effect of these provisions:

In the President's message of January 6, 1943, transmitting the Budget for the fiscal year beginning July 1, 1943, the President stated as follows:

"By the end of the current fiscal year, the public debt will total \$135,000,000,000. By June 30, 1944, it will be about \$210,000,000,000 under existing revenue legislation. Before the present debt limit of \$125,000,000,000 is reached, the Congress will be requested to extend that limit."

In accordance with the President's message, the proposed bill provides for increasing the limitation of the public debt from the present limit of \$125,000,000,000 to \$210,000,000,000.

As of December 31, 1942, about \$14,000,000,000 of the present debt limit remained unobligated and within the next 60 days the Treasury will be obliged to initiate another intensive drive for funds to finance the war program. It is anticipated that the present borrowing authority will be insufficient to cover the necessary debt issues which will be required during the month of April, as it is estimated by the Treasury that the balance remaining as of March 31 will be about \$6,000,000,000.

The 1944 Budget submitted to Congress in January indicates that the deficit for the current fiscal year will amount to \$57,000,000,000 and, in addition, that the Treasury will be required to advance to governmental corporations approximately \$5,000,000,000 to finance their activities. On the basis of these estimates the public debt on June 30, 1943, will amount to \$134,800,000,000. The estimated deficit in the fiscal year beginning July 1, 1943, without taking into consideration any additional budgetary revenues from new taxation, will amount to \$71,000,000,000. The Treasury will also be required to raise \$4,700,000,000 for the governmental corporations. The estimated increase in the public debt for the fiscal year beginning July 1, 1943, based on these estimates, will thus be \$75,700,000,000 and leave a public debt on June 30, 1944, of \$210,500,000,000.

The proposed increase in the debt limit is the amount considered necessary to meet the present and anticipated requirements of the financial program through the next fiscal year.

The Acting Secretary of the Treasury, Mr. D. W. Bell, appeared before your committee and testified with respect to the proposed debt increase limit and also concerning proposed amendments to the Second Liberty Bond Act in connection with the redemption of United States Savings bonds.

The proposed bill would add two new subsections designated as (h) and (i) to section 22 of the Second Liberty Bond Act, as amended.

Subsection (h) would give to the Secretary of the Treasury authority to utilize incorporated banks and trust companies in connection with redemption of United States Savings bonds. At the present time payments are made only by a Federal Reserve bank or by the Treasurer of the United States, but in view of the tremendous increase in sales of such bonds, it is becoming apparent that additional facilities for payment will become necessary in the near future. As sales increase it is natural to assume that the volume of normal redemptions will increase in proportion.

Savings bonds were first offered on March 1, 1935. Your committee is advised that from that date to June 30, 1942, 79,938,502 bonds with a maturity value of \$10,414,673,300 had been issued and 4,685,573 bonds with a maturity value of \$844,994,025 were redeemed; from July 1, to December 31, 1942, 88,869,000 bonds with a maturity value of \$4,539,725,000 were issued and 5,080,400 bonds with a maturity value of \$266,098,000 were redeemed. None of these figures include bonds of series F or G, and the figures for the period after June 30, 1942, are estimates which cannot be exact by reason of unclassified sales and redemptions not yet reported. Undue delays in redemption must be avoided and the Treasury feels that the requested authority, together with the 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, if the occasion necessitates such action, facilities which will permit savings bonds to be redeemed without substantial delays.

Because savings bonds are being issued in such tremendous quantities, the Treasury Department has recommended that redemption procedures be simplified in order to facilitate the handling of the volume of redemptions that will ultimately occur, either before or at the maturity of such bonds. Under present administrative practices, checks and safeguards employed are becoming more costly to administer, and changes in the procedure are desirable from an economy standpoint and to avoid congestion and delay. The ultimate checks and safeguards will not be relaxed. However, in simplifying the intermediate steps payments may be made which result in losses. If any losses should occur, it is the opinion of the Treasury Department that they would be of minor importance and in very small amounts since most of the bonds to be dealt with are of the \$25 denomination, the initial value of which is only \$18.75.

The new subsection (i) of section 22 of the Second Liberty Bond Act would permit the use of the Government losses in shipment fund for the replacement of any losses from payments made in connection with the redemption of United States savings bonds. This would enable the Treasury to clear administrative accounts; to relieve accountable officers of liability for losses for which they would not be responsible, and without undue delay to make payments to persons who may be entitled thereto. This relief may be afforded to the Treasurer of the United States, the Post Office Department, the Postal Service, Federal Reserve banks, and incorporated banks and trust companies for losses incurred in making payments in connection with the redemption of savings bonds. Subsection (i) provides that the extent to which the fund will be availed of will be reported annually to the Congress. Thus, the manner in which the authority requested is exercised by the Treasury will be subject to annual review by the Congress.

