SUMMARY OF FISCAL OPERATIONS

Net budget receipts of the United States Government of $48.1 billion in the fiscal year 1951 were $11.1 billion greater than in 1950. At a record volume they exceeded the wartime peak of $44.8 billion in 1945. Budget expenditures in 1951 totaled $44.6 billion, $4.5 billion more than in 1950.

The 1951 budget surplus of $3.5 billion, together with an excess of net receipts in trust account and other transactions, provided for an increase in the general fund balance of $1.8 billion and retirement of the public debt during the year of $2.1 billion. The cash balance in the general fund on June 30, 1951, was $7.4 billion. The public debt on that date amounted to $255.2 billion.

A summary of the fiscal operations of the Federal Government in the past two fiscal years is contained in the table following. The figures are on the basis of daily Treasury statements. Chart 2 summarizes operations in 1951. Annual figures for 1932–51 and monthly for 1951 are shown in table 1 in the tables section of this report.

	1950		1951	
	In billions of dollars			
Budget results:				
Net receipts	37.0		48.1	
Expenditures	40.2		44.6	
Surplus, or deficit (−)		−3.1		3.5
Less:				
General fund balance, increase	2.0		1.8	
Trust account and other transactions, excess of net receipts (−) [1]	−.6		−.5	
		1.5		1.4
Equals: Public debt net increase (−), or decrease		−4.6		2.1

[1] Includes trust accounts, etc.; investments of Government agencies in public debt securities (net); sales and redemptions of obligations of Government agencies in the market (net); and clearing account for outstanding checks and interest coupons, and telegraphic reports from Federal Reserve Banks.

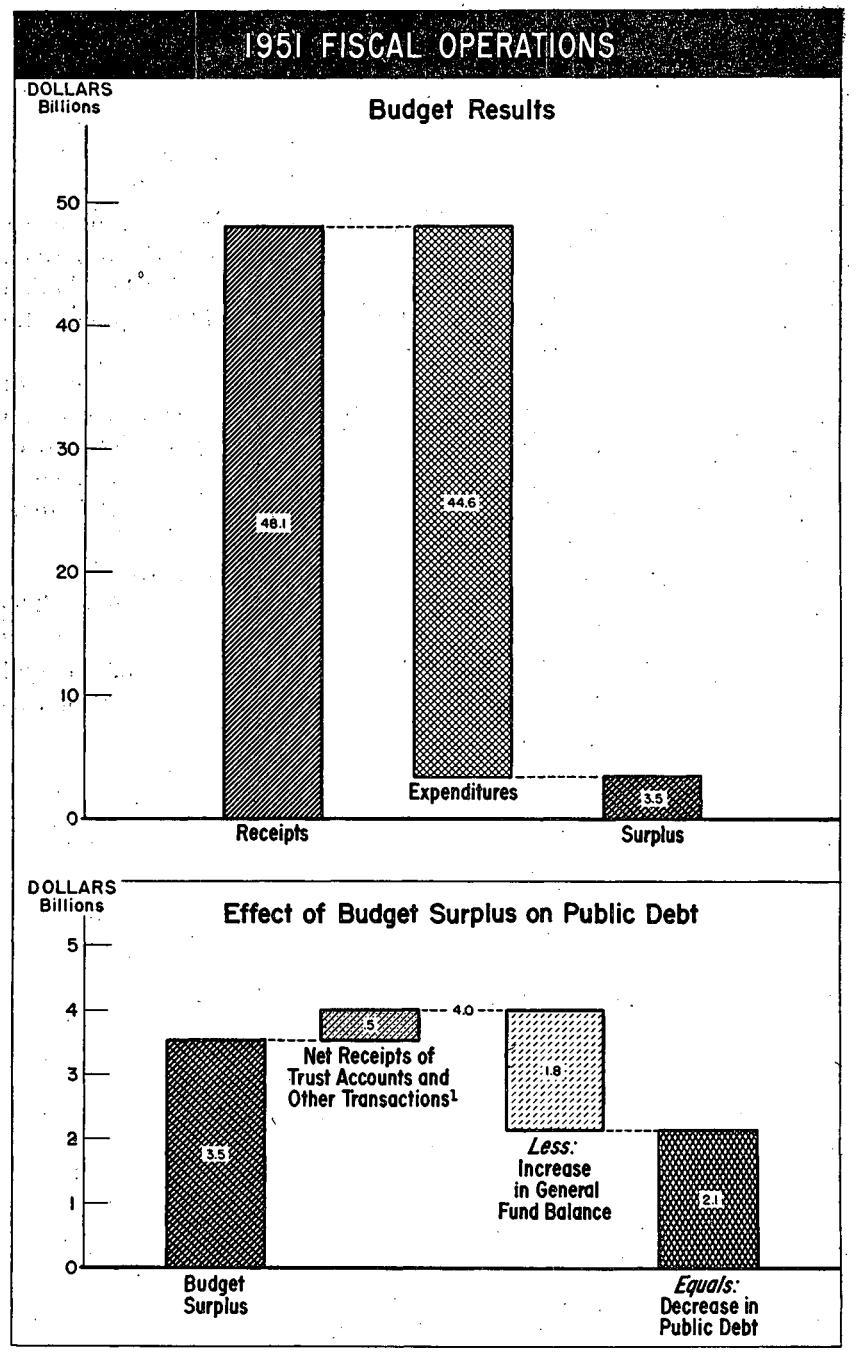

CHART 2.

[1]Includes trust accounts, etc.; investments of Government agencies in public debt securities (net); sales and redemptions of obligations of Government agencies in the market (net); and clearing account for outstanding checks and interest coupons, and telegraphic reports from Federal Reserve Banks.

ANNUAL REPORT ON THE FINANCES

TREASURY DEPARTMENT,
Washington, D. C., January 14, 1953

SIRS: I have the honor to report to you on the finances of the Federal Government for the fiscal year ended June 30, 1952.

During this year, the Nation successfully completed a critical phase of the expansion of the defense program. This was achieved with comparatively little economic dislocation. The Nation's underlying economic strength continued to grow and expand along with accelerating defense activities. The Treasury's fiscal policies have played an important role in the attainment of these objectives, within the framework of a stable, expanding economy.

The six fiscal years since the close of World War II, ending with the fiscal year 1952, represent a period of important developments in fiscal policies and operations. I am taking this occasion, therefore, to review the functioning of the Nation's finances during this 6-year period, which coincides with my term of office as Secretary of the Treasury.

During this 6-year period, the Government first had to adjust to the problems arising from the aftermath of the war and subsequently to the task of rearming to meet the Communist challenge. Accordingly, my report describes the various measures taken to finance the Government's activities, and deals with the whole range of Treasury policies in the fields of debt management, taxation, international financial relations, and improvement in operating activities, against the background of national economic developments.

One of the major problems facing the Treasury when I took the oath of office on June 25, 1946, was the achievement of a balance between revenues and expenditures which would provide for a surplus of revenues to be applied to debt reduction. On the day that I took office, I said: "It is the responsibility of the Government to reduce its expenditures in every possible way, to maintain adequate tax rates . . . and to achieve a balanced budget—or better . . ."

It was recognized that the problems of Treasury and general Government policy involved in changing over from a deficit situation to a balanced budget or better were extremely complex. There was widespread public agitation for across-the-board reductions in taxes and for the abolition of various special taxes which had been put into

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effect during the war. While many improvements in the structure of our wartime tax system were clearly called for, the size of our large wartime debt made it imperative that we give consideration to the need for debt reduction, along with the need for improvements and revisions in the wartime tax structure. By the middle of 1946, it was already evident that fulfilling these requirements would be a task of major proportions.

Our public debt had increased five-fold during World War II, and on June 30, 1946, amounted to $270 billion. The Government's obligations represented 60 percent of all outstanding debt, public and private, as compared with less than one-fourth in 1939, before the United States started its World War II defense and war finance program.

Of the $270 billion total public debt in June 1946, commercial banks held $84½ billion, representing 71 percent of their earning assets, and the Federal Reserve Banks held $23½ billion. It was recognized that this bank-held debt had an inflationary potential; and that every effort would have to be made in the interests of a sound peacetime economy to reduce the volume of securities held by the commercial banking system.

The Government security holdings of individuals represented another type of problem. As a result of the intensive sales programs of the World War II period, and the response of the people to these drives, Government security holdings of individuals, including marketable as well as nonmarketable issues, had jumped from $10 billion before the war to $64 billion on June 30, 1946. Widespread ownership of the securities of the Government was essential to sound public debt management in the years ahead. It was of the greatest importance that individuals retain their holdings of Government obligations and, if possible, increase them. But could this be achieved if widespread unemployment developed, and the funds invested in savings bonds were required to tide people over an emergency period? A depression had occurred after every other major war in our history. There were many who felt that it would occur again; and that it would inevitably be accompanied by a wholesale liquidation of savings bonds.

Still another area of uncertainty was represented by the large volume of Government securities held by nonbank financial institutions such as insurance companies and mutual savings banks. In June 1946, the $11½ billion of Government obligations held by mutual savings banks constituted about 64 percent of their total assets. The corresponding percentage for life insurance companies was 46 percent. Other insurance companies were in a similar situation. In addition, other nonbank investors—business corporations, State and local governments, and others—had substantial amounts of funds invested in

Government issues. It could be foreseen that all of these institutions and organizations would need to draw upon at least a part of their Government security investments in order to finance reconversion and expansion programs of private business and of State and local governmental units, once the peacetime economy got fully under way.

In view of these circumstances, it was clear that the Treasury had a double task. It would have to promote fiscal programs and conduct financing and debt management operations in such a way as to safeguard at all times the high credit position of the Government and it would have to shape these policies in such a way as to encourage rather than hinder the adjustments which individuals, financial institutions, and business concerns of all kinds would have to make in the course of returning to more normal conditions.

These were some of the problems which were clearly apparent in 1946 on the domestic front. At the same time, the United States faced a whole range of new problems in international finance. These arose from the war and the position which the United States had attained at its close as the leading financial power of the world. Some of these problems related to various financial settlements growing out of the war. Others were the problems of organizing a postwar world based on sound economic principles which would assure an improvement in world economic conditions and standards of living. In June 1946 no one could have foreseen the precise nature of many of the issues confronting the United States Government, particularly in the light of the rapidly changing world political and economic scene. The United States Government, as well as the other nations of the Western World, had to feel its way toward programs and policies which would bring about the desired result.

It was apparent then that the stability and progress of the postwar world would have to be based on improving standards of living in all countries, the maintenance of a high level of production and employment, and expansion of world trade, and the attainment of internal financial stability as a condition to sound international financial policies. These conditions of progress were interrelated. Without sound finance, the dangers of wide swings in the levels of prices and consequently of production and employment and maladjustment of international payments and capital movements were great.

The countries of the world had to make efforts to check the war and postwar inflations by appropriate fiscal and monetary measures. There were problems of how and under what conditions the United States could assist them in restoring production and international trade. There were questions of the desirable levels of exchange rates for international transactions and the ways and means of reducing barriers to international payments and trade. These were among the questions to which we in the Treasury had to give earnest attention.

It has been my objective to do my part in bringing about sound financial conditions in the international sphere. This task is not one which any Secretary of the Treasury alone can perform, nor is it one which the United States Government alone can guarantee. It implies the development of consistent policies on the part of the principal nations and the reconciliation of their divergent interests in the light of the benefits to the world as a whole. Nevertheless, the Treasury Department is in a position to exert a steady and continuous influence on the direction of the policy of the United States Government, and indirectly on the policies of other governments. The Congress established the National Advisory Council on International Monetary and Financial Problems, with the Secretary of the Treasury as chairman, as the coordinating agency for United States international financial policy and as a mechanism for bringing that policy to bear in the international financial organizations which had been projected as the mechanisms for international financial cooperation. We had to deal with the settlement of lend-lease and other wartime arrangements, with the terms of loans extended abroad, the forms and terms of assistance programs, and, of course, the evolution of their policies by the International Monetary Fund and the International Bank for Reconstruction and Development. As appropriate occasions have arisen, our policies in international finance have been stated in congressional hearings, through the United States representatives on the Fund and the International Bank, and through less formal conversations occurring at various times and under differing circumstances between the Treasury and the finance ministers and other representatives of foreign governments.

The main lines of United States Government policies with respect to international financial matters have remained clear through this difficult period, though the means of implementing those policies necessarily have varied with time and circumstance. The maintenance of the international stability of the dollar has been the keystone of United States policy, and the Treasury has sought to maintain this stability through gold and exchange policy and through its internal financial policies. Secondly, it has been our objective to strive for sound policies on the part of other countries, both by assisting them directly or indirectly, and by cooperating with them in international bodies. In each of these spheres, it has been our aim to contribute to the greatest extent possible toward the building of a world of free and strong nations able to maintain their economies on a sound economic basis, while working with other countries to create the conditions under which all could prosper more.

In addition to matters of broad national policy, there was another

area in which the problems of the Treasury were particularly pressing in June 1946. This was the area of operating activities.

The Treasury Department is a vast operating organization. Most of its activities are large scale. They involve hundreds of millions of items. They represent tens of billions of dollars. They affect many millions of people. The magnitudes are far greater than any comparable transactions elsewhere, either within this country or within any other country in the world. With activities of such great size and complexity, the problems of management are difficult and complicated.

