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REORGANIZATION PLAN NO. 1 OF 1950, PROVIDING FOR REORGANIZATIONS IN THE DEPARTMENT OF THE TREASURY

APRIL 25 (legislative day, MARCH 29), 1950.—Ordered to be printed

Mr. McCLELLAN, from the Committee on Expenditures in the Executive Departments, submitted the following

REPORT

Together with the

MINORITY VIEWS

[To accompany S. Res. 246]

The Committee on Expenditures in the Executive Departments, having had under consideration two identical Senate Resolutions 246 and 247 which provide that the Senate does not favor Reorganization Plan No. 1 of 1950, reports favorably on Senate Resolution 246, and recommends that it be approved by the Senate.

PROVISIONS AND EFFECT OF PLAN NO. 1 OF 1950

Section 1 of plan No. 1 transfers to the Secretary all functions scattered throughout the Department of the Treasury, except the functions of hearing examiners, and except the operations of the Coast Guard when, in time of war or otherwise at the discretion of the President, it operates as a part of the Navy. The three other sections of the plan authorize the Secretary to delegate functions; to appoint an Administrative Assistant Secretary, with the approval of the President, under the classified civil service at an annual salary of $14,000; and to make such transfer of records, property, personnel, and funds as are required to carry out this plan. The complete text of plan No. 1 is given in appendix A.

The statutes controlling the Treasury Department lodge almost all departmental functions in its operating units. Plan No. 1 would shift to the Secretary the powers now scattered among 9 of the 10 following operating units (No. 9, Division of Savings Bonds, is already directly under the Secretary's control), arranged in order of the number of employees on January 1, 1950: [1]

[1] Organization of Executive Departments and Agencies, Committee Report No. 9, Senate Committee on Expenditures in the Executive Departments, January 1, 1950.

	Number of employees
1. Bureau of Internal Revenue	53, 068
2. Fiscal Service	9, 907
3. Bureau of Customs	8, 393
4. Bureau of Engraving and Printing	5, 908
5. Coast Guard	4, 963
6. Office of the Comptroller of the Currency	1, 165
7. Bureau of the Mint	1, 137
8. Secret Service	737
9. Division of Savings Bonds	513
10. Bureau of Narcotics	280
Total for Department	86, 990

Plan No. 1 would authorize the Secretary of the Treasury to review the organization of any or all of the 10 major operating units listed above. He would be empowered to make changes designed to achieve greater efficiency and economy.

Under the provisions of the Reorganization Act of 1949, approved June 20, 1949 (Public Law 109, 81st Cong.), this plan will take effect upon the expiration of 60 calendar days of continuous session of Congress after the plan is transmitted, unless a majority of the authorized membership of either of the two Houses adopts a resolution of disapproval. Because the House of Representatives has been in interrupted session, the following provision of section 6 (b) of the act applies.

> In the computation of the 60-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than 3 days to a day certain.

The House of Representatives, with the approval of the Senate, having been in recess from April 6 to April 18, 1950, under authority of House Concurrent Resolution No. 193, the effective date of plan No. 1 will be May 24, 1950, unless it is disapproved.

Senate Resolution 246, which disapproves plan No. 1, has been submitted in the form prescribed by the act, has been approved by the committee by a vote of 8 to 3, and is herewith submitted to the Senate for consideration. Those voting in the affirmative were Senators McClellan (chairman), Hoey, O'Conor, McCarthy, Ives, Mundt, Smith of Maine, and Schoeppel. Those opposed were Senators Humphrey, Leahy, and Benton. Senators Eastland and Vandenberg abstained.

SUMMARY OF COMMITTEE'S FINDINGS

Hearings were held on Senate Resolution 246 and Senate Resolution 247, during which testimony was submitted to the committee by 2 witnesses in opposition to the resolutions of disapproval, and 12 favoring their adoption. In reporting the subject resolution favorably, the majority of the committee agrees substantially with the views expressed by opponents to plan No. 1, which are summarized as follows:

1. The effect of the plan would be to destroy the present independence of action and broad powers of the Comptroller of the Currency to the detriment of the national banking system.

2. It is contrary to the accepted principle established by Congress that the exercise of the quasi-judicial functions, now administered by

the Comptroller of the Currency, should not be controlled by the President. (See p. 43 of hearings.)