Of course, it is contemplated that the full resources of the Government will be used to recover payments in the event they have been made to persons not entitled thereto, and subsection (i) therefore provides that the amounts recovered will be repaid to the fund. Your committee believes that any net losses incurred will be compensated many times over by the amounts of administrative expenses that will be avoided.

Section 4 of the bill which was referred to the committee also contained a provision which would have the effect of prohibiting any action under the Stabilization Act of October 2, 1942, or otherwise limiting the payment of annual salaries to a maximum amount less than the greater of the following:

- (1) The annual rate of salary paid to such employee on December 7, 1941; or
- (2) An amount which after reduction by the Federal income taxes thereon would equalize \$25,000.

In lieu of this provision, the purpose of which is explained at some length in House Report No. 181 at pages 4 to 7, inclusive, the committee recommend amending section 4 of the Stabilization Act of October 2, 1942, so as to repeal the provision which served as the basis for the action taken by the President and the Economic Stabilization Director in reducing salaries to approximately \$25,000 net after payment of taxes.

The amendment recommended by the committee also provides for rescinding all provisions of Executive Order No. 9250 issued by the President on October 3, 1942, Regulation No. 4001.9 issued by the Economic Stabilization Director on October 27, 1942, and all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of such Executive order or regulation, which are in conflict with section 4 of the Stabilization Act of October 2, 1942, as amended. The committee amendment also provides that it shall be effective as of October 2, 1942.

The committee amendment would have the effect of terminating, as of October 2, 1942, the authority which the Congress granted to the President by the following language of section 4 of the Stabilization Act of October 2, 1942:

*Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.*

The power of the President to reduce wages or salaries by Executive action "to the extent that he finds necessary to correct gross inequities and also aid in the effective prosecution of the war" would thus be terminated.

The balance of the language of such section 4 would remain unchanged under the committee amendment, and the section would read as follows:

Sec. 4. No action shall be taken under authority of this Act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

As a result of the retention of this language, the powers granted to the President by the Congress with respect to limitations upon salary and wage increases for the purposes of the stabilization program would remain as they have been since October 2, 1942.

With regard to the effect of the amendment made by the bill to section 4 of the Stabilization Act of October 2, 1942, your committee wishes to point out that in that section, as so amended, the words "any particular work" contained in clause (2) refer to the particular work of a particular employee and not merely to a particular type of work. For example, this section, as amended, is not intended to invalidate or prohibit a wage-stabilization order establishing a maximum wage for any particular type of work, so long as exception is made allowing the payment of wages higher than such maximum wage to any particular employee for that particular type of work where such higher wages were being paid to such employee for such work at the time the order was issued.

In connection with the Executive action taken for the purposes of the stabilization program, it was brought to the attention of the committee by Senator Danaher that Regulation No. 4001.2 of the Economic Stabilization Director, issued October 27, 1942, provided that determinations of the National War Labor Board with respect to certain wage and salary payments were to be final and not subject to review. The language referred to is as follows:

Any determination of the Board made pursuant to the authority conferred on it shall be final and shall not be subject to review by The Tax Court of the United States or by any court in any civil proceedings.

An amendment was suggested to the effect that nothing contained in the Stabilization Act of October 2, 1942, should be construed to authorize the issuance of any regulation or order denying the right of appeal to or review by any court concerning any determination, ruling, or decision where the right to such appeal or review would otherwise exist.

By Regulation No. 4001.4, issued by the Economic Stabilization Director on October 27, 1942, the Commissioner of Internal Revenue was granted authority to determine the validity of certain wage and salary payments for the purposes of the stabilization program, and the following provision is found in such regulation with respect to the determinations made by the Commissioner:

Any determination of the Commissioner made pursuant to the authority conferred on him shall be final and shall not be subject to review by the Tax Court of the United States or by any court in any civil proceedings.

On behalf of the Treasury Department it was stated that the existing regulations promulgated by the Commissioner of Internal Revenue and the Secretary of the Treasury, and having the approval of the Economic Stabilization Director, expressly state that the provision therein contained relating to the conclusiveness of determination is not intended to deny to any employer or employee the right to contest, in the Tax Court of the United States or in any court of competent jurisdiction, any provision of the regulations, on the ground that such provision is not authorized by law, or otherwise to contest any action taken or determination made under such regulations, on the ground that such action or determination is not authorized, or has not been taken or made in the manner required, by law.

In view of this statement, which clarifies the intent of the provisions in the regulations issued by the Economic Stabilization Director on October 27, 1942, the proposal relating to the right of appeal and review was not included in the amendment recommended by the committee.

The committee believes that no construction should be placed upon such regulations, or upon any other regulations issued in connection with the stabilization program, that would preclude any individual from exercising any rights or remedies that he might otherwise have under the law by way of protection against arbitrary administrative action.

The committee urges the speedy enactment of the bill as reported.

