

ADMINISTRATION OF GOVERNMENT LENDING
AGENCIES

JANUARY 31, 1945.—Ordered to be printed

Mr. BAILEY, from the Committee on Commerce, submitted the following

R E P O R T

[To accompany S. 375]

The Committee on Commerce, to whom was referred the bill (S. 375) to provide for the effective administration of certain lending agencies of the Federal Government, having considered the same, report favorably thereon with an amendment in the nature of a substitute and recommends that the bill as amended do pass.

The amendment in the nature of a substitute reported by your committee is as follows:

That the Federal Loan Agency, created by section 402 of the President's Reorganization Plan Numbered I under authority of the Reorganization Act of 1939, shall continue as an independent establishment of the Federal Government and shall continue to be administered under the direction and supervision of the Federal Loan Administrator in the same manner and to the same extent as if Executive Order 9071, dated February 24, 1942, transferring the functions of the Federal Loan Agency to the Department of Commerce, had not been issued.

SEC. 2. All powers, functions, and duties of the Department of Commerce and of the Secretary of Commerce which relate to the Federal Loan Agency are hereby transferred to the Federal Loan Agency to be administered under the direction and supervision of the Federal Loan Administrator.

SEC. 3. The unexpended balance of the funds made available to the Secretary of Commerce by Public Law 365, Seventy-eighth Congress, approved June 28, 1944, for administrative expenses of supervising loan agencies, shall be transferred to the Federal Loan Agency to be used for the administrative expenses of that Agency.

SEC. 4. No functions, powers or duties shall be transferred from the Federal Loan Agency under the provisions of title I of the First War Powers Act, 1941, or any other law unless the Congress shall otherwise by law provide.

PURPOSE OF THE BILL

Briefly, the purpose of this bill is to restore to the Federal Loan Agency, an independent agency in the executive branch of the Government, the powers, functions, and duties which were temporarily transferred from that Agency to the Department of Commerce by

Executive order of the President under the First War Powers Act, 1941. If enacted it will group under an existing agency lending agencies established from time to time for the purpose of rendering assistance to and stabilizing the financial, commercial, and industrial enterprises of the country.

The language of the bill as introduced suggests, by the use of the word "reestablish," that a new office is being created. Such a construction would not be in harmony with the existing legal status of the Federal Loan Agency and your committee has therefore reported the substitute which makes clear that the purpose of the bill is merely to revive (or perhaps it might better be expressed as "acceleration of the revival of") an existing agency and to retransfer to it functions, powers, and duties which had been temporarily taken from it by the Executive order referred to above.

STATEMENT

The Federal Loan Agency was created by section 402 of the President's Reorganization Plan No. I, submitted to the Congress on April 25, 1939, pursuant to the Reorganization Act of 1939, approved April 3, 1939. Section 402 of that plan reads as follows:

SEC. 402. (a) *Federal Loan Agency.*—There shall be at the seat of the Government a Federal Loan Agency, with a Federal Loan Administrator at the head thereof. The Federal Loan Administrator shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$12,000 per annum.

(b) *Assistant Federal Loan Administrator.*—The Federal Loan Administrator shall appoint an Assistant Federal Loan Administrator, who shall receive a salary at the rate of \$9,000 per annum. The Assistant Administrator shall act as Administrator during the absence or disability of the Administrator, or in the event of a vacancy in that office, and shall perform such other duties as the Administrator shall direct.

(c) *Powers and duties of Administrator.*—The Administrator shall supervise the administration, and shall be responsible for the coordination of the functions and activities, of the following agencies: Reconstruction Finance Corporation, Electric Home and Farm Authority, RFC Mortgage Company, Disaster Loan Corporation, Federal National Mortgage Association, Federal Home Loan Bank Board, Home Owners' Loan Corporation, Federal Savings and Loan Insurance Corporation, Federal Housing Administration, and Export-Import Bank of Washington. The Administrator may appoint such officers and employees and make such expenditures as may be necessary.

(d) *Administrative funds.*—The Director of the Bureau of the Budget shall allocate to the Federal Loan Agency, from appropriations, allocations, or other funds available (including those available for the fiscal year ending June 30, 1940) for the administrative expenses of the agencies named in this section, such sums, and in such proportion, as he may find necessary for the administrative expenses of the Federal Loan Agency.

