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## Emergency economic powers of the U.S. President

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**Abstract.** This paper examines the emergency economic powers of the President in the United States. The paper discusses the various powers that the President can invoke in times of economic crisis, including the authority to implement tariffs, regulate international trade, and control prices. An accompanying spreadsheet lists all those powers plus some additional powers that are not mentioned in the main text. The purpose of this paper is to provide a comprehensive overview of the economic emergency powers of the President and to serve as a resource for policymakers and scholars who are interested in this topic.

**Keywords.** Emergency powers; President; United States.

**JEL.** H11; H12.

### 1. Introduction

In response to economic emergencies, such as financial or natural disasters, the President of the United States has the authority by law to take specific actions. These actions, known as emergency powers, are designed to stabilize the economy and protect citizens' well-being. Executive orders or other administrative actions are typically used to exercise emergency powers, which may include suspending regulations, controlling prices, or providing financial assistance to affected individuals or businesses. The use of emergency powers is contentious because it calls into question the balance of power between the executive and other branches of government, as well as concerns about civil liberties and the potential for executive abuse of power.

United States law gives the President broad emergency economic powers. The President also has other economic powers that do not require an emergency by law, but that are typically used only in unusual circumstances. We summarize and discuss those powers here because we did not see another discussion that analyzes them as a whole. An accompanying spreadsheet workbook lists these powers with citations to the U.S. Code of Laws and selections of text.

Why are these powers important to understand? These powers of the President have the ability to distort and disrupt markets, creating shortages (or more rarely surpluses) that need not occur and that reduce people's well-being. It is essential to carefully consider the potential benefits and drawbacks of using emergency powers, as they can have unintended consequences that may impact the economy and society as a whole.

### 2. Powers the constitution gives the President

The U.S. Constitution, the fundamental law the federal government is organized around, provides a prescription of how power should be distributed. The framers of the Constitution, envisioning a republican form of government,

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outlined Congress's powers in the first Article. The authors felt that Congress best represented the voice of the public; therefore, it should be placed first and given the authority to assert itself as the most significant branch. Article I provides Congress with various powers to set legislation and the responsibility to monitor the authority of both the executive and judicial branches. Regarding the economy, Congress is responsible for

- imposing and collecting taxes
- paying federal debts
- regulating commerce among states and with foreign countries
- borrowing money on the national credit
- coining money and regulating its value
- establishing post offices and post roads
- permitting patents and copyrights.

Although these powers are specifically designated for Congress, there have been numerous attempts to transfer authority from the legislative to the executive branch. According to the "nondelegation doctrine," which the Supreme Court has consistently defended, Congress cannot delegate its legislative powers to any other branches or entities. However, the rule does not prohibit legislators from delegating powers that are deemed not legislative in nature. Congress may delegate non-legislative powers that it cannot exercise conventionally or promptly. The Constitution of the United States grants certain non-legislative powers to the Congress. One such power is the authority to mint coins. This power is typically not controversial and is considered a necessary function of government. On the other hand, the power to declare war is a non-legislative power that has been the subject of ongoing debate and controversy. The Constitution grants this power to Congress; however, in recent history, there have been instances where the executive branch has taken military action without a formal declaration of war. This has led to a re-evaluation of the balance of power between the branches in this area, and ongoing discussions regarding the appropriate use of this non-legislative power. The distinction between legislative and non-legislative powers opens the gate of interpretation to what powers the Supreme Court rules as "legislative by nature," thus creating loopholes for authority to be transferred through.

Article II delves into the authority vested in the executive branch, specifically its responsibilities in responding to legislation passed by Congress, politics, and military operations. Article II grants the President the authority to:

- act as Commander-in-Chief
- grant pardons
- make treaties with the approval of the Senate
- nominate Cabinet members, Supreme Court justices, and ambassadors for confirmation by the Senate
- appoint lower-level government officials without Senate confirmation, and fill higher-level executive branch vacancies when Congress is in recess
- suggest new laws
- receive foreign officials
- enforce the laws that Congress passes.

The Constitution gives the President no explicit economic powers, but leaves Congress's delegation of certain economic powers up for interpretation.

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The existence of two major political parties, not foreseen by the framers of the Constitution, has also given the President the indirect ability to control Congressional powers when his political party holds the majority. The framers of the Constitution did not anticipate the modern "two-party" system and inadvertently created a sweepstakes opportunity for the party that holds both the executive and legislative branches. The party holding the majority in Congress is more likely to transfer its non-legislative powers to a President with whom it is affiliated.

### 3. Development of economic emergency powers

War, severe economic problems, or a combination have spurred the laws that enumerate Presidential emergency economic powers.

