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TREASURY DEPARTMENT

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
MONDAY, January 9, 1928.

FUTURE RELEASE

STATEMENT BY SECRETARY MELLON.

OBSERVE DATE

The Treasury announces that on January 16th it will issue new  $3\frac{1}{2}$  per cent Treasury notes, Series C-1930-32, in exchange for Third Liberty Loan  $4\frac{1}{4}$  per cent bonds of 1928.

The new notes will be dated and bear interest from January 16, 1928, will mature December 15, 1932, and will be callable on and after December 15, 1930. These notes will be issued only in exchange for the Third Liberty Loan bonds, and the amount to be issued will be limited by the amount of such bonds tendered and accepted.

The Third Liberty Loan bonds mature on September 15, 1928, and will not bear interest after that date. The present exchange offering gives holders of the Third Liberty Loan bonds an opportunity to exchange their bonds as of January 16, 1928, par for par, for Treasury notes bearing  $3\frac{1}{2}$  per cent interest from January 16, 1928. Those taking advantage of this offer will receive, when the new notes are delivered, interest in full to March 15, 1928, on their Third Liberty Loan bonds, without deduction because of the earlier redemption. This interest payment will compensate holders of these bonds for the premium at which the bonds are now selling.

The Secretary of the Treasury reserves the right to close the offering at any time without notice.

The text of the official circular follows:

1. The Secretary of the Treasury offers for subscription, at par, through the Federal Reserve Banks, in exchange for Third Liberty Loan  $4\frac{1}{4}$  per cent bonds of 1928 (hereinafter referred to as Third  $4\frac{1}{4}$ 's), Treasury notes of Series C-1930-32 of an issue of gold notes of the United States authorized by the act of Congress approved September 24, 1917, as amended. The amount of the issue will be limited to the amount of Third  $4\frac{1}{4}$ 's tendered and accepted.

2. Third Liberty Loan  $4\frac{1}{4}$  per cent bonds of 1928 will mature on September 15, 1928, and will not bear interest after that date. Interest on any Third  $4\frac{1}{4}$ 's surrendered and accepted in exchange for the Treasury notes herein offered will be paid in full to March 15, 1928.

#### DESCRIPTION OF NOTES

3. The notes will be dated January 16, 1928, and will bear interest from that date at the rate of  $3\frac{1}{2}$  per cent per annum payable on June 15, 1928, and thereafter semiannually on December 15 and June 15 until the principal amount becomes payable. The notes will mature December 15, 1932, but may be redeemed at the option of the United States on and after December 15, 1930, in whole or in part, on any interest day or days, on six months' notice of redemption given in such manner as the Secretary of the Treasury may prescribe. In case of partial redemption the notes to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the notes called for redemption shall cease. The principal and interest of the notes will be

payable in United States gold coin of the present standard of value.

4. Bearer notes with interest coupons attached will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. The notes will not be issued in registered form. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

5. The notes of this series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations.

6. The notes of this series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the notes, and, with respect to any such notes that may be called for prior redemption, will be receivable in like manner and for the same purpose at the redemption date fixed.

#### APPLICATION AND ALLOTMENT

7. Applications will be received at the Federal Reserve Banks, as fiscal agents of the United States. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve Banks are authorized to act as official agencies.

8. The right is reserved to reject any subscription, in whole or in part, and to allot less than the amount of notes applied for, and to close the subscriptions at any time without notice, and the act of the Secretary of the Treasury in these respects will be final.

#### PAYMENT

9. Payment for any notes allotted may be made only through the surrender of a like principal amount of Third  $4\frac{1}{4}$ 's which will be accepted at par, and, at the time of delivery of the notes, interest on any such Third  $4\frac{1}{4}$ 's so surrendered and accepted will be paid in full to March 15, 1928. Third Liberty Loan  $4\frac{1}{4}$  per cent bonds tendered in payment for notes subscribed for should be presented when the subscription is tendered. If any subscription is rejected in whole or in part, any bonds which may have been tendered and not accepted will be returned to the subscriber.

#### SURRENDER OF BONDS

10. Surrender of coupon bonds. - Third  $4\frac{1}{4}$ 's in coupon form tendered for exchange for Treasury notes issued hereunder should be presented and surrendered to a Federal Reserve Bank. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are not agents of the

United States under this circular.

11. Coupons dated March 15, 1928, and September 15, 1928, must be attached to such coupon bonds when presented. At the time of delivery of the Treasury notes of Series C-1930-32 (or interim certificates) upon allotted subscriptions, Federal Reserve Banks will pay to the subscriber or his authorized agent the interest from September 15, 1927, to March 15, 1928, on the coupon Third  $4\frac{1}{4}$ 's surrendered in exchange.

12. Surrender of registered bonds. - Third  $4\frac{1}{4}$ 's in registered form, tendered for exchange for Treasury notes issued hereunder, should be assigned by the registered payee or assigns thereof to "THE SECRETARY OF THE TREASURY FOR REDEMPTION," in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange into coupon bonds, and thereafter should be presented and surrendered to a Federal Reserve Bank. The bonds must be delivered at the expense and risk of the holder. At the time of delivery of the Treasury notes of Series C-1930-32 (or interim certificates) upon allotted subscriptions, Federal Reserve Banks will pay to the subscriber or his authorized agent the interest from September 15, 1927, to March 15, 1928, on the registered Third  $4\frac{1}{4}$ 's surrendered in exchange.

13. The Federal Reserve Banks, as fiscal agents of the United States, are hereby authorized and requested to receive subscriptions for Treasury notes hereunder, to receive Third  $4\frac{1}{4}$ 's tendered in exchange, to make allotments of subscriptions on the basis and up to the amounts indicated to them by the Secretary of the Treasury, and to make delivery of Treasury notes on full-paid subscriptions allotted, and, pending delivery

of definitive notes, to issue interim certificates.

FURTHER DETAILS

14. Any further information which may be desired as to the exchange of Third  $4\frac{1}{4}$ 's for Treasury notes under the provisions of this circular may be obtained upon application to a Federal Reserve Bank. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the exchange, and may terminate the offer at any time in his discretion.

A. W. MELLON,

Secretary of the Treasury.

NO. 100-100000-100000  
FRIDAY, JANUARY 13, 1928.

TREASURY DEPARTMENT

FOR RELEASE, 3:00 P.M. OR AFTER  
DELIVERY IS BEGUN, SATURDAY,  
JANUARY 14, 1928.

OF THE NATIONAL REPUBLICAN CLUB  
AT 64 WEST 40TH ST., NEW YORK CITY,  
ON SATURDAY, JANUARY 14, 1928.

Speech of

Hon. A. W. Mellon,

Secretary of the Treasury,

at the seventh Annual Luncheon  
of the Women's National Republican Club  
at the Waldorf-Astoria Hotel,

New York,

January 14, 1928.

In considering the question of tax reduction or reform, it is  
always well to direct one's attention first, to the existing tax system  
as a whole, with a view to ascertaining the principles upon which it is  
based, and then to determine whether the collection of the various taxes  
is in accordance with the ability of the various tax-  
paying groups to contribute to the support of government. This would  
appear to be obvious, and yet this elementary step is frequently over-  
looked, and new bills are hastily drafted and passed by those who desire  
to expedite attention on some particular tax which, for selfish reasons,  
they desire to see reduced or repealed.

Of some 3 billion 130 million dollars of receipts collected last  
year by the United States Government, approximately 400 million were re-  
ceived from custom duties, 2 billion 200 million dollars from the income  
tax, 400 million from miscellaneous Internal Revenue or excise taxes, and  
500 million dollars from a number of miscellaneous items such as the  
proceeds of sales of government owned securities and of the sale of surplus

Note: Excise taxes, etc., which cannot be classified as tax  
For full text of speech see Subject File: Secretary's Speeches.  
which, nevertheless, constitute an important resource. The  
amount, strictly speaking, aggregated 2 billion 490 million dollars. Of



SPEECH TO BE DELIVERED BY UNDERSECRETARY OF THE TREASURY  
OGDEN L. MILLS, AT THE "SATURDAY DISCUSSIONS" LUNCHEON  
OF THE NATIONAL REPUBLICAN CLUB  
AT 54 WEST 40th ST., NEW YORK CITY,  
ON SATURDAY, JANUARY 14, 1928.

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In considering any program of tax reduction or reform, it is always well to direct one's attention, first, to the existing tax system as a whole, with a view to ascertaining the principles upon which it is based, and determining whether the burdens are distributed with some degree of equity, and in accordance with the ability of the various tax-paying groups to contribute to the support of government. This would appear to be obvious, and yet this preliminary step is frequently overlooked, and nearly always impatiently brushed aside by those who desire to concentrate attention on some particular tax which, for selfish reasons, they desire to see reduced or repealed.

Of some 4 billion 129 million dollars of receipts collected last year by the United States Government, approximately 605 million were received from customs duties, 2 billion 225 million dollars from the income tax, 644 million from miscellaneous Internal Revenue or excise taxes, and 654 million dollars from a number of miscellaneous items such as the proceeds of sales of government owned securities and of the sale of surplus property, Panama Canal tolls, etc., which cannot be classified as tax revenue, but which, nevertheless, constitute an important resource. Tax revenues, strictly speaking, aggregated 3 billion 470 million dollars. Of

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this amount, direct taxes, that is, income and estate taxes, contributed 2 billion 320 million dollars; and indirect taxes, that is, customs and miscellaneous Internal Revenue, approximately one billion 150 million dollars. By direct taxes I mean those taxes that are not, generally speaking, passed on to the consumer; and, by indirect taxes, I mean those that are passed on. It thus appears that the scales lean very definitely in favor of those who are not subject to direct taxes--that is, the great mass of the people. This is as it should be, if the principle of taxing in accordance with ability to pay is to have adequate recognition, and is in marked contrast with the situation which exists in the States and municipalities, where chief reliance is placed on the real property tax. Under existing conditions in our large cities, this form of tax is unquestionably passed on to the rent-payer. We have, therefore, in the United States to-day an anomalous situation. The decreasing Federal tax burden tends to be borne more and more by a limited number of people who, on the whole, are those best able to support the burden; while the constantly increasing burden of State and local taxes is distributed among those having a small tax-paying capacity. It is for this reason that the tax problem in States and municipalities is of infinitely more vital importance to the great mass of the people than any contemplated changes in our Federal revenue laws. If, on the first of February next, in the rent bill presented to the millions of tenants in New York City, that part of the rent which represents taxes could be segregated and clearly indicated this statement of mine would arouse in this great city of ours universal attention, but, as matters now stand, as in the past it will probably fall on deaf ears.

Conceding that, generally speaking, our Federal tax system is, on the whole, a well-balanced and equitable one, there do exist certain inequalities that are hard to justify. They are traceable, in the main, to two causes: first, the number of direct taxpayers making a real contribution to the support of government is too limited; and, in the second place, the rates imposed on some classes of direct taxpayers are out of line. Under the first head, I classify individual income taxpayers; under the second, corporations or their stockholders. For the calendar year 1925, 9,560 taxpayers returned about 49 per cent. of the total individual income tax returned. Out of a total of some \$734,000,000 returned by individuals, 327,000 individuals returned \$701,000,000, and 2,174,000 returned only \$33,000,000. These figures make it only too clear that, in so far as individuals are concerned, the income tax has ceased to be a national tax and has become a class tax of a very limited character. This is a situation which must be accepted. The water is over the dam, but, as between individual income taxpayers, some of the inequalities should be ironed out by a revision of the rates applicable to the so-called intermediate brackets.

Turning, now, to our second group, that is to say, the corporations or their stockholders, you will have noted that I treat the corporation income tax as a direct tax, which, according to the definition I have given, implies that it is not passed on to the consumer, and must, therefore, be paid by the stockholder. I know that many business men will challenge such a conclusion, but, leaving aside the indirect effects of such a tax, more especially when levied at high or excessive rates, and admitting

that there are exceptions to the rule, my opinion is that except under unusual circumstances, a tax on net income cannot be shifted by the person on whom it is laid in the form of an addition to price. This conclusion is supported by competent authority.

It is in agreement with the work of the Committee on National Debt and Taxation of Great Britain, charged with the duty of investigating the incidence of income tax. That Committee decided that the issue could be reduced to a question of fact subject to statistical study. Such a study was made by them for the two fiscal years 1920-21 and 1922-23, the income tax returns of a sample of all public companies or corporations being used as a source for the necessary data. The tabulated data indicated:-

- (1) A significant proportion of the total sales in each industry were made at no profit or at a loss during each quarter of the two years studied.
- (2) The median range of sales were made at no profit or at small profit rates.
- (3) The trend of profits during the quarter periods studied followed the trend in prices.

The conclusion of the committee was that prices are determined in the immediate market, and that the marginal producers--those making no profits--control a significant proportion of the volume of sales at any time. Under such circumstances, it would be impossible to shift the tax. The Committee stated, "We conclude that the broad economic argument is true over the whole field, and for approximately the whole of the time, any exceptions

being local or temporary and insufficient to invalidate it."

Conditions in this Country do not seem to be essentially different. Preliminary Statistics of Income for 1926 show that, whereas 249,000 corporations reported a profit, no less than 164,000 reported deficits aggregating over two billion dollars.

It seems probable, therefore, that in the main our present tax of  $13\frac{1}{2}$  per cent. on the net income of corporations ultimately comes out of the pockets of the owners of the corporations, the stockholders. It has been estimated that there are some 3,000,000 stockholders in the United States. There are probably more. These 3,000,000 stockholders pay more than their just share of taxes not only as compared with other income taxpayers, but as compared with all other classes of taxpayers. In so far as the individual income taxpayers are concerned, it must<sup>be</sup>/remembered that there are only 2,500,000 of them, that the average rate of tax on their income has been reduced to 4.20 per cent; that less than 9,000 pay at the rate of  $13\frac{1}{2}$  per cent. on their taxable income; whereas the 3,000,000 stockholders are taxed at the rate of  $13\frac{1}{2}$  per cent. on their proportionate share of the income of the corporation, and this irrespective of whether their individual income is sufficiently great to subject them to the individual income tax at that rate, or, for that matter, to any individual income tax at all.

Comparing the tax paid by corporations, that is, by their stockholders, with all other classes of taxpayers, it will be found that last year, exclusive of back taxes, the former as such contributed \$1,125,000,000 to the Federal Government, as contrasted with \$763,000,000 paid by individual income taxpayers, many of them, of course, stockholders, and with \$1,150,000,000 paid through indirect taxes by our entire population of 114,000,000 people. There is no logic or justice in such a discrimination. There are, to be sure, many advantages in the corporate form of conducting business, but these certainly do not constitute sufficient justification for such a disproportionate tax burden.

Looking, then, at the whole picture, and not just selfishly at some particular part, the most important feature of any tax revision program should be a reduction of the corporation tax rate, and, from a negative standpoint, if we desire to retain some measure of balance between direct and indirect taxes, there should be no further repeal at present of existing excise or indirect taxes.

In taxation there are certain ideals that should be aimed at: a broad base, low rates, reasonable diversification, and not too great reliance on one or two taxes, particularly when their yield is susceptible to wide variations, owing to changing business conditions. There is very real danger at the present time that some of these sound principles may be disregarded, and that, should some of the existing excise taxes, that applied at a low

rate and on the very broad base impose no hardship on anyone, be repealed, our revenue system may become unduly concentrated. This will be unsatisfactory from the standpoint of the budget because, subject as they are to wide fluctuations, one or two sources on which chief reliance will be placed will constantly subject the revenue of the Government to sweeping variations, resulting in periodical deficits or excessive surpluses. From the standpoint of the individuals and business affected, the situation will be undesirable, since it will necessarily result in a constant shifting of rates.

In so far as I am concerned, I would limit tax reduction at the present time to a revision of the rate on corporation income, a revision of the rates applicable to the intermediate brackets, some provision for the relief of the small corporation that really is equivalent to a partnership, and the repeal of the Federal Estate Tax.

Having disposed of the question of what tax reforms are desirable, the next question is, what reductions do the revenue needs of the Government permit? There has been a vast amount of discussion, and there exist misconceptions that should be corrected. It has been suggested in some quarters that the interests of the taxpayers have been sacrificed to a program of excessive debt reduction. Yet the fact is that, since 1921, the taxpayers have benefited by three sweeping tax reductions which aggregate approximately one billion 600 million dollars a year. It is true that from June 30, 1921, to June 30, 1927, the public debt has been reduced by 5 billion 466 million dollars, but of this amount \$2,390,000,000 only were from surplus funds, and in this item of surplus there are to be found a number of items of a non-

recurring character, such as back tax collections and receipts from the disposal of such capital assets as railroad securities, Farm Loan Bonds, assets of the War Finance Corporation, and surplus war material.

Taking the last five years as typical, it is interesting to note that, if these items be excluded, in the year 1923 there would not have been a surplus but a deficit of \$89,000,000; in the year 1924, a surplus of but \$169,000,000; in the year 1925, a deficit of \$93,000,000; in the year 1926, a surplus of \$162,000,000; and, in the year 1927, a surplus of \$221,000,000, instead of \$635,000,000; or an average surplus of \$74,000,000 for the five years. Of the two billions, approximately, of debt retirement from surplus during the five fiscal years ending June 30, 1927, one billion 700 million dollars is accounted for by these special temporary items, including no less than \$900,000,000 from the realization of capital assets. It must be conceded that there could be no better application of the proceeds of capital assets than to the reduction of the National Debt. These figures present a pretty complete example to those people who, far from rejoicing over the existence of these surpluses and our consequent ability to reduce the National Debt, deplore them as evidences of an imaginary injustice to taxpayers.

Few people ever stop to consider what a colossal burden our public debt constitutes. Since 1917 we have paid out over 8 billions in interest, and that means that we have had to raise 8 billions in taxes. Continued heavy interest charges necessarily mean heavy taxes to meet them. Reduced interest charges spell reduced tax charges. Debt reduction means, therefore, tax reduction, and, what is better still, permanent tax reduction.

It means something more. It means a steadily improving government credit and the enhanced value of government securities, owing to their in-



creasing scarcity. This, in turn, enables the Government to borrow at lower interest rates, and the reduction can be translated into further tax reduction. From 1921 to the present time, the average interest rate on our public debt decreased from 4.29 to 3.88. On our interest bearing debt Dec. 31, 1927, of 17 billion 685 millions, this decrease in the rate amounts to \$72,500,000 per annum. For further illustration, let us consider the refunding of the Second Liberty Loan Bonds. The annual interest saving on the securities issued, as contrasted with an equivalent amount of Second Liberty Loan Bonds, amounts to over \$21,000,000, and if to this be added the annual interest saving on the Second Liberty Loan Bonds retired, which amounts to \$24,000,000, the total annual interest saving resulting from the refunding and retiring operations conducted during the last twelve months in respect of this single issue, aggregates \$45,000,000.

It is estimated that from June, 1921, to June, 1928, interest payments on the public debt will have diminished by approximately \$275,000,000. Some people may represent this to be against the interest of the taxpayer. I claim without qualification it to be in his interest.

There is another misconception, more or less widespread in character. Many people are still thinking in terms of post-war adjustment. Ever since 1921 we have been making sweeping reductions in taxes that ran not into scores of millions but hundreds of millions. Our ability to do so was due, in the first place, to the drastic cut in expenditures inaugurated in 1921; in the second, because the rising tide of prosperity brought an increase in revenues, in spite of reduced tax rates; and, thirdly, due to the fact that

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our revenues were augmented by the proceeds of the sale of capital assets, acquired as a result of the War, and from back taxes that had accumulated owing, largely, to the excess profits taxes and to the difficulty of administering new complicated tax laws carrying very high rates. All of this was abnormal, but since the abnormal situation continued over a number of years, it resulted in the very definite impression that tax reduction was hardly worthy of consideration unless it ran into hundreds of millions. Those who have been urging excessive reduction of taxes do not talk in the moderate terms that would ordinarily satisfy. They talk sweepingly and generally of three or four hundred million dollars of reduction. They are still using the terms and the figures we were accustomed to in 1921, 1924 and 1926, neglectful of the fact that the picture has been changing. Except for the one big item of the public debt, it can be fairly said that we have come back to normal, with expenditures and receipts about balanced. Again, excepting the public debt item which offers the greatest possibility for tax reduction in the future, from now on when we discuss reduction in taxes we will have to use moderate figures and face the fact that we must so adjust our public economy that the savings of a few millions, yes, thousands, will seem well worth while.

Against this sober and prosaic background, let us now consider what can be done in the immediate future.

The estimated surplus for 1928 is \$454,000,000, including all items, and \$136,000,000, exclusive of extraordinary items. There is no great dispute as to the 1928 figures, but the correctness of the surplus of \$252,000,000 in the fiscal year 1929 has been challenged, on the ground that the Treasury has underestimated

the revenues. It is, of course, very easy for gentlemen who have no particular responsibility to affirm that there will be \$400,000,000 available for tax reduction. Their position is entirely different from the financial officer of the Government on whom is placed the great responsibility of submitting accurate estimates upon which the Congress may rely. The former can afford to make their estimates conform to their wishes; the latter is bound to make his program fit the facts.