Under the Reorganization Act of 1939, plans submitted pursuant thereto were to take effect upon the expiration of 60 calendar days after the date on which the plan was transmitted to the Congress but only if during such 60-day period the two Houses had not passed a concurrent resolution stating in substance that the Congress did not favor the plan. Thus the Federal Loan Agency would have been a statutory agency had the plan taken effect in due course under the procedure set forth in the Reorganization Act of 1939. However, on June 7, 1939, the President approved Public Resolution No. 20, Seventy-sixth Congress, which provided that Plan No. I should take effect on July 1, 1939 (along with Reorganization Plan No. II, submitted to the Congress on May 9, 1939), notwithstanding the pro-

visions of the Reorganization Act of 1939. The Agency can therefore be said to be in all respects a statutory agency.

On February 24, 1942, pursuant to the provisions of the First War Powers Act, 1941, which authorized the President to redistribute functions among executive agencies in matters relating to the conduct of the war, the President issued two Executive orders affecting the Federal Loan Agency. Executive Order No. 9070 transferred to the National Housing Agency certain functions, powers, and duties of the Federal Loan Administrator with respect to agencies, functions, powers, and duties transferred under the order to the National Housing Agency. These had to do particularly with matters affecting housing and home financing. Executive Order No. 9071, which concerns particularly the subject matter of this bill, transferred certain functions of the Federal Loan Agency to the Department of Commerce. The pertinent part of that Executive order is the first section, which reads as follows:

SEC. 1. *Transfer of functions.*—All functions, powers, and duties of the Federal Loan Agency and of the Federal Loan Administrator which relate to the Reconstruction Finance Corporation, Electric Home and Farm Authority, RFC Mortgage Company, Federal National Mortgage Association, Disaster Loan Corporation, Export-Import Bank of Washington, Defense Plant Corporation, Rubber Reserve Company, Metals Reserve Company, Defense Supplies Corporation, and War Insurance Corporation, together with all other functions, powers, and duties not transferred by the Executive order establishing the National Housing Agency, are transferred to the Department of Commerce and shall be administered under the direction and supervision of the Secretary of Commerce.

It will be noted that any action taken by the President pursuant to the First War Powers Act, 1941, is of a temporary character. Section 5 of that act provides as follows:

Upon the termination of this title all executive or administrative agencies, governmental corporations, departments, commissions, bureaus, offices, or officers shall exercise the same functions, duties, and powers as heretofore or as hereafter by law may be provided, any authorization of the President under this title to the contrary notwithstanding.

Section 401 of the act provides:

Titles I and II of this Act shall remain in force during the continuance of the present war and for six months after the termination of the war, or until such earlier time as the Congress by concurrent resolution or the President may designate.

Accordingly, even in the absence of further legislation by the Congress the functions, powers, and duties transferred to the Department of Commerce under Executive Order No. 9071 would, upon the termination of title I of the First War Powers Act, 1941, be restored to the Federal Loan Agency. The effect of the bill, therefore, is only to hasten that restoration. The reasons for such action appear to the committee to be substantial and convincing.

In his message transmitting Reorganization Plan No. I to the Congress the President stated:

I find it necessary and desirable to group under a Federal loan agency those independent lending agencies of the Government which have been established from time to time for the purpose of stimulating and stabilizing the financial, commercial, and industrial enterprises of the Nation.

With that statement the committee is wholly in accord. It was necessary and desirable then; it is necessary and desirable now. The committee is not advised of any sound policy of administration which

would have justified the transfer of these agencies to the Department of Commerce, or in fact to any executive department.

Senators need only refer to the powers and authority of the Reconstruction Finance Corporation, the principal lending agency, and its subsidiaries, with respect to loans and investments, read into the record by Senator George, the author of this bill, to be convinced of the unwisdom of reposing in any Cabinet officer, in addition to the responsibilities which are imposed upon him as such, the vast powers and authority recited in this statement. The powers are manifestly enormous; the amounts involved are staggering. It was stated at the hearings that the Reconstruction Finance Corporation, and its subsidiaries, conduct the most gigantic business enterprise, or series of business enterprises, that this country, if not the world, has ever known, and has engaged in literally hundreds of separate businesses. With a borrowing authority for upward of \$14,000,000,000 and, on a revolving-fund plan, with almost unlimited lending power, the organization has the capacity to exert a profound influence upon our economy. For example, the Reconstruction Finance Corporation and its subsidiaries have made direct authorizations and commitments for war purposes amounting to \$32,300,000,000 and of this sum disbursements have been in excess of \$18,000,000,000. In activities not directly related to the war, the Reconstruction Finance Corporation has authorized loans and investments amounting to \$13,160,000,000, and disbursements have been nearly \$10,000,000,000. Of course, substantial amounts of these sums have been returned in one form or another, but these figures indicate the extent of the operations of these agencies. The activities of this organization cover practically the whole of our business, financial, and economic life. Frankly, the consequences of the vast political control that conceivably could be exerted by a Cabinet officer in whose hands was placed the administration of these lending agencies cannot be measured. The man who has charge of these agencies could so administer those powers as to determine the economic direction of the country, and with that, its social and political character.

