Meeting the Payroll Without Enough Money in the Bank—A Symptom of a Bad System

As the time approached for the armed forces of the United States to meet the payrolls due on 31 August, there was not enough money on hand to back up the checks. The necessary funds were supposed to be appropriated by a supplemental pay bill, but it had been vetoed by the President because he believed Congress had attached too many nonessential items to it, making it a "budget-buster." So, with the concurrence of the Treasury Department and the attorney general, the Defense Department simply deferred payment to the Treasury of the associated social security taxes and the income tax withholding deductions, using the money left in the payroll accounts for the troops' take-home pay.

Now, a lot of hard-pressed civilian employers have gone to jail or been heavily fined for attempting to meet payrolls this way, so it is not surprising that the chairman of the House Post Office and Civil Service Committee, Rep. William D. Ford (D-Mich.), has asked the General Accounting Office (GAO) to look into this action by the Department of Defense.

But it seems that rather than spending a lot of time looking at what the services did to meet that August payroll the GAO investigators should be turning their efforts to finding ways to avoid the underlying predicament. They should be taking a look, for example, at the reasoning behind the practice of relying on supplemental money bills to provide the funds for the cost of living adjustments that normally begin on 1 October of the preceding year.

Rep. Ford might more appropriately be concerned with the damage that might have been done to military morale and the continuing success of the volunteer method of filling the ranks than about assessing blame for the extraordinary action taken by the Defense Department. At the very least he might have sought out some concrete steps to take for the prevention of similar situations in the future. One way might be to budget for military pay in an entirely separate appropriations bill, uncluttered with the things that caused the supplemental to be vetoed. It would be worth a try.

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