3. The Congress indicated its intention that the Office of the Comptroller of the Currency should remain independent of control by the Secretary of the Treasury, by adopting changes in the present law in 1935 in which it was provided that the appointment of the Comptroller of the Currency must be made solely by the President with the advice and consent of the Senate, and not on the recommendation of the Secretary of the Treasury.

4. The propriety of maintaining the independent status of the Comptroller's Office is further emphasized by the fact that it is financially supported by contributions from member banks. No part of its expenditures are paid from public funds.

5. By incorporating two features in existing law, designed to safeguard the independence of the Comptroller and prevent political or other pressures from influencing his decisions, the Congress provided (*a*) that the term of the Comptroller should be for a period of 5 years and not concurrent with the tenure of office of the Secretary of the Treasury, or with the term of the President; and (*b*) that the Comptroller shall be prohibited from accepting employment with any insured bank for 2 years after he leaves office.

6. Reorganization Plan No. 1, particularly in respect of the Office of the Comptroller of the Currency, is not in accord with the objectives of economy and efficiency as recommended by the Hoover Commission. The Hoover Commission made no specific recommendation relating directly to the Office of the Comptroller of the Currency.

7. The Secretary of the Treasury now has all the statutory authority he needs to coordinate thoroughly the work of his Department so as to achieve the efficiency and economy recommended by the Hoover Commission. It follows, therefore, that the approval of Reorganization Plan No. 1 is not necessary to achieve the primary purposes recommended by the Hoover Commission, as enumerated by the proponents of the plan. (See p. 33 of hearings.)

8. The transfer of the functions of the Comptroller of the Currency to the Secretary of the Treasury will not result in improved administration. The adoption of Reorganization Plan No. 1 would not conform to the Hoover Commission recommendations regarding the grouping, coordinating, and consolidating of agencies of the Government under functions or major-purpose activities. None of the duties of the Comptroller of the Currency are related directly to the administrative, fiscal, public debt, or other functions of the Department of the Treasury, as may be seen by a reading of the act creating the Comptroller's Office in 1863.

9. The transfer of the Comptroller's Office and functions to the Secretary of the Treasury would not reduce the number of Federal agencies by consolidation, or abolition, as recommended by the Hoover Commission.

10. There is no overlapping or duplication of effort insofar as the operations of the Comptroller's Office is concerned, since they relate entirely to the chartering and supervising of national banks, and are distinct and separate from any functions of the Secretary of the Treasury.

To this extent, and to the extent outlined in Nos. 8 and 9 above, the plan does not conform to the purposes of the Reorganization Act of 1949, as provided in section 2 thereof.

11. The plan would shift the functions of the present Comptroller of the Currency to the Secretary of the Treasury, who could in turn reallocate such functions elsewhere within the Department in any manner he might see fit. There was disagreement among the witnesses as to whether this plan would affect funds contributed by member banks under which the Office operates. Some witnesses contended that the Secretary of the Treasury could transfer these funds for other purposes which have no relation whatever to those activities. The proponents of the plan contended that such funds could not be so transferred.

12. The transfer of the functions of the Comptroller of the Currency to the Secretary of the Treasury would make the latter officer the spokesman for national banks in their dealings and relations with other Federal supervisory authorities in the banking field and their contacts with State-chartered banks. The effect would be that the Comptroller would no longer have sufficient initiative, authority, and independence of action to continue these functions on the basis intended by Congress. The dual banking system would be disrupted since the plan authorizes the Secretary of the Treasury, if he so desired, to serve as a member of the Board of Directors of the Federal Deposit Insurance Corporation. He could thus influence, for political or other reasons, policies affecting not only national banks but also State-chartered banks insured by the FDIC as well.

The effect of plan No. 1 would be to permit the Secretary of the Treasury, under powers granted to him therein, to emasculate the Office of the Comptroller of the Currency. This would adversely affect the status of some 5,000 national banks representing about 56 percent of the commercial banking resources of the country which have operated heretofore under a safeguarded national banking system established by Congress 86 years ago.

HOOVER COMMISSION RECOMMENDATIONS

The paramount importance placed by the Hoover Commission on clarity of lines of authority is demonstrated time and again in its reports. As indicated by the following excerpts, that major thesis is first developed in general terms in the text and recommendations of Report No. 1 on General Management, and is then followed up in the separate reports dealing with individual functions or agencies of the Federal Government.