Your committee is not unmindful of the fact that Congress passed special legislation to permit Mr. Jesse Jones to be appointed Secretary of Commerce while at the same time holding the office of Federal Loan Administrator. Without at this time questioning the wisdom of that particular legislation your committee regards it as an extraordinary precedent, and feels free to suggest that it should not be repeated under any circumstances without most searching consideration, to say the least. Your committee also frankly recognizes that the exercise of the powers reposed in these lending agencies has in many respects not been circumscribed by restrictions and limitations which would normally be expected in legislating such vast authority over the business, financial, and economic life of the Nation. Whatever may have been the considerations which impelled the Congress in the instances just cited to depart from more or less well-recognized principles of legislative practice, it is respectfully submitted that, as stated by Senator George in the hearings on this bill—

the vast powers and vast authority given is the strongest possible argument that anyone can make for the return, or for the hastening of the return, of these powers to an independent agency of the Government created by the Congress and responsible to the Congress.

Admittedly, the Reconstruction Finance Corporation was originally established as an emergency agency at a time of great economic stress, with resulting business instability and unemployment. Additional broad powers have been given to the Corporation since the country was put in a state of general emergency growing out of the war in Europe or since we have actually been at war. We must recognize that in times of public emergency the Executive is disposed to seek and the Congress to grant powers, that in ordinary times would be subject to the most careful scrutiny, and as time goes on the exercise of these powers is perhaps enlarged far beyond those the Congress might have anticipated even in time of emergency. Doubtless, this is particularly true in the case of activities carried on by agencies in corporate form.

Your committee is firmly convinced that it is time for the Congress to take stock. Mr. Jesse Jones frankly stated to your committee that the Reconstruction Finance Corporation needed no more money and had enough borrowing power to carry it through the war. Sometime in the future, we hope it will be soon, this country will enter into and follow through a reconversion period, and presumably the Congress may see fit to utilize these experienced lending agencies in carrying out the responsibilities of the Congress in that period. Any such powers should be exercised independently of an executive department by an agency directly accountable for the administration of the functions committed to it. The greater the necessity for the exercise of extraordinary powers the greater becomes the responsibility of Congress for bringing the exercise of those powers more immediately under its scrutiny, and only by such action can the Congress discharge its direct responsibility for the Nation's welfare.

As one step in this direction your committee recommends the enactment of this legislation, taking advantage of an agency already created pursuant to act of Congress and approved by the Congress for the very purpose for which this legislation is designed.

In this connection, and in conclusion, your committee desires to call attention to the fact that some question has been raised, or rather inquiry has been made, as to the sufficiency of this legislation in that only a part of the so-called lending agencies of the Government are dealt with in the bill. As to the desirability of grouping in the Federal Loan Agency all of the activities which were formerly under its jurisdiction, and perhaps others that have been provided for since the Executive orders redistributing the functions of the Agency, this committee, as a committee, is not in position to advise. Perhaps further study will disclose that other lending agencies, whose activities fall within the jurisdiction of other committees of the Senate, should be transferred to the Federal Loan Agency. This committee has dealt only with those activities now centered in the Department of Commerce. For example, the Export-Import Bank of Washington, now under the Foreign Economic Administration, and the agencies under the National Housing Agency, will be unaffected by the enactment of this legislation. However, it is pointed out that having revived the Federal Loan Agency and retransferred to it the activities now in the Department of Commerce the bill specifically provides that there shall be no transfers from the Federal Loan Agency under

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the First War Powers Act, 1941, or any other law unless the Congress shall otherwise provide. The Executive is thus denied the power to again redistribute its functions, now or in the future.