During World War II, the growth in our economy and in governmental operations greatly increased the volume of financial operations which flowed through the Treasury Department. Savings bonds alone, each one requiring separate registration, rose from something over 5 million pieces issued and redeemed in 1940 to over 346 million pieces in 1946. The number of tax returns increased from over 19 million to more than 81 million. Printing of currency, stamps, and other documents increased from over 446 million sheets in 1940 to more than 684 million in 1946. The number of Government checks processed by the Treasury showed a large increase. In almost every area of Treasury operations, in fact, there was an enormous expansion in the volume of routine business.

While the war was going on, it had not been possible to modernize operations on the basis of new mechanical procedures. Recruitment of competent personnel, likewise, was severely restricted. The tremendous increase in Treasury operations, consequently, had to be handled by the restricted facilities of a Department geared to a prewar volume of operations.

In 1946, although the war was over, a great part of the expanded volume of Treasury operations remained. It was of the greatest importance to modernize and streamline the services of the Department in order to enable it to meet the increased responsibilities and needs of the Federal Government.

This brief review of the scope and complexity of the Treasury's responsibilities as the postwar period began gives some perspective for evaluating the record of accomplishment from the vantage point of 1952. This record is discussed below. The major problems of the Treasury during my term of office and the ways in which these problems were worked out have been grouped under ten major headings.

(1) Maintenance of confidence in the credit of the United States Government.

In the broadest sense, maintenance of confidence in the credit of the Government depends on our ability as a Nation to keep our free enterprise economy healthy and growing, and to use our governmental

instruments wisely in promoting this end. Ever since the establishment of the Treasury Department in 1789, the Secretary of the Treasury has been charged with particular responsibilities in this area.

Of the list of duties which the Congress prescribed in the act of 1789 setting up the Department, the most significant historically was to ". . . prepare plans for the improvement and management of the revenue, and for the support of the public credit . . ." Each Secretary of the Treasury since that time has recognized that, in peace or war, any substantial impairment of the credit of the Federal Government would be a major blow to the maintenance of high production and employment and to the orderly operation of our private enterprise system. Every effort has been made, therefore, to maintain confidence in the Government's credit.

Our success in achieving this goal has enabled the Treasury to play a most important part in the remarkable upsurge of American business which has characterized the post World War II period. Partly as the result of sound debt management and the maintenance of full confidence in the Government's credit, it has been found possible to achieve and maintain in this country an economic climate favorable not only to a high level of current activity but also to a very large volume of long-term investment.

It is axiomatic that investment programs looking far into the future will not be made in a financial climate characterized by doubt and uncertainty. Confidence is essential. And in an economy where the public debt constitutes the single most important factor in the financial life of the Nation, the cornerstone of confidence in the future is confidence in the credit of the Government. This confidence has been maintained, and the economy has enjoyed an unprecedented period of soundly based prosperity.

All sections of our economy in varying degrees have participated in the forward movement of recent years. Probably no single measure of the strength and potential power of the American economy, however, is as revealing as the figures on investment in plant and equipment during this period. Before the new defense program made necessary by the invasion of Korea got under way, private business had taken a long look at the future and invested a record $100 billion in modernization and expansion. The figure for the entire period since the end of World War II has now risen to the phenomenal total of approximately $170 billion, only a part of which is the result of our new defense programs.

While these developments have been going on, the Treasury has found it possible to keep substantial amounts of Government obligations in the hands of nonbank owners. The holdings of the commercial banking system have been cut back sharply. Nonbank financial in-

stitutions have retained a considerable volume of Government securities, even though they have participated to a very large extent in financing the forward movement of American business. Savings bond holdings of individuals have increased rather than decreased, and the savings bond program has been an important factor in stimulating thrift in all forms.

All of these matters are covered in more detail under the headings below. A detailed review of debt management programs and policies between the close of World War II and March 4, 1951, will also be found in exhibit 22 on pp. 198 to 403 of the Annual Report of the Secretary of the Treasury for the Fiscal Year 1951, entitled, "Reply by the Secretary of the Treasury to Inquiries by the General Credit Control and Debt Management Subcommittee of the Joint Committee on the Economic Report, February 12, 1952." This review is brought up-to-date in Appendix A to this statement, on pp. 199 and 200 of the present report.

Taken together, our debt management policies add up to an achievement which is of the greatest significance in the period of new international tension which we have been experiencing since the invasion of Korea in June 1950. Before the country was called upon at that time to face the burdens of increasing rearmament and security programs, it had been demonstrated that a debt of a magnitude of more than $250 billion could be managed successfully. It had been demonstrated that debt management operations of vast proportions could be conducted without setting off harmful repercussions in the economy. The savings bond program and thrift habits in general had taken firm hold in the financial life of the Nation. There was no doubt that the financial structure and the financial operations of the Government were capable of meeting the strains placed upon them by the continuing threat of further Communist aggression.

(2) Reduction of the public debt by $10¾ billion and achievement of a budget surplus of about $3¾ billion in the 6 years ending June 30, 1952; improvement in the structure and ownership composition of the public debt; and provision of securities suitable to changing investor requirements.

During the 6 years ending June 30, 1952, the United States Government had a cumulative budget surplus of approximately $3¾ billion. This surplus, together with funds over and above normal needs available in the cash balance at the end of wartime financing, made it possible to reduce the public debt from approximately $270 billion on June 30, 1946, to $259 billion at the close of the fiscal year 1952. Since that date, our mounting expenditures for defense and security have increased the net total of the debt, bringing it up to about $267½ billion at the close of 1952.

The table below shows the surplus or deficit of receipts as compared with expenditures for each of the past six fiscal years ending with the fiscal year 1952.

		(In millions)
Fiscal year 1947	surplus	$754
Fiscal year 1948	surplus	8, 419
Fiscal year 1949	deficit	1, 811
Fiscal year 1950	deficit	3, 122
Fiscal year 1951	surplus	3, 510
Fiscal year 1952	deficit	4, 017
Six-year period	surplus	3, 733

The achievement of a budget surplus of about $3¾ billion in the 6 years ending June 30, 1952, is the more remarkable in view of the serious problems which our economy faced during this period. After World War II, we undertook a rapid shift from war to peace. Readjustment to a peacetime economy was still in process when it became clear that our help was needed to turn back the threat of Communism in Europe. The program to aid European recovery succeeded in putting Communism on the defensive throughout Western Europe, and in Greece and Turkey. No sooner had the success of this program become evident, however, than the dictator countries struck in a new area. The attack on Korea gave notice that the Communist plans for world domination were being relentlessly pursued. It was necessary to begin a new security program, here at home and in alliance with other friendly nations, adapted to the requirements of a strong and lasting defense against Communist aggression.

It is significant that we have been able to do these things and still achieve a substantial budget surplus for the 6-year period which could be applied to the reduction of our wartime debt. Moreover, it has been found possible during this period to improve greatly and strengthen the ownership structure of the public debt.

Between June 30, 1946, and June 30, 1952, Government security holdings of the commercial banking system were reduced by $24 billion. These are the holdings which are potentially inflationary; and the sharp cut-back in their amount which was accomplished during this period made a significant contribution to the financial health of the economy.

The reduction in bank holdings of Federal securities by a substantially larger amount than the reduction in the total debt outstanding was made possible by the Treasury's program for the widest possible distribution of Government securities outside of the commercial banking system. Ever since the close of World War II the goal of our debt management program has been to place the maximum

amount of securities with nonbank investors. Such a program requires, of course, that the Treasury provide these investors with securities suitable to their requirements.

A good example of this policy is found in the securities placed with financial institutions other than commercial banks, such as savings banks and insurance companies. It is generally recognized that the Treasury's longest-term bonds are particularly suitable for the investment of funds of institutions of this type. But in a growing dynamic economy the investment market represented by these funds is constantly changing.

The Treasury, therefore, has kept constant watch on the accruing funds of nonbank financial institutions. In connection with each major financing operation in which institutional investors might participate, I have consulted with representatives of these groups. At meetings held in the Treasury Department, all of the facts available through the studies of the Treasury have been placed before them by members of my staff; and we have in turn sought and received their counsel as to the procedures for refunding or new financing which should be adopted at any particular time.

The result is that the Treasury has maintained a considerable investment of long-term institutional funds in Government securities, despite the great outflow of such funds into mortgages and other private obligations which has accompanied the postwar resurgence of private business. This reflects not only our joint efforts with various investor groups to fit Government securities into a changing investment situation, but also the maintenance of a basically sound position in the public market for United States Government securities. With a debt of over $250 billion, an orderly situation in the Government bond market at all times is one of the vital requirements of a policy which safeguards the Government's credit and fosters an environment favorable to long-term investment.

In addition to the efforts which have been made to provide a satisfactory outlet for the funds of nonbank financial institutions, the Treasury also has maintained an active program for attracting and holding the short-term funds of business corporations. The issuance of tax anticipation bills, which represents a new departure in Government financing, might be mentioned in this connection. These bills were designed as an investment medium for funds accrued by corporations to meet the heavy tax payments due on March 15 and June 15 of each year.

Tax anticipation bills, together with savings notes and regular bills, fulfill the purpose of providing an outlet for short-term business funds of all kinds. Approximately $6 billion of savings notes, largely held by corporations, were outstanding on December 31, 1952. Tax

anticipation bills were outstanding in the amount of $4½ billion, as a result of the offerings in October and November of 1952. About $2½ billion of tax anticipation bills were sold in October and November of 1951 and were used, mainly by corporations, in payment of taxes due in March and June of 1952. (See exhibits 10, 11, and 12.)

This brief review of our experience with securities, particularly suited to business needs indicates that the Treasury has had considerable success in providing investment outlets both for corporation tax reserves and for the large volume of other short-term funds which business organizations must keep on hand during periods of high business activity.

The Treasury's savings bond program, which is shaped primarily with the requirements of individual investors in mind, is undoubtedly the best known of all our activities to meet investor needs and to encourage widespread ownership of Government securities. This program and its results during the postwar period are fully discussed in section (3), immediately below.

(3) Stimulation of thrift and individual savings through active promotion of United States savings bonds.

The importance of the Government's achievement in holding and increasing the wartime investments of the American people in savings bonds can best be appreciated when we recall the doubts and fears which were widely expressed on this matter during the early postwar period.

On June 30, 1946, there were $49 billion of savings bonds outstanding, of which approximately $43½ billion were in the hands of individuals. A large number of these securities were owned by people with limited financial resources whose Government bond holdings represented their only liquid savings.

No one could predict what would happen to those investments as the business situation developed. After every other major war in our history, we had experienced severe depression and widespread unemployment. The reconversion from wartime to peacetime business which was in progress in 1946 represented the most rapid and far-reaching business adjustment which had ever taken place in this country. At the same time, it was realized that the size of the Government debt would bring problems of debt management more difficult and complex than any we had faced before.

Savings bond holdings represented one of the imponderables in this situation. Many thought that a wholesale liquidation of savings bonds at some time in the future would be unavoidable. If business fell off sharply, it was argued, ready cash would be needed to tide people over the hardships of unemployment—and savings bonds represented the chief source of ready cash for millions of families. If

business and employment held up, people would cash bonds to finance purchases of goods which they had been unable to buy during the war. At best, the outlook was clouded with uncertainty.

The Treasury believed at this juncture that a Nation-wide thrift campaign was needed which would enlist not only the savings bond promotion activities but also the assistance of all the savings groups of the country, including the commercial banks. The purpose of this campaign was to make people aware of the desirability of holding on to their bonds and increasing their savings generally. When it became clear that the widely heralded prospective depression in the early postwar period was not occurring, and when consumer goods became available in quantity, consumer buying reached and maintained a volume far beyond the business experience of any previous period. Many savings bonds were cashed to pay for new houses, new cars, educational programs, family emergencies, and so on. But other bonds were bought; thus demonstrating that the Treasury's thrift program had taken hold. In addition, substantial amounts of wartime bond purchases were retained as permanent investments.

Clearly, the thrift habits which the Government continually emphasized during the war and postwar years in connection with the savings bond program have become strongly entrenched. There have been no problems of refinancing the Government debt held in savings bonds. Instead, the Treasury has been enabled to use its available funds for reducing the Government security holdings of the commercial banking system. The ability of the Government to hold and increase the amount of the people's savings represented in savings bonds has thus been a most important factor enabling the Treasury to improve the basic soundness of the Government debt structure.

In figures, savings bond ownership increased $8¾ billion during the 6 years ending last June 30, from approximately $49 billion on June 30, 1946, to more than $57¾ billion on June 30, 1952. Individual holdings alone, which were approximately $43½ billion in June 1946, were $49 billion on June 30, 1952, an increase of $5½ billion. The increases in interest rates obtainable on savings bonds and the other improvements affecting these issues which were made in 1951 and 1952 have played a part in the continued investment interest which these securities have held for the American people.

An important feature of the savings bond program during the war and postwar years has been the emphasis placed on thrift. Our goal in the Treasury has been not solely to sell Government securities, but rather to encourage savings habits in general.

The figures on changes in various types of savings during recent years are, therefore, of considerable interest in this connection. Between the end of December 1945 and June 30, 1952, savings accounts

in commercial banks increased 28 percent; in mutual savings banks, 42 percent; in savings and loan associations, 144 percent; and individual holdings of Series E savings bonds, 14 percent.