In the Civil War (1861-1865), the Union government, under President Abraham Lincoln and Treasury Secretary Salmon P. Chase, needed money to finance the war. So, the Legal Tender Act (1862) was drafted and passed in Congress. The Legal Tender Act issued greenbacks, the first official national paper currency. Before this, the United States used gold and silver coins as official currency. However, after Chase became Chief Justice of the Supreme Court of the United States in 1864, he presided over *Hepburn v. Griswold* (1870). The court declared the Congressional authorization of the greenbacks as a national legal tender to be illegal under the Fifth Amendment, which guarantees that there will be no seizure of property without due process. However again, though, a year later in 1871, in *Knox v. Lee* and *Parker v. Davis*, Chase found himself in the minority after new justices had been appointed, and the Supreme Court overturned *Hepburn v. Griswold*. The Court announced that the Legal Tender Act was a federal power used at a time of national emergency and the power was supported by the "necessary and proper" clause of the U.S. Constitution.

In the next major war involving the United States, World War I, President Woodrow Wilson gained extensive emergency powers for the Presidency. Many of these powers have not been used in the same ways since. One example is the nationalization of the railroads in 1917. It was commonly acknowledged to have been a disaster, and the railroads returned to private management in early 1920. More importantly, the theme during this era was ensuring the government's war plans progressed in a timely manner and faster than they might have in private hands. Thus, the federal government nationalized the railroad, telephone, and telegraph (both domestic and international) industries. The federal government also manipulated labor-management relations, international commerce, and markets for raw materials and manufactured products. Furthermore, the Liberty Bonds issued by the Treasury and promoted with the help of the recently established Federal Reserve System served to pay for the government's vast spending. An act passed during the war that has had lasting influence was the Trading with the Enemy Act of 1917. It allowed the President to oversee and restrict any and all trade between the United States and any of its enemies during wartime. To silence vehement critics of government actions, Congress passed the Espionage Act of 1917 and the Sedition Act of 1918, limiting the First Amendment right of free speech during wartime and criminalizing critics of the government. (In Congress, Wilson's Democratic Party had an outright majority in the Senate and a working majority in the House of Representatives

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achieved by caucusing with third parties.) Critics of the Wilson administration who were imprisoned included Eugene Debs, the longtime Socialist Party candidate for President.

After the end of the war, many wartime initiatives were abandoned, including the Food Administration and the Railroad Administration. Some programs lived on in the “regular” government departments like State, Labor, and Treasury, while a few programs such as the Trading with the Enemy Act remained on the statute books but fell into disuse. However, many people believed that the emergency economic policies we have mentioned played a vital piece in the Allied victory in World War I. In later years, the wartime experience would be used to justify many more programs that expanded the scope of the federal government.

A decade and half after World War I, President Franklin D. Roosevelt was elected to revive the U.S. economy during the Great Depression. Roosevelt used his power to enact many government-funded welfare programs in an attempt to spur the economy. Today, many Great Depression-era emergency authorities seem to have either expired or to have passed into law as powers no longer requiring an emergency to be used. One instance of the latter is the Exchange Stabilization Fund (ESF). This fund is used to purchase and sell foreign currencies, hold U.S. foreign exchange and Special Drawing Rights assets, and provide foreign governments with financing. Today, the Secretary of Treasury uses the ESF to carry out U.S. international monetary and financial policy responsibilities, especially participation in the International Monetary Fund. The ESF was also used during the COVID-19 recession of 2020 to guarantee new Federal Reserve lending programs aimed at stabilizing credit and money markets.

Presidential economic emergency powers continued to expand under Roosevelt and his successor Harry Truman during World War II. Roosevelt and Truman primarily used executive orders to expand their powers. Roosevelt signed 3,721 executive orders, almost 2,000 more than the next closest President, while Truman signed 907. A notable (pre-war) example is Executive Order 6102, signed by Roosevelt in 1933, ordering U.S. citizens to cede their gold bullions, coins, and certificates to the United States Federal Reserve. This effectively took the U.S. off the gold standard. Another example is Executive Order 9250, which established the Office of Economic Stabilization. As the name suggests, the Office was created to control inflation to the degree such that it would not interfere with the war effort and disrupt the domestic economic structure. After the end of the war, on September 20, 1945, Truman signed Executive Order 9620 abolishing the Office of Economic Stabilization. Its responsibilities were transferred to the Office of War Mobilization and Reconversion. In the end, these powers experienced a similar fate to the Depression-era powers: most of these powers ended, and economic control agencies dismantled, but some, like rent control, were disseminated to local levels or moved to the purview of the more standard federal agencies, like the Office of Economic Stabilization. Unlike Wilson, Roosevelt and Truman did not nationalize industries, though the federal government did impose extensive price controls and rationing. For instance, in 1941 the Office of Price Administration and Civilian Supply first ordered that production of automobiles and light trucks for civilian use be cut 50 percent, and later ordered production to cease as of February 1942.