For the committee:

JOSIAH W. BAILEY, *Chairman.*

MINORITY REPORT ON S. 375

As Mr. Wallace said in his testimony before this committee, it is obvious that the occasion for the introduction of S. 375 was the nomination of Mr. Wallace to be Secretary of Commerce by President Roosevelt. Further, as Mr. Wallace said in his testimony:

There are some who have suggested—perhaps in an effort to save my feelings or face—that this separation of the lending functions from the Commerce Department is desirable because of my alleged “lack of experience,” in such field. Let me say that this talk does not fool me or the American public. You know and I know that it is not a question of my “lack of experience.” Rather it is a case of not liking the experience I have.

Further in his testimony Secretary Wallace spoke of his own experience as follows:

For 8 years I was Secretary of Agriculture. During that period the Commodity Credit Corporation, the Farm Security Administration, the Farm Credit Administration, and the Rural Electrification Administration were under my supervision. During that period these agencies loaned over \$6,000,000,000. We made 11,500,000 separate commodity credit loans and 1,208,000 rural rehabilitation loans. We arranged the financing to permit 20,184 tenant farmers to buy their own farms.

In addition to this experience as Secretary of Agriculture for 8 years, Mr. Wallace was Chairman of the Supplies, Priorities, and Allocations Board in the most critical period of the defense effort. Later Mr. Wallace did pioneer work in setting up the Board of Economic Warfare. Mr. Wallace has traveled extensively through the United States, South America, Europe, and the Orient on behalf of the United States Government as Vice President of the United States. Mr. Wallace is admittedly one of the foremost students of economics and political science in this country.

As Vice President during the last 4 years he sat in the meetings of the President's Cabinet; by virtue of his several positions he has been in intimate contact with the mobilization of the Nation's economy for the war effort.

No question has been raised as to Mr. Wallace's integrity, his intelligence, his industry, or his general competency. No single case of either bad administration, lack of foresight or competence in the performance of any of the very responsible duties which have been under his charge, has been pointed out by the opposition. Indeed, the opposition has referred to no subject, no book, no statement, nor act of omission or commission on the part of Mr. Wallace which gives rise to the bitter fight which is being made in the Senate to keep him from being Secretary of Commerce and having general supervision of the lending agencies of the Government in the same way that Mr. Jesse Jones has occupied the office of Secretary of Commerce and exercised those supervisory functions for the past 4 years.

One cannot escape the conclusion, therefore, that as Mr. Wallace further said in his testimony:

The real motive underlying these suggestions for stripping the Department of Commerce of its vast financial power has, of course, nothing to do with my competence to administer these powers. The real issue is whether or not the powers

of the Reconstruction Finance Corporation and its giant subsidiaries are to be used only to help big business or whether these powers are also to be used to help little business and to help carry out the President's commitment of 60,000,000 jobs.

In other words the question is really one of whether this committee, the Congress, and the American public want these enormous financial powers utilized and invested in a free America—in a prosperous America.

The bill then presents the issue which Mr. Wallace posed in the question "Shall we approach the problems of peace with the same boldness of conception, the same courage and determination, as we have approached the problems of war?"

Mr. Wallace presents simply, courageously, and clearly the policies which he would pursue in the performance of the duties of Secretary of Commerce as they now exist.

He takes as his premise the preservation and stimulation of free enterprise and the promotion of the well-being of all the people of America. He tells this committee that if he is confirmed as Secretary of Commerce with supervision over the lending agencies that he will administer the agencies in the spirit of those policies. To use Mr. Wallace's own words:

For I can tell you here and now that if the R. F. C. is left in the Commerce Department, I will use its powers in the interest of all the American people.

And, Mr. Wallace says with equal candor:

If the Congress does not feel that the powers of the R. F. C. should be exercised in such a way as to further the objectives which I have set forth here, then I respectfully urge the Congress to take the R. F. C. out from under the control of the Commerce Department.

In his statement of policies, Mr. Wallace specifically enumerates the economic bill of rights embodied in the President's message to Congress as follows:

The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

The right of every family to a decent home;

The right to adequate medical care and the opportunity to achieve and enjoy good health;

The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;

The right to a good education.