There is no doubt that the Treasury's promotion program for savings bonds has succeeded in stimulating savings of all kinds. This is particularly true in the case of the many families whose savings bond purchases through the payroll deduction plan represented their first experience with regular saving.

(4) Use of debt policy cooperatively with monetary-credit policy to contribute toward healthy economic growth of the country.

Maintenance of stable credit conditions has long been recognized as an important influencing factor in the maintenance of high activity and employment. Important responsibilities in this area have been assigned by the Congress to the Federal Reserve System; and these responsibilities involve keeping fluctuations in the total supply of credit from becoming so excessive as to endanger healthy economic growth and the maintenance of sustained high activity.

The Treasury has the responsibility for debt management policies. The public debt at the close of the fiscal year 1952 amounted to over 40 percent of all debt, public and private; and among the important holdings of Government securities were those of the banking system. It is clear, therefore, that the Federal Reserve's responsibilities for sound credit policy and the Treasury's responsibilities for sound public debt policy are intermingled and must be discharged cooperatively. The broad objectives of the two agencies are the same. The problem is to balance the many difficult considerations that enter into policy formation on each particular matter involving both debt management and credit policy.

Throughout the period since the close of World War II the Treasury and the Federal Reserve System were agreed upon the fundamental objective of maintaining a high level of production, employment, and income with as great price stability as possible under the varying conditions which existed in the economy. The related objectives which were involved as the postwar period proceeded were also a matter of agreement between the two agencies. These included: (1) maintenance of confidence in the credit of the Government; (2) maintenance of a sound market for the securities of the United States Government; (3) restraint, during much of the period, of over-all credit expansion; (4) increase in the ownership of Government securities by nonbank investors and reduction in the holdings of the banking system; and (5) adjustment from time to time in the wartime pattern of interest rates, as this became appropriate.

There were differences of opinion on various occasions as to the techniques which should be employed in reaching these objectives.

But there was never any disagreement as to the fundamental goal—to promote stable economic growth through credit and debt policy while meeting the fiscal requirements of the Government.

During these years, the Treasury and the Federal Reserve worked together on the several programs which were undertaken to achieve their joint objectives. The two agencies cooperated in a debt reduction program concentrated on the holdings of the commercial banking system. Both agencies were also in favor of encouraging savings throughout the economy. They were in agreement that, when the occasion called for them, selective credit controls and other selective restraints were useful in dealing with inflationary pressures.

In the process of carrying out these programs, the views of the two agencies often differed as to matters of emphasis, selection of instruments and methods to be employed, and timing. All of these matters, however, were the subject of continuing consultation between members of my staff and myself, on the one hand, and representatives of the Federal Reserve System on the other. Following such consultations, actions were taken by the responsible agency which in its judgment provided the best solution of the problems under consideration, on the basis of all available evidence and views.

The outbreak of hostilities in Korea presented new problems of monetary and debt management which increased the need for cooperative planning and consultation between the Treasury and the Federal Reserve System. The situation which we faced at that time differed from any in our previous experience. The attack on Korea and the response of our country and the United Nations to it did not precipitate an all-out war; yet the defense program of the United States and of the free world had to take into account the fact that further Communist aggression might at any time be attempted.

The new strains which these developments placed on our economy and on the finances of the Government were recognized by the Treasury and the Federal Reserve. On March 4, 1951, the two agencies made a joint announcement emphasizing their common purpose in assuring the successful financing of the Government's requirements and maintaining soundness in the public debt structure. As the result of the continuing joint efforts of the two agencies, the financing of the Government's requirements, including its requirements for new money during the period of the Korean emergency, has been successfully conducted with a minimum strain on the financial structure of the Nation.

(5) Tax policies and tax legislation to finance Government since June 1946.

Tax policies advocated by the Treasury since June 1946 have been directed toward meeting the changing needs of the Nation. This

momentous period of history presented distinct economic problems to which tax policy had to be adapted.

During this period, the Treasury consistently advocated fiscal policies designed to safeguard the credit of the Government. It actively sought structural improvements to enhance the equity of the tax laws. The outbreak of hostilities in Korea in mid-1950 imposed severe strains on the economy and sharply increased revenue requirements. Since that time tax policy has borne the responsibility of financing defense as nearly as possible on a pay-as-we-go basis, while retaining the incentives to work and invest which are basic to our free enterprise system.

During the six fiscal years ending with the fiscal year 1952, as a whole, the Treasury operated with a net budget surplus of approximately $3¾ billion. Since tax increases passed by the Congress were less than those recommended, the fiscal year 1952 ended with a $4 billion deficit and another deficit is anticipated for the fiscal year 1953.

The policy of covering governmental expenditures out of current tax revenues during these years served to reduce the strains and dislocations due to inflation. During most of this period, the economy was enjoying an unprecedented prosperity, and strong inflationary pressures prevailed. This situation called for tax policy aimed at both balancing the budget and reducing the public debt. Such a policy was put into effect, and contributed in a positive way to the maintenance of the credit of the Government and the soundness of the country's currency.

In the fiscal year which saw the transition from war to peace—the fiscal year ending June 30, 1946—Federal Government expenditures fell off by about $40 billion from the wartime peak of just under $100 billion reached in the fiscal year 1945. In the fiscal year 1947, the first fiscal year here under review, expenditures were again reduced by more than one-third and the Federal Government operated at a surplus of about three-fourths of a billion dollars. This desirable transition from a period of war deficits to peacetime surpluses was accomplished without serious unemployment or economic dislocation.

In view of our large wartime debt, maintenance of the Nation's finances in a sound condition required keeping our tax revenues at a high level during the prosperous postwar period in order not only to meet expenditures, but also to provide for the orderly retirement of the debt. It required also the utilization of tax reduction opportunities for the improvement of the structure of the revenue system rather than for indiscriminate across-the-board reductions. For these reasons the Treasury opposed premature tax reduction legislation in 1947 and 1948.

The Treasury opposed tax-cutting legislation in 1947, believing that

under the prosperous conditions then prevailing, taxes could be paid with less hardship and adverse economic effect than would be possible under less favorable circumstances. The Secretary outlined the desirable features of a sound tax system and urged the need for advance planning to lay the foundation for future legislation. The untimely tax reduction legislation passed by the Congress on June 3, 1947, was postponed by the President's veto and similar legislation passed July 13, 1947, was also vetoed.

When similar tax reduction proposals were renewed in 1948, the Treasury reiterated the view that there was need for restraint; that sound fiscal policies were required to cope with inflationary pressures and to reduce the public debt. The Revenue Act of 1948, passed over dministration opposition, reduced revenues by approximately $5 billion annually.

In 1949, the President recommended tax increases to recoup some of the revenue lost in 1948. This program recognized that a Government surplus under the then existing conditions was essential to provide a margin for contingencies, to permit reduction of the public debt, to provide an adequate basis for future financing of existing commitments, and to restrain inflationary trends.

Throughout these developments it was the Treasury's position that tax reduction, when feasible, should be utilized for the improvement of the fairness of the tax structure and for the elimination of inequities and loopholes. Intensive study was given to methods of ridding the revenue structure of accumulated inequities and technical defects.

In 1948, the Treasury advanced specific proposals for improving the tax system and its administration without substantial revenue cost. A number of these were incorporated in a 1948 bill adopted by the House, but were not considered by the Senate. In 1949, a further attempt was made to achieve greater equity and revenue strength by closing loopholes. Opposition to premature tax cuts was based on the view that they were inappropriate under prevailing economic conditions and would hinder desirable structural revision at a later date.

In 1950, the President recommended in a special tax message a program to eliminate loopholes in the tax laws, remove onerous excise taxes, and at the same time restore the revenue strength of the tax system through additional taxes on corporate profits and revised estate and gift taxes. The Congress was engaged in consideration of this program in June 1950, when hostilities broke out in Korea.

This development swept aside immediate prospects of excise tax reduction and confronted the United States with the problem of financing a defense program of major magnitude. The Treasury sought to obtain added revenue to meet this emergency and at the same time to promote long-run objectives. Its policies were directed

toward financing the defense effort on a sound and equitable basis, with minimum additions to the public debt. Adequacy of revenue was given primary emphasis in order to preserve confidence in the integrity of the Government's finances, to distribute the heavy defense costs fairly, and to restrain inflationary pressures.

Within 16 months after the outbreak of hostilities in Korea, three major revenue acts were enacted. These measures increased the annual revenue producing strength of the tax system by approximately $15 billion at 1951 income levels. Of this total, the Revenue Act of 1950 accounted for nearly $6 billion, the Excess Profits Tax Act of 1950 for about $4 billion, and the Revenue Act of 1951 for over $5 billion. Over 90 percent of the increased revenues under the three measures was obtained from increased taxes on individual and corporate incomes and profits. Minimum reliance was placed on consumption taxes.

The three major tax measures enacted since mid-1950 are of sufficient importance to merit separate discussion. In the paragraphs below, therefore, each of the three measures is reviewed in turn. This discussion is followed by brief statements of certain other specific developments in tax policies and programs since June 1946.

A. Revenue legislation enacted since June 1950

The Interim Revenue Program.—At the time hostilities suddenly broke out in Korea in mid-1950, Congress was considering tax revision legislation. The bill under consideration was directed primarily toward excise tax reduction. It provided reductions in war excise taxes aggregating approximately $1 billion. Most of the revenue loss was to have been recouped through closing tax loopholes and from an increase in the corporation income tax.

Although it followed the general pattern of the President's recommendations, the House bill fell short of his revenue objectives. The President had proposed (1) that excise taxes be reduced to the extent, and only to the extent, that the resulting loss in revenue could be replaced by closing loopholes in the present law, and (2) that $1 billion of additional revenue be provided by revising and improving the corporation, income, estate, and gift taxes.

When the Korean crisis occurred, the fiscal year 1950 was drawing to a close with a deficit of more than $3 billion. The Korean situation evolved rapidly and the Treasury advised the congressional tax committees that it would not be prudent to proceed with further considerations of the tax bill then under consideration. The public was warned to prepare for higher taxes. The President announced that at an appropriate time he would propose tax legislation to the Congress and suggested that such legislation be guided by two fundamental prin-

ciples: (1) "We must make every effort to finance the greatest possible amount of needed expenditures by taxation. The increase of taxes is our basic weapon in offsetting the inflationary pressures exerted by enlarged Government expenditures. Heavier taxes will make general controls less necessary. (2) We must provide for a balanced system of taxation which makes a fair distribution of the tax burden among the different groups of individuals and business concerns in the Nation. A balanced tax program should also have as a major aim the elimination of profiteering."

The situation called for speedy enactment of tax increases. Even before Korea, most economic indicators were pushing towards or exceeding record peacetime levels. Gross national product, personal incomes, and corporate profits were very close to the peak levels reached late in 1948. Economic projections indicated the beginnings of substantial inflationary pressures. The whole economy appeared to be surging forward at an accelerated pace.

To meet the emergency expeditiously, the President proposed that the pending tax reduction bill be converted into an interim tax-increasing measure to provide more time for the consideration and imposition of direct controls as well as the formulation of a revenue program for defense. Speed was of the essence because if taxes were not increased promptly inflation would become an accomplished fact.

Accordingly, the Treasury recommended that the House bill be revised (1) to eliminate excise tax reductions and other revenue-lowering provisions, (2) to retain the loophole closing, dividends withholding, and life insurance company taxation provisions, and (3) to embody increases in corporation and individual income taxes. To avoid serious delay, it advocated deferring excess profits tax legislation pending the completion of the interim revenue measure.

The revenue legislation received expeditious congressional handling. It was enacted on September 22 and signed by the President on September 23, 1950.

The Revenue Act of 1950 increased individual and corporation income tax rates along the lines recommended by the Treasury. However, the corporation income tax increases were made applicable to only about half of calendar year 1950 income instead of the full year, as had been recommended. The act also provided for gradual acceleration of corporation tax payments over a transition period of 5 years.

The Revenue Act of 1950 was the first general stabilization measure to be adopted and put into effect after Korea. It carried forward the policy of the Administration to pay for the defense program out of current taxes and thus to offset the inflationary pressure resulting from increased Government expenditures.

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The 1950 revenue legislation was facilitated by the fact that the tax structure which had been developed during the preceding years permitted the increased rates to become effective almost immediately by virtue of the current-payment system and the system of withholding income taxes as salary and wage income is received. The tax structure permitted tax rates to be increased, expanded, and made promptly effective without major structural revision. This made it possible for the Government to rely upon the individual income tax for a large part of the additional revenue required for the defense effort.

Taxation of defense profits.—In his message to the Congress on July 19, 1950, the President urged that "a balanced tax program should also have as a major aim the elimination of profiteering." The Revenue Act of 1950 did not include an excess profits tax because of the time required to draft such complex legislation. It did, however, contain a directive to the Joint Committee on Internal Revenue Taxation to make a complete study of the problems of excess profits taxation and instructed congressional tax committees to report out an excess profits tax bill, retroactive either to July 1 or October 1, 1950, as soon as practicable after November 15, 1950.

In November 1950, the President urged immediate adoption of an excess profits tax effective as of July 1, 1950, to raise $4 billion annual revenue. He pointed out that business profits had increased since that date and that such profits "should obviously be taxed as part of a sound program of defense taxation."