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Some other notable expansions of Presidential economic power developed in response to major world crises. The Defense Production Act of 1950 (DPA) was a response to the Korean War. It was, and still is, used to allocate and mobilize materials and facilities. The Defense Production Act can be invoked in cases of national security. Initially, during the Korean War, the DPA was created to institute a large defense mobilization infrastructure, wage and price controls, and regulate production of industrials (steel, mining, manufacturing plants). Today, the DPA has been invoked twice in two years. In response to the outbreak of COVID-19, Presidents Donald Trump and Joe Biden mobilized ventilators, personal protective equipment, and vaccines in the interest of the “national defense.” Then, in May 2022, President Biden used the DPA to require manufacturers to prioritize orders of baby formula ingredients in an attempt to fix the United States’ baby formula shortage.

The Energy Policy and Conservation Act of 1975 was a response to the 1973 “oil shock” in which OPEC showed power to influence world oil prices. In this instance, prices quadrupled in a short time. The act was passed to increase energy production and supply, create energy efficiency, give the executive branch (read: the President) additional powers to respond to disruptions in energy supplies, and create a resulting reduced energy demand.

Finally, the International Emergency Economic Powers Act of 1977 (IEEPA) was a response to the unsettled economic climate of the time. International trade and investment had experienced turbulence in response to the end of the Bretton Woods system of pegged exchange rates, the start of deregulation of a number of economic sectors after decades of tight regulation, and other factors. The aforementioned deregulation of economic sectors occurred in an attempt to lower prices by increasing competition. This strategy worked especially well in sectors such as commerce, transportation, and telecommunications, resulting in aggregate consumer savings of tens of billions of dollars per year. As a result of this deregulation, the IEEPA was passed to allow the President to regulate international commerce once a national emergency has been declared. Today, the IEEPA is used with respect to many countries around the globe. There is currently a national emergency signed by President Biden, namely Proclamation 10371, against Russia in response to the nation’s invasion of Ukraine in February 2022. On April 3, 2014, President Obama issued Executive Order 13664 in order to place economic sanctions on individuals in South Sudan due to the South Sudanese Civil War. Most notably, the longest-standing national emergency was declared in 1979 by President Jimmy Carter against Iran through Executive Order 12170. The order has been freezing Iranian assets for over 40 years in response to the Iranian hostage crisis and has been renewed by subsequent presidents.

However, there does seem to be an exception to the rule that Presidential emergency economic powers have developed from war or economic crises. No particular emergency prompted the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988. In reality, the main aim of the Stafford Act was passed to increase the preparedness of localities and states in the event of a disaster. The act established the responsibilities for each level of government (local, state, and federal) before, after, and during a natural disaster.

#### 4. What triggers emergency powers?

A sitting President has the authority to use his emergency powers only during times of national emergency. According to the National Emergencies Act of 1976, though, the President has complete discretion to issue a national emergency. He must adhere to a few provisions: he must specify in his declaration what powers he intends to use, provide the public with updates about additional powers invoked, and report every six months to Congress about the current emergency powers in use. The state of emergency declared by the President expires after one year unless the President renews it, which he has the authority to do so an unlimited number of times. A President is therefore technically vested with the power to create a "permanent state of emergency."

Emergency powers also become available to the President when a natural disaster is declared. According to the Stafford Act, all declarations of emergencies and significant natural disasters are made solely at the President's discretion. The act defines such a disaster as "any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States." The President may provide disaster assistance to supplement the efforts and available resources of States, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused.

Additional powers also become available to the President when a public health emergency is declared. The Public Health Service Act of 1944 gives the Secretary of Health and Human Services sole discretion to declare a public health emergency. Such an emergency may be declared when a disease or disorder presents a public health risk. It may also be enacted when "significant outbreaks of infectious diseases or bioterrorist attacks, otherwise exist." Although this act is not directly under the President's discretion, there are numerous examples of the President, in accordance with the Secretary of Health and Human Services, declaring a public health emergency.

The President may also gain emergency powers where unforeseen emergencies exist. At the President's sole discretion, the U.S. may provide "immediate military assistance" to foreign countries or international organizations for the purpose of peacekeeping, antiterrorism, or nonproliferation of dangerous weapons.