Report No. 1 on General Management

The introductory chapter of Hoover Commission Report No. 1 on General Management opens with the paragraphs:

> In this part of its report, the Commission on Organization of the Executive Branch of the Government deals with the essentials of effective organization of the executive branch. Without these essentials, all other steps to improve organization and management are doomed to failure * * *.
>
> Definite authority at the top, a clear line of authority from top to bottom, and adequate staff aids to the exercise of authority do not exist. Authority is diffused, lines of authority are confused, staff services are insufficient. Consequently, responsibility and accountability are impaired.
>
> To remedy this situation is the first and essential step in the search for efficiency and economy in the executive branch of the Federal Government.

Plan No. 1, like plans No. 2 through No. 6, does not transfer any organization units to new locations. Instead, they all develop for the designated Cabinet departments the four following numbered recommendations in Hoover Commission Report No. 1 on General Management, which are concerned with centralization of functions and an adequate supervisory staff:

14. Under the President, the heads of departments must hold full responsibility for the conduct of their departments. There must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent from that of his superior.

16. Department heads must have adequate staff assistance if they are to achieve efficiency and economy in departmental operations.

18. Each department head should receive from the Congress administrative authority to organize his department * * *

20. We recommend that the department head should be given authority to determine the organization within his department * * *

Report No. 11 on Treasury Department

These recommendations of general applicability are then specifically developed for the Treasury Department in the Hoover Commission Report No. 11 on the Treasury Department, as follows:

In our first report we urged that good departmental administration requires that the Secretary have authority from the Congress to organize and control his organization, and that independent authority should not be granted directly to subordinates.

CONFORMANCE TO HOOVER COMMISSION RECOMMENDATIONS

All witnesses appearing before the committee, for or against plan No. 1, were in full accord with the above-outlined recommendations, and endorsed the general provisions relating to these over-all objectives.

As has been outlined hereinbefore in this report, opposition to Reorganization Plan No. 1 was centered on the proposal to make the Office of the Comptroller of the Currency subordinate to the Secretary of the Treasury, which would have the effect of changing basic law contrary to the intent of Congress, and is not in accord with any specific recommendation of the Hoover Commission. The following is an extract from the Annual Report of the Secretary of the Treasury:

The Bureau of the Comptroller of the Currency is responsible for the execution of laws relating to the supervision of national banking associations. Duties of the office include those incident to the formation and chartering of new national banking associations, the establishment of branch banks, the consolidation of banks, the conversion of State banks into national banks, the issuance and retirement of preferred stock, and the issuance of Federal Reserve notes.

The Hoover Commission did specifically recommend in Report No. 11 that the "Reconstruction Finance Corporation, Export-Import Bank, and Federal Deposit Insurance Corporation, independent agencies reporting directly to the President," should be transferred to the Department of the Treasury on the premise that "the President cannot give the time necessary for their supervision," and that "they are accountable to nobody." These recommended transfers were not included in the plan, and were not the subject of discussion at the hearings.

TESTIMONY IN SUPPORT OF PLAN NO. 1 OF 1950

There were two witnesses who appeared before the committee at its hearings on April 11 and 12, in opposition to the resolution disapproving Reorganization Plan No. 1 of 1950. They were Frederick J. Lawton, Director of the Budget, and Robert L. L. McCormick, research director for the Citizens Committee for the Hoover Report.

These witnesses reiterated the points raised in the President's messages accompanying the plan, contending that:

1. The plan conforms to one of the most basic recommendations of the Commission on Organization of the Executive Branch of the Government with respect to the administration of executive departments.

2. It establishes clear lines of authority and accountability within the Department of the Treasury, and corrects a great weakness in the executive branch in the "line of command and supervision from the President down through the department heads to every employee, and the line of responsibility from each employee of the executive branch up to the President," as recommended by the Hoover Commission. The plan enables the Secretary to make improvements in the internal organization of the Treasury Department and provides more adequate assistance to manage departmental affairs properly.