The Treasury Department in making up its estimates of revenue for 1929 estimated that \$640,000,000 would be received from miscellaneous Internal Revenue, which is only \$4,000,000 less than receipts from this source in 1927. It estimated customs receipts at \$600,000,000, which is within \$5,000,000 of the largest amount ever collected; current income tax receipts at one billion 885 million dollars, and back tax receipts at \$180,000,000. Our critics have not been specific in their criticisms, but, as I understand it, it is to the income tax estimates, both current and back, to which they are in the main directed. There is no mystery whatsoever connected with the Treasury estimates. Based on the best available information, the calendar years 1925 and 1926, on which they income tax returns in the fiscal year 1927 were based, were exceptionally good business years--in fact, 1926 may fairly be said to have been a record year. In estimating revenue from current income tax in the fiscal year 1929, the Treasury Department took the actual yield for the fiscal year 1927. It did this on the assumption that the tax base in the calendar year 1927 would probably not equal the tax base in the calendar year 1926, and there would, therefore be a falling off in revenue during the first half of the fiscal year 1929, but that a business resumption and the normal growth of the Country in 1928 would more than offset this loss, which would thus be made up during the second six

months of the fiscal year 1929.

In this connection, it is significant that current income tax receipts for the full calendar year 1927, which are, of course, based on the income received in the calendar year 1926, aggregated one billion 897 million dollars. 1926 was, admittedly, a record year. The Treasury estimates of current income tax revenue for 1929 amounts to one billion 885 million dollars. In other words, the Treasury estimates that income tax revenue for the fiscal year 1929 will be within twelve million dollars of the peak calendar year receipts. Some people may characterize such estimates as "excessively" conservative. I don't.

One word about back tax collections. We have estimated that these will amount to \$180,000,000 in 1929. Some gentlemen say that this figure is too low, and see no reason why back tax collections shouldn't come up to the yield in 1927. There is a very simple answer. The Bureau of Internal Revenue has been disposing of its old cases at an extremely rapid rate. On June 30, 1926, that is, the beginning of the fiscal year 1927, there were on hand 487,389 cases for all years prior to 1925. On December 31 last, there were only 66,936 such cases on hand, and if we except 12,000 claims for abatement or refund, which will not produce any additional tax, only 54,936. If the progress made during the past few months can be continued, this group of cases which, from the standpoint of back tax collections is the most fruitful, will have been largely eliminated at the beginning of the fiscal year 1929. Why will back tax collections fall off? They will fall off for the very simple reason that the vast number of cases which produced them will have been disposed of.

For my part, I believe that the Treasury estimates are correct, but the failure of the House of Representatives to accept them created a new situation. It is well to remember that the estimated surplus of \$252,000,000

did not take into consideration any legislation for increased naval expenditures, the Boulder Canyon and Muscle Shoals developments, increased appropriations for public buildings, the Alien Property Bill, and flood/ and farm relief. Should these measures become law, it is impossible to say what surplus will be available, and it is rather significant that the first three bills which passed the House of Representatives after the passage of the Tax Bill all provided for increased expenditures.

Moreover, the controlling factor in the revenue field is the income tax. The income tax yield is based almost entirely on business conditions. Even with the vast amount of statistical information available these days, it is difficult to compare in advance of the actual figures the taxable income of one year with that of a prior year. Our best judgment is that the taxable income in 1927 will not equal the taxable income in 1926. This, however, is but an estimate. After March 15 it will cease to be an estimate. We shall then be in a position to know, and with that knowledge on hand, our estimate of the current income tax yield during the fiscal year 1929 will become increasingly accurate. It is obviously, then, the part of wisdom to wait until after the 15th of March, first to ascertain what new expenditures will be incurred by reason of new legislation, and, in the second place, in order that our estimates may be based on more adequate information. This is the course which the Secretary of the Treasury has advised Senator Smoot should be followed. I think it will appeal to all reasonable men as a wise and prudent one. Certainly, if there is any doubt as to what surplus is available for tax reduction purposes, it is far wiser to wait two months, when we shall be on surer ground, than to rush ahead, repudiate the official estimates, and enact a tax reduction bill which will produce inadequate revenue and so prepare for an upward revision next year.

TREASURY DEPARTMENT

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FUTURE RELEASE

FOR RELEASE, MORNING PAPERS,  
Monday, January 16, 1928.  
OBSERVE DATE

Secretary Mellon today stated that the privilege of exchanging Third Liberty Loan  $4\frac{1}{4}$  per cent bonds for the new  $3\frac{1}{2}$  per cent Treasury Notes of Series C-1930-32 will terminate at the close of business on Monday, January 23rd. Exchange subscriptions in the mails or otherwise in transit before midnight on January 23rd will be accepted. Holders of Third  $4\frac{1}{4}$ 's have, therefore, only one week within which to avail themselves of the current offering.

Third Liberty Loan  $4\frac{1}{4}$  per cent bonds of 1928 will mature on September 15, 1928, and will cease to bear interest on that date. The current exchange privilege was announced by the Treasury on January 9, 1928. The new  $3\frac{1}{2}$  per cent Treasury notes offered in exchange for Third  $4\frac{1}{4}$ 's will be dated and bear interest from January 16, 1928, will mature December 15, 1932, and will be callable on and after December 15, 1930. Under this exchange offering holders of Third Liberty Loan bonds are given an opportunity to exchange their bonds, par for par, for the new Treasury notes, and those taking advantage of the offer will receive, at the time the new notes are delivered, interest in full to March 15, 1928, on their Third Liberty Loan bonds, without deduction because of the earlier redemption.

Banks and trust companies have been fully advised of the terms of the offering, and the Treasury has utilized every other available means of informing holders of Third  $4\frac{1}{4}$ 's of the exchange privilege.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Friday, January 20, 1928.

FUTURE RELEASE  
OBSERVE DATE

Speech of

Hon. A. W. Mellon,

Secretary of the Treasury,

at the dinner of the

Charlotte Chamber of Commerce,

celebrating the establishment

of the Charlotte Branch of the

Federal Reserve Bank of Richmond,

held at the Hotel Charlotte,

Charlotte, North Carolina

January 19, 1928.

I have long wanted to visit this part of the South, where so many of your traditions are the same as my own. Here in this Piedmont section of the Carolinas, you have many close ties with my native State of Pennsylvania. Your part of the country was settled, as mine was, largely by Scotch-Irish, and also by Germans and Quakers. They came in great numbers during the 18th century, landing in Philadelphia and then spreading westward to settle the country around Pittsburgh. Many of these same men pushed on through the valleys of the Appalachian Mountains to Virginia, North and South Carolina, bringing with them such names as Graham, Alexander and Polk, which were later to become so famous in your history.

They brought also their sturdy qualities of independence, love of civil and religious liberty, and a sense of thrift and order that enabled them to build up a civilization out of a wilderness. Wherever they went, they set up their educational and religious institutions. Mecklenburg County soon became a center of Scotch-Irish civilization, so that it was not strange that the liberty-loving men of this and the surrounding counties should resist the oppressive and ill-advised measures of the British Government and, in the Mecklenburg Declaration of 1775, should be the first to give formal utterance to American independence.

Nearly a century later, when the War between the States, which was so gloriously fought by both sides, had come to an end, and the South was faced not only by a loss of man power but by a disruption of her social and economic life as complete as anything caused in Europe by the last war, the descendants of these same pioneers set to work at once to rebuild their shattered fortunes. They showed the same indomitable courage as in the early days and, on the



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foundation of the old agricultural order, they built up a new agricultural and industrial South, whose rapid increase in wealth has been one of the outstanding achievements in this country in recent years.

The South is fortunate in that the period of her industrial expansion coincided with advances in the field of electricity, which made possible the development of the vast sources of water power in this part of the country. The production of cheap electric current has not only proved a great stimulus to industrial expansion but has also brought about a greater diversification of industry, so that today, in addition to being the center of the textile industry, the South is forging rapidly ahead in the production of knitted goods, silk, furniture, tobacco and many other commodities.

In no other part of the country has this industrial advance been more marked than in the two Carolinas. These States in the past have been predominantly agricultural and have usually been associated in the public mind with the production of cotton and tobacco. But in recent years the value of the manufactures of these two States combined has exceeded even the value of their agricultural output; and, as a result, there has come about an increase in wealth, which has necessitated a rapid expansion of their banking resources.

It is in recognition of this fact that a branch of the Federal Reserve Bank of Richmond has been established in Charlotte. Under the wise guidance of Governor Seay and his able Board of Directors, the Richmond Bank has had a most gratifying growth and has shown at all times a sympathetic understanding of the needs of this section. The establishment of a branch bank at Charlotte should still further increase the usefulness of the Federal Reserve System by effecting a valuable saving of time in bank clearings and currency shipments. At the

some time it should make for greater efficiency in operation, because the men in charge of the bank will be nearer to the territory which it serves and can have, therefore, a more accurate knowledge of local conditions. Furthermore, where a branch bank is actually needed, as in this case, its establishment is in line with the principle of local self-government in banking, while at the same time bringing to you the vast resources of the Federal Reserve System.

That System has made it possible, for the first time in our history, to mobilize the banking resources of the country and to place them at the service of any section that has need of them. For the first time business can go forward, freed from the fear that at any moment, from causes remote or unforeseen, a financial crisis might develop and threaten every one with ruin.

The old system, under which we operated prior to the passage of the Federal Reserve Act, was notable for its scattered and immobile banking reserves and a credit inelasticity which rendered it totally inadequate for the country's needs. It was unequal even to meeting the seasonal demands during the crop-moving period; and, in times of financial stringency, it operated to aggravate, rather than to relieve, panic symptoms.

National banks could issue currency only when secured by Government bonds; consequently they were unable to increase the currency in times when it was most needed. Banks outside of the great financial centers could expand their credit facilities only by borrowing from the larger metropolitan banks, with the result that all loans in the end converged on New York. Instead of a coordinated system of banks, with a common reservoir of credit, we had a large number of independent banking units, which in times of stress struggled against each other, and never worked together as part of one great financial structure.

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These defects were cured by the establishment of the Federal Reserve System. The twelve regional banks, under the responsible coordinating influence of the Federal Reserve Board, can effect that prompt mobilization of reserves which is so essential in preventing panics. These banks are also able to provide the country with an elastic currency, which expands or contracts with seasonal and trade needs. It is possible to supply the farmers and the trade with adequate currency during the crop-moving period and to effect the necessary contraction when the seasonal requirements have been met. The reserves of each regional bank are available, through the discounting privilege, to all other Federal Reserve Banks. The funds of the central reservoir can be diverted to any bank in the System which has need of them, so that the financing of an increasing or decreasing volume of business can be accomplished with ease.

The Federal Reserve System was put into operation just prior to the outbreak of the World War and was obliged to establish itself in public confidence during a period of unprecedented strain in the financial world. The channels of world trade had been suddenly and violently disorganized. The outbreak of war stopped the flow abroad of many exports and this country was flooded with a surplus of cotton and other commodities, which to a great extent proved unmarketable until the new trade currents had established themselves. Then cotton and food and manufactures which were needed for war purposes began to flow abroad in even greater quantities than before. Agriculture and industry expanded rapidly, necessitating an enormous increase in credits, which fortunately the banks of the Federal Reserve System and the other banks of the country were able to supply.

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When this country entered the war in 1917, the strain upon the banking structure became even greater. It was necessary to support our military establishment and at the same time to make advances to the nations associated with us in carrying on the war. Our national debt increased from \$1,281,000,000 on April 5, 1917, to \$25,484,000,000 on June 30, 1919. In the floating of the Liberty Loans the Federal Reserve Banks acted as the fiscal agents of the Government and their assistance in this and many other ways proved invaluable.

When the war was over and the nation was obliged to adjust itself to new conditions, it was the steadying influence of the Federal Reserve System that brought the country safely through the necessary period of post-war readjustment with a minimum derangement and prevented the financial crisis from degenerating into a panic. As a result there was no serious impairment in our financial structure at a time when such a calamity would have had most disastrous consequences throughout the entire world.

The service which the Federal Reserve System rendered to the country during this period can not be overestimated. And yet, the System, as you know, has been violently attacked because it failed to do the impossible and to avert the losses suffered in getting the overexpanded agencies of production, both agricultural and industrial, back on a normal, peacetime basis.

As bankers you know how groundless is the charge that the Federal Reserve Banks contracted agricultural credits. As a matter of fact, far from contracting agricultural credits during the period of falling prices, the Federal Reserve Banks expanded bank credits and increased the volume of circulating notes in the agricultural States.

The Federal Reserve Bank of Richmond, for instance, during the calendar year 1920 increased its rediscounts by more than 10 million dollars and expended its note issue by nearly the same amount. A similar expansion of credits was made by the Federal Reserve Bank of Atlanta and the other banks in the great agricultural areas.

These facts speak for themselves and justify the assertion that, without the assistance rendered by the Federal Reserve Banks, it would have been difficult, if not impossible, for the country to have come safely through the period of deflation or for our financial structure to have weathered the enormous strain to which it was subjected at that time.

What the Federal Reserve System has been able to do for this country, it is now doing to a lesser degree for the world at large. It is today one of the important factors in the effort which is being made to achieve world stabilization.

When Great Britain made the momentous decision to re-establish the pound upon a gold basis at its former value, it meant that the old standard for financial transactions was to continue and that America was not to be left holding the world's supply of a metal for which the other nations might be seeking a substitute. Great credit is due to the Federal Reserve Banks for the part which they played in bringing about this result. These banks extended large credits to the Bank of England, and the British Treasury arranged for additional credits with

private American bankers. Great Britain has been on a gold basis now for more than two years and has not used a single dollar of these credits; nevertheless, without the support furnished by the Federal Reserve Banks, I do not believe that stabilization would have taken place at the time when it actually occurred.

The movement back to gold has continued steadily and other nations, including Belgium and more recently Italy, have been added to the list of countries maintaining the gold standard. In the plans for the stabilization of the rest of Europe, the participation of the Federal Reserve System is equally necessary; and in all this the interests of the American farmer and manufacturer are vitally concerned.

The nations of the world must be re-established on a sound financial basis, if our surplus products are to find an export market. Only in this way can business compute in advance the price which it must pay for raw materials and figure more accurately on the price which can be secured for the finished products. If this can be done, business can operate on a larger scale and increase its foreign purchases, which means a greater demand for our own surplus products and an expansion in business here and in other countries as well.

It is indeed fortunate in this disturbed period in monetary affairs, when so large responsibility for world stability has been placed upon this country, that we have in the Federal Reserve System an agency capable, not only of exercising an important influence towards stability in our own

money markets, but also of aiding in financial reconstruction abroad.

The work which the Federal Reserve System is doing is along sound, constructive lines. But the greatest mistake would be to expect the impossible. It is not a panacea for all the financial and economic ills which may befall the country. Neither the Federal Reserve System nor any other system can control prices. The most that System can do is to influence to a limited extent, from time to time, the total volume of credit and its cost. While credit is one factor in influencing prices, it is neither the only factor nor the controlling one; and it would be asking the Federal Reserve System to perform the impossible if it is to be charged with the responsibility for controlling prices merely because it can exercise a limited control over the amount of credit available.

The Federal Reserve System has been in operation now for thirteen years. During this time it has so established itself in the confidence of the country that Congress last year extended the charters of the Federal Reserve Banks for an indeterminate period. This Act was one of the most important pieces of legislation that has passed Congress since the war, for it insured the continuance of the Federal Reserve System as an integral part of our banking structure.

It is left for us to make certain that the System shall not be endangered by loading it down with extraneous or impossible tasks. It has already justified its existence and it will be indispensable in any future financial crisis which may arise. But if the System is to do this, it must never be impaired by changes which interfere with the twelve regional banks in the exercise of their primary function as reserve institutions in providing credit and currency for the country.

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I know that you can be counted on always to give the Federal Reserve System your strong and unqualified support. It is a matter on which we can all agree, regardless of politics, for the Federal Reserve System was established under a Democratic President and its continued existence has been assured under a Republican President. In matters of such general concern as banking - and may I add, taxation also - it seems to me that partisan politics should not enter. These are fundamental questions which vitally affect the welfare of the whole country; and, when that welfare is involved, we should think not of class or sectional or partisan advantage, but of what is economically sound and for the best interest of the country.



TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,  
Saturday, January 21, 1928.

Secretary Mellon reminds holders of Third Liberty Loan bonds that, as previously announced, the privilege of exchanging their bonds for the new Treasury Notes will expire at the close of business on next Monday, January 23, 1928. Under this exchange privilege, which was first announced on January 9th, holders of Third Liberty Loan bonds are given an opportunity to exchange their bonds for new  $3\frac{1}{2}$  per cent Treasury Notes maturing in 1932 and callable in 1930. Third Liberty Loan bonds will mature on September 15, 1928, and will not bear interest after that date. While the new notes bear interest from January 16, 1928, simultaneously with the delivery of the new notes the Treasury will pay interest on the Third  $4\frac{1}{4}$ 's for the full six months' period from September 15, 1927, to March 15, 1928.

Secretary Mellon further announced that according to the latest reports received from the Federal Reserve Banks over \$525,000,000 Third  $4\frac{1}{4}$ 's have thus far been exchanged for the new notes. Complete figures will be announced following the closing of the exchange offering on Monday, January 23rd.

## STATEMENT BY SECRETARY MELLON.

In accordance with previous announcement, subscription books on the offering of  $3\frac{1}{2}$  per cent Treasury notes, Series C-1930-32, in exchange for Third Liberty Loan  $4\frac{1}{4}$  per cent bonds closed at the close of business Monday, January 23rd. The total amount of subscriptions received by Federal Reserve Banks and the Treasury Department was over \$603,000,000.

Subscriptions, by Federal Reserve districts, together with those received direct by the Treasury Department, are set forth below. These figures are subject to slight increase due to the belated receipt of any subscriptions which were in the mails or otherwise in transit before midnight on January 23rd:

<u>Federal Reserve District:</u>	<u>Total amount of Subscriptions:</u>
Boston .....	\$ 18,093,800
New York .....	411,261,550
Philadelphia .....	16,500,800
Cleveland .....	38,559,400
Richmond .....	6,995,300
Atlanta .....	2,908,900
Chicago .....	59,042,550
St. Louis .....	12,514,200
Minneapolis .....	6,139,500
Kansas City .....	9,389,150
Dallas .....	5,182,600
San Francisco .....	7,941,350
Treasury .....	9,097,550
Total .....	<u>\$ 603,626,650</u>

TREASURY DEPARTMENT

FOR RELEASE MORNING PAPERS  
FRIDAY, JANUARY 27, 1928.

FUTURE RELEASE  
OBSERVE DATE

SPEECH TO BE DELIVERED  
BY THE UNDERSECRETARY OF THE TREASURY,  
HON. OGDEN L. MILLS,  
AT THE ANNUAL MEETING OF THE  
FRANCO-AMERICAN CHAMBER OF COMMERCE  
TO BE HELD AT THE HOTEL RITZ CARLTON,  
NEW YORK CITY, ON THE EVENING OF  
THURSDAY, JANUARY 26, 1928.

One hundred and fifty years ago, America entered into her first treaty of amity and commerce. That treaty was with France. It was signed at Paris on February 6, 1778, by Franklin, Deane and Lee, on behalf of the thirteen Colonies, then struggling to become a nation. It was due largely to the efforts of Franklin, our first great Ambassador, who was as much loved and understood in France as in America and typified in his person the friendship, sympathy and understanding which were to exist between the peoples of the two countries.

At the same time a treaty of alliance was entered into, whereby France agreed not only to recognize but to support American independence. This she did most generously, both with force of arms and with financial aid; and the assistance, which was thus rendered during a critical period in our history, helped materially in establishing America as a free and independent nation.

It laid the foundation for a strong and lasting friendship, which brought us over a century later to the side of France, and Americans and Frenchmen again found themselves fighting side by side, in a terrible conflict which well nigh wrecked the world and imperilled much that had been built up by centuries of effort.

Peace came at last and men turned homeward expecting to find their place once more in the old world as it existed in 1914, indeed as it seemed always to have existed. The threads of the old life could surely be picked up again. The smooth running machine would again begin to function; the forward march would be resumed. But the old threads had been severed. The delicate economic machine, built up gradually through the years, had been wrecked. The broad high-road, with its many guide-posts, had been almost obliterated. The world literally began to grope, and as it did, for a time at least fundamental principles seemed to have been forgotten. The common nature of the problem was overlooked; the essential solidarity of the world disregarded.

It soon became evident that many of the things that had formerly been taken for granted as inevitably existent in a world as it ought to be, had to be patiently relearned and laboriously and consciously applied. What was formerly the concern of but a few financiers and experts, who themselves accepted the whole complicated system with considerable complacency, became the intimate concern of the people themselves. Balanced budget, balance of trade, rate of foreign exchange, stable currency, are now terms familiar to well nigh every household. Even the experts and technicians have had to be reeducated. The situation before the war and that which developed during the post-war period may be likened to the operation of the modern up-to-date automobile by the average man before and after an accident. He buys the car, he pours in some oil and some gasoline, presses a button, shifts the gears with a lever, and rolls to his destination with complete comfort and security, but with an equally complete ignorance as to the motor which propels the car and the various parts which cause it to function so smoothly. That was the pre-war situation. Now our automobile owner in driving along the road exceeds on a lonely highway the proper rate of speed, as a result of which he ends up in a ditch with a wrecked car. Assume that he is many miles away from any assistance, that this is the only car available and the only means of reaching a given destination. He has to set to work and learn now in detail every part of the machine and its relation to the whole. He has to put it together piece-meal. He has to do all this laboriously and as part of a deliberate, conscious process; and when he steps into the car again and it begins to move, he is no longer a mere passenger, enjoying the benefits of a ready-made machine created and handed to him by others, but an intelligent mechanic who has recreated his own complicated and essential vehicle.