#### 5. Current powers: Finance

During a state of national emergency, the President has the power to direct the Secretary of the Treasury to regulate and restrict the transactions of any member bank of the Federal Reserve System. Should any person violate these restrictions, they will be subject to a fine of up to \$10,000 and possibly imprisoned for up to ten years. Additionally, the Comptroller of the Currency can declare any day a legal holiday for national banking associations in a state due to emergency conditions, such as natural disasters, riots, wars, etc. Essentially, by declaring a state of emergency in a state, the President has the power to shut down the movement of moneys through national banks in the affected region. Note these powers cannot limit the President's authority



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under both the Trading with the Enemy Act and the International Emergency Economic Powers Act, which are both mentioned elsewhere in this paper.

The President also has the authority to authorize currency buying operations in four cases. The first two cases concern a currency's value. The first scenario is if the value of a foreign country's currency is depreciating in comparison with the present standard value of gold. The other is if the United States coins and currency is losing parity. The final two cases deal with the expansion of credit. The President may authorize the expansion of credit if an economic emergency occurs which requires an expansion of credit, or if the United States government needs an expansion of credit to help stabilize the currency of a foreign nation. In each of the above scenarios, the President can authorize the Board of Governors to permit the Federal Reserve banks to conduct open market operations and purchase up to \$3 billion of government obligations to achieve the desired goal of each respective case above.

Continuing on the subject of stabilizing currencies, the President is the sole approver of the Secretary's actions that concern the Department of Treasury's stabilization fund. The fund is used to stabilize exchange rates, contribute to the Special Drawing Rights (the International Monetary Fund's international reserve assets), the Coronavirus Economic Stabilization Act of 2020, and investing in obligations of the United States government. Note all earnings from investment must be placed back into the fund and, with the President's approval, the Treasury Secretary may use gold, foreign exchange, and other securities or credit deemed necessary. If the Secretary of Treasury believes it necessary to extend a loan to a foreign government or entity for more than six months in a twelve-month period, the President must submit a written statement to Congress detailing the unique and/or emergency circumstances behind the loan.

After the terrorist attacks of September 11, 2001, President George W. Bush invoked the International Emergency Economic Powers Act (IEEPA) to freeze the assets of individuals and organizations linked to the terrorist attack. In 2008, Bush used the Troubled Asset Relief Program (TARP) to authorize the Treasury to purchase a maximum of \$700 billion to help stabilize the financial system during the 2008 Financial Crisis. More recently, President Trump issued Executive Order 13808 in 2017 to freeze the Venezuelan government's assets and prohibit financial transactions with the Venezuelan government in response to human rights abuses and an erosion of democracy in the Latin American nation.

## **6. Current Powers: Loans in response to disasters**

In the case of mortgage insurance, the Secretary of Housing and Urban Development has the power to insure any mortgage of a single-family residence that was destroyed or damaged in a natural disaster or other catastrophe. What is interesting to note here is that the President determines if an event is considered a "major disaster." Therefore, federal insurance of mortgages is almost completely dependent on the President's classification of a major disaster.

For small businesses, the President can transfer any of the functions, powers, and duties of any federal department or agency which relate primarily to small-business problems to the Administration. After a disaster has been declared, in terms of aid loans to small businesses the President's

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administration can make loans to repair or replace property that was damaged due to a natural disaster and not covered by insurance. The size of the loan can be up to 120% of the damaged or destroyed property if the loan is used to construct damage mitigating structures like retaining walls or a safe room. For real estate, the Administration has the power to refinance an irreparable business place or home.

Finally, it is the President's duty to ensure that adequate food stocks are stored and ready in the event of a major disaster or emergency. The food stocks must then be able to be readily distributed to any region of the United States for emergency mass feeding. Although evidence could not be found of specific instances in which emergency mass feeding was necessary, food and water stocks were likely mobilized during the COVID-19 pandemic and the Flint Water Crisis of 2014-2017.

Today, under the Stafford Act, the President has the power to declare a major disaster or emergency. Then, the federal government may send aid to state and local governments and certain non-profits. Additionally, the Small Business Administration may provide low-interest disaster loans to homeowners, renters, and businesses. Similarly, the Federal Emergency Management Agency, more commonly referred to as FEMA, gains the authorization to provide financial assistance to state and local governments. In response to Hurricane Sandy in 2012, President Obama invoked the Stafford Act and declared a major disaster in the affected states. The SBA was then authorized to provide loans to those affected. Most recently, in 2020, President Trump invoked the Stafford Act during the COVID-19 pandemic to declare a major disaster.

