

Calendar No. 10.

65TH CONGRESS, }
1st Session. }

SENATE.

} REPORT
No. 8.

EMERGENCY BOND ISSUE.

APRIL 16, 1917.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 2762.]

The Committee on Finance, to whom was referred the bill (H. R. 2762) to authorize an issue of bonds to meet expenditures for the national security and defense, and to extend credit to foreign Governments, and for other purposes, having had the same under consideration, report it back to the Senate with certain amendments, and as so amended, recommend that the bill do pass.

The first amendment your committee propose is to amend section 6 by adding at the end thereof the following: "and such certificates shall be exempt, both as to principal and interest, from all taxation imposed by authority of the United States, or its possessions, or by authority of any State, except estate or inheritance taxes."

The purpose of this amendment is clearly manifest and needs no explanation.

The second amendment recommended by your committee is to insert after section 6 a separate section to be numbered 7, which is as follows:

SEC. 7. That the Secretary of the Treasury, in his discretion, is hereby authorized to deposit in nonmember as well as in member banks of the Federal Reserve System and in trust companies the proceeds or any part thereof arising from the sale of the bonds and certificates of indebtedness authorized by this act, and such deposits may bear such rate of interest and be subject to such terms and conditions as the Secretary of the Treasury may prescribe.

It is also recommended that section 7 of the bill as passed by the House of Representatives be renumbered as section 8.

Your committee also recommends that the title be amended by adding after the words "defense, and" the following: "for the purpose of assisting in the prosecution of the war,". The purpose of this amendment is to indicate that the proposed extension of credit to foreign governments is for the purpose of assisting in the prosecution of the War.

The report of the Committee on Ways and Means of the House of Representatives contains a full and complete explanation of the purposes and essential provisions of this bill, and it is hereto appended and made a part of this report.

[House Report No. 3.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 2762) to authorize an issue of bonds to meet expenditures for the national security and defense, and to extend credit to foreign Governments, and for other purposes, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

The proposed bill authorizes a bond issue of \$5,000,000,000. It provides that not to exceed \$3,000,000,000 from the proceeds of these bonds may be used in extending credits to foreign Governments. The remaining \$2,000,000,000 is to be used in meeting expenditures authorized for the national security and defense.

The bill also authorizes an additional bond issue not to exceed \$63,945,460 to redeem the 3 per cent loan of 1908 to 1918, maturing August 1, 1918. The remaining bonds specified in section 4 of the bill are already authorized by law.

The bill also authorizes the Secretary of the Treasury to issue \$2,000,000,000 worth of certificates of indebtedness, payable within one year from the date of issue.

Your committee deem it advisable to authorize the \$5,000,000,000 bond issue at this time in order to enable our Government to extend liberal credits and in order to provide immediately ample funds to meet such expenditures as are authorized for the national security and defense.

The bill provides that the rate of interest shall not exceed $3\frac{1}{2}$ per cent per annum, and leaves the terms and denominations of the bonds to the discretion of the Secretary of the Treasury.

If at any time prior to December 31, 1918, a subsequent series of bonds are issued at a rate of interest in excess of $3\frac{1}{2}$ per cent per annum, the bill provides that the bonds issued under authority of this act may be convertible at the option of the holder into bonds bearing the higher rate of interest.

This bill also authorizes the Secretary of the Treasury to issue the remaining bonds still available to be issued under the Panama Canal bond provision of section 39, of the revenue act of August 5, 1909, the bonds authorized for the construction of the nitrate plant in section 124 of the national defense act of June 3, 1916, the bonds authorized under section 13 of the shipping act of September 7, 1916, the bonds authorized under section 400 of the revenue act of March 3, 1917, and those authorized under the public resolution of March 4, 1917, bearing interest at not to exceed $3\frac{1}{2}$ per cent per annum and subject to the conversion privilege should a subsequent series of bonds be issued prior to December 31, 1918, bearing a higher rate of interest.

The Secretary of the Treasury at the present time has authority to issue \$472,000,000 worth of bonds; \$222,000,000 worth are still available to be issued under the Panama Canal bond provision of the revenue act of August 5, 1909. The revenue act of March 3, 1917, authorizes the issue of \$100,000,000 worth, and the public resolution of March 4, 1917, authorizes the issue of \$150,000,000 worth. The national-defense act authorizes the issue of Panama Canal bonds for the construction of the nitrate plant. The shipping act likewise authorizes the issue of Panama Canal bonds for the purposes of that act.

The bill, as heretofore stated, authorizes the Secretary of the Treasury, with the approval of the President, to extend credits not to exceed \$3,000,000,000 to foreign Governments. It authorizes the purchase with the proceeds from the sale of these bonds by the Secretary of the Treasury, with the approval of the President, of the obligations of foreign Governments bearing the same rate of interest and containing essentially the same terms and conditions as the bonds issued under authority of this act. It provides, however, that should any of the bonds of the United States, issued and used for the purchase of such foreign obligations, be converted into United States bonds bearing a rate of interest higher than $3\frac{1}{2}$ per cent, that in that event the obligations of the foreign Governments held by the United States shall be converted into obligations bearing the same rate of interest as the like bonds of the United States. It will therefore be observed that the \$3,000,000,000 credit proposed to be extended to foreign Governments will take care of itself and will not constitute an indebtedness that will have to be met by taxation in the future.

In view of the fact that a very large portion of the taxes now levied and proposed to be levied at a future date will be payable yearly, and therefore will not be capable of yielding a continual flow of revenue into the Treasury, your committee deem it advisable to recommend the authorization of the issu-

EMERGENCY BOND ISSUE.

3

ance of \$2,000,000,000 worth of certificates of indebtedness, payable within one year, to the end that the Treasury may at all times have ample means of securing funds to meet the immediate needs of the Government.

The total interest-bearing debt outstanding February 28, 1917, amounted to \$978,000,000. Under existing law \$472,000,000 worth of bonds are available to be issued. This bill authorizes, in addition to the bonds already available to be issued under existing law and exclusive of the \$3,000,000,000 bond issue to extend credit to foreign Governments which takes care of itself, the issue of \$2,000,000,000 worth of bonds. Should this amount of bonds be issued the total interest-bearing indebtedness, exclusive of the \$3,000,000,000 credit to foreign Governments, will amount to \$3,445,000,000.