What a lesson in political economy the world has received in the last few years. We have been going to school again. We have learned that there are

some matters which each nation must attend to itself and that wise internal economy and putting one's house in order are the first and indispensable steps. But we have learned much more. We have learned that, divided as it is into many countries and nations, the world is nevertheless, broadly speaking, a single great economic unit; that its parts are in a large measure interdependent, and that the prosperity of one or a number of them cannot be built up indefinitely at the expense of that of the others, but rather that the prosperity of all spells greater prosperity for each. The corollary must be equally evident that the promotion of the economic well-being and strength of one's own country is a direct contribution to the well-being of other countries. Enlightened self-interest is an all important factor. It may be true that one of the best ways to help one's self is to help others; it is equally true that the best way to help others is to help one's self.

What serious student, for instance, can minimize the contributions which, due to its fortunate situation, this country has been able to make to the restoration of world economy, not only as a vast reservoir of liquid capital which has been freely drawn on, but as a great market with vast purchasing power. While the first of these has been sufficiently emphasized, there has been a tendency in some quarters to claim that in so far as the second is concerned, the benefits have been too restricted. This point of view overlooks the controlling fact that the maintenance of the present American standard of living and of wages, accompanied by the wide-spread diffusion of prosperity, is the basis upon which the purchasing power rests, and that the maintenance of the former is a prerequisite to the existence of the latter. This point of view overlooks the vast proportions which our imports have assumed in the total of world trade and the narrowing margin between our exports and imports. Thus in

the fiscal year 1913 our imports were 75 per cent of our exports; in the last fiscal year they were 86 per cent. In the calendar year 1913 our imports constituted 8.2 per cent of total world imports; in the calendar year 1926 they were 13.8 per cent. For the five years ending June 30, 1927, European exports to the United States increased 52.6 per cent, whereas exports from this country to Europe increased but 15.9 per cent. While total trade between the United States and France has increased in the five years ending June 30, 1927, by 6.5 per cent, imports from France have increased 15 per cent as compared with a 1.3 per cent increase of exports. These are facts which critics of the American system of protection would do well to bear in mind.

I have said that the world went to school and relearned many a lesson in political economy. But the world also went back to work. The wreckage was cleared away. Productive enterprise was resumed. Progress was at first painfully slow. At times the obstacles seemed insurmountable. Indeed they were magnified, since they held the center of the stage, obvious to all, while the silent work of reconstruction went on behind the scenes. While statesmen struggled to solve the grave problems of public finance, and economic argument raged, millions whose immediate problem is their daily bread, toiled and again began to save. Free from political controversy and publicity, everywhere the business men of the world, working individually, and through such organizations as this, and with a closer relationship and understanding than ever before, devoted their energy and brains and experience to the common task.

There could be no better example of effective cooperation than has been furnished by the level-headed and able men who manage the great central banks. Thus when Poland recently had occasion to seek foreign credits, no less than fourteen central banks participated, and this was again true when Italy a month ago, on the occasion of her return to the gold standard, fortified her position with credits obtained abroad. This is the kind of team-work that counts.

Another fine example was furnished by the Economic Conference of last May, and the meeting of the International Chamber of Commerce during the course of the summer.

And so the world has definitely emerged from the World War chaos. The last three years have witnessed a steady march forward. In the field of public finance, the pace has indeed been rapid. Budgets have been balanced, currencies have become stabilized, and the wide fluctuations in foreign exchange, which furnished such a terrible impediment to world commerce and the interchange of goods, have in a great measure been ironed out.

During the last eighteen months, Italy, Poland, India, Denmark, Estonia, Argentina, Ecuador, and Brazil have been added to the countries whose currencies are legally on a gold or a gold exchange standard. The approach to parity with prewar conditions is reflected in the recent advance of American prices of exchange, nearly to par for Norway and above par for Great Britain. Definite plans have been made and foreign loans are now pending to assist Greece in proposed currency reforms.

In the meanwhile, the production of major agricultural, mineral and manufactured products of the world as a whole, and in a great majority of the individual countries, now exceeds the prewar volume. International trade, which during and immediately after the war, fell far below normal levels, is now appreciably greater than <sup>in</sup> the immediate prewar period. The total volume of world trade in 1922 amounted to 46.9 billions, and in 1926 to over 60 billions, or an increase of nearly one-third in four years. The increase in the rate of growth is particularly significant: thus, the total volume of trade in 1922 increased 8 per cent over 1921; in 1923 the increase was 10 per cent; in 1924,  $12\frac{1}{2}$  per cent; and in 1925,  $13\frac{1}{2}$  per cent. While several of the countries of Europe have not yet recovered fully in production and trade, they have almost without exception made marked progress in that direction.



Turning now to France, in which your organization is primarily concerned, we find a situation which, if not wholly satisfactory, from the point of view of the future presents elements indicating great economic strength as contrasted with the temporary character of some of the difficulties. And even in so far as the latter are concerned, we can note a most gratifying record of progress during the last eighteen months. The general economic position of France on its static side may be summed up in the statement that she has an intelligent and industrious population, a great abundance of natural resources, including coal and hydraulic energy; that she is improving definitely her capacity as an agricultural producer; that she has vastly improved her industrial organization and her equipment for large scale production; that she has developed and improved foreign trade methods and so enhanced her ability to compete in the world markets, and that, already the principal world's purveyor of fine quality in so-called luxury goods, France is now developing in many trades large scale and standardized production of the ordinary goods of general consumption.

On the temporary or dynamic side, some of the problems which two years ago seemed well nigh insoluble have to-day in fact been solved. The budget has been balanced. The franc has been stable in value for over a year. The Bank of France has heavily increased its holdings of gold, while the flow of capital to France has placed at its disposition an immense sum in the form of dollar and sterling credits. The recovery of the entire French financial situation, including the rise of the franc and its de facto stabilization since December, 1926, is one of the most amazing chapters in financial history. The foreign trade balance continues to be favorable. Here is a picture which no friend of France can look at without experiencing a sense of gratitude and pride.

And so as we meet tonight to celebrate the century and a half of peace and friendship that have existed between the United States and our first and oldest friend, it is gratifying indeed to be able to do so under such hopeful circumstances and to sound a note of confidence in the future.

It has been a great pleasure to be with you this evening and to meet the members of this organization, who not only devote their energies to the promotion of trade and commerce between these two great countries, but who, knowing both are in a position to act year in and year out as messengers of good will and to promote the friendship and mutual understanding which I am confident will result in at least another 150 years of expanding trade, peace, and amity between the peoples of France and of the United States.

TREASURY DEPARTMENT

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FOR RELEASE UPON APPEARANCE OF THE  
SECRETARY BEFORE THE WAYS AND MEANS  
COMMITTEE

FEBRUARY 15, 1928.

Statement by the Secretary of the Treasury before the  
Ways and Means Committee with reference to the bill to  
authorize the settlement of the indebtedness of the  
Greek Government to the Government of the United States  
and of the differences arising out of the Tripartite  
Loan Agreement of February 10, 1918.

The Secretary of State and the Secretary of the Treasury have for some months past conducted conversations with the Greek Minister at Washington looking to the settlement of the indebtedness of the Greek Government to the Government of the United States, which as of January 1, 1928, amounted, principal and interest, to the sum of \$19,659,836. As a result of these conversations, a proposed plan of settlement was agreed to which was embodied in notes exchanged between the Secretary of State and the Greek Minister at Washington on January 18, 1928. The President has recommended that the Congress authorize the Secretary of the Treasury to sign, with his approval, a definite agreement for the settlement of the Greek debt and of the differences arising out of the Tripartite Loan Agreement of February 10, 1918, which legislation is now before your Committee for consideration.

The indebtedness arose by virtue of an agreement dated February 10, 1918, under the terms of which the Governments of the United States, Great Britain, and France agreed to advance to the Greek Government, by equal shares, not to exceed 750,000,000 francs. The object of this

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agreement and the benefits to be derived by the United States were set forth in a letter from Secretary of the Treasury McAdoo to President Wilson dated December 8, 1917. Quoting from a cable from Assistant Secretary Crosby, the letter pointed out that it was agreed that Greece should increase its active army from three divisions to at least nine divisions, which would require about 600,000,000 francs for munitions and supplies for army and navy, and 750,000,000 francs for payment of soldiers, sailors, and other local military expenditures. France and Great Britain agreed to provide the munition and supplies fund. Conditioned upon their supplying this fund of 600,000,000 francs, the United States was to join with France and Great Britain in supplying the 750,000,000 francs. The cable further said: "Colonel House and General Bliss join in recommending our joining in support of Greece in view of urgent military necessity and upon principle that we should join with Great Britain and France in supporting military programs of weaker nations whose military cooperation may be of aid in accomplishing desired victory, even though involving advance for expenditures outside our country". The loan was approved by President Wilson under date of December 10, 1917. Under the agreement Greece was to expend 750,000,000 francs of its own resources for the above-mentioned purposes. The United States, France and Great Britain were to open on their books in equal shares credits to the Greek Government amounting to 750,000,000 francs, against which credits the National Bank of Greece was to issue its bank notes. Actual advances on the credits were to be made during the war should

the foreign balances of the Greek Treasury and the National Bank of Greece fall below 100,000,000 francs, and in any event, to be immediately available six months after the conclusion of the peace.

Advances were to be subject to the approval of an Inter-Allied Financial Commission, composed of one representative from each of the signatory governments, and the use of funds was to be controlled by this Commission and by a Military Commission similarly established. The reports of the American Consul General at Athens, who represented the United States on this Commission, showed that Greek expenditures under the agreement reached the total of 682,134,693.54 drachmae. One-third of that amount expressed in dollars aggregates \$43,883,998.62. Actually, Greece spent the full 750,000,000 francs, though owing to the failure of the Inter-Allied Financial Commission to meet, the balance of these expenditures was not formally checked.

What I want to emphasize at this point is that the United States Government on February 10, 1918, agreed to advance to the Greek Government one-third of 750,000,000 francs, providing the Greek Government expended that amount for war purposes, at a time when General Bliss stated it was an urgent military necessity. No one disputes that Greece actually spent the money for those war purposes. The United States has received, therefore, the full consideration contemplated by the agreement in so far as Greece is concerned.

In any event, upon the recommendation of the American delegate on the Financial Commission, credits to the amount of \$48,236,529.05 were

established by the Treasury of the United States with the approval of President Wilson in favor of Greece, on the following dates:

June 20, 1918 . . . . .	\$15,790,000.00
December 3, 1918. . . . .	23,764,036.00
March 25, 1919 . . . . .	3,858,930.00
July 31, 1919 . . . . .	<u>4,823,663.05</u>
	\$48,236,629.05

At the same time the obligations of the Greek Government in these amounts, bearing interest at 5 per cent from the date advances were actually made, were received by our Government and are still held by us.

The first actual advance was made by our Government to Greece on December 15, 1919, the second on January 16, 1920, and the third on September 24, 1920. All told, we actually advanced \$15,000,000.

The Greek Government has consistently contended that it is entitled to further advances up to the full amount of the credits established by the Treasury of the United States. Both Secretary Houston and I, however, assured the Congress that no further advances would be made without bringing the matter to its attention. The whole problem was presented to the Debt Funding Commission in 1926. The Commission took the position that events which transpired subsequent to November, 1920, from a legal standpoint relieved the United States from making any further advances. I may interject here, however, that I have submitted this proposed settlement to such members of the former Debt Funding Commission as are in Washington, namely, Secretary Kellogg, Secretary Hoover, Senator

Smoot, and Representatives Burton and Crisp, and that with the exception of the latter all agree as to the advisability of making the agreement now before you. Up to the present time, however, this difference of opinion as to whether further advances should be made or not, which existed between the Greek Government and our Government, has prevented the reaching of an agreement for the settlement of the indebtedness of the Government of Greece to the Government of the United States. It should be added that the Greek Government has been so convinced of the soundness of its position as to express its entire willingness to submit the question to arbitration.

After the Debt Funding Commission had failed to reach an agreement with the Greek Debt Commission in 1926, no further negotiations took place until the summer of 1927.

In April, 1927, the British and Greek Governments reached an agreement for the settlement of the indebtedness of the Greek Government to the British Government which had arisen under the terms of the agreement of February 10, 1918, Great Britain having advanced approximately 6,540,000 pounds, or \$31,826,910. Under the terms of this agreement the obligation is to be discharged over a period of 62 years, at a low rate of interest, and all claims for further advances under the 1918 agreement are waived by the Greek Government. Our Government notified the Greek Government that it expected as favorable treatment as that received by Great Britain. Subsequently, the Greek Minister received instructions from his Government to take up the question of the

settlement of the debt of his Government to the United States, and conversations were begun between the Greek Minister and representatives of the State and Treasury Departments. Our position from the first was that the United States was entitled to as favorable a settlement as that accorded Great Britain. The Greek Government conceded the soundness of this contention, but pointed out that in order to enjoy as favorable a settlement as that accorded Great Britain, the United States Government should in fairness advance a sum as great as that advanced by Great Britain under the terms of the 1918 agreement.

Great Britain having advanced the equivalent of approximately \$31,826,910, and the sum advanced by the United States Government being \$15,000,000, which with interest to January 1, 1928, at 5 per cent amounts to \$19,659,836, the amount of new money to be advanced by our Government in order to reach the amount advanced by Great Britain is \$12,167,074.

The basis of the present proposed settlement is the very definite proposition that while the United States have the right to demand that Greece should settle with us on as favorable terms as those given Great Britain, the United States on its part would certainly expect not to fall short of any other nation in carrying out the terms of an agreement entered into in common, or to deal less fairly and generously with Greece than Great Britain actually has.

Expressed generally, the terms of the proposed agreement are as follows:



1. The \$15,000,000 of principal owed by the Greek Government to the United States with interest at 4 1/4 per cent up to December 15, 1922, and on the amount then due with interest at 3 per cent to January 1, 1928, amounting in all to \$18,127,922.67, less the sum of \$2,922.67 to be paid in cash upon execution of the agreement, is to be funded over a period of 62 years. There are listed below the payments to be made by the Greek Government to the United States under this settlement:

July 1, 1928. . . . .	\$ 20,000
January 1, 1929 . . . . .	20,000
July 1, 1929 . . . . .	25,000
January 1, 1930 . . . . .	25,000
July 1, 1930 . . . . .	30,000
January 1, 1931 . . . . .	30,000
July 1, 1931 . . . . .	110,000
January 1, 1932 . . . . .	110,000
July 1, 1932 . . . . .	130,000
January 1, 1933 . . . . .	130,000
July 1, 1933, and semi-annually thereafter to January 1, 1938, 10 payments each of . . . . .	150,000
July 1, 1938, and semi-annually thereafter to January 1, 1990, 10 <sup>4</sup> pay- ments each of . . . . .	175,000

The funding of the existing indebtedness for a period of 62 years is in accord with our debt settlements with other countries. The proposed

settlement compares favorably with the settlements made with Italy and Yugoslavia. The present value of the payments to be received under the proposed settlement, on a basis of 4 per cent per annum, payable semi-annually, amounts to \$6,787,000, or about  $34\frac{1}{2}$  per cent of the original amount due. On the same basis, the Italian settlement represents  $26\frac{1}{2}$  per cent; the Yugoslav settlement 33 per cent, and the Belgian settlement 49 per cent.

2. The Greek Government is to forego all claims for further advances under the Tripartite Loan Agreement dated February 10, 1918, which agreement, in so far as the Governments of the United States and Greece are concerned, is to be regarded as terminated.

3. The United States will advance to the Greek Government \$12,167,000 at 4 per cent per annum, payable semi-annually, with provisions for a sinking fund to retire the loan in 20 years.

4. The service of this loan is to be administered and assured by the International Financial Commission. The Greek Government will furnish as securities for the new loan the revenues at present under the control of the International Financial Commission in so far as the yield of these revenues is not required for the service of the loans having a prior charge upon the said revenues. As of 1927, the excess of revenues at present under the control of the International Financial Commission over those required for the service of the loans having a prior charge, are estimated to amount to approximately \$28,000,000. Inasmuch as the annual service of the new loan, principal and interest, will amount to approximately \$889,500, it is obvious that the loan will be amply secured.

5. The proceeds of this loan are to be used entirely for the work of the Refugee Settlement Commission. Recent events in the Near East have involved for Greece a very considerable displacement of population. The total number of refugees added to the population of Greece amounts to about  $1\frac{1}{2}$  millions, or more than 30 per cent of the population. In 1923 there was organized by formal and official agreement, and according to the terms of a statute enacted by the Greek Legislature, the Refugee Settlement Commission, of which the Chairman, according to the organic articles, must always be an American citizen. Mr. Henry Morgenthau was the first Chairman; and Mr. Charles B. Eddy is now Chairman. The task of this Commission is to establish the refugees in productive work. In 1924 a loan of over \$59,000,000 was floated in the world markets for the purposes of the Refugee Settlement Commission. Great progress has been made, but much remains to be done to complete this humanitarian work. The proceeds of the \$12,167,000 loan to be made by the United States Government to the Greek Government are to be applied in their entirety to the work of the Refugee Settlement Commission.

The proposed settlement will assure to the United States the repayment in full over a period of 62 years of the \$18,125,000 to be funded. It will discharge what may fairly be considered a moral obligation resulting from the 1918 agreement by the advance of a sum of money to be wholly devoted to constructive work of great humanitarian as well as economic value, which loan will bear an adequate rate of interest and be amply secured by pledged revenue.

But the Committee and the Congress may ask why they should vote to authorize a further advance to Greece when in a memorandum prepared for the Debt Funding Commission considerable doubt is expressed as to the legal obligation of the United States to make further advances under the 1918 agreement in view of what had transpired since 1920? The legal points raised at that time may be summarized as follows:

(1) That France had failed to make any advances under the 1918 agreement, and that in 1921 Greece agreed to forego any further claims upon Great Britain, though it does not appear that this last mentioned agreement was ever ratified by the Greek Parliament. It was suggested that the original agreement was a joint undertaking, and that the failure of France and Great Britain to live up in full to their share of the agreement would release the United States. The agreement, however, was to make advances in equal shares, and to say the least, it is very questionable whether such an agreement constituted a joint undertaking. To hold it to be a joint undertaking would be to admit that the United States was liable for the full amount of 750,000,000 francs, which, of course, was never contemplated.

(2) That under the terms of the 1918 agreement Greece undertook to use no new security for an exterior loan without the assent of the Governments of the United States, France, and Great Britain; whereas, in 1923 Greece funded a demand loan owed to the Canadian Government and undertook to assign to the service of the bonds the surplus of revenues received by the Greek Government from the International Financial Commission. The Greek Government contends that the mere earmarking of certain revenues

to the service of a particular loan does not constitute giving new security, and contends that there was no need of obtaining the assent of the three countries in the case of the Canadian loan. It points out, furthermore, that the following year in the case of the Refugee loan, where revenues were actually pledged, it did request and obtain the assent of our Government and that our Government evidently considered the agreement as still in effect at that time as its assent was given.

(3) That Greece ceased payment of interest on the \$15,000,000 advanced by the United States. The facts are that Greece continued to pay interest for a year after we had ceased making advances.

(4) That under the agreement made in 1919, under the terms of which Greece was to expend in this country, all moneys advanced and to furnish bi-monthly reports, Greece had failed to furnish adequate reports. There does not appear to be any dispute as to the funds having been expended in this country.

I do not deem it necessary to discuss these points in detail and from a legal standpoint. It is apparent that each and every one of them constitutes a legal defense which it is not too much to say is of a highly technical character. They furnish a field for interminable legal controversy, with probably a good legal argument whichever side of the question be taken.

I do not believe that our nation should interpret its obligations under a contract to which it is a party on any such narrow basis, or be influenced in its decision by legal considerations of so technical a character. The question to be determined is, did the United States

undertake to make advances to the Greek Government provided the Greek Government expended a given sum of money for war purposes? Did the Greek Government actually expend the funds for the purposes contemplated by the agreement? In other words, has the Greek Government fulfilled the essential parts of the original contract? The expenditure of the 750,000,000 francs for war purposes was the essential consideration received by us in return for our promise to make the advances. No one disputes that the expenditures were made for the purposes contemplated. It is clear, therefore, that the United States Government has received the consideration in return for which it undertook to make the advances.

We have steadfastly, and some times in the face of severe criticism, maintained the principle of sanctity of international obligations. When it comes to interpreting our own, we should not construe them too narrowly.

As Secretary Houston stated before a Senate Committee "Well, I think if this government made its commitment to do a certain thing during the war, for war purposes, and had a certain agreement, if the terms were complied with and they should come forward with a request for the advance, in strict compliance it would be bad faith not to make it." (Asked if he cited the Greek agreement with reference to the statement just made, Secretary Houston replied in the affirmative.) "I should find difficulty, myself, in refusing to comply with the commitments. If we made a commitment and they satisfy the terms of it, I do not see how we can refuse to comply with it. And, furthermore, to put it on the very lowest plane, I think it would be very bad business for this country to commence to fail to keep commitments, because we have very large amounts due us."