The Treasury's suggestions on the principal provisions of a profits tax to raise approximately $4 billion in revenue were presented to the Committee on Ways and Means on November 15, 1950. These suggestions took full account of the fact that Congress had given extensive support to the principles of excess profits taxation during its consideration of the interim tax bill.

As enacted, the Excess Profits Tax Act of 1950 imposed a tax of 30 percent on corporation profits in excess of 85 percent of the average three highest base-period years 1946–1949, to be effective for a period of 3 years, July 1950 to June 30, 1953. Provisions were also made for alternative credits based on invested capital and growth. So-called automatic relief provisions based on industry rates of return were provided.

The President approved the Excess Profits Tax Act on January 3, 1951. He commended the Congress for its speed in completing this complex legislation.

Revenue Act of 1951.—Although the Revenue Act of 1950 and the excess profits tax had increased revenues substantially, the task ahead

required more and heavier taxes to finance additional expenditures for national defense.

In his tax message to the Congress February 2, 1951, the President pointed out that "inflationary pressures will be strong even after taxes are increased enough to balance the budget. We will still need direct controls over prices and wages. But it may not be possible to make these controls effective unless we tax ourselves enough. Certainly those controls will be far more effective if we pay for expenditures through taxes as we go along."

To meet the problem the President recommended that the tax program be enacted in two parts. This two-phase program was suggested because of the difficulty of estimating the speed with which military production and expenditure would get under way. He suggested that the first part provide additional revenue of at least $10 billion and that such remaining amounts as would be needed to keep the Government on a pay-as-we-go basis be provided at a later date.

On February 5, 1951, the Treasury outlined to the Committee on Ways and Means of the House of Representatives a tax program to yield approximately the $10 billion the President requested. The largest portion of the additional revenue, $4 billion, was to be provided by raising all income tax brackets by 4 percentage points and by increasing the capital gains tax rate from 25 to 37½ percent. Increases were also proposed in the corporate income tax and in a number of excise taxes.

Improvements were also urged in the tax structure and in enforcement provisions since higher rates accentuated existing inequities. Previous legislation had been successful in closing several important loopholes but further action was needed along these lines. Improvements in the tax structure in those areas which enabled favored taxpayers to escape their fair share of the burden were also recommended.

Revenue increases adopted under the Revenue Act of 1951 were only about half the amounts recommended. The bulk of the increase came from taxes on individual and corporate incomes. The force of this legislation was partially dissipated by the fact that it contained a number of provisions which acted as tax havens. These included excessively liberal capital gains and family partnership provisions, and additional depletion and related allowances for certain mineral properties.

Because of these features, the President approved the bill only with reluctance, indicating that he would have disapproved the legislation if the need for revenue had not been so pressing.

B. Other specific developments in tax policies and programs since June 1946

Social security taxes.—During the period since June 1946 the Treasury gave continuing attention to the development of effective methods for extending and expanding the coverage of the old-age and survivors insurance program, drawing upon its experience with wartime and postwar taxation of lower income groups. The efforts to extend coverage culminated in the enactment of the Social Security Act Amendments of 1950, which brought within the framework of the retirement program millions of self-employed persons, agricultural and domestic workers, and employees of State and local governments and nonprofit institutions. At the same time the general level of social security benefits and taxes was increased. The 1950 legislation also reversed the action of the preceding Congress which had excluded some workers from coverage.

During the six full fiscal years under review, the Secretary, as managing trustee of the old-age and survivors insurance trust fund, was responsible for the management of an ever-increasing reserve fund. At the end of the fiscal year 1952 the assets of the fund stood at $16.6 billion compared with $7.6 billion 6 years earlier.

Federal-State-local tax coordination.—Throughout the postwar period the Treasury has sought to advance Federal-State-local tax coordination. State and local governments emerged from World War II with substantial surpluses. Tax revenues expanded during the war while the limited availability of materials and manpower held down expenditures. The postwar years were characterized by rapidly increasing needs for State and local services which exhausted wartime reserves of State and local governments and pressed heavily against the expanding revenues. This coincided with the continuing need for high level Federal revenues. In the process, the problems of intergovernmental tax coordination were intensified.

In recognition of this situation, the Secretary of the Treasury invited State and local representatives to meet with Federal officials in Washington in April 1949 to explore intergovernmental fiscal problems, including methods of reducing overlapping taxes and administrative duplication. Among other proposals, the conference considered the suggestion that the Federal Government relinquish certain excise revenues to State and local governments either through rate reduction or tax repeal. It agreed that Federal budgetary conditions at the time precluded abandonment of excise revenues, and recommended that the interest of the States and municipalities be kept in view when circumstances permitted a general Federal excise tax revision.

Administrative cooperation between Federal and State fiscal authorities has been extensively developed since the war. Federal income tax returns have been opened to inspection by State tax officials, and in recent years, thousands of transcripts of individual and corporation income tax returns have been supplied to the States. Beginning with 1950, Federal-State cooperation entered a new phase, with the exchange between Federal authorities and a number of States of information uncovered through tax audits. This program is proving successful and several States have expressed a desire to participate in it. Legislation proposed by the Treasury and enacted in 1952 will enable Federal agencies to withhold State income taxes from their employees where States make general use of income tax withholding.

Extensive administrative cooperation has been developed in the enforcement of alcohol and other excise taxes. Federal, State, and local enforcement officers work closely together in the detection of illicit alcohol production. Treasury records on alcohol shipments and on alcoholic beverage distributors are made available to the States as an enforcement measure. The States have had a special problem of enforcement of tobacco taxes because interstate parcel post shipments provide a means of tax avoidance. Federal legislation in 1949 relieved this situation by requiring that monthly reports be made to State administrators by persons who sell cigarettes in interstate commerce and ship them to other than licensed distributors in a State which taxes cigarettes.

The problems associated with payments to State and local governments on federally owned real property have long been a troublesome factor in intergovernmental relations. The 1949 Treasury conference on intergovernmental fiscal relations revealed more interest in this problem than in any of the others discussed. As a result, plans were formulated with Treasury participation for a uniform system of payments to State and local governments on account of federally owned real estate. Legislation along these lines is pending in the Congress.

International tax relations.—In the immediate postwar period, private investment abroad could play only a minor role in the restoration of war-torn economies. In subsequent years, as United States policy turned increasingly to private capital to promote the economic growth of the free world through Point IV and other programs, the Treasury developed a number of tax proposals to further foreign economic policy. Recommendations were made to the Congress (a) to liberalize the tax treatment accorded income from personal services rendered abroad, (b) to liberalize the credit allowed for foreign income taxes, (c) to permit postponement of tax on income earned abroad

through branches of domestic corporations until such income is remitted to the United States, and (d) to grant a credit under the Federal estate tax for death duties imposed abroad. Except for the postponement of tax on branch income, Congress adopted legislation along each of these lines. Legislation on tax postponement has been introduced and is under consideration by the Ways and Means Committee.

The Treasury conducted an active tax treaty program to eliminate international double taxation, thus further promoting the Nation's economic interests and its foreign policy. Income tax treaties were concluded with 7 countries, bringing the total number of such agreements now in effect to 11. Treaties with three other countries have been signed but await exchange of ratification. In addition, a number of estate tax treaties were also negotiated.

The Treasury actively participated in a number of international meetings dealing with tax policy. In 1948, it helped to launch the United Nations Fiscal Commission. The Fiscal Assistant Secretary of the Treasury, who represents the United States on the Commission, has played a leading role in its deliberations.

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Viewing the events of the period since June 1946 in retrospect, there are grounds for genuine satisfaction that, on the whole and despite imperfections, the tax structure has served the purposes of the American people well. Despite the additional burdens which they have been called upon to bear, the people of this Nation have enjoyed a higher standard of living than ever before. Production has gone forward and future productive capacity has been expanded.

This experience demonstrates in a gratifying manner the capacity of a democratic Nation to use the self-discipline of taxation wisely. It affords confidence that a courageous and constructive approach to tax policy can help build a sound and enduring prosperity.

(6) The formulation, expression, and coordination of United States foreign financial policies.

The 6½ years since June 1946 have been years of rapid evolution in United States foreign financial policies to meet rapidly changing developments in the world political and economic situation. We have passed through the immediate postwar adjustment to the termination of lend-lease arrangements, and through the period of emphasis on the physical recovery of industrial and agricultural production. In 1949 and 1950, we were increasingly devoting attention to financial, monetary, and exchange policies which were making it possible to approach the kind of international monetary system and level of international trade, with reduced reliance on United

States assistance, which we had been seeking. Then in 1950 the attack on the Republic of Korea posed for us the necessity of new emphasis on defense throughout the free world, and presented new problems in the financial relationships of the United States with other countries.

Throughout this period, while dealing with the immediate and urgent problems which continuously arose, I have sought to keep before the world our broad objective of a high level of world trade and investment, which would improve the standard of living of the free peoples and attain higher levels of useful production, employment, and trade. Conscious of the financial costs of our foreign assistance programs, I have sought to encourage greater reliance on trade and investment and a better balance in international accounts through realistic exchange rates, backed up by vigorous and sound internal financial policies among the countries participating in our assistance programs. Our hope is to achieve a goal of expanding multilateral trade and a greater degree of convertibility of currencies, which will open the world to an increasing extent to the stimulating and constructive forces brought into play by the competitive price system operating internationally as well as domestically. Accordingly, we have sought the removal of hampering restrictions whether they take the form of restrictive tariffs, quotas, prohibitions, exchange restrictions, or other artificial supports or devices.

In the United States itself, we have been able to contribute decidedly to these objectives. We have maintained a strong currency and through our free convertibility of dollars into gold for international transactions have provided the foundation upon which the world monetary system may be rebuilt. We have made substantial progress in reducing our barriers to the free flow of international commerce, through our tariff reductions and in the improvement of our customs administration. I have been pleased to see our imports grow significantly, and I hope that our friends abroad will be in a position to pay their way to an increasing extent by trading freely in world markets.

Since much of the progress which we can make toward this goal depends upon the actions of other governments, I have taken an active part in our efforts to obtain their cooperation in promoting these objectives. Opportunities have been provided through personal contacts, through expressions of this Government's views, and through constant contacts between the Treasury and foreign finance ministers. Representatives of foreign governments have frequently come to Washington to discuss problems of mutual interest. Also, I have visited foreign countries for conversations with their financial officers on several occasions, such as trips to Latin America in 1946, 1947,

and 1952; to the Middle East, and the Far East in 1949; and to Europe in 1949, 1950, and 1952. Ultimate decisions in exchange, fiscal, and other major financial matters are taken by the countries concerned, but we are in a position to seek their cooperation and to express our views. In addition to the normal relations between governments, we possess in the International Monetary Fund an international organization which devotes special attention to the promotion of consultation and cooperation in exchange policies, with a view to avoiding conflicting courses of action by the nations of the world. Throughout my term as Secretary of the Treasury, I have served as Governor for the United States in this institution, and have appreciated the opportunity to take an active part in its early formative stages and in its subsequent development.

In addition to this broad concern, a number of problems have arisen in the coordination of grants and credits being undertaken by a variety of administering agencies. I have been Chairman of the National Advisory Council on International and Monetary Problems, which has been charged by Congress with responsibilities for such coordination. The Council has reviewed the financial policy issues arising in the series of annual assistance programs, as well as those presented by the continuing operations of national and international lending agencies.

In the latter part of the period and particularly after the aggression in Korea, the Treasury has been concerned with the financial aspects of our mutual security programs. As the mutual defense programs developed under the aegis of the North Atlantic Treaty Organization, it became apparent that many of the major decisions in foreign countries could be taken only with the active participation and approval of the finance ministers. Frequently the critical questions concerned the financial effort required of NATO members relative to the contributions being made by other members and to the form and amount of United States assistance. At the same time, our contribution to the common effort was a matter of major concern to the United States taxpayer. Accordingly, at the designation of the President, I became a member of the Council of the North Atlantic Treaty Organization, serving in this capacity with the Secretary of State and the Secretary of Defense.

A special responsibility has arisen from the Korean conflict. In support of our efforts in Korea, I took action on December 17, 1950, to block financial transactions involving Communist China or North Korea. This measure not only immobilized existing dollar assets of Communist China and North Korea and their nationals, but prevented these areas from selling their goods to the markets of this country

for foreign exchange which could be used to aid their attack upon our forces.

Many of these international financial problems have required fairly constant attention throughout the period under review. In each of the postwar years, however, circumstances have required that special attention be given to one or more particular aspects of the broader international financial problem, as indicated in the following paragraphs.

When I began my term of office in June 1946, we were faced with the problem of immediate postwar relief and reconstruction, and the task of building a stronger international monetary system. An initial part of the latter task was the carrying forward of the organization and functions of the financial institutions which had originated in the Bretton Woods Conference in 1944. One of these institutions was the International Monetary Fund, which was designed to improve the standard of living of its members and to promote production and trade through international cooperation in exchange policy. It was directed to work toward a world of free exchange and convertible currencies, and to this end was provided with funds available for short-term financial assistance, to be associated with its consultations and review of the exchange, monetary, and financial policies of its members. The second new institution, the International Bank for Reconstruction and Development, was designed to make or guarantee international loans for productive purposes.

I have participated in the formulation of policies for the two organizations, through the National Advisory Council which advises the representatives of the United States on the boards of the two institutions. As United States Governor, I have represented the United States at the seven annual meetings which have been held since the establishment of these organizations.