With these two points there was general agreement on the part of all witnesses appearing before the committee. The issue has been developed hereinbefore as regards the transfer of the functions of the Comptroller of the Currency to the Secretary of the Treasury. In regard to this phase of the plan, the proponents took the following position:

1. Those phases of plan No. 1, giving rise to objections centering on the Office of the Comptroller of the Currency, provide important general advantages outweighing any valid opposition to its provisions, and affect the Comptroller less drastically than "has been suggested."

2. Vesting ultimate authority in the Secretary as proposed under plan No. 1, which was objected to on the part of other witnesses favoring the resolution of disapproval, does not involve any real dangers. According to the Director of the Bureau of the Budget, there is no basis for the expressed "fears which, if translated into the case of every other bureau of Government, would make the Government even more unmanageable than it is today."

3. The plan would not destroy the independence of the Comptroller of the Currency because such "alleged" independence is a "fiction." In this connection the Director of the Bureau of the Budget contended that the Secretary of the Treasury now has the responsibility for appointing and promoting the staff, including the Deputy Comptrollers, and that the President has the authority "to fire anybody in the executive branch provided it isn't a political firing of a civil-service employee."

BASIS OF OPPOSITION TO PLAN NO. 1 OF 1950

The evidence submitted to the committee by the various witnesses in opposition to plan No. 1 uniformly stressed opposition to the proposed transfer of the functions of the Comptroller of the Currency to the Secretary of the Treasury. The following is a brief summary of such testimony presented at the hearings:

Senator Burnet R. Maybank, chairman of the Senate Committee on Banking and Currency, submitted to the committee a statement on behalf of that committee, adopted without a dissenting vote, expressing opposition to the plan and approval of Senate Resolution

246. (The statement is given in full on p. 7 of the hearings on April 11, 1950.)

Testimony was also submitted to the committee by the sponsors of the two identical resolutions of disapproval, Senator A. Willis Robertson of Virginia (S. Res. 246), and Senator Homer E. Capehart of Indiana (S. Res. 247), both of whom objected to the plan insofar as it proposed to transfer the functions of the Comptroller of the Currency to the Secretary of the Treasury. These witnesses, as well as others following, stressed the fact that there was no apprehension as to the present Secretary of the Treasury abusing such authority in relation to its application to the national banks, but contended that it would establish a permanent situation and vesting powers in the Secretary of the Treasury which might well be abused by future incumbents of that office.

A letter from the Secretary of the Treasury was incorporated in the record of the hearings (p. 4). In his communication to the chairman, the Secretary stated that—

> Reorganization Plan No. 1 relates exclusively to the Treasury Department and I am in accord with its provisions, except to the extent that it would transfer the functions of the Bureau of the Comptroller of the Currency to the Secretary of the Treasury.

The Secretary then pointed out that the primary responsibility of that Bureau, which it had discharged for almost a century, is the supervision and regulation of the national banking system, and that the controlled supervision over this system has served as models for the banking systems of the various States and for their supervisory principles and practices.

In commenting on the exercise of the quasi-judicial powers vested in the Comptroller, the Secretary concluded that "it is highly desirable that all such functions in this field should be performed by an official whose duties are definitely and permanently related to the national banking system alone." The Secretary stated that while he would use the powers transferred to him under plan No. 1 "to preserve the continuity of this Bureau in all possible respects, in order to maintain a situation which, in my opinion, is most beneficial both to the National Banking System and to the general economy * * *. It must be borne in mind that my policy in this respect would not necessarily be maintained by future Secretaries of the Treasury." The letter from the Secretary of the Treasury is appended hereto (appendix B).

The committee has received in excess of 700 communications from 40 States in favor of the resolutions of disapproval on Reorganization Plan No. 1, practically all of which are from bankers or banking groups. In every instance the opposition was based on the proposal to subordinate the Comptroller of the Currency and to transfer his functions to the Secretary of the Treasury.

In addition to the above-named sponsors of resolution of disapproval the committee also received testimony from eight representatives of the American Bankers Association and from representatives of State and national banking groups in favor of the resolution. The substance of this testimony is consolidated under the heading "Summary of committee's findings" hereinbefore included in this report.

CONCLUSION

The majority of the committee, having considered all evidence submitted at the hearings on Senate Resolution No. 246, and outlined briefly in this report, recommends that the Senate approve the resolution so that Reorganization Plan No. 1 of 1950 may not become effective.

