COMMITTEE REPORT AND DEBATE
IN HOUSE OF REPRESENTATIVES
ON THE EXPORT-IMPORT BANK BILL

Report of House Committee

The House Banking and Currency Committee on July 12, 1945, by a vote of 18 to 2 reported out H.R. 3771, a bill "to provide for increasing the lending authority of the Export-Import Bank of Washington and for other purposes." This bill differs somewhat from that introduced by Chairman Spence.

Summary of H.R. 3771

This bill provides for the continuation of the Export-Import Bank as an independent agency of the United States Government with the power to make loans and guarantee obligations for the purpose of financing the foreign trade of the United States. The aggregate amount of loans and guaranties of the Bank is limited by the bill to $3.5 billion outstanding at any one time. The bill provides that the Bank should not compete with but should encourage private capital and that the Bank's loans should generally be for specific purposes and should offer reasonable assurance of repayment. According to the bill the management of the Bank will be vested in a Board of Directors consisting of the Foreign Economic Administrator as chairman, the Secretary of State and three other full-time members appointed for five-year terms by the President of the United States and confirmed by the Senate. If the Foreign Economic Administration should go out of existence, the President shall appoint another member of the Board with the advice and consent of the Senate and shall select the chairman of the Board. This Board will be non-partisan with not more than three members from any one party. In addition, the bill provides for an advisory board similar in membership to the National Advisory Council proposed in the Bretton Woods legislation to advise and make recommendations to the Board. The advisory board shall consist of the Chairman of the Export-Import Bank (presumably the Chairman of the Board of Directors), who shall act as chairman of the board, the Secretary of State, Secretary of the Treasury, Secretary of Commerce, and Chairman of the Board of Governors of the Federal Reserve System. According to the bill the capital stock of the Bank of $1 billion shall be subscribed by the United States through the Treasury. All common and preferred stock of the Bank now outstanding will be cancelled. In addition, the Bank is authorized to issue obligations not to exceed two and one-half times the capital stock of the Bank for purchase by the Treasury. The Secretary of the Treasury is authorized and directed to purchase such obligations which shall have maturities and rates of interest to be determined in agreement with the Treasury. The bill provides that the Bank make semi-annual reports to Congress. Finally, the prohibition on loans by the Bank to countries in default on their obligations to the United States Government on April 13, 1934, is removed and private capital is authorized to participate in any loans of the Bank.

This bill as reported out by the Committee differs in certain respects from the Spence bill. It provides for changes in the management which are similar to those proposed in the Wolcott bill. According to the latter, all five members of the Board of Directors of the Bank would be full-time directors appointed by the President of the United States and confirmed by the Senate and no more than three could be members of one party. There was no reference in either the Spence or Wolcott bills to an advisory board. The Bank is set up as an independent agency of the government contrary to the proposal of Mr. Crowley that the Foreign Economic Administrator have supervisory powers over the Bank similar to those exercised by the Federal Loan Administrator over the Reconstruction Finance Corporation. Unlike the Spence and Wolcott bills, the present bill places no limit on the life of the Bank but merely provides for its continuation as an agency of the United States Government. The present bill does not provide for the repeal of the Johnson Act as did the Spence bill, but like the Wolcott bill removes the prohibition on loans by the Bank to countries in default on their obligations to the United States and authorizes private capital to participate in any loan of the Bank.

Debate in the House on H.R. 3771

In the debate in the Committee of the Whole House on July 13, 1945, Rep. Spence (D. Ky.) explained the provisions of the bill and stressed the necessity for the passage of the bill in order that the Bank may be in a position to make rehabilitation loans to war-devastated countries in the period prior to the commencement of operations by the International Bank. He mentioned that hearings on the bill had been brief because there was no opposition to it and also pointed out that the endorsement of the bill by the American Bankers Association indicated private capital did not fear competition from the Bank.

Rep. Buffett (R. Nebr.) opposed the bill on the ground that a loan by the Bank to a foreign government leads to the acquisition of a vested interest in the internal political affairs of the borrower and that such economic penetration leads to war. He felt that the United States public was going to be taxed to finance exports which will create ill will abroad for the purpose of increasing the commercial profits of this country. In his opinion, increasing the lending authority of the Bank by $2.8 billion will contribute to inflationary tendencies in this country if domestic production does not increase. In Rep. Buffett's opinion the support of the bill by the American Bankers Association was logical since it gives private capital a chance to make earnings without risk of loss. Because of the size of gold and dollar balances of Latin American and some other countries, Rep. Buffett felt that these countries did not need loans from the United States in order to finance purchases in this market. He thought Poland, Czechoslovakia, Greece and Yugoslavia might require supplemental aid to that provided by UNRRA.

Rep. Brown (D. Ga.) described the past operations of the Bank, the present form of organization and management, and the changes proposed by the bill. He pointed out the need for the Bank to act as a stop-gap after the cessation of Lend-Lease and until the International Bank gets into operation. Rep. Crawford (R. Mich.) also supported the bill on the ground that loans by the Bank will be necessary in the transition period.

Rep. Sumner (R. Ill.) opposed the bill on numerous grounds and felt that the Committee's investigation of the Bank and its operations had been inadequate. She stated that in her opinion and that of the President of the American Bankers Association the Bank might guarantee loans amounting to many times its capital by establishing a guaranty fund for this purpose. (As indicated in our summary of the hearings, this statement of Mr. Burgess' views is not correct.) Rep. Monroney (D. Okla.) pointed out the limitation of $3.5 billion in the bill on the total amount of the Bank's loans and guaranties. Rep. Crawford pointed out that Mr. Crowley, Foreign Economic Administrator, had stated the $2.8 billion increase in the Bank's lending authority would probably suffice for only the present fiscal year. Rep. Sumner then stated that the most vicious part of the bill was the fact that it contained the "essence of communism."

Rep. Wolcott (R. Mich.) approved the bill under discussion which he explained was the result of Committee changes, because it set the Export-Import Bank up as an independent agency. He also said the Bank has done a good job and that credits must be made available to foreign countries to finance purchases of United States goods if this country is to achieve full employment. He stated that the bill had been considered by the Treasury Department, State Department, Foreign Economic Administration, Federal Reserve Board and other government agencies.

An amendment was then offered by Rep. Dirksen (R. Ill.) which would prohibit loans by the Bank to countries which the President of the United States considered had violated the first three principles of the Atlantic Charter. Rep. Spence opposed the amendment on the grounds that it would be impossible to administer, that the amendment did not set forth definite standards to govern loans, and that the presence of the Secretary of State on the Bank's Board of Directors was adequate assurance that loans would conform to United States foreign policy. Rep. Monroney, Rep. Folger (D. N.C.), Rep. Hays (D. Ark.), Rep. Brown, Rep. Wolcott, and Rep. Thom (D. Ohio) opposed the amendment while Rep. Sumner and Rep. Buffett supported it. The amendment was defeated by a vote of 93 to 9.

The Export-Import Bank bill without amendments was then voted upon and passed, 102 to 6.

Board of Governors
of the Federal Reserve System
Division of Research and Statistics
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