## 7. Current Powers: International trade

For more than a century, the U.S. federal government relied heavily on tariffs for revenue, in part because the Constitution originally forbade a federal income tax. George Washington famously warned future generations of permanent relationships with foreign countries in his 1796 Farewell Address: "It is our true policy to steer clear of permanent alliance with any portion of the foreign world." Although Washington was speaking directly about diplomatic alliances, his remarks can be construed as a warning about certain kinds of trade relationships also, given their intimate connection with the politics of the countries involved. As industry began to expand rapidly in the late 19th century, the benefits of international trade outweighed its risks, thus prompting the desire to use the existing legal infrastructure to facilitate modern economic foreign policy.

The Constitution does not assign the President any specific powers regarding international trade and commerce. Article II, however, grants the President authority to create treaties that become part of U.S. law provided that two-thirds of the Senate vote in accordance. On the other hand, Article I gives Congress the power to "regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." Combining these two sections explains the current division of powers in international trade: The President has the authority to create and negotiate international trade agreements, but Congress has sole discretion over foreign tariffs and commerce.



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In 1934, Congress set the first precedent of delegating the Constitutional power of setting tariff rates to the executive branch via the Reciprocal Trade Agreement Act and the Reciprocal Tariff Act. The Tariff Act, however, gave specific time intervals in which the President could exercise these powers and put the President's use of these powers under periodic review and renewal. Until 1974, Congress continued to delegate its constitutional authority of setting tariff rates to the President through legislation. This legislation enabled the President to negotiate trade agreements with foreign countries through a Presidential proclamation rather than waiting for Congress to approve. As the U.S. role in international trade shifted in the years leading to 1974 to other nontariff barriers such as antidumping policies, Congress changed its attitude towards authorizing the President to act by proclamation for all nontariff matters. Congress implemented the Trade Act of 1974, which created a framework for international trade agreements using an expedited process currently known as the Trade Promotion Authority. The Trade Act allowed the President to use expedited legislation to negotiate international trade agreements that Congress may approve or disapprove but may not filibuster. The Act allowed Congress to keep its constitutional power of setting tariff rates while allowing the U.S. to remain competitive in international markets.

The President also has the authority to declare trade sanctions on a foreign country or person. According to the International Emergency Economic Powers Act of 1977 (IEEPA), the President is authorized to declare a national emergency for any "unusual or extraordinary threat" to national security, foreign policy, or the economy if the threat is created in "substantial part" by a foreign nation. The President, bypassing Congress's approval, may impose sanctions that freeze the target's assets that fall under U.S. jurisdiction and prohibit any person or institution from transacting with the target of IEEPA sanctions. In their original design, IEEPA sanctions were supposed to be "rare and brief" and not "equated with normal ongoing problems." Congress was also allowed to terminate a sanction if it was deemed "misused." Today, thousands of entities and people are targets of IEEPA sanctions, and many sanctions last for years or even decades. In 1983, the Supreme Court even ruled that it was unconstitutional for Congress to terminate a sanction.

The President is vested with the authority to control potentially all exports to foreign countries through the Export Control Reform Act of 2018. This Act grants the President the power to "control the export, reexport, and transfer of commodities, software, and technology to protect the national security, and to promote the foreign policy of the United States, and for other purposes." The ECA grants the President the ability to delegate power to the Secretary of Commerce. The secretary is to maintain a list of controlled items, foreign persons, and end destinations that threaten U.S. foreign policy, require export licenses, monitor shipments, and prohibit unauthorized exports and reexports out of the U.S. A foreign boycott also falls under the jurisdiction of the executive branch. Whenever the President deems that a foreign nation or industry threatens U.S. national security or foreign policy, he may prohibit anyone in the United States from participating in trade or international business affairs with that target. The boycott includes importing or exporting goods with that particular foreign nation or entity.

An example of a presidential executive order imposing sanctions is Executive Order 13928, issued by President Trump in June 2020. This order

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imposed sanctions on a number of individuals and entities connected to the government of Venezuela, including members of the country's Supreme Court, the minister of defense, and the president of the state-owned oil company PDVSA, among others. The order targeted these individuals and entities for their role in undermining the country's democratic process and violating human rights. The sanctions included freezing assets under U.S. jurisdiction and banning transactions with U.S. individuals and entities. The order was a part of the administration's efforts to put pressure on the Venezuelan government and support the opposition in the country.

### 8. Current Powers: Energy

Energy is arguably one of the most important services a government provides or regulates for its citizens. History shows that disruptions in the routine consumption of energy by the public can spark social unrest, significant political shifts, and military aggression. Many developed countries, including the United States, have put in place multiple “fail-safes” to ensure an expedited response to an energy emergency such as an electrical grid outage, fuel shortage, or pipeline disruption. When the United States is unable to provide sufficient power to the public, the opportunity for the President to invoke emergency powers presents itself.