The year 1947 was marked by increasing evidence that many foreign countries, particularly in Europe, were unable to effect the conversion to peacetime conditions, and carry out the needed reconstruction, without serious internal inflationary stresses and a critical strain upon their balance of payments. The immediate postwar program of relief on an international basis began to be replaced by United States foreign relief programs. Our efforts to rebuild the world monetary system also were set back by the failure of the British attempt to make sterling convertible and the rapid exhaustion of the funds provided by the Anglo-American Financial Agreement. As administrator of the Anglo-American Financial Agreement, in consultation with the National Advisory Council, I conferred with the representatives of the British Government on the situation arising out of the 1947 crisis.

Recognizing the economic stresses under which the European countries were laboring, the executive branch developed and presented to the Congress in the winter of 1947–48 proposals for a European recovery program. As Chairman of the National Advisory Council, I guided the deliberations of the Council on the major financial policy questions raised by a program of this magnitude and character. In presenting the views of the Council to the Congress, I pointed to the large outstanding obligations of the European countries and recommended that the bulk of the assistance be provided in the form of grants, rather than loans, in order that we might avoid so large an increase in debt as to operate to the disadvantage of future trade and private investment. The importance of efforts by the participating countries to increase production, expand trade, and seek financial stability was stressed. Particular emphasis was given to the vital importance of the control of inflation through appropriate fiscal and monetary policies, taxation, and improved fiscal administration, curtailment of postponable expenses, sound credit and debt policies, and appropriate exchange rates.

Also in 1948, it became apparent that financial reforms were necessary in Germany and Japan. In both countries the early postwar period was characterized by acute inflation which impeded economic recovery internally and kept them in a weak international position, supported by large appropriations administered by the United States military forces. The Treasury cooperated actively with the State and Defense Departments in planning and carrying out the currency reform in Germany. This reform was highly successful and gave impulse to a striking recovery in the balance of payments and in the internal prosperity of Western Germany. Through the National Advisory Council, attention was focused on the Japanese situation in the same year, and recommendations were made which eventuated in special missions to Japan, who advised the Supreme Commander and the Japanese officials on exchange policy and internal measures. The stabilization program resulting from these efforts provided an impressive stimulus to Japanese recovery.

In 1949, progress was being made in a number of continental European countries in controlling inflation and strengthening their currencies. However, in my presentation to the Congress of the recommendations of the National Advisory Council in the spring of that year, I suggested that the problem of exchange rates should be reviewed with a number of European countries during that year, with a view to exploring the extent to which they might improve their position by an adjustment of their overvalued currencies. In the autumn of 1949, shortly after the conclusion of the annual meeting of the International Monetary Fund and the International Bank, the

British Government decided to adjust the par value of the pound sterling, and this was quickly followed by a number of adjustments in other exchange rates. Following this world-wide adjustment, the current deficit of the rest of the world with the United States, which had been more than $7 billion per annum early in 1949, dropped to about a third of this figure. At the current level of United States assistance, this permitted some improvement in foreign reserves. While the exchange adjustments did not account for all of this favorable turn in the world payments situation, it seems clear that they contributed substantially to this result.

The invasion of Korea set off a new series of disturbances throughout the world. Prices rose and increased military preparations added to the generally inflationary pressures in many countries. Large imports by the United States resulted in considerable additions to the gold and dollar reserves of the sterling area and other raw material producing countries, but the high prices of raw materials adversely affected the European manufacturing centers.

There were suggestions that some of the raw material producing areas appreciate their currencies with respect to the dollar. The National Advisory Council opposed any general revision of exchange rates by countries maintaining exchange restrictions or receiving special United States assistance; and I stated the view of the United States that such action was not justified in view of our armament effort and our mutual assistance program, and would merely give a trade advantage to particular countries.

New evidence of inflationary strain and external pressure on the balance of payments developed abroad in the latter part of 1951, and has continued into 1952. These developments emphasized the close relationship of internal financial policy to a sound balance-of-payments position. This theme was developed during the consultations and discussions of the International Monetary Fund during the summer of 1952. Efforts were undertaken, particularly by the United Kingdom and certain other countries, to arrest inflationary trends. In the annual meeting of the International Monetary Fund and the International Bank in Mexico in September 1952, I noted an increasing realization of the vital importance of controlling internal inflation through sound fiscal and financial policies. Expressing the views of this Government, I emphasized the essential but frequently unpopular role of the finance minister in urging the difficult road of fiscal and monetary measures which minimize inflationary pressures, as against the easy and frequently popular road of inflation and exchange and trade restrictions, which leads in reality to instability and weakness. (See exhibit 35.)

A more detailed review of the problems of these years in relation

to the responsibilities of the Treasury and the objectives of the United States in the area of international financial relations will be found in a later section of this report (pp. 218 to 235). In this section also, details of programs and actions which have been instituted with respect to United States gold and exchange policies, international monetary cooperation, and United States economic assistance programs are given at greater length.

(7) Reorganization and management improvement in the Bureau of Internal Revenue in order that the Bureau might more adequately fulfill its increased responsibilities.

At the time that I took office in June 1946, there was urgent need for adapting the operations of the Bureau of Internal Revenue to its greatly expanded responsibilities. Between 1940 and 1946, the Bureau had grown from a $5 billion to more than a $40 billion business. Its collection job had multiplied eight times in dollar volume from 1940 to 1946. Its customers had quadrupled from nearly 20 million to more than 80 million in tax returns filed during the same period.

In addition to increases in the sheer volume of the workload, the nature of the tax collecting job had undergone major changes during the war years. Before the war, tax collection was concerned largely with taxpayers having fairly substantial incomes. These taxpayers generally kept accurate records, utilized the services of accountants or lawyers, maintained bank accounts, and possessed a general knowledge of tax requirements. Practically overnight, the income tax was extended to cover millions of modest-income people whose records were scanty, who were untrained in tax requirements, who often had no bank accounts, and who changed jobs frequently. The Bureau was thus called upon to administer and collect a very broadly based mass tax, with all of the problems of education, administration, supervision, and enforcement which this created.

At the same time, major changes in the methods of tax collection, notably the withholding tax, had occurred. The withholding tax represented an important step forward in convenience and effectiveness of tax paying and tax collection. Nevertheless, the new current tax payment system called for basic changes in tax collection practices. In addition, many new and complex taxes were imposed and superimposed during the war, including a large number of excise taxes, each one with separate problems of administration, collection, and enforcement. Finally, the severe shortage of manpower and mechanical equipment during the war increased all of these difficulties, making it necessary for the Bureau to meet its magnified tasks with a prewar machinery which was neither designed nor equipped to handle them.

While the war was going on, the Bureau solved these problems as best it could, using its limited facilities where they were needed most.

But by June 1946, the investigation of individual income tax returns had fallen about 1 year behind schedule and the investigation of corporate income and profits taxes nearly 2 years behind. Furthermore, only limited manpower could be spared from the Bureau's most essential functions to obtain better enforcement and collection.

During the past 6 years, a thorough, drastic, and far-reaching revision of the tax collecting mechanism and of the entire operations of the Bureau has taken place. These developments have grown out of the management improvement program which was started in October 1946. At that time, I called to Washington all the key revenue officials. The goal which I placed before these officials was the transformation of the Bureau as it existed on that date—with a basic structure dating back to the 1860's—into a modern, streamlined organization carrying on its operations according to the latest practices of modern business.

The October meeting was the first of a continuing series of actions through the ensuing months and years. The program as it progressed has resulted in a large number of major changes and in innumerable lesser improvements in the Bureau's methods and administration.

One of the important changes is the President's Reorganization Plan No. 1 for 1952, which President Truman sent to the Congress in January 1952 and which became effective 2 months later with congressional assent. The essential features embodied in this plan are: (1) The elimination of political appointment of all Bureau personnel except the Commissioner, and the placing of such personnel under civil service and the merit system; (2) abolition of the collectors' offices and the establishment in their stead of not more than 70 local area offices under the direction and supervision of not more than 25 district offices which are to have full administrative responsibility for all Internal Revenue Bureau activities within a designated area, regardless of function or kind of task; (3) provision in the district offices of a one-stop service to the taxpayer with respect to revenue problems of any kind; (4) the achievement as the result of these and other changes of an efficient, streamlined organization having the advantages of (a) the consolidation of mass operations in the district offices, (b) the greater use of modern mechanized processes of operations, (c) the delegation of more operating functions to the taxpayer level, and (d) greatly broadened auditing and enforcement activities through the use of personnel and funds released by improvements elsewhere.

On December 1, 1952, the major features of the reorganization of the Bureau of Internal Revenue were completed. All of the collectors' offices had been abolished and replaced by 64 directors' offices under the direction of 17 district offices, providing every section of the

country with greatly improved facilities for conducting business relating to tax obligations and tax payments.

The Reorganization Plan No. 1 of 1952 developed from the management studies and surveys which were put into operation in the early months of my tenure of office. In the period since then, the management improvement program for the Bureau of Internal Revenue has brought experience and management skill from every source inside and outside the Government to bear on the Bureau's organization and operations. An audit control program was formulated for the purpose of achieving maximum effectiveness in audit and investigative techniques and maximum enforcement coverage with the available personnel. A work simplification program was initiated at the grass roots level and some 2,200 improvements in operations and procedures have resulted. Employee incentive awards have been established and have been immensely productive of new ideas and suggestions which have paid off. A management staff was set up as part of the Commissioner's Office, and a "Special Committee to Direct the Management Studies of the Bureau of Internal Revenue" was created. This committee was composed of qualified people from inside and outside the Government and headed by an experienced businessman.

One of the outstanding management firms in the country was engaged to make comprehensive analyses of procedures in the collectors' offices and of Bureau operations in general. Improvements of far-reaching consequence have resulted and are resulting from these reports.

One of the most tangible evidences of change which has occurred during recent years has been the extensive conversion of manual operations to labor saving and mechanical devices. The Bureau has tried out and installed as rapidly as possible electronic computers, punch card recording machines, high-speed posting machines, mechanical validators for tax stamps, and many similar devices for speeding up operations.

The most striking transformations, however, are not those which can be seen by a visit to the Bureau's offices. They are found in the much greater efficiency of service rendered the taxpayer and the public in general. The Bureau has substantially reduced its backlog and absorbed a 13 percent increase in income tax returns filed (including a 144 percent increase in the number of individual income tax returns over $10,000, which require more work and attention). Yet the cost of collecting the taxpayer's dollar has fallen to 42/100 of a cent, one of the lowest on record in modern times, and services of all kinds have been greatly improved.

For example, refunds on overpayments to some 30 million taxpayers

as a result of the withholding tax—running annually close to $2 billion—have been speeded up through modern methods to the point where most of them are now mailed out in approximately two months after the March 15 tax payment date. Such refunds have formerly required as long as 12 months. This single improvement is resulting in a saving in interest payments on tax refunds amounting to as much as $3 million in a single year.

The saving in time to both the taxpayer and the Bureau represented by the great simplification of income tax forms put into effect in recent years is an example of another achievement of great importance.

The more intensive enforcement program made possible by the streamlining of other Bureau operations is still another result, and a most important one of the improvement program. Additional tax assessments and collections on unpaid taxes, many of which the Government would not otherwise have collected, were approximately $800 million, or 55 percent, greater in 1952 than in 1946. It has been possible, also, to step up investigations and prosecutions of tax frauds. In the fiscal year 1952 alone, additional taxes and penalties recommended in the cases investigated by the Bureau's special agents having to do with tax frauds totaled more than $250 million, approximately the amount required to run the Bureau for an entire year.

The record of improvements since 1946 in the Nation's largest business, the Bureau of Internal Revenue, is given in some detail in a later section of this report (pp. 200 to 213), and is discussed also in the chronological review of management improvement during the past six fiscal years which appears on pp. 213 to 218. The record confirms my belief that the program which we have been able to put into effect in the Bureau of Internal Revenue since 1946 represents an achievement of outstanding importance in the history of governmental operations. The irregularities of which some employees have been guilty and which the Department has made every effort to eliminate should not detract attention from the essential over-all honesty and competence of the personnel of the Bureau of Internal Revenue. The American people can well be proud of the integrity of the Bureau's employees and of the success with which the Bureau has sustained their fidelity and devotion to duty.

(8) Improvement in services and operating procedures of the United States Coast Guard.

One of the most difficult and pressing administrative problems which the Treasury Department faced when I took office was the readjustment of the Coast Guard, and its successful adaptation to the many new responsibilities which had developed during the war years. On January 1, 1946, the United States Coast Guard had been returned

to the jurisdiction of the Treasury Department, after having operated as part of the Navy during World War II.

The peacetime duties for which this branch of the service was responsible had undergone a radical change during the war years. The extensive developments during World War II of such navigational aids as loran (electronic long-range aids to navigation) and weather reporting devices made necessary extensive changes in the facilities relating to weather reporting and to air and sea safety which are the responsibility of the Coast Guard. At the same time, the tremendous increase in transoceanic air travel placed serious new burdens on the personnel and equipment of the service.