The following appendixes include the full text of the President's message submitted to Congress on March 13, 1950, Reorganization Plan No. 1, and a letter addressed to the chairman of the Senate Committee on Expenditures in the Executive Departments by the Secretary of the Treasury:

APPENDIX A

[H. Doc. No. 505, 81st Cong , 2d sess]

To the Congress of the United States:

I transmit herewith Reorganization Plan No. 1 of 1950, prepared in accordance with the Reorganization Act of 1949 and providing for reorganizations in the Department of the Treasury. My reasons for transmitting this plan are stated in an accompanying general message.

After investigation I have found and hereby declare that each reorganization included in Reorganization Plan No. 1 of 1950 is necessary to accomplish one or more of the purposes set forth in section 2 (a) of the Reorganization Act of 1949.

I have found and hereby declare that it is necessary to include in the accompanying reorganization plan, by reason of reorganizations made thereby, provisions for the appointment and compensation of an Administrative Assistant Secretary of the Treasury. The rate of compensation fixed for this officer is that which I have found to prevail in respect of comparable officers in the executive branch of the Government.

The taking effect of the reorganizations included in this plan may not in itself result in substantial immediate savings. However, many benefits in improved operations are probable during the next years which will result in a reduction in expenditures as compared with those that would be otherwise necessary. An itemization of these reductions in advance of actual experience under this plan is not practicable.

HARRY S. TRUMAN.

THE WHITE HOUSE, *March 13, 1950.*

REORGANIZATION PLAN NO. 1 OF 1950

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled March 13, 1950, pursuant to the provisions of the Reorganization Act of 1949, approved June 20, 1949

DEPARTMENT OF THE TREASURY

SECTION 1. *Transfer of functions to the Secretary.*—(a) Except as otherwise provided in subsection (b) of this section, and subject to the provisions of subsection (c) of this section, there are hereby transferred to the Secretary of the Treasury all functions of all other officers of the Department of the Treasury and all functions of all agencies and employees of such Department.

(b) This section shall not apply to the functions vested by the Administrative Procedure Act (60 Stat. 237) in hearing examiners employed by the Department of the Treasury.

(c) Notwithstanding the transfer to the Secretary of the Treasury of the functions of the United States Coast Guard and of the functions of the Commandant of the Coast Guard, effected by the provisions of subsection (a) of this section, such Coast Guard, together with the said functions, shall operate as a part of the Navy, subject to the orders of the Secretary of the Navy, in time of war or when the President shall so direct, as provided in section 1 of the Act of January 28, 1915 (ch. 20, 38 Stat. 800, as amended, 14 U. S. C. 1).

SEC. 2. *Performance of functions of Secretary.*—The Secretary of the Treasury may from time to time make such provisions as he shall deem appropriate authorizing the performance by any other officer, or by any agency or employee, of the Department of the Treasury of any function of the Secretary, including any function transferred to the Secretary by the provisions of this reorganization plan.

SEC. 3. *Administrative Assistant Secretary.*—There shall be in the Department of the Treasury an Administrative Assistant Secretary of the Treasury, who shall be appointed, with the approval of the President, by the Secretary of the Treasury under the classified civil service, who shall perform such duties as the Secretary of the Treasury shall prescribe, and who shall receive compensation at the rate of $14,000 per annum.

SEC. 4. *Incidental transfers.*—The Secretary of the Treasury may from time to time effect such transfers within the Department of the Treasury of any of the records, property, personnel, and unexpended balances (available or to be made available) of appropriations, allocations, and other funds of such Department as he may deem necessary in order to carry out the provisions of this reorganization plan.

APPENDIX B

THE SECRETARY OF THE TREASURY,
Washington, April 7, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments, United States Senate, Washington, D. C.

MY DEAR SENATOR: I want to thank you for your letter of April 4, informing me of the scheduled hearings with respect to the President's Reorganization Plan No. 1 of 1950 and inquiring if I desired to be heard by the committee. Although I have no wish to testify, I do want to cooperate with the committee to the fullest extent possible and therefore take this opportunity to submit my views with respect to certain aspects of the plan.

I am in full accord with the fundamental principles of the reorganization plans recently submitted to the Congress by the President. Reorganization Plan No. 1 relates exclusively to the Treasury Department and I am in accord with its provisions, except to the extent that it would transfer the functions of the Bureau of the Comptroller of the Currency to the Secretary of the Treasury.