Even admitting that Greece was guilty of infractions of the letter of the agreement such as to relieve us, from a strict legal standpoint,

of any further obligation, there remains nevertheless a moral obligation which should not be ignored, particularly when we consider that we have received in full the consideration originally contemplated and that the infraction of the agreement occurred at a subsequent date. While these violations of the original agreement might well justify our refusal to recognize in full its existing validity, there would nevertheless remain the moral factor, which should be recognized in the concluding of a new agreement. This is in effect what we are doing by granting to Greece those credits which she needs at present for the humanitarian work of refugee settlement, and the granting of which the Greek Government admits will discharge in full any obligations that may have arisen by virtue of the 1918 agreement.

After a painstaking study of the entire record, my conclusion is that, while the events of the last ten years may have modified and altered the nature of the original obligations, there nevertheless remains a commitment of a moral character of sufficient weight to justify our making an advance to Greece in the very moderate amount which the Greek Government now asks for, for the highly humanitarian purpose specified in this agreement. Greece on her part recognizes her obligation by making a definite commitment as to the payment of her debt. Thus this agreement adjusts all differences between the two countries. Should it fail, these differences must remain unadjusted for years, a constant source of irritation, particularly as they will necessarily involve a feeling on both sides that something in the nature of a breach of faith is involved.

The settlement of the Greek debt will conclude, so far as is possible at this time, the funding of all the war debts owing to the United States. There will remain the debts of Armenia, Austria, and of Russia.

There is attached as "Exhibit A" the letter from Secretary McAdoo to President Wilson dated December 8, 1917.

## THE SECRETARY OF THE TREASURY

Washington

December 8, 1917.

Dear Mr. President:

I have received, through the State Department, a cable from Assistant Secretary Crosby containing the following passage with reference to Greece:

Referring to Greece Supreme War Council at Versailles. Meeting concluded, House voting affirmatively that it is of prime military importance that Venizelos should return to Greece. Satisfied with support Allies and asked Finance section of Inter-Allied Conference to prepare plan for such support. After prolonged conference following plan satisfactory to Venizelos and his Finance Minister Diomides is unanimously recommended to Governments of United States, France and Great Britain Military requirements of Greece for coming year based on report of France Finance and Military Missions involving promptly increasing active army from present three divisions to at least nine divisions will require about six hundred million francs for munitions and supplies for Army and Navy herein called munition and supplies fund and seven hundred fifty million francs for payment of soldiers and sailors and other local military expenditures, including certain arrears herein called military funds. France and Great Britain have agreed to provide munition and supply fund reserving for determination until after conclusion of peace extent and manner of their reimbursement by Greece in light of various considerations, including results of terms of peace to Greece. I have declined to recommend participation by the United States in this advance because of extent to which European political questions which do not concern us may be involved in ultimate settlement. Representatives of Great Britain and France recognize fairness of this position but may later urge that we share this burden. Conditioned upon this fund being supplied by France, Great Britain recommends that United States join with France and Great Britain in supplying military fund of seven hundred fifty million francs upon following terms: advances to be provided as required under supervision of military and financial commissions sitting at Athens, including representatives of United States, France and Great Britain and Greece. I believe our present Minister and Military Attache if



there is one will be sufficient representation for us in commissions above mentioned. Advances to take form of credits in dollars, francs and sterling which will serve as basis for Greek banknotes, Greece to have right actually to draw against these credits during the War only in case balances abroad of Greek treasury and National Bank should fall below one hundred million francs. Six months after conclusion of peace credit can be drawn upon without restriction. The three Powers joining in advances are to receive Greek five per cent obligations loan fifteen years after cessation of hostilities Greece agreeing that no pledges shall be created in favor of any subsequent exterior loan without consent of three lending Governments. So long as and to extent that Greece does not draw against credits interest on obligations will be remitted. Obligations to be received by United States to contain special provisions meeting the requirements of our September law. Agreement contains other details for protection of lenders. Colonel House and General Bliss join in recommending our joining in support of Greece in view of urgent military necessity and upon principle that we should join with Great Britain and France in supporting military programs of weaker nations whose military cooperation important to aid in accomplishing desired victory even though involving advance for expenditures outside our country. If plan approved will agree upon precise amount dollar credit to represent our third in the aggregate advance herein for convenience expressed as seven hundred fifty million francs. Greek Minister at Washington will be authorized to sign obligations.

I am disposed to feel that, in view of the joint recommendation of Colonel House, General Bliss and Mr. Crosby, that this be done, we should join with Great Britain and France and advance one-third of the 750,000,000 francs to Greece although this does involve expenditures outside of our country. If you approve, may I ask that

you indicate your approval upon this letter, carrying as it will the establishment of a credit for Greece of 250,000,000 francs, or approximately \$44,000,000 at the current rate of exchange.

Cordially yours,

W. G. McADOO

Secretary.

The President

The White House.

THE WHITE HOUSE

Approved: 10 December, 1917.

Woodrow Wilson.

February 17, 1928.

To Heads of Bureaus and Offices, and  
Chiefs of Divisions, Secretary's Office,  
Treasury Department.

It is directed that hereafter all communications addressed to Senators and Congressmen or to the Chairman of Committees of Congress be transmitted in duplicate, an additional carbon copy of each such communication being prepared for this purpose.

A. W. MELLON

Secretary of the Treasury.

Statement by Secretary of the Treasury Mellon:

The Government of the United States holds a bond of the Austrian Government in the principal sum of \$24,055,708.92, given in payment for supplies furnished for Austrian relief in 1919 and 1920. The bond is dated September 4, 1920, and/matured January 1, 1925, but under the terms of the so-called Lodge Resolution of April 6, 1922, the Secretary of the Treasury extended the maturity date until June 1, 1943, and at the same time subordinated the lien enjoyed by the United States for the purpose of permitting the reconstruction loan of 1923.

Certain other governments, namely, Denmark, France, Great Britain, Italy, The Netherlands, Norway, Sweden, and Switzerland, hold relief bonds of similar character in the sum of about \$85,000,000. They likewise agreed to subordinate their liens to the reconstruction loan of 1923, which in addition was guaranteed by several of these governments.

The relief bonds enjoy "a first charge upon all the assets and revenues of Austria". The principal exception to this first charge is that in favor of the 1923 reconstruction loan. The relief bonds rank ahead of Austria's reparation obligations.

The Austrian Government now desires to float a new loan of about \$100,000,000 for the continuation of the program of reconstruction. The proceeds would be applied to the repair, improvement and re-equipment of the Austrian railway, telegraph, and telephone systems.

The lien enjoyed by the relief bonds makes it difficult, if not impossible, for Austria to obtain the necessary funds for this purpose. Accordingly the Austrian Government has requested the governments

holding Austrian relief bonds and also the Reparation Commission to subordinate their liens in favor of the new loan.

The Treasury is advised that all of the foreign governments concerned have already informed the Austrian Government that they are willing to take the desired action, providing that all of the governments in a similar position do likewise. It is further understood that the Reparation Commission has similarly agreed to subordinate the reparation lien on Austria's assets and revenues in favor of the new loan. The Austrian Government has requested the Government of the United States to take similar action. Since unanimous consent is required, failure of the United States to join the other governments concerned in granting Austria's request would constitute a barrier to the floating of the new reconstruction loan.

The matter has been carefully considered by the Secretary of State and the Secretary of the Treasury, and it is proposed to recommend to Congress that the Secretary of the Treasury be granted the authority in his discretion to subordinate the lien of the United States on Austria's assets and revenues to the extent necessary to permit the flotation of the loan now proposed, subject, of course, to satisfactory notification that the other governments and the Reparation Commission agree to take similar action.

TREASURY DEPARTMENT

61  
FOR IMMEDIATE RELEASE  
Monday, March 5, 1928

The Secretary of the Treasury announced:

Final steps were taken today in connection with the funding of the indebtedness of the Kingdom of Belgium to the United States. Viscount de Lantsheere, First Secretary of the Belgian Embassy at Washington, delivered to the Treasury 120 gold bonds of his Government in the principal amount of \$413,580,000, receiving in exchange the original obligations given by his Government in connection with cash advances and surplus war materials sold by the United States Liquidation Commission (War Department). The difference between the principal amount of the bonds delivered and the principal amount of the debt as funded represents the principal amount of \$4,200,000 of such bonds paid off since the date as of which the funding agreement became effective.

The Act approving the Belgian settlement was signed by the President April 30, 1926. The debt funding agreement has likewise been approved by the Belgian Government.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Tuesday, March 6, 1928.

Statement by Secretary of the Treasury Mellon:

Some days ago there arrived in New York from the National Bank of Soviet Russia some \$5,000,000 of gold, half of which was consigned to the Chase National Bank and the other half to the Equitable Trust Company as agents. Since 1920 the Treasury Department has refused to accept at the United States mints and assay offices gold coming from Soviet Russia, the State Department having declined to give assurances that the title to Soviet gold will not be subject to attack internationally or otherwise.

In this particular instance the Treasury Department asked the Equitable Trust Company and the Chase National Bank whether they were ready to purchase the gold from the National Bank of Soviet Russia and present it to the assay office at New York as owners. The two banks have just informed this Department that they are unwilling to purchase Soviet gold before presenting the same at the assay office and that the presentation, if made, would be solely as agent for the Russian Bank.

The provisions of law under which the Treasury acts in purchasing gold or bullion through the United States mints and assay offices are as follows:

Section 3519, Revised Statutes: "Any owner of gold bullion may deposit the same at any mint to be formed into coin or bars for his benefit \* \* \* \* "

Inasmuch as provision is made by law only for deposits by owners of gold, and since the Equitable Trust Company and the Chase National Bank are unwilling to present the gold as owners, the New York assay office will decline to receive this \$5,000,000 of gold.

TREASURY DEPARTMENT

63  
FOR RELEASE, MORNING PAPERS,  
THURSDAY, MARCH 8, 1928.

STATEMENT BY SECRETARY MELLON

The Treasury is today announcing its regular March financing, which takes the form of an offering of Treasury certificates of indebtedness in two series, both dated and bearing interest from March 15, 1928, one series at 3-1/4 per cent, being for nine months, maturing December 15, 1928, and the other series at 3-3/8 per cent, being for one year, maturing March 15, 1929. The amount of the nine months' offering is \$200,000,000, or thereabouts, and the amount of the one year offering is \$360,000,000, or thereabouts. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TM-1928 and TM2-1928, both maturing March 15, 1928. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing March 15, 1928, will be allotted in full, up to the amount of the respective offerings.

About \$514,000,000 of Treasury certificates of indebtedness become payable on March 15, 1928. Also, about \$83,000,000 in interest payments on the public debt become payable on that date.

The present offering, with tax and other receipts, will cover the Treasury's cash requirements until June.

A copy of the official circular is attached.



67

## UNITED STATES OF AMERICA

### TREASURY CERTIFICATES OF INDEBTEDNESS

Dated and bearing interest from March 15, 1928.  
Series TD2-1928,  $3\frac{1}{4}$  per cent, due December 15, 1928.  
Series TM-1929,  $3\frac{3}{8}$  per cent, due March 15, 1929.

The Secretary of the Treasury, under the authority of the act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness, in two series, both dated and bearing interest from March 15, 1928, the certificates of Series TD2-1928 being payable on December 15, 1928, with interest at the rate of three and one-quarter per cent per annum, payable on a semiannual basis, and the certificates of Series TM-1929 being payable on March 15, 1929, with interest at the rate of three and three-eighths per cent per annum, payable semiannually.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates of Series TD2-1928 will have two interest coupons attached, payable June 15, 1928, and December 15, 1928, and the certificates of Series TM-1929 two interest coupons attached, payable September 15, 1928, and March 15, 1929.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above. The certificates of these series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates. The certificates of these series will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for and to close the subscriptions as to either or both series at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before March 15, 1928, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. Treasury certificates of indebtedness of Series TM-1928 and TM2-1928, both maturing March 15, 1928, will be accepted at par in payment for any certificates of the series now offered which shall be subscribed for and allotted, with an adjustment of the interest accrued, if any, on the certificates of the series so paid for.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

**A. W. MELLON,**  
*Secretary of the Treasury.*

TREASURY DEPARTMENT,  
*Office of the Secretary,*  
March 8, 1928.

Department Circular No. 395  
(Public Debt)

#### TO THE INVESTOR:

Almost any banking institution in the United States will handle your subscription for you, or you may make subscription direct to the Federal Reserve Bank of your district. Your special attention is invited to the terms of subscription and allotment as stated above. If you desire to purchase, at the market price, certificates of the above issues after the subscriptions close, or certificates of any outstanding issue, you should apply to your own bank, or, if it can not obtain them for you, to the Federal Reserve Bank of your district, which will then endeavor to fill your order in the market.

TREASURY DEPARTMENT

FOR RELEASE MORNING PAPERS  
SUNDAY, MARCH 11, 1928.

March 10, 1928.

My dear Senator Walsh:

I beg to acknowledge receipt of yours of March 10th enclosing the exhibits which were introduced at the hearing before the Public Lands Committee this morning with reference to certain transactions of the late Mr. John T. Pratt. I know nothing whatsoever concerning these transactions, nor do I have any knowledge as to contributions to the Republican National Committee made by Mr. Pratt.

Among the papers which you sent me is a pencil memorandum containing what I assume you to believe to be a reference to me, inasmuch as it appears to be the occasion for sending me these papers. I have no knowledge as to the occasion for making this memorandum, nor, of course, do I know what Mr. Pratt had in mind in making the notation.

I desire to take this occasion, however, to state to you all facts relating to my contribution to the Republican National Committee.

Sometime in 1923 I was asked to contribute to the fund then being raised to clean up the deficit of the Republican National Committee. I said I would help but no amount was specified. Subsequently Mr. Hays telephoned me one day that he was sending me by messenger a package containing valuable documents and that he would see me shortly and explain what was involved. The package contained as nearly as I can remember \$50,000 of Liberty Bonds. There had been no previous understanding of any kind as to sending me bonds, and until I saw Mr. Hays later, I had no knowledge as to the purpose in sending them to me. Nor did I have any knowledge as to contributions in the form of bonds. When Mr. Hays called shortly thereafter, he told me he had received these bonds from Mr. Sinclair and suggested

that I hold the bonds and contribute an equal amount to the fund. This I declined to do. Accordingly I at once returned the bonds to Mr. Hays. At the same time, or shortly thereafter, I made a contribution of \$50,000 of my own funds, which was the amount I had intended to contribute; and which, incidentally, is the only contribution made by me to the National Campaign fund of 1920, exclusive of \$2,000 contributed during the campaign.

I am returning herewith the exhibits.

Sincerely yours,

(Signed) A. W. Mellon.

Hon. Thomas J. Walsh,  
United States Senate.

Secretary Mellon announced that subscriptions for the two issues of Treasury certificates of indebtedness, Series TD2-1928,  $3\frac{1}{4}$  per cent, dated March 15, 1928, maturing December 15, 1928, and Series TM-1929,  $3\frac{3}{8}$  per cent, dated March 15, 1928, maturing March 15, 1929, closed at the close of business on March 10, 1928.

Reports received from the twelve Federal Reserve Banks show that for the offering of  $3\frac{1}{4}$  per cent certificates of Series TD2-1928, which was for \$200,000,000, or thereabouts, total subscriptions aggregate some \$340,000,000, and that for the offering of  $3\frac{3}{8}$  per cent certificates of Series TM-1929, which was for \$360,000,000, or thereabouts, total subscriptions aggregate some \$660,000,000. As previously announced, subscriptions in payment of which Treasury certificates of indebtedness of Series TM-1928 and Series TM2-1928, both maturing March 15, 1928, were tendered, were allotted in full. Upon these exchange subscriptions about \$107,000,000 have been allotted. Allotments on the cash subscriptions for  $3\frac{1}{4}$  per cent certificates of Series TD2-1928 were made as follows: All subscriptions in amounts not exceeding \$10,000 for any one subscriber were allotted in full. Subscriptions in amounts over \$10,000 but not exceeding \$100,000 for any one subscriber were allotted 80 per cent, but not less than \$10,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$500,000 for any one subscriber were allotted 70 per cent but not less than \$80,000 on any one subscription; subscriptions in amounts over \$500,000 but not exceeding \$1,000,000 for any one subscriber were allotted 50 per cent but not less than \$350,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 40 per cent but not less than \$500,000 on any one subscription. Allotments

on cash subscriptions for 3 3/8 per cent certificates of Series T-1929 were made as follows: All subscriptions in amounts not exceeding \$1,000 for any one subscriber were allotted in full. Subscriptions in amounts over \$1,000 but not exceeding \$10,000 for any one subscriber were allotted 80 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 for any one subscriber were allotted 70 per cent, but not less than \$8,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 for any one subscriber were allotted 50 per cent, but not less than \$70,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 40 per cent, but not less than \$500,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

Secretary Mellon today announced that the total amount of subscriptions received for the two issues of Treasury certificates of indebtedness, Series TD2-1928,  $3\frac{1}{4}$  per cent, dated March 15, 1928, maturing December 15, 1928, and Series TM-1929,  $3\text{-}3/8$  per cent, dated March 15, 1928, maturing March 15, 1929, was \$1,000,773,000. The total amount of subscriptions allotted was \$562,491,500, of which \$107,058,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TM-1928 and TM2-1928, maturing March 15, 1928, were tendered in payment. All of such exchange subscriptions were allotted in full, while allotments on other subscriptions were made on a graduated scale.

The subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

	<u>SERIES TD2-1928</u>	
<u>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 12,883,500	\$ 9,335,000
New York	155,325,000	90,450,500
Philadelphia	26,570,500	14,255,500
Cleveland	16,360,000	9,585,000
Richmond	25,658,500	15,522,000
Atlanta	17,419,000	12,983,000
Chicago	23,628,500	15,631,500
St. Louis	6,974,000	3,784,500
Minneapolis	1,929,500	1,504,500
Kansas City	7,371,500	4,604,000
Dallas	9,646,000	6,279,500
San Francisco	36,304,000	17,609,500
Total . . . . .	\$ 340,070,000	\$201,544,500

(See following page for figures covering Series TM-1929)

SERIES TM-1929

<u>Federal Reserve District:</u>	<u>Total Subscrip- tions Received:</u>	<u>Total Subscrip- tions Allotted:</u>
Boston	\$ 49,162,500	\$ 27,124,000
New York	251,182,000	140,222,500
Philadelphia	44,850,000	26,255,500
Cleveland	32,608,500	15,412,000
Richmond	25,326,000	15,134,000
Atlanta	39,696,000	24,277,000
Chicago	95,031,500	51,570,500
St. Louis	18,827,000	9,283,500
Minneapolis	7,770,500	5,112,500
Kansas City	13,003,000	7,700,000
Dallas	19,103,000	11,202,500
San Francisco	64,143,000	27,653,000
Total . . . . .	\$ 660,703,000	\$ 360,947,000

Total Subscriptions, both series.....\$1,000,773,000

Total Allotments, both series ..... 562,491,500

FOR RELEASE, SATURDAY MORNING,  
MARCH 17, 1928.

SPEECH ~~TO BE~~ DELIVERED BY HON. OGDEN L. MILLS

AT THE FIFTEENTH ASSEMBLY DISTRICT REPUBLICAN CLUB

ON FRIDAY EVENING, MARCH 16, 1928,

AT THE MEETING OF THE CLUB HELD TO DISCUSS PRESIDENTIAL CANDIDATES.

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There is no more important event than the nomination by one of the two great Parties of a candidate for the Presidency. It is of greater importance almost than the election proper, for the people then are limited to the choice of one of two men. There rests on National Conventions, therefore, a particularly solemn and patriotic duty. They should perform that duty in a manner commensurate with its importance, and with a view to ensuring that the nominee selected will be the real choice of the rank and file of Republicans throughout the Country. There must be no secret meetings; there must be no delivered delegates. We want our candidate for the Presidency nominated in open convention by the delegates themselves, voting in accordance with their own individual judgment and the wishes of their constituents. This is the only way to ensure that the choice of the Convention will be the choice of the Party.

Now, this cannot be brought about at the last minute. It must be preceded by free, open, frank discussion of the merits of the available candidates; by an expression of opinion of the Party members, through primaries, meetings, conventions and individual declarations; and by the statement of their attitude on the part of the delegates themselves. Thus, by the time the Convention meets, a background of public opinion has been formed whereby the delegates may be enlightened and guided in making their



choice. It does not seem to me that it is necessary to instruct or pledge the latter though it is quite proper to do so. They should retain their freedom, subject to the solemn obligation fairly to represent the views of their constituents; and, in fairness to the latter, they should be willing to state their views and should not expect to receive a general and blind power of attorney.

If these essential preliminaries are dispensed with; if there are no contests, no open and frank discussions, no declarations by leaders and delegates; no opportunity given to the rank and file to express themselves, the road leads inevitably to a managed Convention, to the hotel parlor rather than to the convention hall, and to disaster on election day.

It is for these reasons that I congratulate this District most heartily on holding a meeting of this character. We are going to discuss candidates frankly, in the expectation that such a discussion will help develop a definite opinion on the part of the Republicans in this District, which will, in turn, help our delegates properly and faithfully to represent us.

That there are a number of candidates for the Republican nomination, is a wholesome and desirable situation. That men of talent, service and ambition should aspire to this great office, is natural and proper. That men should differ as to their availability and qualifications, is equally natural. But the fact that one man is favored ahead of others, should not be interpreted by them or their supporters as in any sense a reflection on them. After all, only one man can be chosen, and the best way of arriving at an intelligent choice is by friendly debate and argument.

