F.C.
Corres

Mr. Luxford

February 26, 1945.

Mr. Brenner

There is a provision in the Treasury Department Appropriation Bill pending in Congress appropriating funds to restore the impairment of capital of the Commodity Credit Corporation. On January 27, 1945 Mr. D. W. Bell testified before the Subcommittee of the House on Appropriations with respect to this provision and made some statements which may be useful in connection with the financing provision of the Bretton Woods legislation. The pertinent remarks of Mr. Bell and Congressman Keefe are as follows:

MR. KEEFE. Now, let me ask you: Suppose that Congress in its wisdom refused to make this appropriation to restore the impairment of capital of the Commodity Credit Corporation, what would be the impact upon the Treasury?

MR. BELL. Well, all it does is to cut down its borrowing authority. You see, they have the money through this borrowing authority and its capital stock; so what you do is just to take that much money out of the Corporation. And if you go on and on and the losses continue they could not go any further than the amount of money you have authorized them to spend.

MR. KEEFE. It could ultimately lose the entire 3 billion?

MR. BELL. That is right, and the deficits would just accumulate on the books until it equaled all the funds made available to them; that is all.

Mr. KEEFE. Well, in effect, therefore, the money has already flowed out of the Treasury of the United States, has it not?

MR. BELL. Yes, sir.

MR. KEEFE. The money that has resulted in this impairment of capital?

MR. BELL. That is right; yes, sir. It has been spent.

Mr. KEEFE. The taxpayer's money has been spent?

MR. BELL. That is right.

MR. KEEFE. That is what it amounts to, does it not?

MR. BELL. Yes sir; that is right.

MR. KEEFE. And the fact it is spent by this method of paying in advance, you have to come back to the Congress and ask them to appropriate to make up the loss through expenditures?

MR. BELL. That is, we ask them to appropriate money to restore the impairment of the capital, and we do that in order to get that amount of impairment into the Budget for that fiscal year, instead of piling it up at the end.

MR. KEEFE. Well, what is bothering me is what becomes of the constitutional provision with respect to money flowing out of the Treasury of the United States through specific appropriations by the Congress?

MR. BELL. You are speaking now of the amount of money that goes to the Corporation as a result of our purchases of stock or notes?

MR. KEEFE. Yes. Surely you resort to that finally. You purchase the notes and claim you have authority from the Congress to purchase the notes?

MR. BELL. That is an appropriation.

MR. KEEFE. You consider that to be an appropriation?

MR. BELL. Yes, sir. It says the Secretary of the Treasury is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder and, for such purpose, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, or amended.

We have an indefinite appropriation for the purchase of public-debt obligations of the United States, and this merely uses that vehicle for purchases of the obligations of the Commodity Credit Corporation. That was first adopted by the Congress in the creation of the R. F. C. in the act of 1932. It has been extended to other corporations, the Treasurer of the United States crediting funds to the Commodity Credit Corporation and to other corporations upon the purchase of their notes, then the Treasurer of the United States getting reimbursement through warrants approved by the Secretary and countersigned by the Comptroller General the same way he gets reimbursements for the public-debt obligations that he redeems or purchases.

So it is an appropriation, and I think the constitutional provision is fully complied with. (Hearings, pages 656, 657.)

RB:ec 2/27/45