In view of the considerable discussion of this matter in recent weeks, it is unnecessary for me to dwell at length upon the history and status of the Office of the Comptroller of the Currency. The primary responsibility of that Bureau, which it has discharged for almost a century, is the supervision and regulation of the national banking system. This important function, which relates to institutions holding over half of the Nation's commercial banking resources, is performed by a relatively small, closely knit organization of career employees. The national banking system, and its supervision by the Comptroller of the Currency, have served as models for the banking systems of the various States and for their supervisory principles and practices.

Effective governmental regulation of national banks has rested at all times upon the exclusive preoccupation of this Bureau with the well-being of the individual banks and their performance of all the banking services called for by a vigorous and expanding economy. With very few exceptions, the individual banks of the national banking system have consistently responded to the recommendations and suggestions of the Comptroller of the Currency, and this has been true to a considerable extent because of their realization that the Comptroller's office is not only thoroughly and intimately acquainted with the affairs of all national banks, but has no other purpose on function than maintaining the soundness and progress of those banks.

I need hardly stress the value of such a relationship of trust and confidence, built up over many years of contact through carefully worked out and consistently applied examination and supervisory procedures. By virtue of this relationship, with which the directors and officers of every national bank have been familiar throughout their banking careers, the Comptroller's office serves as a coordinating, steadying, and vitalizing force in the entire banking system.

In the course of his duties, the Comptroller of the Currency exercises a number of quasi-judicial powers of great importance. In my judgment, it is highly desirable that all such functions in this field should be performed by an official whose duties are definitely and permanently related to the national banking system alone. It should be borne in mind that under present law the Comptroller performs his duties "under the general directions of the Secretary of the Treasury," and this provides an entirely adequate integration of the general policies of the Bureau with those of the Department.

If Reorganization Plan No. 1 of 1950 became effective, I would use my full powers thereunder to preserve the continuity of this Bureau in all possible respects, in order to maintain a situation which, in my opinion, is most beneficial both to the national banking system and to the general economy. However, it must be borne in mind that my policy in this respect would not necessarily be maintained by future Secretaries of the Treasury.

It is my firm conviction that a vigorous national banking system is essential to the economy of this country. It not only acts as a pacemaker, as I intimated above, for the State banking systems, but also serves to provide competition for those systems, and hence increases their strength as it increases its own. It is also my belief that the national banking system would not long remain intact, strong, and vigorous without leadership by the Bureau of the Comptroller of the Currency, which has no other function that its supervision and administration. The preservation of that system is more important than creating a new channel of authority where no need therefor appears.

In its report to the Congress on General Management of the Executive Branch, the Commission on Organization of the Executive Branch of the Government (the Hoover Commission) summarized the principles which, it felt, should govern the organization and administration of the Government. This summary emphasized the importance of managing the operations of the executive branch "effectively, responsibly, and economically." It is difficult to see how the operations of the Office of the Comptroller of the Currency could be performed with greater effectiveness or responsibility. As for economizing, that Bureau is one of the few administrative agencies of government that uses no tax funds; it is supported entirely by assessments upon the banks it supervises.

For the foregoing reasons, I doubt the advisability of the proposed transfer of the functions and powers of the Comptroller of the Currency. In all other respects the plan has my unqualified endorsement.

Sincerely yours,

JOHN W. SNYDER,
Secretary of the Treasury.

Mr. Robert L. McCormick, research director of the Citizens' Committee for the Hoover Reports, stated in his testimony before the Committee on Expenditures, that "Plan No. 1 (dealing with the Treasury Department) fully accords with the Hoover Commission's recommendation * * * there is no question about the matter."

The opposition to this plan comes almost entirely from the bankers of the country. I listened to most of their testimony opposing the proposed revised status of the Comptroller of the Currency. Reorganization Plan No. 1 simply makes more explicit the relation between the Comptroller and the Secretary of the Treasury that has existed in fact during the past 16 years.

Because I do not concur with the arguments presented by the banks, I oppose the resolutions which have been approved by eight of the members of the Committee on Expenditures and which reject Reorganization Plan No. 1.