One way a President can activate his emergency powers is by declaring a national emergency. In the case of an energy crisis, declaring a national emergency allows the President to intervene in both private and public energy markets to make fuel both accessible and affordable. Through the National Emergencies Act of 1976, the President has the authority to allocate funding to increase domestic energy production, implement energy conservation policies, and manage demand for energy consumption.

The executive branch may also implement a “Declaration of Emergency (Natural Gas).” Under this provision, during “a severe natural gas shortage, endangering the supply of natural gas for high-priority uses, exists or is imminent in the United States or in any region thereof” the President is vested with the authority to allocate supplies to any interstate pipeline, local distribution company, or person meeting the requirements of high-priority uses of natural gas.

Although this power is specifically reserved for the executive branch, there has been precedent of the statute being delegated to the Department of Energy, which is of course under the authority of the President.

There are also instances of the President using emergency powers that indirectly relate to energy to influence existing policy. For example, in June 2022, President Biden used his emergency powers under the Tariff Act of 1930 to provide a 24-month “bridge” to waive solar energy tariffs to boost domestic manufacturing of solar panels. This decision was made in response to increasing demand for renewable energy sources and the need to decrease dependence on fossil fuels. The waiver of tariffs on solar panels was seen as a way to make them more affordable, allowing more Americans to access clean energy and reducing the country's overall carbon footprint. Although the Tariff Act of 1930 was not intentionally designed to bolster energy production, it was legally acceptable to use it as a measure to affect trade policy. This highlights the flexibility of emergency powers, as they can be used in ways that

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were not originally intended, but still align with the overall goal of addressing a national emergency.

The President has also indirectly affected energy policy through The Defense Production Act. The DPA was originally designed to give the President authority to mobilize the domestic economy during World War II. The act allows for the President direct private companies to prioritize orders from the federal government; thus, in collaboration with the Department of Energy, the President may allocate federal funding to invest in various private sectors of energy (coal, oil, solar, wind, nuclear).

### **8. Current Powers: Defense Production**

The Defense Production Act gives the President wide powers over the allocation of materials, services, and facilities. Note that all types of energy supplies are also designated as strategic and critical materials. Under the Act, any contract the President deems necessary for defense will supersede all other contracts and will have priority of materials, services, and facilities to fulfill the contract. Additionally, the President may control the distribution and use of supplies and facilities if they are scarce, critical, and essential. For the COVID-19 emergency, \$10 trillion were appropriated for COVID tests, personal protection equipment, vaccines, and other medical supplies. As of September 30, 2022, any of the remaining \$10 trillion can be used to fight any possible public health emergency-causing pathogen as declared by the President. Generally, the DPA forbids the hoarding of “scarce” materials, as designated by the President, that exceeds reasonable consumption or for the purpose of taking advantage of scarcity and reselling materials above market price. The President will then set the limit of what is deemed to be hoarding of the scarce supplies. With respect to the COVID-19 pandemic, once the President declared a national emergency, the Secretary of Health and Human Services was given authority by the President to prevent hoarding of resources needed to stop the spread of COVID-19 (masks, disinfectants, etc.). This delegation of power from the President to the Secretary of Health and Human Services will end when the Secretary deems that the possibility of hoarding is low and no longer a risk to public health. As of January 2023, the delegation is still in force.

Additionally, during a declared national emergency, the President has the authority to authorize a guaranteeing agency to guarantee loans by private institutions to private businesses. Thus, the manufacturer(s) of materials used for the national defense (industrial resources or critical technology) are guaranteed payment for continuing or increasing production of supplies. Note the President has discretion to determine the necessity of the loan and the vitality of the resource, technology, material, or mineral. With regards to the terms of the loan, the President is authorized to set interest rates, guarantor fees, and any other charges relating to loans. Funds may also be used to aid the exploration for raw materials if the goal is to expand current manufacturing capabilities. In the case of the COVID-19 pandemic, the President delegated this power to the United States International Development Finance Corporation (DFC; formerly the Overseas Private Investment Corporation [OPIC]). Adam Boehler, the CEO of the DFC, was given the authority to make loans as he saw fit in the following categories: “the national response and recover to the COVID-19 outbreak; or the resiliency of

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any relevant domestic supply chains.” We believe it important to note that the language is broad and could be used arbitrarily for anything tangential to COVID-19 and domestic supply chains. And during the period of invocation, almost everything was related to the COVID-19 pandemic.