I favor Mr. Hoover because, by reason of his natural ability and genius; the extent and character of his training, knowledge and experience; his courage, decisiveness and resourcefulness; and his record of service, he is supremely well qualified to fill the office of President at this particular

time. Given the problems of this day and generation, it looks almost as if a kind Providence had fashioned and furnished the man to meet them. As Will Rogers tersely said, "The Republican Convention will determine this year whether qualifications are an asset or a liability".

Begin by applying this simple test: If the United States were a great business corporation, on which you were completely dependent for your prosperity and well-being, and you were a stockholder uninfluenced by any other considerations, other than the wish to ensure the successful operation of the corporation, whom would you hire as your manager for the next four years? The answer, I think, is Hoover. Well, the problem before you is not fundamentally different from the one I have just described. When you think in terms of approval of the Coolidge Administration, you unquestionably have the economic policies principally in mind, and in assigning credit for those policies, three names stand out above all others--Coolidge, Mellon, and Hoover. Of the three only one has avowed his readiness to carry on.

This is an economic age, in the sense that the peace, prosperity and happiness of this generation of human beings depend on the wise solution of economic rather than any other problems. Organized society has brought into being mighty economic forces which, if they make possible the structure and organization of modern society, at the same time need constant and intelligent control and direction. Before them the individual is helpless. Standing alone, he is nearly at all times the creature of conditions beyond his ken and grasp. All he knows is that at times he has ample opportunity for work at ample wages, for saving and progress, and that at other times, without any fault on his part, he has been largely deprived of these opportunities. He reads of expanding or contracting production, increased or decreased prices, car-loadings, delivery contracts, manufacturing activities, bank credits, agricultural prices and crops, exports and imports, and of expanding or con-

tracting foreign markets. They represent the intricate and comprehensive system of statistics we have set up to measure and gauge the direction and volume of the various forces that in the aggregate spell prosperity or hardship to 120,000,000 people, and possibly to control them. They represent the guide and sign-posts whereby those who study and understand the interplay of the various forces that are at work in the economic field seek to guide and direct them. To the individual standing alone they mean nothing, since he cannot affect their course. But individuals once properly organized and intelligently led can effect a measure of control.

Just as in the past the problems of the hour called for varying types of men, whether lawyers, legislators, politicians, soldiers, or diplomats, so to-day we need at the head of the United States a man whose training, abilities and broad experience enable him to grapple with and understand these intricate and world-wide forces, and to furnish the leadership and direction that will enable the Nation to control and direct them for the common good. Of all the men in public life, Mr. Hoover is supreme in this line. If there is a major economic problem in the life of this Nation with which his vigorous and resourceful mind has not already become thoroughly familiar, I have yet to discover it.

In fact, it is in connection with just such problems that I came to know Hoover. When I was in Congress we were called upon at one time or another to deal with problems relating to agriculture, railroads, foreign debts, foreign trade, the tariff, and other kindred questions. I soon discovered that if one wanted one's ideas clarified by a simple statement of the essence of the problem, if one wanted to lay one's finger on the fundamentals, if one wanted one's imagination stimulated by constructive suggestion, one

had but to trace one's steps to the office of the kindly, modest, soft-spoken man who presided over the Department of Commerce. My extraordinarily high opinion of Mr. Hoover is not founded on impulse or on second-hand knowledge-- it is based on long observation and direct contact. I believe him to be one of those rare individuals who appear from time to time as necessity calls them forth, and who, if given the opportunity, profoundly modify for the better the course of human events. I am speaking now of the things that count in life, not of the shallow and inconsequential concerns of those who think simply in political terms of the conflicting issues of the hour.

The opinion of one man counts but little, but surely the almost fanatical veneration in which Mr. Hoover is held by every man that has worked under and with him while he performed the mighty tasks of the last fourteen years, their unbounded enthusiasm for the "Chief", their unlimited faith in him and his ability, is more eloquent testimony in behalf of my contention than any words could be. Some people have the ability to work alone and accomplish much. Far fewer in addition to what they accomplish by their own efforts, are able to magnify and increase their accomplishments many times by supplementing what they do themselves with the inspiration and leadership that impel thousands of others to give their best. This is the way of Hoover. My friend, William Hard, who is a singularly keen-minded journalist, with an unusual sense of humor, has described the Hoover method much better than I can. Says Mr. Hard:

"We were already familiar, in 1917, with Mr. Hoover's Belgian Relief. Yet I remember that not once did I really penetrate the Hoover mythology on towards some comprehension of the Hoover reality till in 1920 I happened to be in Vienna, Austria, and happened to observe Mr. Hoover's American Relief Administration at work feeding Viennese children.

"I noted then, if I may put it with exaggeration, that just about everybody in Vienna who was not occupied in being fed by Mr. Hoover was occupied in helping Mr. Hoover to do the feeding. For every American serving as an assistant to Mr. Hoover in Vienna there were literally more than one thousand Austrians so serving him. The American 'overhead' was, in bulk, nothing. The massive phenomenon was the use of, and the release of, Austrian initiative, Austrian energy, Austrian goodwill.

"Mr. Hoover, I began to think to myself, is not precisely figured forth by the image of a machine. He seems more to resemble a bacillus. He gets cast into this Austrian culture and medium, and lo! swarms and swarms of Bacilli Hooveriani swimming about and doing his work for him and propagating Hooverism.

"I let my mind turn back then to Mr. Hoover's Belgian Relief. On reflecting, and on further inquiry, I noted that in feeding Belgium Mr. Hoover did more than feed Belgium. He brought a vast multitude of people together in an association which could not perish.

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"I note that the swarms of Bacilli Hooveriani propagating Hooverism in Belgium and in Austria and in other European countries have now been succeeded and supplemented by innumerable similar swarms in the United States of America.

"Does Mr. Hoover find in his Department of Commerce a Bureau of Fisheries? He persuades Congress to pass a law establishing an advisory committee of private citizens to help him manage it.

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"Does he find in his Department a Bureau of Standards? It now is blessed with some eighty advisory committees of technical representatives of private industrial groups.

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"Does he get fascinated by the glamorous idea of saving large sums of money annually for American business by standardizing the sizes and the verbal forms of warehouse receipts? Presently there is a committee of warehousemen and bankers and shippers and carriers struggling with the idea in the light of their practical knowledge of its difficulties and of its benefits.

\* \* \* \* \*

"Mr. Hoover has evolved the public-private Department. He has evoked the private-public citizen. This is his genuinely unique contribution to our governmental scheme. And it is not merely a method. It flows from a convinced philosophy."

Stated in a few words, all this means organizing ability of a very high order. This, indeed, in large measure is the secret of Hoover's success, whether in Europe feeding the starving millions or in the Mississippi Valley saving the victims of a great flood.

It is the complete answer to those Republicans who ask me anxiously what will become of the party organization under Mr. Hoover. Let them study his record, let them realize that organization and collective effort are his mainstays, and they will appreciate that, after four years of Hoover as President, the Republican Party will be better organized, more effective, and more vigorous than in many a long year. He will inspire it with a new life and spirit, and will make a particularly strong appeal to men and women of the younger generation who do not seem fully to appreciate how important a part of the machinery of government our parties are. As one Republican said to me last week, "If we can elect

Hoover for four years, we can keep the Party in power for fifty." He is an optimist, but there is a great measure of truth in what he says.

Let us consider briefly the record of the man. I am not so much concerned with his early life, though the fact that he was the son of an Iowa blacksmith, orphaned at an early age, and that he began earning his own living at thirteen, will seem of importance to those who delight in the contrast between a humble beginning<sup>and</sup> a subsequent dazzling success. Suffice it to say that his existence has never been a sheltered one. He is where he is to-day because he had it in him to get there. He was already a self-made, successful man before the world heard of him, with a high standing in a most exacting profession. Moreover the comprehensive knowledge of international conditions and affairs obtained by him the world over in his engineering and later in his public work, under war conditions, will be of inestimable value to a President of the United States during the next four years. We are no longer isolated. Our own future and prosperity are inextricably bound up with the future and prosperity of other nations, and under modern conditions no man can adequately protect and promote the interests of our own people without a clear understanding of the problems and conditions which exist in the rest of the world.

For me Hoover's life begins in 1914, when he stepped full-grown on the world's stage. From then on his career is almost epic in character. He is first heard of organizing the relief of 160,000 Americans stranded in Europe. He then became head of the Commission for the Relief of Belgium, formed under his chairmanship, which for over four years was to feed and provision a nation of over ten million people. This Commission was more of a government than a private enterprise. It purchased quantities of

food in the world markets; it operated its own fleet of 200 ships, together with canal boats, railways, warehouses, slaughter houses, bakeries and flour mills; it expended a billion five hundred million dollars; its overhead was only one and a half per cent., and its final statement of accounts was accepted without question by all governments.

Pretty good for the hitherto unknown son of the Iowa blacksmith, aged forty. Pretty good for the country that breeds such men. Better still if that country will recognize such a son and give him the opportunity to serve commensurate with his abilities.

The Belgian story is typical of all that follow. Returning in 1917, he organized the United States Food Administration, which promoted and directed our food exports, which rose from six million tons annually before the War to twenty million tons, and handled food purchases to the value of over seven billion dollars, without a breath of scandal. 1919 found him in Europe organizing and directing the food supply of enemy and liberated countries, directing many activities looking to the economic restoration of that continent, organizing the American Relief Administration for the care of destitute children of enemy and liberated countries; feeding, clothing and giving medical care through American charity to over ten million of them; organizing the campaign against the typhus epidemic, then raging in Eastern Europe, a campaign which reduced the number of afflicted from 500,000 to 10,000 in six months. It is no exaggeration to say that he in these six years rendered greater direct service to more human beings than any other individual since the world began. Whatever the future holds for him, one legend is already indelibly engraved on the pages of history: This man served humanity.

It is not unworthy of note that, though some eleven billion dollars



of public money passed through the hands of the Hoover organizations during these years, there has never been a complaint, never an investigation, never a suspicion connected with these transactions. The name of Hoover has been sufficient in all instances to guarantee their integrity.

From 1921 to the present day he has served the people of the United States as Secretary of Commerce. He has transformed an obscure department of government into one of the most useful agencies for the promotion of industrial efficiency at home and of our trade abroad. Seven years ago the individual demands of our merchants and manufacturers for specific services numbered but two hundred thousand annually, to-day they number two million. There has been no limit to the Department's activities: The development of our navigable rivers, the conservation of our fish, the fight against high prices fixed upon us by foreign combinations, the promotion of Federal regulation and encouragement of aviation, the regulation of radio broadcasting, the encouragement of legitimate trade associations among business men, the simplification of our patent laws, the standardization of basic commodities, the campaign against industrial waste, the campaign against seasonal operation and employment in the construction industry, the relief of the Russian famine, which prevented the starvation of fifteen million human beings in 1922; and last, but not least, the direction of Mississippi flood relief, which provided for the rescue, care and rehabilitation of 650,000 of our people,--are all deserving of mention, but by no means exhaust the list of Hoover activities or fully enumerate his record of public service. They explain in part his comprehensive grasp of our economic and social problems, which, combined with his knowledge of world conditions, will enable him to bring to the Presidency an unrivaled equipment.

The danger of such a picture as I have described is that you will form the impression of some super-man, towering so far above the rest of us as to be out of touch with daily human needs and wants. You can dismiss it. There never was a more human, approachable and understanding individual than this man Hoover who, starting at the bottom, learned early that life is a field of battle and not a bed of roses, and through sheer ability and character has fought his way to the top. He is a typical self-made American of the kind we are familiar with,-- one of those quiet, unassuming men of tireless energy, of unbounded faith and vision, who have made our Country what it is and will continue to make it greater as long as we continue to recognize and reward energy, ability and character.

Hoover is the man for us to nominate because, as patriotic Americans, we are bound to present our best man; he is the man to nominate because he is the one candidate for whom there is nation-wide popular support; he is the man to nominate because, as one of the leading members of the Coolidge Administration, he has helped to shape its policies and can be relied upon to continue them; he is the man to nominate because of his ability, experience, record, character and personality; and, finally, he is the man to nominate because I have a very definite conviction that the American people look to the Republican Party to give him to the Nation, and we dare not disappoint them.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE  
TUESDAY, MARCH 20, 1928.

Message of the President to the Congress submitting a copy of report of the Secretary of the Treasury regarding the Austrian relief debt to this Government:

To the Congress of the United States:

I am submitting herewith for your consideration a copy of a report of the Secretary of the Treasury regarding the action proposed to be taken by the Government of the United States in respect of the debt of Austria to this Government.

The action proposed by the Secretary of the Treasury has my approval. I recommend that the Congress enact the legislation necessary to enable the United States to join with the other relief creditors in permitting Austria to obtain the additional capital urgently needed for continuing its economic reconstruction, and to authorize the Secretary of the Treasury to conclude an agreement for the settlement of Austria's debt to the United States.

(Signed) Calvin Coolidge.

The White House,

March 20th, 1928.

March 19, 1928.

My dear Mr. President:

I have the honor to submit the following report in respect of the debt of Austria to the United States Government, with particular reference to the request submitted by the Austrian Government for the subordination of the lien enjoyed by the Government of the United States under the terms of the relief bond of the Austrian Government held by the Treasury Department to a new loan to be issued for reconstruction purposes, and other questions related thereto.

It will be recalled that during 1919 and 1920 conditions in Austria were so serious that the United States and a number of European governments found it necessary to furnish foodstuffs and other relief supplies on credit. The Act of Congress approved March 30, 1920, authorized the United States Grain Corporation, with the approval of the Secretary of the Treasury, to furnish flour on credit "to relieve populations in the countries of Europe or countries contiguous thereto suffering for the want of food". Pursuant to that legislation, flour was sold to Austria, and the Government of the United States now holds an Austrian bond in the principal sum of \$24,055,708.92, given in payment therefor. Certain other governments, namely, Denmark, France, Great Britain, Italy, The Netherlands, Norway, Sweden and Switzerland, hold relief bonds of similar character in the sum of about \$95,000,000. The relief bonds of 1920 enjoy "a first charge upon all the assets and revenues of Austria". They rank ahead of Austria's reparation obligations.

The bond held by the United States is dated September 4, 1920, and by its terms matured January 1, 1925. In 1922, conditions in Austria were such as to necessitate financial assistance from abroad in order to permit the stabilization of the currency, the balancing of the Budget, and the resumption of the economic life of the country. The credit of Austria was at a low ebb. No exterior loan could be floated as long as relief loans and reparations constituted prior charges on Austria's assets and revenues. Accordingly, the relief creditors, including the United States, and the Reparation Commission, agreed to subordinate their liens to permit the flotation of a reconstruction loan. Under the terms of the so-called Lodge Resolution of April 6, 1922, the Secretary of the Treasury extended the maturity date of the relief bond held by the United States Government until June 1, 1943, and at the same time agreed to subordinate the lien enjoyed by the United States for the purpose of permitting the reconstruction loan of 1923. The Lodge Resolution, which set forth the urgent need for relieving Austria from the immediate burden of the lien, reads as follows:

"Whereas the economic structure of Austria is approaching collapse and great numbers of the people of Austria are, in consequence, in imminent danger of starvation and threatened by diseases growing out of extreme privation and starvation; and

"Whereas this Government wishes to cooperate in relieving Austria from the immediate burden created by her outstanding debts: Therefore be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to extend, for a period not to exceed twenty-five years, the time of payment of the principal and interest of the debt incurred by Austria

for the purchase of flour from the United States Grain Corporation, and to release Austrian assets pledged for the payment of such loan, in whole or in part, as may in the judgment of the Secretary of the Treasury be necessary for the accomplishment of the purposes of this resolution: Provided, however, That substantially all the other creditor nations, to wit, Czechoslovakia, Denmark, France, Great Britain, Greece, Holland, Italy, Norway, Rumania, Sweden, Switzerland, and Yugoslavia shall take action with regard to their respective claims against Austria similar to that herein set forth. The Secretary of the Treasury shall be authorized to decide when this proviso has been substantially complied with."

The action of the Secretary of the Treasury under the authority of the resolution was taken on June 9, 1923.

In 1923 a reconstruction loan amounting to about \$125,000,000 was floated by Austria in the United States and European countries. This loan was guaranteed by several of the European governments. It saved Austria from economic and social disintegration and collapse. The program of reconstruction led to the stabilization of Austrian currency during 1923 and the balancing of the Austrian budget by 1924. It has been balanced ever since.

Austria's economic reconstruction, however, has not been completed and the capital resources of the country are not adequate to the task. The Austrian Government now desires to float a new loan in the net amount of 725 million Austrian schillings, or about \$100,000,000, for the continuation of the program of reconstruction. The proceeds would be applied to capital expenditures, that is, to the repair, improvement and re-equipment of the Austrian railway, telegraph and telephone systems. The lien enjoyed by the relief bonds makes it difficult, if not impossible, for Austria to obtain the necessary funds for these purposes. Accordingly,

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the Austrian Government has requested the Governments holding Austrian relief bonds and the Reparation Commission to subordinate their liens in favor of the new loan for a period not exceeding thirty years.

The Treasury Department is advised by the Department of State that all of the foreign governments concerned have already informed the Austrian Government to the effect that they are willing to subordinate their liens, providing all of the governments in a similar position, and the Reparation Commission, do likewise. It is further understood that the Reparation Commission has agreed to subordinate the reparation lien on Austria's assets and revenues in favor of the new loan. The Austrian Government has requested the Government of the United States to take similar action. Since unanimous consent is required, failure of the United States to join the other governments concerned in granting Austria's request would constitute a barrier to the floating of the new reconstruction loan.

Since the proposed loan would be for a term of thirty years, and the relief bonds mature in 1943, the mere subordination of the lien may not be sufficient to permit the flotation of the new loan. The Austrian Government is at present negotiating with the Government of the United States and the other relief creditor governments terms of payment of the relief bonds so as to provide for the liquidation of the indebtedness over a period of years. All of the relief bonds are of similar tenor and contain the following clause:

"The Government of Austria agrees that no payment will be made upon or in respect of any of the obligations of said Series issued by the Government of Austria before, at or after, maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made upon all obligations of the said Series issued by the Government of Austria in proportion to the respective obligations of said Series."

The Austrian Government has assured the Government of the United States that it intends to make a settlement of the relief debt at the earliest practicable date, and that it is prepared to make with the United States a settlement on a basis no less favorable to the United States than that made with the other relief creditor governments, or any of them.

In view of the terms of the bond, as set forth above, Austria can not make a definitive settlement of the relief obligations without the agreement of all nine of the creditor governments. Such a settlement obviously may take some time, and it might well be impossible to submit the terms of settlement to the Congress at this session. This in turn might mean the indefinite postponement of the flotation of the new loan, which is urgently needed. Under these circumstances it is extremely desirable that the Executive Branch of the Government should have the authority to clean up the whole matter, with the limitation that our debt should be settled on terms no less favorable than those granted the other governments, and on the understanding that the security now enjoyed be not released except in so far as necessary to permit the flotation of the contemplated reconstruction loan.

I am strongly of the opinion that the United States should not take a position that would obstruct any proper and well-considered measures for furthering Austria's reconstruction, particularly since such measures will tend to promote our commercial intercourse with Austria and should increase Austria's capacity to repay its indebtedness to the United States.



The matter has been given careful consideration by the Secretary of State and myself, and I suggest that, if you approve, legislation be sought from Congress authorizing the Secretary of the Treasury, in his discretion, to subordinate, for a period not exceeding thirty years from January 1, 1929, the lien of the United States on Austria's assets and revenues to the extent necessary to permit the flotation of the loan now proposed, subject, of course, to satisfactory notification that the other governments and the Reparation Commission agree to take similar action; and authorizing the Secretary of the Treasury, with the approval of the President, to conclude an agreement for the settlement of the indebtedness of Austria to the United States upon terms and conditions no less favorable than the terms and conditions granted by Austria to any of the other relief creditor governments.

Faithfully yours,

(Signed) A. W. MELLON

Secretary of the Treasury.

The President,

The White House.

Treasury Department.

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For release, morning papers,  
Tuesday, March 27, 1928.

Speech of  
Hon. Ogden L. Mills,  
Undersecretary of the Treasury,  
at the  
Fiftieth Annual Dinner of the Yale Daily News,  
New Haven, Connecticut,  
March 26, 1928.

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THE PRESS AND PUBLIC OPINION.

I feel greatly honored that you have invited me, a Harvard man, to be here this evening and to join with you in celebrating the fiftieth anniversary of the founding of the Yale Daily News.

When the first number of the News appeared half a century ago, newspapers were entering upon a stage in their development which was to affect profoundly not only the character of the papers themselves but also their relation to public opinion. The day of the one-man newspaper, dominated by a brilliant and forceful editor, was rapidly passing. There had been a time when the opinions of a paper, such as the New York Tribune, were widely accepted largely because they were written by Horace Greeley; and it has been said by a recent writer that, even after Greeley's death, the upstate farmer kept up his subscription because he believed that in some supernatural way the great editor still directed the paper's policy.

With the growth of the country, and especially with the increase in wealth and population in the great cities, changes and readjustments in the field of journalism were inevitable. Modern inventions had already revolutionized the printing and distribution of newspapers. Better transportation facilities had made it possible for a paper to serve a wider territory; and telegraphic and cable service made available news from all parts of the world.

But the newspapers were finding that all of these new developments cost money. It was necessary to have larger outlays of capital to secure the services of the great news-gathering associations and to buy the mechanical equipment and to pay the wages of the large staff required for

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writing, editing, printing and distributing the modern city newspaper. In other words, newspapers became great corporate business enterprises. A period of financial readjustment followed; and with these financial readjustments came also many changes in journalistic methods and in the services rendered by newspapers to their readers.