For example, in August 1946, on the basis of an act approved by the Congress and signed by the President, the United States became an official member of the International Civil Aviation Organization. This is an authoritative international group for the promotion of air safety and other aviation matters. The United States Coast Guard has the primary responsibility for carrying out the recommendations of this organization for rescue at sea, and has been meeting its obligations with respect to these matters as rapidly as funds and personnel would permit.

With respect to all its navigational and sea rescue activities, it has been necessary for the Coast Guard to modernize operations in order to bring them in line with the requirements of present-day air and marine transportation. At the present time, for example, the Coast Guard maintains 37,838 aids to navigation in the navigable waters of the United States, its Territories and possessions, the Trust Territory of the Pacific Islands, and at overseas military bases. These aids consist of many different devices ranging from simple unlighted wooden spar buoys to light stations, lightships, and complex loran networks. The 36 loran stations, located both in the United States and in widely separated and isolated localities (Greenland, Labrador, Newfoundland, Alaska, the Philippines, and the islands of the Pacific) provide navigators traversing the military and civil air and sea routes of the North Atlantic and Pacific Oceans with means for accurate and quick determination of their positions at all times, regardless of weather conditions.

In addition to these duties, the Coast Guard participates in the International Ice Patrol, maintains the Bering Sea Patrol, maintains ocean weather stations in the North Atlantic and in the North Pacific in fulfillment of international agreements, and performs a large number of duties with respect to maritime law enforcement, inspection, and safety.

When I took office in June 1946, the future peacetime mission of the Coast Guard with respect to all these needs and functions was uncer-

tain and obscure. During the 10-month period after VJ Day, the Coast Guard demobilized from 172,000 to 22,000 officers and men. This had caused a disruption in the orderly procedure of its operations; yet the host of new duties which had evolved upon the Service during the war years remained as a continuing responsibility of grave proportions.

Recognizing the critical nature of the problems in the summer of 1947, provision was made through the cooperation of Congress for a major business study of the Service to be conducted by a private firm of consultants. The firm submitted its report in January 1948 and advanced a large number of recommendations aimed at furthering improvements in Coast Guard operation. These proposals became an integral part of a broad improvement program. Since that time, other outside surveys have been made on specific aspects of Coast Guard operations.

The details of the Coast Guard improvement program as it progressed year by year are given in another section of this report (pp. 237 to 251). I should like to note at this point, however, the following major accomplishments.

(1) Further work has been done in integrating the duties of the former Bureau of Lighthouses and the former Bureau of Marine Inspection and Navigation into Coast Guard operations. These two Services were transferred from the Department of Commerce. The first was on July 1, 1939; the second, by Executive Order of February 28, 1942, which became permanent with Reorganization Plan No. 3 of 1946. Increased economy and efficiency have been attained through consolidation of facilities, reduction of operating expenses, and better use of personnel assigned to marine inspection and aids to navigation functions.

(2) Important savings in expenditure and a more efficient use of personnel were effected by consolidating districts and facilities whenever careful study indicated that this action was practicable.

(3) Extensive improvements in accounting organization and procedures were carried out.

(4) A study of existing supply procedures initiated in 1949 resulted in more efficient methods of procurement, better inventory control with reduced costs, and improved distribution of stocks.

(5) Installation and more effective use of new devices, particularly in the field of electronics, have enabled the Coast Guard to meet its increased obligations and to carry out its traditional duties more efficiently than ever before, even with a minimum of personnel.

(6) A central management group has been established to review regularly methods and procedures to assure constant improvement in management practices.

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In addition to these improvements, a strong organization for the Coast Guard has been facilitated by an act of Congress which became law in August 1949 (Public Law 207). In this law the Coast Guard received from the Congress, for the first time, a concise mandate as to its peacetime functions and responsibilities. Other developments which have strongly affected Coast Guard operations during my tenure have been the new responsibilities for port security, and the revitalization of the Coast Guard Reserve—both of which resulted from congressional action following the outbreak of hostilities in Korea.

The Coast Guard is today a compact, highly efficient organization which is enabled by the improvements of the past 6½ years to carry out its far-flung responsibilities by means of only a relatively small increase in personnel and funds allotted to the Service since the middle of 1946.

(9) The improvement of Federal accounting and financial procedures of the Federal Government.

In view of the changes which have been brought about in the accounting system of the Government during my term of office, it seems desirable to include in my final annual report to the Congress a brief review of the system since its inception in 1789, particularly as it concerns the responsibility of the Treasury Department in maintaining the central revenue and appropriation accounts of the Government.

The keystone of the system is the provision in Article I, Section 9 of the Constitution which provides:

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time."

In the act creating the Treasury Department it was unquestionably the intention of the Congress to center in this Department the accounting control over the public money. In addition to the positions of Secretary of the Treasury and Treasurer of the United States, the act of September 2, 1789, created in the Treasury Department the positions of Comptroller, Auditor, and Register.

No acknowledgment of the receipt of money into the public Treasury was valid unless endorsed on a warrant of the Secretary of the Treasury. Likewise, the Treasurer was authorized to make disbursements only upon warrants of the Secretary, countersigned by the Comptroller, and recorded by the Register.

The basic principles established in 1789 are part of the laws of today, although the passage of time has brought about changes in organization as well as procedure. Between 1789 and 1894, certain accounting functions had been imposed upon other agencies; but in the

Dockery Act of July 31, 1894, the Congress reorganized the system by restoring it more completely to the original Treasury system. This law established in the Treasury Department the office of Comptroller of the Treasury, who was the principal accounting officer of the Government, six auditing officers, and a Division of Bookkeeping and Warrants, which became the central bookkeeping and reporting organization of the Government.

For many years, beginning in 1908 and 1909, the Treasury Department had recommended the adoption of a budget system as a means of providing better control over the receipts and expenditures of the Government. In the Budget and Accounting Act of 1921, the Congress created a budget system, and at the same time made important changes in the Government's accounting and auditing structure.

The 1921 law created the General Accounting Office as an independent agency of the Government, under the control and jurisdiction of a Comptroller General of the United States. The office of the Comptroller of the Treasury and the six auditing offices of the Treasury were consolidated in the newly created General Accounting Office.

Authority to issue warrants on the Treasury, however, was retained in the Secretary of the Treasury, subject to counter-signature of the Comptroller General of the United States. Also, the functions of maintaining the central accounts of the Government and of preparing an annual report relating to receipts, appropriations, and expenditures, were left in the Division of Bookkeeping and Warrants of the Treasury Department.

Section 255 of Title 5 of the United States Code provides:

"There shall be in the Bureau of Accounts of the Fiscal Service, Treasury Department, a division of Bookkeeping and Warrants. Upon the books of this division shall be kept all account of receipts and expenditures of public money except those relating to the postal revenues and expenditures therefrom." And Section 264 of the same title provides:

"It shall be the duty of the Secretary of the Treasury annually to lay before Congress, on the first day of the regular session thereof, an accurate combined statement of the receipts and expenditures during the last preceding fiscal year of all public moneys, including those of the Post Office Department, designating the amount of the receipts, whenever practicable, by ports, districts, and states, and the expenditures, by each separate head of appropriation."

Until recent years the accounting procedures of the Government were designed largely for the purpose of controlling appropriation allotments and enforcing accountability of public officers with respect to the receipt and disbursement of public funds. On December 23, 1947, the Secretary of the Treasury, the Comptroller General of the

United States, and the Director of the Bureau of the Budget met for the purpose of considering the feasibility of improving the system by making it more responsive to the needs of management. The result of this meeting was the adoption of a joint accounting improvement program in which the General Accounting Office, Treasury Department, and the Bureau of the Budget took the leading roles, assisted by the various administrative agencies of the Government.

An important outgrowth of this program was the enactment of the Budget and Accounting Procedures Act of 1950. In approving this act President Truman said:

". . . This is the most important legislation enacted by the Congress in the budget and accounting field since the Budget and Accounting Act, 1921, was passed almost thirty years ago."

Space does not permit a complete description of all the changes made; however, the more important procedural changes which were made in the Treasury's central system of accounting may be noted. These changes were made possible by a provision in the Budget and Accounting Procedures Act of 1950, section 115 (a), which reads:

"When the Secretary of the Treasury and the Comptroller General determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for the public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law that—

(1) warrants be issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds; and

(2) funds be requisitioned, and advanced to accountable officers under each separate appropriation head or otherwise."

Under this legislative authority the Secretary of the Treasury and the Comptroller General of the United States, jointly, have issued three regulations which have simplified the covering of receipts into the Treasury and the subsequent requisitioning of appropriations for purposes of disbursement.

Under Joint Regulation No. 1, issued on September 22, 1950, collections representing repayments to appropriations may be deposited directly into the accounts of the disbursing officers where they are immediately available for disbursement without formal covering into the Treasury and subsequent withdrawal on warrants. These transactions are subsequently reflected in the central accounts of the Treasury. Prior to this regulation, the law required that such collections be deposited into the Treasury, covered, and requisitioned by disbursing officers before they were available for disbursement. As

there are approximately 140,000 items of repayments each year, this change in procedure represented a major improvement in simplifying the handling of such collections.

Under Joint Regulation No. 2, issued on April 16, 1951, provision was made for the advance of appropriated funds to disbursing officers under various appropriation heads simultaneously with the setting up of appropriation accounts on the central books of the Treasury. This obviates the need for the agencies to requisition such funds on a piecemeal basis and for the Treasury to issue separate accountable warrants. The change in procedure resulted in the streamlining and simplification of procedures by eliminating many thousands of separate requisitions and warrants.

Under Joint Regulation No. 3, issued on June 12, 1951, it is provided that all special fund and trust fund receipts which are available under law for disbursement may be credited directly to the checking accounts of disbursing officers. As in the case of repayments to appropriations, this change in procedure has eliminated the necessity for the issuance of covering warrants and the advancing of funds to disbursing officers in connection with such receipts. The regulation provided further, however, that such collections will continue to be accounted for as receipts and also as amounts appropriated for disbursement. This change in procedure, in addition to making funds available for disbursement sooner, resulted in the elimination of approximately 4,700 warrants annually. In addition to the specific changes in accounting required by the regulations cited, a number of other improved procedures were installed in the Bureau of Accounts, concurrently with changes under the Joint Accounting Improvement Program.

Under the Budget and Accounting Procedures Act of 1950, the Comptroller General, in consultation with the Secretary of the Treasury and the Director of the Bureau of the Budget, is required to establish principles and standards for accounting to be observed in the various departments and establishments; and this act further provides that the accounting in the various agencies of the Government shall be integrated with the central accounting of the Treasury.

Several steps have been taken toward integrating the accounts of the various Departments with those of the Treasury. Coincident with the change in the warrant procedures covered by Regulations Nos. 1, 2, and 3 mentioned above, arrangements were made with the various Departments whereby disbursing officers furnish the Bureau of Accounts with copies of their monthly accounts current, showing receipts which are available for disbursement and expenditures under each appropriation or fund account. These accounts, together with other data available to the Treasury, are used as posting media to the Treasury's central accounts. Previously, expenditures reported an-

nually in the annual *Combined Statement of Receipts, Expenditures and Balances* under the act of 1894, were based upon warrants issued by the Treasury, after adjustments for unexpended balances in the hands or to the credit of disbursing officers at the beginning and end of the fiscal year, as explained in the *Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1927*, page 89. Thus, under the former procedure the figures in this report were not taken directly from the central accounts of the Treasury.

Under the new procedure the expenditures included in the annual Combined Statement are derived directly from the Treasury's central accounts, which, in turn, are based upon the same accounts which are rendered to the General Accounting Office for audit and settlement.

As previously mentioned, under the act of July 31, 1894, the central accounts of the Government have been maintained in the Division of Bookkeeping and Warrants, where the warrants authorizing the withdrawal of money from the Treasury are prepared. The Accounting and Bookkeeping Division of the General Accounting Office, where warrants were reviewed before counter-signature of the Comptroller General, maintained a similar set of appropriation accounts until that Division was abolished on December 31, 1950, pursuant to authority contained in the Budget and Accounting Procedures Act of 1950. The result of this action was to eliminate certain duplications of account keeping between the General Accounting Office and the Treasury at a saving of nearly a million dollars a year.

As a further step to integrate account keeping, active consideration is being given to the consolidation in a Division of Central Accounts of the Treasury's Bureau of Accounts, of the appropriation account-keeping functions of the Division of Disbursement with those of the Division of Bookkeeping and Warrants.

In connection with the foregoing it is of interest to note that the Comptroller General of the United States has inaugurated a system of site audits in a number of activities of the Treasury Department. The Treasury has long favored this method of auditing government accounts and records because it believes that a more effective audit can be made at the sites of operations than on the basis of accounts current submitted by disbursing officers to the General Accounting Office for audit and settlement. On my invitation the General Accounting Office now has auditors stationed in the Bureau of Accounts of the Treasury for the purpose of maintaining a continuous audit of the accounting operations of that bureau. Similar arrangements have been made for a continuous site audit of the account of the Treasurer of the United States and other administrative activities of the Treasury Department, including payrolls.