When the President declares a national emergency, he assumes the authority to “create, maintain, protect, expand, or restore domestic industrial base capabilities essential for the national defense.” To act on these duties, the President has the power to purchase industrial resources or critical technologies for either government use or resale. Additionally, typically when there is not enough supply to purchase, the President can encourage the exploration and production of critical materials. It should be noted that if the above commodities are purchased, they cannot be resold at a price less than the lower of the minimum of the established ceiling price and current domestic market price. Specifically, domestically produced agricultural commodities can only be resold for industrial use or stockpiling purposes. To gain access to all of the powers just described, the President must typically provide material and writing that proves the resource is critical to the national defense. But this requirement is waived during a national emergency. During the COVID-19 pandemic, if the President’s actions to correct a domestic industrial supply shortage would create an aggregate outstanding amount of more than \$50 million, the President did not have to notify the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives for a period of one year. Additionally, for two years, the President did not have to wait for Congressional approval to take an action that would take the aggregate outstanding amount to over \$50 million.

An additional emergency power of the President under DPA not invoked during the COVID pandemic is that the President is the sole individual with the ability to force any private person to assist in the production of chemical or biological weapons.

There are some limitations on the President’s power under the DPA. The President is not allowed to set wage or price controls without the authorization of Congress. Currently, if not renewed, the DPA is slated to terminate on September 30, 2025. Should the DPA be terminated, any agency created under a law relating to the DPA has six months to liquidate. Additionally, any standing outstanding balances or promised funding will continue to stand, even after the termination of the DPA.

Moving on from the DPA but continuing with the theme of defense production, the President has authority over the National Defense Stockpile. The President determines which materials are strategic and critical as well as the quality and quantity that will be placed in the Stockpile. The President must notify Congress when a change is made. It is unclear whether or not Congress has the power to veto a change. The President also has the authority to release materials in the Stockpile for consumption or sale, and to delegate this power during a national emergency. The release of materials in the Stockpile must be for the purpose of the national defense of the United States, so the materials could theoretically be released according to any partially coherent argument made by the President or an agent of the President.

For industrial fuels such as coal, natural gas, and petroleum, the President has special powers. If he finds that a severe national or regional energy fuel supply shortage exists or is likely to come to fruition, he may order the

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allocation of coal to the use of any major fuel-burning installation to ensure electrical services and maintain public health, safety, and welfare. Conversely, the President may prohibit any major fuel-burning installation from using natural gas or petroleum during a severe energy supply disruption. These powers are only allocated to the President for either a 90-day period or the duration of the emergency – whichever is shorter. Any extension of the President's order must be submitted to and approved by Congress.

During a declared war, the President holds the power to place an order with any individual or company for ships (boat or maritime craft, aircraft, and any parts for those crafts) and war materiel (arms, ammunition, supplies, and equipment for ships). If the individual or company refuses to comply with the President's orders, the President may take immediate possession of the factory for immediate use. The President may also modify or cancel any of the manufacturer's existing contracts so that the United States may have sole or shared use of the factory. Again, should the company fail to comply with the President's orders, the factory may be taken by the President for immediate use. Note that the United States need not have any standing contract or agreement with the factory owners for the above powers to be invoked. After the factory is used by the President, the compensation to the factory owner is in the hands of the President. Should the factory owner be displeased with the President's proposed compensation package, the owner is entitled to receive 50 percent of the proposed compensation and sue for the remaining balance. This battle would almost certainly be lost before it even began.

During the Cold War, the Presidents during this era invoked the Defense Production Act of 1950 to mobilize industrial and technological resources needed for the national defense. Materials and resources were also prioritized for first use for the national defense. Most recently, as previously mentioned, President Trump invoked the DPA during the COVID-19 pandemic to direct private companies to produce essential medical supplies like ventilators and personal protective equipment.

### **9. Current powers: Labor, natural gas, inflation**

During national emergencies, if a strike, lock-out, or other work-stopping protest would disrupt the entirety or majority of an industry, the President has the power to issue an injunction to put an end to the workplace protest. The industry affected must be one vital to the U.S. economy, such as manufacturing of goods, commerce, transportation, transmission, or communication.

The DPA has rarely been invoked for labor in United States history as it is usually limited to extreme cases when a labor dispute would pose a threat to the national defense. This is because the National Labor Relations Board has the primary responsibility to enforce the right of employees to organize and collectively bargain with their employers under the National Labor Relations Act. The three recent instances when the DPA was invoked were World War II by President Franklin D. Roosevelt, the Korean War by President Truman, and throughout the Cold War.