They became, as someone has said, a sort of intellectual department store; or, to put it more accurately, the press evolved into a great educational institution. From the earliest times, when the first "tabloid" newspapers were published in Rome under the direction of Julius Caesar, business and politics have always been the most important topics of general news value. But today the press gives information on an infinite variety of topics and embraces every subject of human interest.

The public now can be fully and accurately informed of events throughout the world almost as soon as they have taken place. We read tonight in New Haven what happened this afternoon in London or Fekin. All the questions of the day are covered in great detail in the daily press. The actions of governments are reviewed; the speeches of public officials are reported, so that the average man at his breakfast table can learn what those in charge of his government are doing and what reasons actuate the line of action which his government may take--that is, if the speeches contain the information, which is not by any means uniformly true. It is a healthy development that the government today must justify itself in the eyes of its own people, and that, even in this country where there is a fixed tenure of office, a government must have the support of public opinion in undertaking any major policy.

All this means that we have today a public opinion of a sort which can hardly be said to have existed at all a hundred years ago. I do not mean to say that even now we have a coherent body of public opinion, informed and interested in all questions of public concern. To most of the questions on which the Government has to act, the average reader is more or less indifferent--and indeed he can hardly be expected to be otherwise, for under the pressure of modern life he has little time to devote to serious matters outside of the conduct of his own business. As a result, he only too frequently confuses noise and display with action and constructive effort.

There is no escaping the conclusion that, while a free and highly organized press has given us the means to an enlightened and informed public opinion, it has not given us an aroused or even an interested one. The newspapers themselves are quite aware of this and almost every paper is on the alert to devise new methods whereby the public can be interested, at least to the extent of buying that particular newspaper. Here we find one explanation of that sensationalism in journalism which all of us and many newspapers themselves so greatly deplore; and yet, it is the logical outgrowth of modern newspaper tendencies.

The art of news gathering and especially the use of great syndicated services make it possible for both large and small papers to print all the facts of news interest. But if all the facts are available to everyone and all newspapers publish them and nothing more, then what has one paper to offer in preference to another? The consequence is that the less scrupulous papers are tempted to print something more or something less than the actual facts warrant, and to accentuate the minor dramas of individual lives rather than those more prosaic questions and events which

are of vital importance to the many. In their search for the sensational, they lower the standard not only for themselves but for other papers which must compete with them.

In the matter of reporting crimes and sensational trials, many papers go to great lengths. Just how far they should go is a mooted question, for there are two schools of thought as to whether publicity is a promoter or a deterrent of crime. No less an authority than Doctor Charles W. Eliot of Harvard believed that publicity is an agency for promoting the public welfare. He said:

"The newspapers, which are the ordinary instruments of this publicity, are as yet very imperfect instruments, much of their work being done so hastily and so cheaply as to preclude accuracy; but as a means of publicity they visibly improve from decade to decade and, taken together with the magazines and the controversial pamphlet, they shed more light on the social, industrial, and political life of the people of the United States than was ever shed before on the doings and ways of any people. This force is distinctly new within the century, and it affords a new and strong guarantee for the American Republic."

There are many, however, who will not agree with Doctor Eliot. One well-known editor in the Middle West even goes so far as to say that "the wages of sin is publicity." But that we will admit to be hardly more than a half-truth, when we remember that publicity, like rain, falls alike on the just and the unjust. The degree of publicity which surrounds any person or event is rather a question of what appeals to the public interest at that particular moment, which might be well enough if the interest were not so frequently artificially stimulated.

The press, as Walter Lippmann says, is like "the beam of a searchlight that moves restlessly about, bringing one episode and then another out of darkness into vision." He concludes that, "Man cannot do the work of the world by this light alone"; and certainly, in most cases, a closer knowledge

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or examination of a man or an event will give a totally different impression from the one that we receive in the brief moment when the glare of publicity beats upon them.

To-day a public man, to accomplish real results, must be something more than a great administrator or statesman. He must have those almost indefinable qualities that inspire confidence, beget a following, and make him politically potent. He must be in constant touch with the people, and in national affairs that contact can only be maintained through the press. A good or a bad press can make or break him. He needs a mighty personality indeed to overcome the latter and get through to the people. I have been discussing legitimate publicity, but publicity of any kind is deemed indispensable by the politicians of the day, in spite of the to them inexplicable fact that many a time the most modest and the quietest of men seem to go farthest. This craving for publicity accounts for much of what is said and done in public life, as well as for those comparatively new figures, the publicity agents and even photographers, attached to the staffs of minor but ambitious statesmen. Certain public men have a genius for publicity, or perhaps it would be better to say that they have a personality which gives everything they do or say a news value. President Roosevelt had this quality. The Prince of Wales has it, and so has Colonel Lindbergh. In the case of the

Flying Colonel, he tries hard enough to avoid publicity; and yet that fact itself and everything else that he does or says is of interest to the reading public. In his case, however, let us be thankful that it is so, for the influence of such a character and such achievement is a potent force for good and has already had a profound effect in calling to the surface the best in people everywhere throughout the world.

And so we find that publicity has both its good and evil side. Quite apart from that, it has come to stay, whether we like it or not, so it only remains for us to make sure that it shall be used as a force, not acknowledged as a master.

The newspaper has been frequently called a mirror not only of events but of its readers. Whitelaw Reid, as editor of the New York Tribune, once said:

"The thing always forgotten by the closest critic of the newspapers is that they must be immeasurably what their audiences make them; what their constituencies call for and sustain. The newspaper cannot uniformly resist the popular sentiment any more than the stream can flow above its fountain. To say that the newspapers are getting worse is to say that the people are getting worse. They may work more evil now than they have ever wrought before, because the influence is more widespread; but they also work more good, and the habitual attitude of the newspaper is one of effort toward the best its audiences will tolerate."

It is true that the press is a business and it must not be forgotten that it is a private business which must be conducted at a profit. But it is also something more than just that; it is an instrument of public service, necessary to the life of the nation, with corresponding responsibility because it has the power either to raise or to lower the tone of our national life. What would America be today without the cement of public opinion? For one thing she would have developed, as other continents have developed before, into a mass of isolated communities, each uninformed and prejudiced and antagonistic one to the other.



The majority of us are for the most part inarticulate. And so a newspaper must express for the average man the thoughts which he is unable to express for himself. When it does that, accurately and forcefully, it fills a very real need and achieves enormous influence among its readers. That newspaper has the greatest weight which best interprets public opinion and, by getting not too far out of step, is able to guide and direct it along sound lines. We are constantly hearing the question debated as to whether the power of the press is greater today than in former times. It is not a question, I think, of greater power but of a different kind of power that it exercises at the present time. News today is far more comprehensive than it ever was before. It is better written and more people get their ideas from the papers for they cater not only to the reader of news and events, as formerly, but also to those interested in an infinite variety of subjects and especially to women readers. The conclusion may be fairly reached, I think, that while the power of the press today may be more diffused, it is certainly as great as ever and, on the whole, as wholesome as might reasonably be expected.

We must remember that, important as is the newspaper as an instrument of public opinion, its primary function is to supply news. What the average man wants is an accurate and reliable presentation of facts on which he can base his own conclusions. He feels, as did the Scotsman, who said: "Give us your news, not your opinions". The modern newspaper goes to enormous trouble and expense in securing timely information for its readers on any topic of the moment. It will obtain interviews or articles by men who can speak authoritatively on the subject or are prominently identified with the movement under discussion; and the public will read with eagerness anything written by such a

man. If the topic of the moment is the breaking of a great dam, the newspaper will call on an eminent engineer to furnish a special article dealing with causes and prevention of such catastrophes; or if it is a shipwreck, a naval constructor or a well known naval officer may be called on.

There was a time when the editor looked up his facts in the encyclopaedia and after infinite pains produced a leader article containing fairly accurate information on the subject. But today the public wants the word of someone who can speak with authority, and will accept the views only of a man who is well known in the particular field under discussion. It may be partly a question of the reader's time. The average man has little time in which to inform himself; and he wants to be sure that, in spending a few minutes reading a technical discussion in his newspaper, he is being correctly informed by a man who can be quoted as an authority.

Newspapers today are willing to pay well for such articles and can secure them from the most eminent men. Whereas it was once considered beneath the dignity of famous men to write for the newspapers, particularly if any question of remuneration were involved, now the most distinguished figures in the scientific, educational, religious, business or governmental worlds are glad to give the public the benefit of their knowledge, provided that a real reason exists for such an article and the eminent man is not made to feel that he is lending himself to self-advertisement.

As a result of all these innovations, the average newspaper reader is far better informed than even the most intelligent and highly placed individuals were a hundred or two hundred years ago. Then the average man had about as clear an idea of public issues as had a colored soldier at one of the Southern training camps during the last war. This particular soldier had been to a camp lecture on the cause of the war and, on returning to his quarters, his tent mate, another colored boy, also from the cornfields and totally unacquainted with newspapers, asked him what the lecture was about. Whereupon the enlightened one replied: "Oh! it was about the war and some people named Germans and how us Angry-Saxons has got to fight to make the world safe for the Democrats."

There is no question as to the difficulty of arousing an intelligent public opinion. For this reason it seems to me all the more remarkable that during the last war we had in this country such unanimity of opinion and such unity of action in supporting a war which was being fought more than three thousand miles from our nearest shores and over six thousand miles from our farthest one. In many of the rural districts throughout the country the great metropolitan newspapers hardly ever penetrated. Local and county newspapers, published sometimes once or twice a week and containing mostly news of interest in the locality, were the only means of furnishing information of the great events happening in Europe. It was not strange, therefore, that the war spirit was slow to arouse and did not manifest itself generally until this country itself became involved and the question of patriotism entered into the situation. Then we

had the spectacle of an aroused public opinion, which supported the war magnificently and did more than anything else to make our participation effective.

It is at times like that that one's faith is renewed and we can again believe passionately in our own institutions and the reality of a public opinion that sustains them. In times like the present, when the unity of purpose which animated the nation in time of war seems to be dissipated in the conflicting interests of the peace, it is well to remember that our country can think and act as a unit, and that, in helping her to see the issues involved and to formulate a sound public opinion, we have a press which, as a whole, can be counted on to realize and measure up to its responsibilities. It is very different in some other countries, as you know. I fear we do not altogether appreciate our own good fortune in this respect; but at any rate, I, for one, am glad of this opportunity to acknowledge the great service which the American press is rendering in giving the people an accurate and honest presentation of the facts on which public opinion can be based.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
FRIDAY, MARCH 30, 1928.

SPEECH TO BE DELIVERED BY THE  
UNDERSECRETARY OF THE TREASURY,  
HONORABLE OGDEN L. MILLS,  
BEFORE THE  
CHICAGO AND COOK COUNTY BANKERS' ASSOCIATION  
CHICAGO, MARCH 29, 1928.

Note:  
For full text of speech see Subject File: Taxation

TREASURY DEPARTMENT

FOR RELEASE UPON APPEARANCE OF  
THE SECRETARY BEFORE THE SENATE  
FINANCE COMMITTEE, WHICH WILL  
BE ABOUT 10:00 A.M., TUESDAY  
APRIL 3, 1928.

STATEMENT BY THE SECRETARY OF  
THE TREASURY MELLON, BEFORE THE  
SENATE FINANCE COMMITTEE, TUESDAY  
APRIL 3, 1928.

Note:  
For full text of statement see Subject File: Revenue

Statement by Acting Secretary of the Treasury Mills  
before the Ways and Means Committee in connection with  
H. J. Resolution 247 concerning Austria's debt to the  
United States.

During 1919 and 1920 conditions in Austria were so serious that a large portion of the population was threatened with starvation. The United States and a number of European governments as a humanitarian measure furnished the necessary foodstuffs and other relief supplies, and since the economic condition of Austria was such as to preclude the possibility of payment in cash, these supplies were furnished on credit. This was done in accordance with an Act of Congress approved March 30, 1920, which authorized the United States Grain Corporation, with the approval of the Secretary of the Treasury, to furnish flour on credit "to relieve populations in the countries of Europe or countries contiguous thereto suffering for want of food". The Government of the United States received and now holds an Austrian bond in the principal sum of \$24,055,708.92, given in payment of the supplies above mentioned. The other governments concerned, namely, Denmark, France, Great Britain, Italy, The Netherlands, Norway, Sweden, and Switzerland, hold relief bonds of similar character in the sum of about \$95,000,000. The relief bonds of 1920 enjoyed "a first charge upon all of the assets and revenues of Austria". They rank ahead of Austria's reparation obligations.

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The bond held by the United States by its terms matured January 1, 1925. In 1922, however, Austria was threatened with a complete economic collapse. Financial assistance was necessary to permit the stabilization of the currency, the balancing of the budget, and the resumption of the economic life of the country. No exterior loan, however, could be floated as long as Relief loans and Reparations constituted prior charges on Austria's assets and revenues. Accordingly the Relief creditors, including the United States, and the Reparation Commission, agreed to subordinate their liens to permit the flotation of a reconstruction loan. Under the terms of the so-called Lodge Resolution of April 6, 1922, the Secretary of the Treasury extended the maturity/<sup>date</sup> of the relief bond held by the United States Government until June 1, 1943, and at the same time agreed to subordinate the lien enjoyed by the United States for the purpose of permitting the reconstruction loan of 1923. The Lodge Resolution reads as follows:

"Whereas the economic structure of Austria is approaching collapse and great numbers of the people of Austria are, in consequence, in imminent danger of starvation and threatened by diseases growing out of extreme privation and starvation; and

"Whereas this Government wishes to cooperate in relieving Austria from the immediate burden created by her outstanding debts: Therefore be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to extend, for a period not to exceed twenty-five years, the time of payment of the principal and interest of the debt incurred by Austria for the purchase of flour from the United States Grain Corporation, and to release Austrian assets pledged for the payment of such loan, in whole or in part, as may in the judgment of the Secretary of the Treasury be necessary for the accomplishment of the purposes of this resolution: Provided, however, That substantially all the other creditor nations, to wit, Czechoslovakia, Denmark, France, Great Britain, Greece, Holland, Italy, Norway, Rumania, Sweden, Switzerland, and Yugoslavia, shall take action with regard to their respective claims against Austria similar to that herein set forth. The Secretary of the Treasury shall be authorized to decide when this proviso has been substantially complied with."



In 1923 a reconstruction loan amounting to about \$125,000,000 was floated by Austria in the United States and European countries. The loan was a 7% loan, maturing in twenty years. It was guaranteed, principal and interest, by several European governments, as follows:

Great Britain to the extent of	24 $\frac{1}{3}$ %
France,	24 $\frac{1}{3}$ %
Czechoslovakia,	24 $\frac{1}{3}$ %
Italy,	20 $\frac{1}{3}$ %
Belgium,	2%
Sweden,	2%
Denmark,	1%
Holland,	1%

The loan saved Austria from economic and social disintegration and collapse. The program of reconstruction led to the stabilization of Austria's currency during 1923 and the balancing of the Austrian budget by 1924. It has been balanced ever since. About \$75,000,000 of the \$125,000,000 was applied for urgent purposes such as stabilization and budgetary needs. Approximately \$50,000,000 has been expended for capital purposes of a productive character. Austria's economic reconstruction, however, has not been completed and the capital resources of the country are not adequate to the task. The Austrian Government now desires to float a new loan in the amount of 725 million Austrian schillings, or about \$100,000,000, for the continuation of the program of reconstruction. It is our understanding that the proceeds of the loan will be devoted to the following purposes:

- \$41,000,000 for telegraph and telephone systems,
- \$62,000,000 for railways.

The telephone and telegraph expenditures are to be largely applied to the construction of long-distance cables and installations connected

therewith. The construction program is intended to extend over a period of five years and it is planned to put the Austrian telephone and telegraph systems in a position to handle through business which it is believed will be of a profitable character.

Railway expenditures are subdivided as follows:

\$7,000,000 for electrification,

\$19,000,000 for heavier rails, bridges, and general reconstruction,

\$23,000,000 for rolling stock,

\$10,000,000 for automatic brakes.

As in the case of the telegraphs and telephones, these expenditures are to extend over a five-year period. The necessity of repairing and modernizing all of Austria's communication systems during the next five years is stated to be so outstanding that it overshadows all other considerations. One of the most important of the very few assets left to Austria by the Peace Treaty is undoubtedly its geographical and consequently its commercial position. Austria is compelled to make the utmost use thereof if it intends to assure its future. Austria's railways, roads, and other means of communication must be brought up to date. Backwardness in this respect, it is argued, would mean a gradual elimination of Austria from the main system of European traffic. In this connection, it is obviously to the interests of the United States as one of Austria's creditors that the necessary capital should be made available to Austria for productive purposes of this character. The strengthening of Austria's economic organization must of necessity increase her ability to meet her obligations.

Austria, however, is not in a position to float the proposed loan

as long as the Relief bonds and reparation obligations have a prior lien over Austria's assets. Accordingly the Austrian Government has requested the governments holding Austrian Relief bonds and the Reparation Commission to subordinate their liens in favor of the new loan for a period not exceeding thirty years.

We understand that all of the other Relief creditors have agreed to subordinate their liens, providing all of the governments in a similar position and the Reparation Commission do likewise. It is further understood that the Reparation Commission has agreed to subordinate the Reparation lien on Austria's assets and revenues in favor of the new loan. The Austrian Government has requested the Government of the United States to take similar action, and one of the provisions of the bill now before you will give to the Secretary of the Treasury the authority to do so. Let me make this entirely clear. Unanimous consent is required. If the United States refuses to join the other governments concerned in granting Austria's request, it will be impossible for Austria to float the new reconstruction loan and the United States Government will have to assume full responsibility for the failure.

But the Austrian Government has not simply come forward with a request that the lien which we hold on Austrian assets be subordinated to the new loan. Austria has at the same time made an offer to settle the outstanding Relief obligations. The proposed terms of settlement have been submitted not only to the United States Government but to all of the Relief creditors. It is understood that they have received favorable consideration; in fact, the majority of the Relief creditors have already stated that they are acceptable.

The Treasury Department would have preferred to follow in this instance the course pursued in the case of other debt settlements and to have submitted to the Congress a definite debt settlement agreement either for ratification or for the purpose of obtaining the necessary authority to make such an agreement. We are, however, not in a position to do this while negotiations are still proceeding with some of the other creditor governments. There are nine Relief creditors, which means that Austria must deal with nine separate governments. It is obvious that the same terms of settlement must be granted to all of the Relief creditors and no one Relief creditor can be favored at the expense of the others. This, in turn, implies that there must be agreement on the part of nine governments, and while progress is being made as rapidly as could be expected, complete agreement among all concerned may take a little time.

In the meanwhile, the Congress may have adjourned and unless the authority is granted the Secretary of the Treasury to effect a settlement on behalf of the United States, the whole question will have to go over for another year. In the meanwhile Austria will find herself unable to float the contemplated loan and to obtain funds urgently needed for the capital expenditures above described.

The bill now before you provides that:

"The Secretary of the Treasury, with the approval of the President, is hereby authorized to conclude an agreement for the settlement of the indebtedness of Austria to the United States, but the terms and conditions of such settlement shall not be less favorable than the terms and conditions granted by Austria to any of the other Relief creditor governments."

With this limitation, the Congress should be willing to grant this authority to the Secretary of the Treasury, even if it is not possible at this time to submit in detail the terms of the proposed settlement. The

position of the United States must be largely governed by the attitude of our fellow creditors. It is quite proper to insist that the United States shall in no event receive less favorable terms of settlement than any other creditor, but it is fair to assume that the people of the United States will not insist on more exacting terms of settlement than those demanded by Austria's European creditors, many of whom are debtors to the United States. In this connection it should be noted that the United States Government only holds 20% of the Relief bonds whereas the European creditors hold 80%.

In considering this whole proposition, it should not be forgotten that the loan originated largely from humanitarian and charitable motives. We furnished the food supplies on credit in order to save millions from starvation. The economic condition of Austria was such at the time that it could not reasonably have been anticipated that the amount of the credit would ever be recovered in full. In this respect, this loan is on a different basis from war and post-war loans made to countries whose economic position was in no wise comparable to that of Austria.

We are now in a position to clean up this whole matter upon reasonable terms and at the same time to put Austria in a position where she can float a new loan for the purpose of completing the reconstruction program which has to date yielded such satisfactory results. The Treasury Department is strongly of the opinion that the United States Government should join the other Relief creditors in effecting a prompt settlement and should not under any circumstances take a position that would obstruct proper and well-considered measures for furthering Austria's reconstruction.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Friday, April 13, 1928.

SPEECH TO BE DELIVERED BY  
DEPUTY COMPTROLLER OF THE CURRENCY,

F.G. AWALT,

BEFORE THE

DETROIT CHAPTER OF THE AMERICAN INSTITUTE OF BANKING,

DETROIT, APRIL 12, 1928.

Note:

For full text of speech see Subject File: Taxation

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Monday, May 7, 1928.

STATEMENT BY SECRETARY MELLON.

Secretary Mellon has just made public the findings of the Board appointed by him to inquire into all of the facts and circumstances surrounding the loss of the U.S.S. S-4, which occurred off Provincetown, Massachusetts, on December 17, 1927. That Board was appointed by him for the purpose of determining what responsibility for the collision, if any, rests upon the Commanding Officer of the Coast Guard Destroyer PAULDING or upon any officer or man on board that vessel.