Several outstanding accounting improvements have been made in

other activities of the Treasury Department, notably the Bureau of the Mint, the Bureau of Engraving and Printing, and the United States Coast Guard. The Bureau of the Mint has installed a general accounting system wherein appropriation allotment accounting, based upon obligations incurred, has been successfully integrated with accrual accounting. Accrual accounting, as utilized in the Mint Service, provides a realistic determination of the cost of operations based upon actual application of resources rather than upon the basis of purchase orders or contracts placed. Appropriate distinction is made between capital outlays and operating expenses; stores items are taken up as assets when acquired and applied as costs when used; full consideration is given to changes in the value of stores and work-in-process inventories in determining costs; and annual leave is charged as cost as the leave is earned, being carried as a liability until paid in order to insure consistent statements of costs as between fiscal periods. General ledger accounts have been established for all assets and liabilities, e. g., accounts receivable, stores, equipment, work-in-process inventories, accounts payable, accrued annual leave cost, as well as the usual budgetary accounts. Underlying the summary accounts in the general ledger are the detailed cost, property, and appropriation-allotment accounts.

The new accounting systems of the Bureau of Engraving and Printing and the United States Coast Guard, while varying in detail according to the differences in the lines of activity performed and the types of information needed, are based upon the same general principles. In the Bureau of Engraving and Printing there has been installed a complete new industrial type budget and accounting system, including a cost system integrated with the general accounts and embodying also a comprehensive internal audit program.

In the United States Coast Guard the accounting system has been completely redesigned. This system is geared to operating needs so as to provide better information and control over the expenditure of funds through comprehensive cost finding and reporting. Other bureaus of the Treasury Department are also committed to an improvement of their accounting procedures in line with the Joint Accounting Improvement Program and the policy declared by the Congress in the Budget and Accounting Procedures Act of 1950.

Before leaving the subject of accounting improvement, I should like to say a word about the need for competent accounting personnel. Proper performance of accounting duties requires a high degree of professional skill. It is my hope that a comprehensive program of job evaluation will be undertaken in order to provide adequate incentives for young men and women to enter this field and follow it as a career in the Federal Government.

(10) Increased efficiency of the working operations of the Treasury Department and improved service to the public through management improvement programs based on (a) management efficiency studies within the Department, (b) management surveys by private management engineering firms, and (c) participation of all employees through a system of cash awards for efficiency, superior accomplishment, and management improvement suggestions.

As I have already noted, the problems of management improvement were particularly pressing in June 1946, when my term of office began. Since that time, the Treasury has introduced important and far-reaching changes, both in organization and in the volume and direction of operating activities. These changes have been the result in large part of the Treasury's management improvement programs. The Treasury Department has been particularly active and aggressive in establishing them and in putting their provisions into effect in the period since the close of World War II.

Management studies have been made both within the Department and by contract with private management engineering firms. A number of the details of these programs and the results of their application have already been discussed under headings (7), (8), and (9) above, dealing respectively with the Bureau of Internal Revenue. the United States Coast Guard, and the joint accounting project conducted by the three central fiscal agencies of the Federal Government.

Throughout the Treasury, the goal of the management improvement programs has been to cut costs, to improve efficiency, and to render better service to the public. The record shows that the Treasury has made most satisfactory progress toward this goal. As the direct result of these programs since June 1946, there have been monetary savings of many millions of dollars. Other savings, the value of which cannot readily be measured in terms of dollars, have also been effected. These savings have been employed in meeting increased workloads, reducing appropriation requests, strengthening the enforcement work of some of the bureaus, and covering the costs of installing mechanized and other improved procedures.

While details on all of these matters will be found in another section of this report (pp. 236 to 252), one illustration of the improvements made during recent years in departmental operations might be mentioned at this point. It relates to the coordination of the inspection activities of Customs and Immigration. The principal objective of this improvement was to have one officer of either Service perform the duties for both Services in the preliminary "screening" of passengers and vehicles at border ports and stations. After a series of successful pilot test studies of procedures to carry out this objective, the Secretary of the Treasury and the Attorney General ordered that these procedures, commonly referred to as "dual screening," should be

permanently installed wherever feasible at border ports. The installations were accomplished between May and October 1949. The recurring annual savings to the Bureau of Customs alone from this change in procedure amounted to approximately $308,000.

Improvements in procedure of this type represent, of course, only one among many thousands of changes in procedure which have been examined, tried out on a pilot basis, and then installed in the operating offices and bureaus of the Department as rapidly as funds would permit. In addition to the examples already discussed under this and previous headings, programs of management improvement have been carried on in the Fiscal Service, the Bureau of Customs, the Bureau of Engraving and Printing, the Bureau of the Mint, the Secret Service, the Bureau of Narcotics, and the Office of Administrative Services. As already noted, a detailed discussion of the progress made under these programs will be found in a later section of this report (pp. 236 to 252).

The progress realized under the Treasury's management improvement programs would not have been possible without the continued and enthusiastic cooperation of the employees of the Department. In August 1946, Congress passed a law enabling Government agencies to pay cash awards for suggestions relating to improvements in operation. The incentive and efficiency awards programs put into effect in the Treasury Department as the result of this and later legislation have been immensely productive of results. It is estimated that dollar savings of over $2 million have resulted from employees' suggestions and efficiency awards programs. The most important results of these programs, however, cannot be measured in dollars. They result from the improved morale and greater efficiency of day-to-day operations which come from enlisting every employee in the Department in the program for a better Government service at lower cost.

Another important feature of the Treasury's broad program for improving operating activities has been the institution of management studies with respect to all major phases of the Department's operations. As already noted in the cases of the Bureau of Internal Revenue and the U. S. Coast Guard surveys by outside organizations have been authorized in certain instances by Congress. These surveys, together with our own studies, have been immensely fruitful of ideas for operating improvements which have been profitable in practice.

A survey of the Bureau of Customs was completed by a private management engineering firm in January 1948, for example, and was made the nucleus of this Bureau's management improvement program. As a result of these and other studies of operations in the Bureau of Customs, a complete reorganization plan was worked out. Many

features of this plan require congressional approval, and proposals authorizing extensive changes in the Customs Service were introduced in Congress. One proposal, the Customs Simplification Bill, was passed by the House in 1951. Hearings were held by the Senate Finance Committee in April 1952, but no final action had been taken by the time that Congress adjourned. Another proposal, Reorganization Plan No. 3 of 1952, placing collectors of customs under civil service, was sent to the Congress by the President in April 1952. It, however, was rejected by the Senate in June 1952.

Improvements in service and savings in operating costs already initiated in the Bureau of Customs as a result of the intensive studies of operations are substantial. Further substantial progress can be made when congressional approval is given to the Customs Simplification Bill previously mentioned.

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It can be seen from this review of Treasury policies and programs since June 1946 that the extraordinary conditions in the postwar period have required extraordinary efforts to deal with them. Revenues in the six fiscal years ending June 30, 1952, more than paid for Government expenditures. Confidence in the credit of the Government has been maintained. Within the Treasury Department, and in cooperation with other units of the Government, a great many forward steps have been taken to improve operating practices and to provide better service to the public at minimum cost. In the international area, although our position as a leader in world affairs is relatively new, our Government has successfully met the challenge of effective leadership in new international financial organizations, effective aid to our allies in their struggle to rebuild their economies and their international trade, and effective cooperation with other free nations in a program of mutual defense against aggressions.

Many problems still remain, the major one being the continuing threat represented by the Communist program for world domination. The progress already made, however, provides a strong basis for our future endeavors to promote the conditions which will make for lasting peace.

JOHN W. SNYDER,
Secretary of the Treasury.

To the President of the Senate.
To the Speaker of the House of Representatives.

ANNUAL REPORT ON THE FINANCES

TREASURY DEPARTMENT,
Washington, D. C., January 29, 1954.

SIRS: I have the honor to report to you on the finances of the Federal Government for the fiscal year ended June 30, 1953. I will also comment on certain significant developments during the calendar year 1953 as a whole and review the fiscal and debt management programs of the present administration during its first full year of office.

A year ago, in his first State of the Union Message, President Eisenhower stated that the purpose of the Treasury and the Federal Reserve System should be "to serve the whole Nation by policies designed to stabilize the economy and encourage the free play of our people's genius for individual initiative." Specifically, the President stated that the immediate tasks of fiscal and economic policy should be to:

"(1) Reduce the planned deficits and then balance the budget, which means among other things, reducing Federal expenditures to the safe minimum;

"(2) Meet the huge costs of our defense;

"(3) Properly handle the burden of our inheritance of debt and obligations;

"(4) Check the menace of inflation;

"(5) Work toward the earliest possible reduction of the tax burden;

"(6) Make constructive plans to encourage the initiative of our citizens."

These are the objectives which have guided the Treasury during the past year as we have worked with the Congress, with representatives of other executive agencies and of the Federal Reserve System, and with responsible groups of citizens to put the finances of the Government on a sound basis. Our joint efforts have resulted in real progress. The downtrend in the value of the dollar which had taken place during the past twenty years has stopped. We have made definite progress toward the broad goals of the fiscal-monetary objectives outlined by the President a year ago.

The expenditure budget

The first step toward budget balance was to bring planned expenditures under control. The fiscal year 1953 was already half over, and expenditures during the remaining months were largely determined by prior commitments. However, the most careful examination of all Government spending programs, both military and civilian, was undertaken immediately. Our objectives were to eliminate waste and extravagance, to reduce costs wherever this could be done without

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endangering national security or the essential functioning of the Government, and to increase efficiency of operations so that the taxpayer would receive full value for every dollar spent by the Government.

This program was of the greatest importance. People had seen the value of their incomes and savings dwindling away while inflation was constantly stimulated by huge Government expenditures and ineffective monetary policy. They had seen the size and cost of the Government growing year by year. In the fiscal year ending June 30, 1953, budget expenditures had amounted to $74½ billion, while budget receipts had been only $65 billion, leaving a deficit of $9½ billion to be financed by new borrowing. This compared with expenditures of $66 billion and a deficit of $4 billion the year before. Planned expenditures were on their way up.

The situation reflected in these figures could not, of course, be remedied all at once. Within six months after the new administration took office, however, its joint efforts with the Congress to put the finances of the Government on a sound basis had important results. By August 1953, planned expenditures for the fiscal year 1954 had been cut by $6½ billion below the spending estimates of $78½ billion in the budget submitted to the Congress the preceding January. Since the previous administration had apparently overestimated income by more than a billion dollars, the prospective deficit was cut from more than $11 billion to less than $4 billion. Possibly even more significant for future operations than the cut in estimated expenditures was the reduction of $13 billion in requests for new appropriations.

The change in direction accomplished by the new administration was evidenced by the fact that the new budget estimates called for less spending in the fiscal year 1954 than in the preceding year. The upward trend was checked. It was significant also that, for the first time since 1948, the authority granted Government agencies to make new expenditures was substantially less than the total amount of spending budgeted for the fiscal year. This meant that the carryover of accumulated commitments from one year to the next would decline during the new fiscal year instead of growing larger.

The carryover of these prior authorizations to spend is still very large. They amounted to over $81 billion on June 30, 1953. It will take time to pay off these inherited obligations; and we shall have to recognize that during this period budget balance will be that much more difficult.

Tax revenue

One of the important goals set by the new administration was the earliest possible reduction in our heavy tax burdens. However, the

steps we can safely take to reduce taxes have to be linked to our progress in getting Government expenditures under control. At the request of the President last May, the Congress extended the corporation excess profits tax for six months beyond the original expiration date of June 30, 1953. By the middle of the calendar year it was felt that progress already made would also warrant the reduction of 10 percent in personal income taxes to take effect on January 1, 1954. These two tax cuts resulted in savings of $5 billion to the taxpayers.

Other recommendations to the Congress for legislation in 1953 were made, pending the completion of a thoroughgoing study of our tax system which the Treasury has carried on during the past year in close cooperation with the appropriate congressional committees and staffs, and particularly with the Committee on Ways and Means in the House of Representatives. This study, which has now been completed, is the basis for the recommendations on tax legislation outlined by the President in his Budget Message on January 21, 1954.

The debt limit

As the President noted at the beginning of his term of office, the Government faced another difficult problem growing out of the budget situation in 1953. This was the problem of the public debt limit. The fact that Government borrowing had to be kept within the authorized limit of $275 billion has had a restrictive effect on the ability of the Treasury to improve the structure of the debt. The debt had already moved up to $267 billion when this administration took office. This was before any provision had been made for financing future deficit operations growing out of the obligations which we inherited. For this reason the President in his first State of the Union Message immediately after he took office called attention to the probable necessity at some later date for appropriate action to increase the limit and before Congress adjourned in August he asked that it be enacted promptly.

This request was granted by a large majority in the House of Representatives but the necessary legislation was not reported out by the Senate Finance Committee. Since then the need for funds to meet current expenditures has reduced the Treasury cash balance to levels which are too low to provide adequate elasticity to the Treasury in planning a prudent financing program. The problem will continue to grow even more acute and, consequently, the President in his State of the Union Message on January 7, 1954, renewed his request to Congress for an increase in the statutory debt limit.

Debt management

In addition to the foregoing needs for action on the fiscal front, a program for improving the management of our huge public debt was

urgently required when the present administration took office. Inflationary forces which doubled the price level and cut the buying power of the dollar in half between 1939 and 1952 were stimulated by financing too much of the national debt through short-term securities sold mainly to commercial banks.

The extent of the problem inherited from the previous administration is evidenced by the fact that, in the calendar year 1953, the Treasury had to finance maturities and redemptions of over $60 billion as well as a deficit of almost $10 billion, amounting in all to one-fourth of the entire national debt. This necessitated going to the market nine times during the course of the year for refunding or raising cash, exclusive of regular weekly offerings of Treasury bills.