I concur with the Citizens' Committee that plan No. 1 is clearly in accord with the recommendations of the Hoover Commission and should not be disapproved by Congress. Further, its disapproval might indeed be disastrous to forthcoming reorganization proposals also based on the recommendations of the Hoover Commission. Its disapproval would further encourage group pressures from all sides.

In its report on the Treasury Department, the Hoover Commission urged that the Secretary of the Treasury be given authority to organize the Department to achieve sound and efficient departmental administration. The question before us is whether he shall or shall not be given this needed authority.

Reorganization Plan No. 1 makes possible a regrouping of those affairs which logically pertain to the responsibilities of the Secretary of the Treasury. The plan affects not only the Comptroller of the Currency but eight other operating agencies as well: Internal Revenue, Customs, Engraving and Printing, Mint, Narcotics, Fiscal Services, Coast Guard, and Secret Service. Further, of the total personnel involved in the nine agencies, only 1.3 percent, or 1,165 people, are in the Office of the Comptroller of the Currency.

Mr. F. Raymond Peterson, president of the American Bankers Association, officially presented the position of the association. He stated that "the plan would have two, and only two, significant results." Mr. Peterson testified that, apart from giving to the Secretary of the Treasury a new administrative assistant, "* * * the only bureau affected by Reorganization Plan No. 1 is the Office of the Comptroller of the Currency."

These erroneous statements by the head of the great American Bankers Association show the extent to which the banks have heard about this plan only from the standpoint of its alleged effect on the Comptroller of the Currency. This alleged effect they are told is against their own interests.

The interests of the banks are of course vital to us all as well as to them, and must be protected. Further, the bankers are not the first group to see a problem through their own eyes. This kind of eyesight must be anticipated by the Congress, as Congress will, of course, be facing the same problem again and again—and from group after group—if it faces up to the recommendations of the Hoover Commission. Such group opposition is the biggest hurdle in the reorganization of the Federal Government. In Connecticut we are facing the same kind of opposition to the efforts of Governor Bowles, and his State commission to achieve an efficient administration. Mr. McCormick of the Citizens Committee for the Hoover Report, expressed this thought in his testimony before the Committee on Expenditures when he expressed his regret "to see that their (the banks') attitude appears to be that of reorganizing 'everyone but me'."

If Congress now permits the President to proceed with Reorganization Plan No. 1, I think the present fears of the banks will prove to be as unwarranted as were their fears at the time the Federal Reserve Board was established. I think they will prove to be as unwarranted as at the time the Federal Deposit Insurance Corporation was established. The banks opposed those great steps forward—steps taken by Congress in the public interest—as they now oppose Reorganization Plan No. 1. Yet I am sure that a more efficient operation of the Department of the Treasury, and of these nine bureaus for which the Secretary should be clearly and directly responsible, would meet with the banks' support—as the Federal Reserve Board and FDIC now do—when once the issues can be made clear.

Some of the bankers who testified seemed to fear that some future President of the United States or Secretary of the Treasury might follow policies designed to destroy the integrity of our banking system. However, they testified that there is no record in the past of such intentions on the part of any President of the United States or his Secretary of the Treasury. If the country were ever to have the kind of President or Secretary of the Treasury feared by some of the bankers, it seems to me highly unlikely that the Comptroller of the Currency could have any status which could stand up against a political environment of that kind.

But even if it were conceded that no future President or Secretary of the Treasury would deliberately seek to corrupt the banking system, a further and legitimate question remains: Might corruption come accidentally if the protective devices now believed to reside in the Comptroller of the Currency were to be turned over to the clear-cut control of the Secretary of the Treasury? Entirely apart from my feeling that such accidents are highly unlikely, I would like to suggest that the banks have shown in these recent hearings that they are exceedingly good watchdogs. They can be counted on to be very quick to point out any such possible accidental danger.

The Secretary of the Treasury already appoints the Deputy Comptrollers of the Currency; he now prescribes regulations governing the Office of the Comptroller on the conduct of its officers and clerks and on the distribution and performance of its business. The legal work relating to the Office of the Comptroller of the Currency is under the general counsel of the Treasury Department. The appointment of the personnel of the Office of the Comptroller of the Currency, together with the fixing of compensation, transfer, promotion, demotion, suspension, or dismissal, is vested in the Secretary of the Treasury.