The Board of Inquiry consisted of Captain Aaron L. Gamble, U. S. Coast Guard, as President; and of Captain William J. Wheeler, U. S. Coast Guard, Engineer in Chief Robert B. Adams, U. S. Coast Guard, and Commander (engineering) Charles S. Root, U. S. Coast Guard, as members; also of Commander Russel R. Waesche, U. S. Coast Guard, as member and recorder.

The findings and recommendations of the Board have been approved by Rear Admiral F. C. Billard, U. S. Coast Guard Commandant, and by Secretary Mellon.

It will be recalled that Secretary of the Navy Wilbur, in announcing the findings of the Navy Department, stated that the matter of the responsibility of the PAULDING for the collision was being referred to the Treasury Department for attention.

The complete findings of the Board are set forth below:

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FINDING OF FACTS IN REGARD TO THE COLLISION  
BETWEEN THE PAULDING AND THE U. S. S. 4.

The Board finds that:

1. The S-4 left Provincetown Harbor at about 12:30 p. m., on 17 December, 1927, to commence her submerged standardization trials in obedience to lawful orders of the Navy Department.
2. The submarine course used by the S-4 was the inner trial course on the approach to Provincetown Harbor, marked by white buoys designated as CAA CBB SCC. Neither Coast and Geodetic Survey Charts 1208 nor 341 (Provincetown Harbor) carries any notation indicating that the course used by the S-4 is an official submarine trial course maintained by the Navy. The Buoy List published by the Lighthouse Service, referring to four white trial course buoys on the outer course (not the one used by the S-4), carries the following remarks: "U.S. Navy trial course. In fairway from Race Point to Provincetown Harbor; masters of vessels must keep clear of them." The same Buoy List, referring to three white submarine trial course buoys along the line of course that was used by the S-4, contains the remark: "Maintained by the U. S. Navy." It does not contain any injunction relative to keeping clear of these buoys.
3. It appears from the testimony taken before the Naval Court of Inquiry that this trial course was established by the Navy in 1909, and that standardization trials for 49 submarines have been held there, or an average of one submarine in approximately  $4\frac{1}{2}$  months. It also appears from the testimony taken before the Naval Court that none of the officers and men on board the PAULDING had ever seen a submarine operating there submerged.
4. The United States Coast Pilot, Atlantic Coast, Section A, under "Directions, Provincetown Harbor," contains no reference whatever to either of these trial courses. It directs the mariner bound into Provincetown Harbor to follow the trend of the shore between Wood End and Long Point lighthouses, giving it a berth of  $\frac{3}{8}$  mile. The trial course that was used by the S-4 runs parallel to the stretch of beach between Wood End and Long Point and about half a mile from the beach. Therefore, the mariner who carries out the instructions contained in the Coast Pilot while entering Provincetown Harbor would proceed in close proximity to this said trial course. It is a matter of common knowledge that all shipping coming into Provincetown from around Race Point, or bound out of Provincetown around Race Point, will



pass closely adjacent to this trial course, there being no inhibitions, whatever, against such action, but, on the contrary, such action being suggested by the Coast Pilot.

5. According to the testimony of the officer in charge of the Wood End Coast Guard Station who quoted from official records, there came in and out of Provincetown Harbor in the years 1925, 1926, and 1927, approximately 33, 000 boats of more than five tons, and approximately as many boats of less than five tons; that schooners, destroyers, ships, barges, and, last summer, the battleship TEXAS, anchored there, and quite often large freight steamers came in and anchored from stress of weather.

6. Since 1907 the monthly pilot charts published by the Hydrographic Office of the Navy have borne a United States submarine warning flag with the following legend: "The submarine distinguishing and warning flag is hoisted on the tender or parent ship of the United States submarine to indicate that submarines are operating in that vicinity. It consists of a rectangular red flag with white center\* on which is the profile of a torpedo in black. Launches accompanying submarines also fly this flag. Vessels seeing this signal should give the escorting vessel a wide berth and keep a good lookout for submarines."

7. The Navy Signal Manual, 1920, Navy Department, C.S.P. 293, page 125, Section 661, has the following: "The submarine warning flag is hoisted on the tender or parent ships of submarines or on launches accompanying them to indicate that submarines are operating submerged in that vicinity."

8. No submarine warning flag was displayed anywhere in the vicinity of the trial course during the trials of the S-4.

9. The Navy tug WANDANK was at Provincetown during the trials of the S-4, under the orders of the representative of the Board of Inspection and Survey, and was available to display the submarine warning flag.

10. According to testimony given before the Naval Court of Inquiry, owing to modern developments and improvements in submarine constructions, particularly since thw World War, enabling these vessels to look out for themselves, the use of special warn-  
ings regarding the proximity of submarines has not in recent years been

considered necessary or desirable by officers of submarine experience. However, the fact that the submarine warnings were no longer regarded as necessary by the Navy was not published, not was the fact that practice had been discontinued communicated to the Coast Guard.

11. On the day of the collision, the PAULDING in the usual course of her duties of inspecting a large area, including Provincetown Harbor, for violation of Customs and other laws, rounded Cape Cod shortly after 3:00 o'clock in the afternoon. A strong wind was blowing with heavy swell and white-capped waves, the sky being overcast. The destroyer followed the course prescribed by the published manuals for approaching Provincetown Harbor, using the fairway indicated and in regular use by all vessels bound for Provincetown.

12. On the bridge of the PAULDING were the commissioned officer of the deck, the junior officer of the deck (the latter a chief quartermaster of ten years' experience mostly on Navy destroyers), the quartermaster, and the man at the wheel. Moreover, the commanding officer was on the bridge at the time of the collision, although he had stepped into the chart enclosure for an instant to consult the chart a few seconds before the presence of the submarine periscopes was observed. The officer of the deck, junior officer of the deck, and quartermaster were actively and vigilantly maintaining a lookout in the direction in which they were proceeding. The lookout maintained was a proper and sufficient lookout under the circumstances.

13. The PAULDING followed a course parallel to the outer trial course buoys at a distance of two to three hundred yards. She passed the buoy CD on the port beam, at a distance of 500 yards, and changed course to 94° true at 3:33 p.m.

14. While on course 94° true, between buoy CD and CAA and to southward of them, making speed 18 knots, at about 3:37 p.m., the PAULDING sighted two periscopes of a submarine one point on her port bow distant about 75 yards from the bow of the PAULDING.

15. The periscopes were moving towards and across the PAULDING'S ~~bow~~ and rising.

16. Immediately before sighting the periscopes, the officer of the deck had given orders to the helmsman to change course five degrees to the left, but before the destroyer had started to swing to the left the order was given "right full".

17. As a result of commands given on the bridge, the PAULDING was given "full right rudder" and backed at full speed.

18. At 3:37, when the superstructure was showing about one third of its height above the water, the S-4 was struck just forward of the 4-inch gun on the starboard side by the U. S. Coast Guard Destroyer PAULDING and sank with all hands on board, going down by the bow.

19. The PAULDING at once lowered a boat to search for and rescue possible survivors, dropped a buoy to mark the spot of sinking, and took cross bearings.

20. At this time the visibility was excellent for surface craft, a fresh breeze was blowing, the sea choppy and considerable white-caps.

21. The PAULDING was damaged to the extent of \$19,765.00, but able to proceed unassisted to an anchorage in Provincetown Harbor and later went to the Boston Navy Yard for repairs.

22. The testimony indicates that the S-4 was completing certain standardization runs between buoys on the trial course and was accustomed to swing out into fairway at the end of each run before circling on the return run. The runs were being made at prescribed depth, which means that the periscopes, painted in war colors and designed to make them invisible, were from two to four feet above water in a choppy sea. At each periscope there was supposed to be an observer on watch, one of them especially charged with the duty of scanning the horizon for approaching vessels. Under the conditions named the destroyer would be visible to this officer at a distance of about 5000 yards.

23. Experts have testified that it is the duty of a submarine running at periscope depth to keep clear of surface craft. The S-4 had the PAULDING on her starboard bow at all times prior to the collision, and in this situation was also required by the International Rules for the Prevention of Collisions at Sea to keep clear of the PAULDING.

24. The collision occurred approximately 400 yards southeast of the extension of the line of buoys and was approximately 440 yards 174 degrees true from buoy CAA, indicating that the PAULDING was following a course well clear of the line of buoys and outside of the course prescribed by the United States Coast Pilot for vessels entering Provincetown Harbor.

25. The Coast Guard District Commander and the warrant officer in charge of the Wood End Station knew of the operations of the submarines simply by personal observation. Neither of them, and, indeed, nobody in the Coast Guard, was officially informed by anyone in the Navy of these submarine operations, or when they would begin or conclude, or at what hours of the day they would operate, or, indeed, anything about the matter.

26. The commander of the CONYNGHAM, also commanding the Coast Guard division to which the PAULDING was attached, and the commander of the PAULDING testified that they had no knowledge that submarines were operating in the vicinity of Provincetown during those days.

SUMMARY OF FINDINGS.

The Board, in summarizing the foregoing facts, finds that:

1. On the afternoon of December 17, 1927, the S-4 and the Coast Guard Destroyer PAULDING were in collision while the submarine was on a submerged run over the measured mile course off Provincetown, Mass., resulting in the sinking of the S-4 with loss of all on board.

2. The PAULDING was keeping a sharp and efficient lookout, as required by law, Coast Guard Regulations, and the practice of seamen; but, owing to choppy sea, the extreme difficulty of picking up an object purposely designed and painted to avoid detection, and the fact that no notice had been given of the operation of submarine in that vicinity, the periscopes were not identified in time to avert the collision.

3. The doctrine of the Naval Submarine Service as testified to by Naval expert witnesses is to the effect that the responsibility rests upon a submerged submarine to keep clear of all surface craft.

4. It was the duty of the S-4, under the International Rules for the Prevention of Collisions at Sea, to keep clear of the PAULDING.

OPINION

The Board is of the opinion that:

1. Eighteen knots in this fairway, in the open sea, and in the daytime, is not a high rate of speed for a destroyer, the testimony showing such speed to be normal and usual for Coast Guard destroyers on patrol duty.

2. The officers of the submarine had every opportunity by observations to see the destroyer at a considerable distance and seek immediate safety at a greater depth. A destroyer on the other hand, approaching a vessel admittedly designed to see and not be seen, and evidenced only by two periscopes a little above water in a choppy sea with considerable white-caps, and those on the bridge of the destroyer having no reason to anticipate the presence of a submarine, can not be held to be negligent in failing to observe the periscopes in time to avoid collision as they approached slowly through the water.

3. The cause of the failure of the S-4 to sight the PAULDING and take action in time to avoid collision must remain indeterminate since there are no survivors to testify. It is the experience of the members on the board that no mechanical appliance is infallible. It appears to be impossible to determine whether or not there was a failure on the part of the mechanical appliances of the S-4 prior to the collision.

4. The action of the PAULDING in swinging right full rudder and backing her engines was the correct one as giving the greatest promise of passing clear.

5. When the S-4 was sighted by the PAULDING upon its emergence 75 yards on the destroyer's port bow, collision was inevitable notwithstanding the immediate and correct maneuvers undertaken in accordance with the orders of the officer of the deck.

6. The failure to recognize the periscopes at a greater distance than 75 yards did not indicate an inefficient lookout since the difficulty of picking up and distinguishing small objects was greatly enhanced by the choppy sea and strong wind that covered the surface with whitecaps.

7. Had a submarine warning flag been displayed as shown on the Hydrographic Office Pilot Charts and in the Navy Signal Manual, or had the commanding officer of the PAULDING knowledge of the operations of submarines in this vicinity at that time, no collision would have occurred.

8. The conduct of Lieutenant Commander Baylis in a most trying situation, attending and following the collision, not knowing whether his own vessel was in a sinking condition, was highly commendable in that he neglected no precautions for rescuing possible survivors of the S-4.

9. (1) The PAULDING was maintaining a proper lookout. The PAULDING was navigating in the open sea, in the daytime, in a fairway, with good visibility. The chief petty officer (junior officer of the deck) and the quartermaster were on the bridge, and were regularly assigned to act as general lookouts, and they were actively and vigilantly maintaining a lookout in the direction in which the vessel was proceeding. The officer of the deck was also vigilantly maintaining a lookout.

(2) Furthermore, the position of the lookouts, though not on the forward deck, was a proper one for the observation of all vessels which might pass and of all obstructions to navigation; the bridge of the PAULDING being located well forward. On this clear, cold December day, with a strong breeze blowing and a choppy sea, with spray coming over the bow occasionally, the bridge was the most favorable position on the destroyer for a lookout to effectually perform his duty.

(3) The bridge of the PAULDING afforded the lookouts a clear and unobstructed view of the direction in which the vessel was proceeding.

10. The submarine is a distinctly unusual type of vessel, and if the person in charge of a surface vessel cruising on the open sea in the daytime in clear weather, with the sea choppy, were held to have incurred serious blame if he fails to sight the periscope of a submarine operating at periscope depth, he not knowing of the presence of the submarine in the vicinity, and there being no warnings displayed of any kind, and collides with such submarine as she suddenly emerges under the bows of his vessel, then, indeed, are the masters of all surface craft subject to unreasonable concern, responsibility, strain and danger, to which, in the interests of commerce and safety to life, they should not be subjected.

11. Under the International Rules for the Prevention of Collisions at sea, vessels - when they can not be readily seen, such as at night, in a fog, or in thick weather - are required to make their presence known in a clear and unmistakable manner, that is, by lights, horns, bells, etc. Since a submarine has been so designed as "to see and not be seen" when operating submerged, this Board is of the opinion that it would be in accordance with the principle upon which the International Rules in this respect are based to require a submarine operating submerged to make its presence known in some clear and unmistakable manner, or to assume the risk in the event a collision results from its failure to do so.

RESPONSIBILITY

The Board finds that:

1. No responsibility and no blame is to be attached to the commanding officer, the officer of the deck, or any other person on board the PAULDING.

RECOMMENDATION

1. It is recommended that no further action be taken and that Lieutenant Commander J. S. Baylis, U. S. Coast Guard, be advised by appropriate official communication that neither he nor any person on the PAULDING is held responsible for the collision between the PAULDING and the S-4.

A. L. Gamble  
-----  
Captain, U. S. Coast Guard.

Wm. J. Wheeler  
-----  
Captain, U. S. Coast Guard.

Robert B. Adams  
-----  
Engineering Chief, U. S. Coast Guard.

Chas. S. Root  
-----  
Commander (E), U. S. Coast Guard.

R. R. Waesche  
-----  
Commander, U. S. Coast Guard.

- - - - -

May 1, 1928.

The proceedings, findings, opinions, conclusion as to responsibility, and recommendation of the foregoing Board of Inquiry are approved and respectfully forwarded to the Honorable the Secretary of the Treasury.

F. C. BILLARD,  
Rear Admiral, U.S. Coast Guard,  
Commandant.

APPROVED: May 5, 1928.

A. W. Mellon,  
Secretary of the Treasury.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Friday, May 11, 1928.

Secretary Mellon to-day announced that he has authorized the Federal Reserve Banks to purchase, at the option of holders, up to \$50,000,000 aggregate face amount of Third Liberty Loan  $4\frac{1}{2}$  per cent bonds, which mature September 15, 1928, at  $100-\frac{8}{32}$  and accrued interest to the date of such optional purchase. This offer will remain open until the close of business on Friday, May 18, 1928, and without further notice will terminate on May 18, 1928, or at such earlier date as the full amount shall have been tendered.



TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Wednesday, May 16, 1928.

Secretary Mellon announced that the privilege of tendering Third Liberty Loan  $4\frac{1}{4}$  per cent bonds for sale to the United States, under authorizations as publicly announced on May 11th, expired yesterday, May 15th, and no further tenders will be accepted.

Under the terms of the Department's announcement of May 11th, the Federal Reserve Banks were authorized to purchase, at the option of holders, up to \$50,000,000 aggregate face amount of Third  $4\frac{1}{4}$ 's, which mature September 15, 1928, at 100-8/32 and accrued interest to the date of such optional purchase. The announcement further provided that the offer would be terminated without further notice on May 18, 1928, or on such earlier date as the full amount shall have been tendered. Since the Federal Reserve Banks had received tenders of bonds aggregating the required amount, the Treasury exercised its right to terminate the offer, and accordingly no further tenders of Third  $4\frac{1}{4}$ 's under this authorization will be accepted.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
THURSDAY, MAY 24, 1928,  
OR AFTER DELIVERY HAS BEGUN.

ADDRESS OF  
HON. A. W. MELLON  
SECRETARY OF THE TREASURY,  
AT THE UNVEILING OF THE  
COAST GUARD WORLD WAR MEMORIAL,  
ARLINGTON NATIONAL CEMETERY,  
MAY 23, 1928.

We have come today to dedicate a memorial to the men of the Coast Guard who died in the World War. It is erected in gratitude to those who gave their lives for their country. In the hour of her great need, when danger threatened and civilization itself seemed in the balance, these men laid down their lives in order that you and I and future generations might find the world a better place to live in.

Their work has been accomplished, but ours is yet to be done. We must be ready to live, as they were ready to die, for the things that America believes in and for the principles for which she stands.

It is not an easy task. War is a supreme effort, in which the individual subordinates everything to the one end of winning the victory. But when peace has come, this union of all in a common cause disappears. Selfishness and controversy again arise; personal animosities, political advantage, business competition and the struggle for existence absorb our time and divide our allegiance. In the general confusion, the sense of national unity disappears and men forget the duty that they owe to each other and to the nation.

But that duty the Coast Guard never forgets. In peace as in war, in the language which has become traditional in the service, "the Coast Guard never fails". Its business is to serve the nation and it does so in a way that gives a heroic quality to its whole existence. We impose upon it many and varied tasks. Nearly all are difficult and some are far from pleasant. But the Coast Guard never refuses to undertake any duty imposed upon it and holds itself always in readiness to face any emergency that may arise.

It has had a long and honorable record of useful service to the country. It is the oldest of all the nation's sea-going forces. It was first organized

during the administration of President Washington when the first Congress passed a law creating a Revenue Cutter Service. The Continental Navy had been disbanded at the close of the Revolutionary War; and, in organizing the Treasury Department, Alexander Hamilton found no sea forces available for the protection of the coasts or the prevention of smuggling into the country.

Until the creation of the Navy several years later, the Revenue Cutter Service was the nation's only arm of defense on the sea. The Life-saving Service was created afterwards and still later combined with the Revenue Cutter Service to form the Coast Guard.

Coast Guard vessels have always been armed and during time of war have operated as part of the Navy. They have rendered distinguished service in all the wars in which the country has been involved and in the World War played an important part, particularly in that vital and successful operation of transporting our troops abroad.

Some of the Coast Guard vessels operated as part of the patrol forces of the Atlantic Fleet off Gibraltar, while others performed patrol and escort duty in home waters. One of the Coast Guard ships, the Tampa, was sunk by an enemy submarine on September 26, 1918, in the Bristol Channel, carrying down with her 111 Coast Guard officers and men. With one exception, this was the heaviest single loss of life suffered by our naval forces during the war. Besides this heavy toll, the Coast Guard suffered other losses at various times, making a total loss during the war of 192 officers and men. It is to the undying memory of these men that we have met here today to erect this monument.

Such has been the splendid record of the Coast Guard in time of war. But its duties in time of peace are no less dangerous and each year are growing

more difficult of performance. One of its many duties is to patrol the coasts during stormy weather in order to rescue ships and persons in distress at sea. The performance of this duty is hazardous in the extreme. It involves acts of heroism which are looked upon by the Coast Guard as merely part of the day's routine. Last year there was not a single day when the Service did not render some manner of assistance to vessels or persons in distress. And yet these deeds, often dangerous and even heroic, are recorded in the newspapers with perhaps two or three lines, whereas some incident of a more sensational nature involving the Coast Guard is given prominence out of all proportion to its real importance.

It seems superfluous to comment on the value of such a Service, not only as regards lives saved and property rescued, but in its humanitarian aspects. In its traditions and in its record of achievement, it is typical, I think, of the nation which it serves. It has shown that it will fight hard and gloriously when an enemy threatens and will kill and destroy when necessary in time of war. But it will also fight equally as hard against the greater odds of wind and sea in order to save life and to protect the nation against those who defy her laws and threaten her authority in time of peace.

Of such a Service, the nation can well be proud. In its daily life, as in the death of its heroes, the Coast Guard exemplifies the qualities of courage, loyalty and belief that nothing must interfere with the performance of duty. Throughout its history, the country has shown that these qualities are basic also in the national character; and, so long as this remains true and we have men like those in the Coast Guard ready to prove it with their lives if necessary, we have no cause for worry about either the present or the future of the country.

TREASURY DEPARTMENT.

FOR IMMEDIATE RELEASE,  
Tuesday, June 5, 1928.

A Joint Resolution, approved May 4, 1928, provides for the striking of a medal in commemoration of the achievements of Colonel Charles A. Lindbergh.

The Secretary of the Treasury has today announced that sculptors are invited to submit designs in the form of plaster models which must be from eight to twelve inches in diameter. The models must be in condition to be used by the Mint in preparing the master dies. The finished medal will be approximately three inches in diameter. The models will be received at the Office of the Director of the Mint up to the close of business August 31, 1928. They should be submitted without identification marks on the model but with a transmittal letter.