Mr. Wallace then in his address to the committee commented upon and amplified the eight points in this bill of rights of the President, and disclosed his general views and ideas with respect to the implementation of each of those points. Nowhere did Mr. Wallace intimate that he would exercise any authority which was not within the scope of the statutes governing the lending agencies now under the jurisdiction of the Department of Commerce. Nowhere did he question the necessity of having the approval of Congress if he were to attempt to exercise any authority not now conferred upon the Federal lending agencies. In fact, unlike his predecessor, he stated that if he were in charge of the lending agencies he would come to the Congress and seek legislation from the Congress permitting him to carry out the

specific policies and projects which he thought were in the public interest and within the scope of the lending agencies generally. Specifically, in contrast to the policy of his predecessor, he stated that he thought the lending agencies should be subject to the audit of the Comptroller General and under the general supervision of the Director of the Bureau of the Budget. Mr. Wallace, therefore, far from manifesting any desire to ignore the statutes or the sentiments of Congress, has shown every respect for the laws by which he would be governed in the administration of this agency and for the opinion of the Congress in the performance of his duties.

Not only did Mr. Wallace affirm his belief in private enterprise but the burden of his whole address to the committee was to show that the lending agencies properly employed could be a great bulwark to private enterprise in the United States and in the world. He went further and set out specific suggestions as to how he would help private enterprise by making credit and capital available for foreign trade, for small business, and for new enterprises, and for the stimulation of the economy of those parts of the country which heretofore have not kept pace with the more favored regions of the Nation.

The most severe critic of the former Vice President cannot find in his address to the committee one objectionable word, in our opinion.

On the other hand, he shows an understanding of our economy and the world economy which is sorely needed in one who is to direct the agencies under the control of the Federal Loan Administration. He shows an understanding of the principles which must govern our foreign trade, of the economic significance of full employment and of the lack of full employment in this country. He shows an understanding of the necessity of the free flow of investment capital essential to the progress of the Nation. He grasps the significance of education and of health as the firm foundation upon which the Nation can be strong.

Mr. Wallace made the statement to the committee that the first problem facing him was the winning of the war; second, the winning of the peace; and third, the providing of full employment for the people and adequate markets for the business and agriculture of the Nation.

Mr. Wallace proved himself to be a farseeing man by his efforts to build up stock piles of rubber as early as 1939, by the research program which the Department of Agriculture carried on in the field of rubber production while he was Secretary, and by his activities in developing sources in South America for strategic and critical war material, even before the war.

Few men who have ever appeared under similar circumstances have more courageously and candidly opened their minds to a Senate committee than did Mr. Wallace to this committee.

Why then the bitter opposition to Mr. Wallace? Why are Senators determined, even before Mr. Wallace is to be confirmed, to strip the office of Secretary of Commerce of these lending agencies? What is the alleged lack of experience and lack of confidence to which Senators refer without giving any indication of what they have in mind? Why are some Senators determined to prevent Mr. Wallace from being confirmed as Secretary of Commerce with the lending agencies stripped from it? The only rational conclusion which one can arrive

at, is that those who would strip the Secretary of Commerce of the lending agencies which are now supervised by him, are opposed to what Wallace stands for and believes in and are opposed to the objectives which he has stated will guide him in the performance of his duties.

We agree with Mr. Wallace and not with his opposition. We believe not only in Mr. Wallace's integrity and his competence and his efficiency, but we believe also in the objectives which Henry Wallace symbolizes. We believe in the America which Henry Wallace is trying to help build. We believe that the things Henry Wallace believes in are essential to the maintenance and the growth of private enterprise in America. We believe that only if the office of Secretary of Commerce and all the Federal lending agencies are administered in the spirit of what Henry A. Wallace believes in, and in the interest of furthering those policies Henry A. Wallace laid down to the committee, can we have a fully employed and a prosperous America.

We believe that if Henry Wallace had 1 year of opportunity as Secretary of Commerce to direct the policies of the lending agencies now under that office, he would do it with such administrative competence and such wisdom of policy that it would meet with the overwhelming approval of the people of the Nation and of the Congress.

Accordingly, we cannot conscientiously refrain from saying that stripping the office of Secretary of Commerce of supervision of the lending agencies, if Henry Wallace is to be the incumbent of that office, would be a tragedy not for Henry Wallace but for America and to a considerable extent for the entire world. The Nation needs Henry A. Wallace in this place. The farmers need him. All businessmen, large and small, need him. Both labor and capital need him. The President needs him. The Congress needs him.

The undersigned, therefore, earnestly hope that in its wisdom the Senate may not, either out of misunderstanding or out of any other motive, hurl a boomerang which will, possibly missing its victim, come back to do greater harm in the long run to the people's representatives and the people themselves.

We oppose at this time, therefore, the enactment of S. 375.

CLAUDE PEPPER.
THEODORE G. BILBO.
JAMES M. MEAD.
WARREN G. MAGNUSON.

JANUARY 31, 1945.