It is difficult for me to reconcile the foregoing with the apparent feeling of some of those who testified that the Comptroller of the Currency is an "independent officer" and that the reorganization plan would destroy that independence. As the foregoing shows, the Comptroller of the Currency is by no means independent. The statute even provides that the Comptroller "shall perform his duties under the general direction of the Secretary of the Treasury" (12 U. S. C. 1).

This statutory mandate to the Comptroller has not been a mere formality. I know from my talks with a high official who has been personally acquainted with the operations of the Treasury, including those of the Bureau of the Comptroller of the Currency, throughout the past 16 years, and including the regimes of three Secretaries of the Treasury, that the policies of the Comptroller of the Currency have been, in fact, controlled by the Secretary of the Treasury.

This high official states that the Comptroller could not have functioned with less independence during this period than would have been the case if this reorganization plan had been in effect. For example, he states that the first Deputy Comptroller of the Currency for a long period was the personal representative of the Secretary of the Treasury; a Secretary of the Treasury dictated the participation of the Comptroller of the Currency in an agreement among the three Federal supervisory agencies on examination policy; the policies of the Comptroller with respect to the approval of branches for one of the largest banking organizations in the country have been determined from time to time by the various Secretaries of the Treasury; and the Comptroller of the Currency has not been in position to make recommendations to the Congress with respect to legislation except after consultation and in accordance with the views of the Secretary of the Treasury. Thus the situation with respect to the Comptroller will not be different under this plan from what it has been. My authority makes the comment, however, that this reorganization plan will have the merit of bringing out into the open the lodgment of responsibility in the Secretary of the Treasury for the determination of policies where heretofore there has been obscurity as to whether that responsibility was exercised by the Comptroller. It is better to make responsibility explicit than to continue to permit it to be covered up.

I do agree that the present confusion created by bankers concerning the status of the Comptroller of the Currency might delay action on the part of the President, if he wished to discharge this subordinate, but it seems apparent to me that with the power to fire the Comptroller of the Currency, which was conceded in the testimony, the President does not enlarge on this power by making the Comptroller more clearly responsible to the Secretary of the Treasury.

The statute concerning the appointment and tenure of the Comptroller of the Currency (sec. 325 of the Revised Statutes, as amended) reads as follows:

> The Comptroller of the Currency shall be appointed by the President, by and with the advice and consent of the Senate, and shall hold his office for a term of five years unless sooner removed by the President, upon reasons to be communicated by him to the Senate.

A national campaign of pressure has been conducted to alarm the bankers throughout the country. The results of this campaign largely account, in my judgment, for the present majority report of the Senate Committee on Expenditures. However, many of the letters received by Members of the Senate from small banks state bluntly that they do not understand the problem but that they have been told to write in opposition.

This campaign obscures the true facts; there is merely superficial plausibility to the argument that the banks pay for the work of the Comptroller of the Currency and thus he should be left right where he is. It is imperative, however, for the Congress to understand the nature of the campaign against this crucial reorganization proposal and—in the public interest—to resist it. This campaign is indeed a good case study for the student of political science—and, more particularly, for the League of Women Voters, the Junior Chamber of Commerce, and all other groups so deeply interested in the adoption of the recommendations of the Hoover Commission.

The opposition on the part of the banks, it seems to me, stems partly from lack of study and thought about the over-all problem and partly from deep and very real mistrust of our democratic processes of government. The banks are the trustees of the people's money and their responsibilities train them to take a dim view of the future and of mankind in general. A good banker must train himself to try to foresee the dark contingencies which may lie ahead.

But it is not the business of the Congress to set its policy keyed primarily to fears of future black-outs. The Congress must assume that the democratic process will operate successfully. Such black-out fears, if translated into the operation of other bureaus of government, would enormously intensify the present great confusion and waste and inefficiency. They would make the Government even more unmanageable than it is today, far more inefficient, far more confused and confusing. They must be resisted. This is a good place to resist.

The Congress, I hope, will have sufficient confidence in the American people and their elective officers to intrust to those officers the responsibility which is so clearly theirs under our Constitution. If the Congress turns down Reorganization Plan No. 1, according to the Citizens' Committee for the Hoover Reports, "the entire reorganization program of the President might well be wrecked."

WILLIAM BENTON.