This illustrates the need for the improved program of debt management outlined by the President a year ago. The specific objectives are to reduce the volume and maturities of bank financing to manageable size and form and to get more of the debt into the hands of long-term investors. These objectives will in themselves aid economic stability, and will at the same time provide greater freedom of action for the Federal Reserve System to perform its necessary public functions in the monetary and credit field without interference from the Treasury.

It is recognized, of course, that important changes in the debt structure as well as in other programs affecting the fiscal situation will have to be undertaken gradually. Because the Government is such a large borrower, the size and the timing of its financing operations have far-reaching consequences which must be carefully evaluated before decisions are made.

The need for caution has thus been kept in mind, but the Treasury nevertheless took steps immediately to put the new program into effect and will continue with it.

In February 1953, owners of $9 billion of maturing certificates were given the opportunity to exchange their holdings for a bond of approximately 6 years' maturity, if they preferred it to the usual one-year certificate offered at the same time. In April, the Treasury offered a 30-year marketable bond to attract long-term investment funds, the first long-term marketable bond issue since 1945. During September, holders of the bonds maturing September 15 were offered a 3½-year note as well as a one-year certificate; and a new cash offering of 8-year bonds was made during October. Again, in November, holders of Treasury notes maturing December 1 were offered a choice between notes running a little over a year and Treasury bonds of approximately 5 years' maturity (an additional offering of bonds first issued the preceding February). Thus, the Treasury took steps to lengthen the debt on five of the nine occasions when it had to borrow money in

the market in 1953. At appropriate times during the year, the Treasury also provided corporations and similar investors outside the banks with Treasury bills and tax anticipation certificates which would meet their needs for the investment of short-term funds.

The net result of the Treasury's debt management operations during the calendar year 1953 was to finance the year's huge deficit with minimum reliance on bank financing. Ownership of Government securities by private investors outside the banks, in fact, increased by $4 billion during the calendar year, while the holdings of commercial and Federal Reserve Banks rose by only $1½ billion.

As an important part of its program for improving the structure of the debt, the Treasury took every occasion to encourage wide ownership of savings bonds. This not only helped widen the distribution of the debt, but also promoted the objective of encouraging saving in all its forms. Returning confidence in the sound dollar appears to be one factor in raising sales of Series E and H savings bonds in the calendar year 1953 to higher levels than in any other year since 1946.

International activities

The Treasury has been guided in this field by the emphasis given by the President in his first State of the Union Message to profitable and equitable world trade, and to the need for broader markets and sounder currencies, so as to increase the exchange of goods and services among nations. In its international activities the Treasury advocated constantly the importance of sound monetary and fiscal policies, efficient production, and nondiscriminatory trade practices. It believed these essential to the building of economic strength abroad, to the ending of our emergency economic aid programs, and to the restoration of the convertibility of currencies and an increasing volume of trade. The Treasury also emphasized the importance to international monetary stability of maintaining the strength and value of our United States dollar as a stable point of reference for the other currencies of the world.

In order to reduce procedural obstacles to foreign trade, and to promote the more efficient operation of the Customs Service, the Treasury Department supported the Customs Simplification Bill, which was enacted by the Congress. The Congress also extended the Reciprocal Trade Agreements Act and provided for the establishment of the Commission on Foreign Economic Policy. This commission has now submitted a comprehensive study of United States international trade, foreign investments, and other important matters in the area of international economic policy.

The policy of promoting sound practices in the international monetary and financial field was implemented directly and through the National Advisory Council on International Monetary and Financial

Problems, of which the Secretary of the Treasury is chairman. The foreign lending activities of the Government were scrutinized in terms of their effect on our fiscal problem and on the health of competitive private enterprise. Interest rates on United States Government foreign loans were adjusted to reflect the realities of the private money market and to facilitate greater private participation in foreign lending. A settlement of German private and public debts was recommended by the executive branch and ratified by the Senate. The United States Treasury provided support to the stable and fully convertible Mexican peso through an enlarged stabilization agreement.

During the September meetings of the International Monetary Fund and the International Bank for Reconstruction and Development the Treasury Department stated the administration's policy of maintaining the price of gold at its current level as an important contribution to the financial stability of the world. Throughout the year the Treasury held extensive consultations with representatives of the United Kingdom, France, Germany, Japan, and other countries on mutual problems.

The reorganization plan which created the Foreign Operations Administration and brought under one head the mutual security activities of the Government made the Secretary of the Treasury responsible for advice on the financial and monetary aspects of these activities, and for reviewing mutual assistance plans and policies to insure that they are consistent with the monetary and financial policy objectives of the United States.

In developing the Mutual Security Program the administration sought the best possible balance between our part in the effort to strengthen the security of the free world and the necessity for maintaining our own economic strength and stability. Proposed assistance programs were studied in the light of the administration's commitment to a program of sound money, a controlled budget, and the earliest possible reduction of taxes. The size and probable effectiveness of the programs were considered carefully in the light of these objectives.

At meetings of the North Atlantic Treaty Organization, close attention was given to the economic and financial factors affecting the defense efforts of the friendly nations. It was agreed in the North Atlantic Council that the goal of sound national economies should be pursued concurrently with that of improving the effectiveness of military forces.

G. M. HUMPHREY,
Secretary of the Treasury.

TO THE PRESIDENT OF THE SENATE.
TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SUMMARY OF FISCAL OPERATIONS

Budget expenditures of the Government exceeded net budget receipts by $3.1 billion in the fiscal year 1954. This deficit was $6.3 billion less than the deficit in 1953; it was $6.8 billion less than the original forecast for 1954 in the Budget document released January 9, 1953, and $.2 billion less than the revised estimate for 1954 contained in the Budget which went to Congress a year later.

The $3.1 billion budget deficit, together with an increase of $2.1 billion in the Treasury's general fund cash balance, accounted for the increase in the public debt of $5.2 billion during the fiscal year 1954. The general fund cash balance amounted to $6.8 billion on June 30, 1954, compared with $4.7 billion on June 30, 1953. The public debt outstanding on June 30, 1954, amounted to $271.3 billion compared with $266.1 billion at the close of the fiscal year 1953.

Net budget receipts amounted to $64.7 billion in 1954, only $.2 billion less than the previous alltime high in 1953. Budget expenditures in 1954 of $67.8 billion were substantially less than the total of $74.3 billion in 1953, which had been the highest on record aside from several years during World War II.

A reconciliation between budget results and the change in the public debt for the past two years is shown in the following table.

	1953		1954	
	In billions of dollars			
Budget results:				
Net receipts	64.8		64.7	
Expenditures	74.3		67.8	
Budget deficit		9.4		3.1
Increase in general fund balance, or decrease (-)	-2.3		2.1	
Trust account and other transactions, excess of expenditures, or receipts (-)[1]	-.2	-2.5	(*)	2.1
Equals: Increase in public debt		7.0		5.2

NOTE.--Figures for 1954 are based generally upon the "Monthly Statement of Receipts and Expenditures of the United States Government," inaugurated beginning with the month of February 1954 (see announcement of February 17, 1954, in exhibit 70 and "Bases of Tables"). For purposes of comparison, results for 1953 have been revised to the new basis of reporting, and will disagree, in some cases, with figures contained in last year's annual report.

*Less than $50 million.

[1] Includes net trust account transactions, etc.; net investments of trust accounts and Government agencies in public debt securities; net sales or redemptions of obligations of Government corporations and agencies in the market; changes in clearing and other accounts necessary to reconcile to Treasury cash; and changes in amount of cash held outside the Treasury.

Chart 2 on the following page shows budget receipts, budget expenditures, and the budget surplus or deficit by years for the period 1951 through 1954. Annual figures for 1932-54 and monthly for 1954 are contained in table 1 in the tables section of this report.

As has been the case in recent years, budget receipts in the second half of the fiscal year 1954 were substantially greater than in the first half of the year. This was due in large measure to the acceleration of corporation income taxes provided by the Revenue Act of 1950, frequently referred to as the "Mills Plan." Under this provision corporations paying taxes on a calendar year basis have

gradually increased their tax payments in the half-year following the close of their taxable year to a point where in the fiscal year 1954 they paid 90 percent of their 1953 tax liabilities in the period January-June, 1954. The Revenue Act of 1954 will place corporations closer to a "pay as you earn" system and gradually, over a five-year period, will distribute corporation tax payments more evenly throughout the year.

Budget expenditures were less in the latter half of 1954 as compared with the first half of the year, mainly because of a downturn in outlays for national security. This reversed the trend of the last few years when expenditures were greater in the second half in the years while the defense program was expanding.

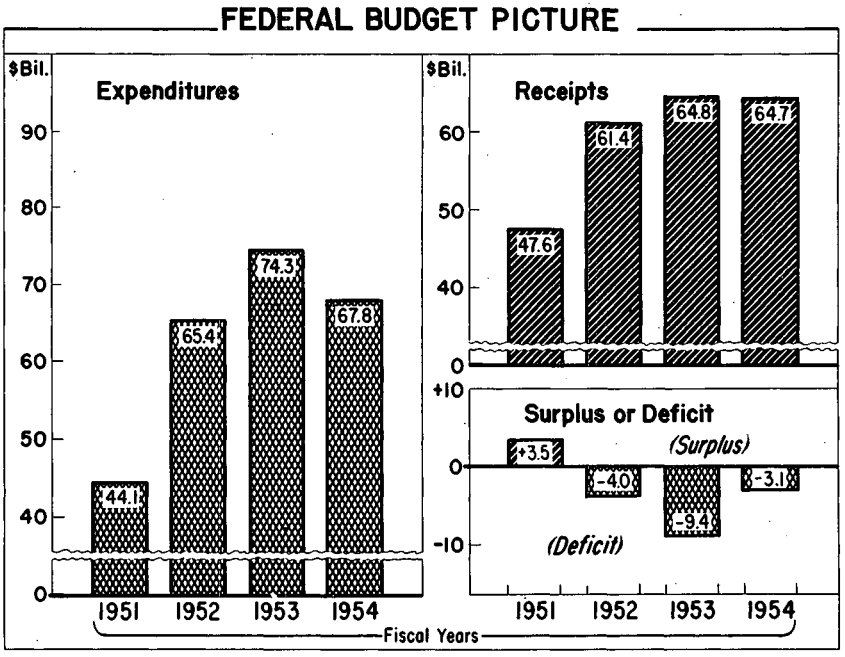

Chart 2.

The following table shows the distribution of net budget receipts, budget expenditures, and budget surplus or deficit, by quarters, half years, and fiscal years for 1953 and 1954, in billions of dollars. Net expenditures for first half of 1953 are converted approximately to new basis of reporting.

Period	Net budget receipts	Net budget expenditures	Budget surplus, or deficit (-)
Fiscal year 1953:			
July-September, 1952	13.7	16.7	-3.0
October-December, 1952	13.2	18.5	-5.3
Total, first half	26.9	35.2	-8.3
January-March, 1953	21.2	17.1	4.1
April-June, 1953	16.7	21.9	-5.2
Total, second half	37.9	39.1	-1.1
Total, fiscal year 1953	64.8	74.3	-9.4
Fiscal year 1954:			
July-September, 1953	13.6	17.1	-3.5
October-December, 1953	12.1	17.4	-5.2
Total, first half	25.8	34.5	-8.7
January-March, 1954	21.9	15.5	6.4
April-June, 1954	17.0	17.8	- .8
Total, second half	38.9	33.3	5.6
Total, fiscal year 1954	64.7	67.8	-3.1

BUDGET RECEIPTS AND EXPENDITURES

Budget Receipts in 1954

Net budget receipts (total receipts less the appropriations to the Federal old-age and survivors insurance trust fund, and to the railroad retirement account, and refunds of receipts) amounted to $64.7 billion in the fiscal year 1954, slightly less than receipts of $64.8 billion in 1953.

Receipts by major sources in the fiscal years 1953 and 1954 are compared in the following table, dollar amounts in billions.

Source	1953	1954	Increase, or decrease (-)	
			Amount	Percent
Individual income tax	[1] 32.8	32.4	- .4	- 1.2
Corporation income and excess profits taxes	[1] 21.6	21.5	- .1	- .3
Total income and excess profits taxes	54.4	53.9	- .5	- .8
Excise taxes[2]	[1] 9.9	10.0	.1	.9
Estate and gift taxes	[1] .9	.9	.1	6.0
Employment taxes	5.0	5.4	.4	8.9
Customs	.6	.6	- .1	- 8.4
Miscellaneous receipts	1.9	2.3	.4	23.9
Total budget receipts	72.6	73.2	.5	.7
Deduct:				
Appropriation to Federal old-age and survivors insurance trust fund	4.1	4.5	.5	11.0
Appropriation to railroad retirement account	.6	.6	(*)	- 2.7
Refunds of receipts	3.1	3.4	.3	8.3
Net budget receipts	64.8	64.7	- .2	- .3

Note.--Figures in this and two following tables based generally on monthly statement (see exhibit 70 and "Bases of Tables"). *Less than $50 million. [1]Estimated. Actual figures not available on basis of monthly statement. [2]No figures available for internal revenue receipts not otherwise classified in fiscal 1953. For comparison, this category is included in excise taxes in fiscal 1954 in amount of $9 million.