Another relevant Presidential emergency power is the authority of the President over natural gas policy. After it is decreed that there is a severe natural gas shortage which would limit the supply of natural gas, the President gains an array of powers. To begin, the President may prohibit the use of



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natural gas by any electric powerplant or major fuel-burning buildings in an attempt to ration the supply of natural gas for “high priority use” (residences, activities that if shutdown would endanger life, health, physical property). The President also has the power to set the terms and establish a contract with any interstate or intrastate pipeline for the purchase of emergency natural gas supplies. This includes the building of facilities, if deemed necessary, to transport the natural gas. The President is limited to set contract terms to a maximum of four months but has the power to renew the contract an unlimited number times (for four months each time). Once the United States has amassed a sizeable supply of natural gas, the President has discretion of allocation to interstate pipelines, local distribution companies, and/or any individual who meets the requirements of high-priority use of natural gas. In addition to the allocation of natural gas, if the natural gas supply remains severely low, the President may allocate, in hierarchical order, boiler fuel gas, general pipeline supply, then, finally, user-owned gas. To ensure enforcement of the President’s orders, violators of the emergency order is subject to any of the following: civil suit, permanent injunctions, fines up to \$1 million or criminal penalties. Criminal penalties include a fine of up to \$1 million or incarceration for up to five years, or a fine of up to \$50,000 per day an offense occurs.

Before a natural disaster occurs, the President may recommend the relocation of peoples in the predicted area of disaster. The law specifies that the President shall pay for at most 75 percent of relocation efforts that were endured to mitigate risk during the predicted disaster. Once a major natural disaster is declared by the President, the President has the responsibility and the power to direct aid to the areas affected. Typically, the President only declares a state of major disaster if the governor of the affected state finds that the state cannot meet the appropriate aid needs. Then, the governor will request federal aid from the President to supplement the state’s emergency response efforts. The President may direct federal agencies and coordinate responses to issue warnings, distribute essentials (medicine, food, water), clear debris, and provide general assistance for the purpose of saving lives. Additionally, the governor of the affected state may submit a request to the President asking for the aid of the Department of the Defense. If the President approves the request, he will order the Secretary of Defense to use the Defense Department’s resources to aid in any emergency work on both public and private land. Financially, the Federal government’s share of assistance must be at least 75 percent of total eligible cost of the natural disaster.

Finally, it is worth mentioning the emergency powers of the President regarding inflation. There are eight policies the President can employ to try to reduce the inflation rate. (1) An information system to analyze trends in individual economic sectors to stay on top of supply chain crises. (2) Programs can be instituted to alleviate shortages of goods, labor, and capital. (3) The President can also authorize the establishment of commodity stockpiles to meet consumer needs and provide income to producers. (4) Additionally, recommendations can be made to strengthen enforce antitrust and patent laws to increase competition. (5-8) The final four policy controls are broad and it is only worth briefly mentioning them in this paper. In general, these four policies are aimed at increasing competition in the private sector through the removal of unnecessary government restrictions and regulations and the



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enforcement of antitrust and patent laws. Those interested in reading more about the unmentioned policies may look to Title 15, Chapter 21, Section 1022e.

In the 1970s, President Richard Nixon signed Executive Order 11615, imposing a 90-day freeze beginning August 15, 1971 on wages and prices to help combat inflation. Most other methods used by the government to keep inflation around the 2%/year inflation target do not require a national emergency, like antitrust actions or the removal of government restrictions and regulations.

### 10. Relevant non-emergency powers

There are also certain economic powers that do not require a declaration of emergency but that the President typically uses only in unusual circumstances. An example is using the Exchange Stabilization Fund to intervene in foreign exchange markets. Because the U.S. dollar since 1973 has had an unmanaged floating exchange rate, ESF intervention signals a desire by the U.S. government to change how markets perceive the effects of monetary policy on the exchange rate. ESF interventions are typically years apart and are coordinated with similar interventions by the Federal Reserve System to signal that the Department of the Treasury and the Fed are on the same page.

The President's powers regarding sanctions are also exercised to mitigate and during emergency situations. The Commander-in-Chief may regulate the export and transfer of the following: "nuclear explosives; missiles; chemical; or biological weapons; whole plants for chemical weapons precursors; foreign maritime nuclear projects; and foreign military intelligence services." Although the President holds these powers in emergency and non-emergency circumstances, the President will usually only invoke them when the export of these materials are to a hostile nation or coalition of nations and will pose a threat to the national security of the United States.

### 11. Summary

Over time, Congress has granted the President a broad set of emergency powers. While these powers can be necessary in times of crisis, there are concerns about the potential abuse of these powers and the negative effects on the economy and international relations. It is important for the President to use these powers carefully and only in true emergencies to protect the national security and economic interests of the country.

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