The Secretary of the Treasury and the Fine Arts Commission will pass upon the merits of the models on or before September 15, 1928.

The Act provides \$1,500 for the cost of the medal. One thousand dollars (\$1,000) will be paid to the sculptor whose design is accepted, but the Treasury reserves the right to reject all designs. The balance of the appropriation will be used to cover the cost of the preparation of the dies and the manufacture of the gold medal to be presented to Colonel Lindbergh.

There will be no remuneration for the rejected models.

Designs submitted in the form of sketches or drawings will not be considered.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
WEDNESDAY, JUNE 6, 1928.

STATEMENT BY SECRETARY MELLON

The Treasury is today announcing its regular June financing, which takes the form of an offering of Treasury certificates of indebtedness in two series, both dated and bearing interest from June 15, 1928, one series at 4 per cent, being for six months and maturing December 15, 1928, and the other series at 3-7/8 per cent, being for nine months and maturing March 15, 1929. The amount of each of these two offerings is \$200,000,000, or thereabouts.

The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TJ-1928, maturing June 15, 1928. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing June 15, 1928, will be allotted in full, up to the amount of the respective offerings.

A copy of the official circular is attached.

About \$400,000,000 of Treasury certificates of indebtedness become payable on June 15, 1928. Also, about \$85,000,000 in interest payments on the public debt become payable on that date.

The Treasury expects at an early date this month to invite tenders of Third Liberty Loan bonds for purchase by the Treasury on account of surplus money.

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TEXT OF CIRCULAR

The Secretary of the Treasury, under the authority of the act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness, in two series, both dated and bearing interest from June 15, 1928, the certificates of Series TD3-1928 being payable on December 15, 1928, with interest at the rate of four per cent per annum, payable on a semiannual basis, and the certificates of Series TM2-1929 being payable on March 15, 1929, with interest at the rate of three and seven-eighths per cent per annum, payable on a semiannual basis.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates of Series TD3-1928 will have one interest coupon attached, payable December 15, 1928, and the certificates of Series TM2-1929, two interest coupons attached, payable September 15, 1928, and March 15, 1929.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24,



1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above. The certificates of these series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates. The certificates of these series will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for and to close the subscriptions as to either or both series at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before June 15, 1928, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing

deposits, when so notified by the Federal Reserve Bank of its district. Treasury certificates of indebtedness of Series TJ-1928, maturing June 15, 1928, will be accepted at par in payment for any certificates of the series now offered which shall be subscribed for and allotted, with an adjustment of the interest accrued, if any, on the certificates of the series so paid for.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

TREASURY DEPARTMENT

FUTURE RELEASE  
OBSERVE DATE

FOR RELEASE MORNING PAPERS  
June 7, 1928. or after de-  
livery has begun.

Speech of

Hon. A. W. Mellon

Secretary of the Treasury

at

Philadelphia

June 6, 1928.

In giving us this beautiful fountain, Italy has made one of those rare gestures of friendship which nations sometimes make towards one another. It is a friendship which is reciprocated. America is bound to Italy not only by close ties of blood and friendship, but by a sense of gratitude for the benefits we have received from that older civilization of which modern Italy is the custodian.

But Italy is far more than the custodian of an ancient civilization. Notwithstanding the fact that the Italian people are the representatives of one of the oldest continuous civilizations in the world, with an unequaled artistic and intellectual heritage, Italy, like America, is essentially a young nation and its outlook is towards the future rather than the past.

No where is there a clearer appreciation than in Italy of the fact that progress today is conditioned on whether or not a nation can organize itself on modern lines and can make the necessary adjustments to the requirements of the new industrial era. Italy has determined to make those adjustments; and there are many signs that she is succeeding. Around Milan and throughout northern Italy are great industrial establishments which remind one of America and indicate that Italy has already entered upon what might be called an economic renaissance.

Italy has given another proof of this in her recent return to the gold standard of value in her currency. That was an event for which long and careful preparation had to be made; and it has had far-reaching effects, not alone on the financial and economic development of Italy but on the stabilization of trade relations throughout the world.

All this is an indication of the progress which Italy is making in solving the problems inherited from the war. In no part of the world has that progress been followed with greater interest than in America. Here in this country we

have millions of men and women, who came themselves or in the persons of their ancestors from Italy to become Americans. Nowhere can there be found more loyal or industrious citizens. While retaining always a deep affection for the land of their origin, they have become Americans in the best sense of the word. They have identified themselves and their interests with their adopted country and have devoted themselves to its upbuilding. During the World War they gave splendid evidence of their patriotism and did much to make America's participation in the war more effective. They have shown that they are for America first, last and always. In their case, as in the case of those who have come to America from other countries, there is no question of divided allegiance.

On that score we have no cause for worry. They have proved to us that America can assimilate many races and nationalities, each with their own traditions and customs, and that in this country they can be fused into a single people, who, in their sense of common destiny, satisfy the accepted definition of what constitutes a nation. As each new wave of immigration has come to us from Italy or from any other part of the world, they have become a part of us and have absorbed our traditions and made them their own.

The ease with which they have been assimilated can be explained in many ways. It has been due in part to the fact that we are not yet overcrowded and that opportunities here are still fairly plentiful. But it is due also and in larger measure to the fact that those coming here have found a spirit of tolerance which is reflected not only in our attitude towards them but in our institutions of government.

It is a tolerance that allows one's neighbors to enjoy the same degree of freedom that we demand for ourselves. We must be careful to preserve that tolerance and to remember that America will lose something vital to her existence if personal liberty and the tolerance that goes with it ever disappear from our national life.

FOR RELEASE, MORNING PAPERS  
Saturday, June 9, 1928.

TREASURY DEPARTMENT

Secretary Mellon announced that subscriptions for the two issues of Treasury certificates of indebtedness, Series TD3-1928, 4 per cent, dated June 15, 1928, maturing December 15, 1928, and Series TM2-1929, 3 7/8 per cent, dated June 15, 1928, maturing March 15, 1929, closed at the close of business on <sup>June</sup> 7, 1928.

Reports received from the twelve Federal Reserve Banks show that for the offering of 4 per cent certificates of Series TD3-1928, which was for \$200,000,000 or thereabouts, total subscriptions aggregate some \$738,000,000, and that for the offering of 3 7/8 per cent certificates of Series TM2-1929, which was also for \$200,000,000, or thereabouts, total subscriptions aggregate some \$254,000,000. As previously announced, subscriptions in payment of which Treasury certificates of indebtedness of Series TJ-1928, maturing June 15, 1928, were tendered, were allotted in full. Upon these exchange subscriptions about \$135,000,000 have been allotted. Allotments on the cash subscriptions for 4 per cent certificates of Series TD3-1928 were made as follows: Subscriptions in amounts not exceeding \$10,000 for any one subscriber were allotted 50 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$10,000, but not exceeding \$100,000 for any one subscriber were allotted 40 per cent, but not less than \$5,000 on any one subscription; subscriptions in amounts over \$100,000, but not exceeding \$500,000 for any one subscriber were allotted 20 per cent, but not less than \$40,000 on any one subscription; and subscriptions in amounts over \$500,000 were allotted 10 per cent, but not less than \$100,000 on any one subscription. Allotments on cash subscriptions for 3 7/8 per cent certificates

of Series TM2-1929 were made as follows: All subscriptions in amounts not exceeding \$10,000 for any one subscriber were allotted in full. All subscriptions in amounts over \$10,000 for any one subscriber were allotted 80 per cent, but not less than \$10,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Monday, June 11, 1928.

Secretary Mellon to-day announced that he has authorized the Federal Reserve Banks to purchase, at 100  $\frac{2}{32}$  and accrued interest, at the option of holders, up to \$125,000,000, or thereabouts, aggregate face amount of Third Liberty Loan  $4\frac{1}{4}$  per cent bonds, which mature September 15, 1928. This offer will remain open until the close of business on Tuesday, June 19, 1928, and without further notice will terminate on that date, or on such earlier date as the full amount shall have been tendered. Payment for coupon bonds tendered and accepted will be made on June 20. Payment for registered bonds tendered and accepted will be made on June 20, or on such later date as registration shall have been discharged.



Acting Secretary Schuneman today announced that the total amount of subscriptions received for the two issues of Treasury certificates of indebtedness, Series TD3-1928, 4 per cent, dated June 15, 1928, maturing December 15, 1928, and Series TM2-1929, 3-7/8 per cent, dated June 15, 1928, maturing March 15, 1929, was \$992,363,500. The total amount of subscriptions allotted was \$428,148,000, of which \$134,833,000 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TJ-1928 maturing June 15, 1928, were tendered in payment. All of such exchange subscriptions were allotted in full, while allotments on other subscriptions were made on a graduated scale.

The subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

<u>Federal Reserve District:</u>	<u>SERIES TD3-1928</u> Total subscrip- tions Received:	Total Subscrip- tions Allotted:
Boston	\$ 41,225,500	\$ 12,457,500
New York	336,854,000	129,181,000
Philadelphia	54,453,500	9,677,500
Cleveland	28,428,000	5,960,000
Richmond	18,229,500	5,032,500
Atlanta	36,045,000	10,999,000
Chicago	57,295,000	12,149,500
St. Louis	15,391,500	4,109,500
Minneapolis	9,685,500	3,708,500
Kansas City	11,360,000	3,728,000
Dallas	27,333,000	8,065,000
San Francisco	<u>101,965,500</u>	<u>11,313,500</u>
Total . . . . .	\$738,266,000	\$216,381,500

(See following page for figures covering Series TM2-1929.)

SERIES TM2-1929

Federal Reserve District:

Total Subscriptions Received:

Total Subscriptions Allotted:

Boston	\$ 4,910,500	\$ 4,161,500
New York	92,432,000	79,856,000
Philadelphia	10,814,000	8,977,000
Cleveland	12,031,000	9,808,000
Richmond	5,818,500	4,947,500
Atlanta	14,428,500	11,993,500
Chicago	18,258,000	15,065,000
St. Louis	8,875,000	7,254,500
Minneapolis	2,832,000	2,353,000
Kansas City	4,586,500	3,900,500
Dallas	17,361,500	14,009,000
San Francisco	<u>61,750,000</u>	<u>49,441,000</u>
Total . . . . .	\$254,097,500	\$211,766,500

Total Subscriptions, both series..... \$992,363,500

Total Allotments, both series..... \$428,148,000

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
June 15, 1928.

The Treasury today received payments amounting to \$90,757,665.01 from the following foreign governments on account of their indebtedness to the United States:

GREAT BRITAIN: The eleventh semi-annual payment of interest on the funded indebtedness of Great Britain to the United States under the terms of the debt settlement approved by the Act of February 28, 1923. The total payment amounted to \$67,200,000, and as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par and accrued interest with a small cash adjustment. The obligations were \$66,617,100 face amount of 3-1/2% Treasury notes, Series "A" 1930-32, the accrued interest being \$582,899.63 and the cash adjustment 37 cents.

FRANCE: A payment of \$11,250,000 by France on account of its existing debt to the United States, exclusive of the debt arising from the purchase of surplus war materials, on the same conditions as set out in the exchange of letters of March 1, 1927, between the Treasuries of the two countries concerned, covering the payment made June 15, 1927. The amount has been applied as a payment on account of the principal of the demand obligations given by France for cash advances under the Liberty Bond Acts.

ITALY: The third annual installment of principal on the funded indebtedness of Italy to the United States under the terms of the debt settlement approved by the Act of April 28, 1926. The total payment amounted to \$5,000,000, and was made in cash.

BELGIUM: The sixth semi-annual payment of interest and the third installment of principal on the funded indebtedness of the Government of Belgium to the United States under the terms of the debt settlement approved by the Act of April 30, 1926. The total payment amounted to \$3,575,000, and, as authorized by the terms of the settlement, was made in obligations of the United States, which were accepted at par and accrued interest with a small cash adjustment. The obligations were \$3,543,950 face amount of 3-1/2% Treasury notes of Series "A" 1930-32, the accrued interest being \$31,009.56 and the cash adjustment \$40.44. \$1,125,000 was for interest and \$1,200,000 for principal on the Post-armistice debt, and \$1,250,000 for principal on the Pre-armistice debt.

CZECHOSLOVAKIA: The sixth semi-annual installment of principal on the funded indebtedness of the Government of Czechoslovakia to the United States under the terms of the debt settlement approved by the Act of May 3, 1926. The payment amounting to \$1,500,000 was made in cash.

ESTHONIA: The fifth semi-annual payment on account of the funded indebtedness of the Government of Esthonia to the United States under the terms of the debt settlement approved by the Act of April 30, 1926. The payment amounted to \$100,000, which was made in cash. The balance will be funded in accordance with the option given the Government of Esthonia in the debt settlement agreement.

FINLAND: The eleventh semi-annual payment of interest on the funded indebtedness of the Government of Finland to the United States under the terms of the debt settlement approved by the Act of March 12, 1924. The total payment amounted to \$131,460, which was made in cash.

HUNGARY: The ninth semi-annual payment of interest on the funded indebtedness of the Government of Hungary to the United States under the terms of the debt settlement approved by the Act of May 23, 1924. The total payment amounted to \$29,133.01, which was made in cash.

LATVIA: The fifth semi-annual payment on account of the funded indebtedness of the Government of Latvia to the United States under the terms of the debt settlement approved by the Act of April 30, 1926. The payment amounted to \$40,000 and was made in cash. The balance will be funded in accordance with the option given the Government of Latvia in the debt settlement agreement.

LITHUANIA: The eighth semi-annual payment of interest, except that part to be funded, and the fourth annual installment of principal on the funded indebtedness of the Government of Lithuania to the United States under the terms of the debt settlement approved by the Act of December 22, 1924. The total payment amounted to \$82,072, of which \$48,564.50 was for interest and \$33,507.50 for principal. The payment was made in cash. The balance of the interest amounting to \$44,542.50 will be funded in accordance with the option given the Government of Lithuania in the debt settlement agreement.

POLAND: The seventh semi-annual payment on account of the funded indebtedness of the Government of Poland to the United States under the terms of the debt settlement approved by the Act of December 22, 1924. The payment amounted to \$1,250,000 which was made in cash. The balance due will be funded in accordance with the option given the Government of Poland in the debt settlement agreement.

RUMANIA: The third annual installment of principal on the funded indebtedness of the Government of Rumania to the United States under the terms of the debt settlement approved by the Act of May 3, 1926. The payment amounting to \$400,000 was made in cash.

YUGOSLAVIA: The third annual installment of principal on the funded indebtedness of the Government of Yugoslavia (Serbs, Croats and Slovenes) to the United States under the terms of the debt settlement of May 3, 1926. The payment amounting to \$200,000 was made in cash.

The obligations of the United States accepted in connection with the British and Belgian payments have been cancelled and retired and the public debt reduced accordingly.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
MONDAY, JUNE 18, 1928.

The Secretary of the Treasury has today announced that the \$6,000,000 of 50-year first mortgage 5 per cent gold bonds, issued by the Boston, Cape Cod and New York Canal Company and secured by an indenture of mortgage executed January 1, 1910, to the Old Colony Trust Company as trustee, are called for payment on January 1, 1929. Payment will be made at the par value of such bonds, plus accrued interest to January 1, 1929. The coupon for the period from July 1, 1928, to January 1, 1929, should be attached to the bonds when presented. The bonds must be presented to the Federal Reserve Bank of New York, New York, N. Y., for payment. Interest on the bonds will cease with the expiration of the six months period ending January 1, 1929.

The United States assumed payment of these bonds as part of the purchase price of the Boston, Cape Cod and New York Canal, pursuant to the provisions of the contract executed by and between the Boston, Cape Cod and New York Canal Company and the United States, dated July 29, 1921, as ratified by Act of Congress approved January 21, 1927.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Monday, June 18, 1928.

Secretary Mellon today called attention to the fact that the Treasury's offer to purchase Third Liberty Loan  $4\frac{1}{4}$  per cent bonds at 100  $\frac{2}{32}$  and accrued interest, will close at the close of business tomorrow, Tuesday, June 19, 1928.

Under the terms of this offer, public announcement of which was made on June 11, 1928, the Federal Reserve Banks are authorized to purchase, at 100  $\frac{2}{32}$  and accrued interest, at the option of holders, up to \$125,000,000, or thereabouts, aggregate face amount of Third Liberty Loan  $4\frac{1}{4}$  per cent bonds which mature September 15, 1928. Payment for coupon bonds tendered and accepted will be made on June 20th. Payment for registered bonds tendered and accepted will be made on June 20th, or on such later date as registration shall have been discharged. Holders of Third Liberty Loan bonds who desire to take advantage of this privilege should submit their application to a Federal Reserve Bank before the close of business tomorrow, June 19, 1928.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Thursday, June 21, 1928.

Secretary Mellon announced that under the Treasury's recent offer to purchase Third Liberty Loan  $4\frac{1}{4}$  per cent bonds at 100-2/32 and accrued interest, Federal Reserve Banks have received tenders of such bonds aggregating approximately \$75,000,000.

The Secretary further stated that while the privilege of tendering these bonds for sale had formally expired at the close of business on June 19th, in accordance with previous announcement, Federal Reserve Banks have today been authorized to purchase at the option of the holders until further notice, at 100-2/32 and accrued interest to date of payment, any additional Third Liberty Loan  $4\frac{1}{4}$ 's which may hereafter be tendered.

Third Liberty Loan  $4\frac{1}{4}$  per cent bonds will mature on September 15, 1928, and will cease to bear interest on that date.



TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Friday, June 22, 1928.

The Treasury Department today announced the issuance of regulations dealing with the taxation of income from property in the custody of the United States under the Trading with the Enemy Act, these regulations being issued in accordance with the provisions of the Settlement of War Claims Act of 1928.

(T. D. No. 4168)

Income, Profits, and Estate Taxes.

Computation of income, war profits, excess-profits, and estate taxes in cases where property is or has been in the custody of the United States under the Trading with the Enemy Act, and the collection and payment of internal-revenue taxes from such property.

TREASURY DEPARTMENT,  
Office of Commissioner of Internal Revenue,  
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE AND OTHERS CONCERNED:

Section 24, Trading with the Enemy Act, as amended (as amended by Section 18, Settlement of War Claims Act of 1928), (40 Stat. L. 411, as amended by 42 Stat. L. 1511, as amended by Public No. 122, 70th Congress), provides as follows:

"Sec. 24. (a) The Alien Property Custodian is authorized to pay all taxes (including special assessments), heretofore or hereafter lawfully assessed by any body politic against any money or other property held by him or by the Treasurer of the United States under this Act, and to pay the necessary expenses incurred by him or by any depository for him in securing the possession, collection, or control of any such money or other property, or in protecting or administering the same. Such taxes and expenses shall be paid out of the money or other property against which such taxes are assessed or in respect of which such expenses are incurred, or (if such money or other property is insufficient) out of any other money or property held for the same person, notwithstanding the fact that a claim may have been filed or suit instituted under this Act.

"(b) In the case of income, war-profits, excess-profits, or estate taxes imposed by any Act of Congress, the amount thereof shall, under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, be computed in the same manner (except as hereinafter in this section provided) as though the money or other property had not been seized by or paid to the Alien Property Custodian; and shall be paid, as far as practicable, in accordance with subsection (a) of this section. Pending final determination of the tax liability the Alien Property Custodian is authorized to return, in accordance with the provisions of this Act, money or other property in any trust in such amounts as may be determined, under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, to be consistent with the prompt payment of the full amount of the internal-revenue taxes.

"(c) So much of the net income of a taxpayer for the taxable year 1917, or any succeeding taxable year, as represents the gain derived from the sale or exchange by the Alien Property Custodian of any property conveyed, transferred, assigned, delivered, or paid to him, or seized by him, may at the option of the taxpayer be segregated from the net income and separately taxed at the rate of 30 per centum. This subsection shall be applied and the amount of net income to be so segregated shall be determined, under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, as nearly as may be in the same manner as provided in section 208 of the Revenue Act of 1926 (relating to capital net gains), but without regard to the period for which the property was held by the Alien Property Custodian before its sale or exchange, and whether or not the taxpayer is an individual.

"(d) Any property sold or exchanged by the Alien Property Custodian (whether before or after the date of the enactment of the Settlement of War Claims Act of 1928) shall be considered as having been compulsorily or involuntarily converted, within the meaning of the income, excess-profits, and war-profits tax laws and regulations; and the provisions of such laws and regulations relating to such a conversion shall (under regulations prescribed by the Commissioner of Internal

Revenue with the approval of the Secretary of the Treasury) apply in the case of the proceeds of such sale or exchange. For the purpose of determining whether the proceeds of such conversion have been expended within such time as will entitle the taxpayer to the benefits of such laws and regulations relating to such a conversion, the date of the return of the proceeds to the person entitled thereto shall be considered as the date of the conversion.

"(e) In case of any internal-revenue tax imposed in respect of property conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian, or seized by him, and imposed in respect of any period (in the taxable year 1917 or any succeeding taxable year) during which such property was held by him or by the Treasurer of the United States, no interest or civil penalty shall be assessed upon, collected from, or paid by or on behalf of, the taxpayer; nor shall any interest be credited or paid to the taxpayer in respect of any credit or refund allowed or made in respect of such tax.

"(f) The benefits of subsections (c), (d), and (e) shall be extended to the taxpayer if claim therefor is filed before the expiration of the period of limitations properly applicable thereto, or before the expiration of six months after the date of the enactment of the Settlement of War Claims Act of 1928, whichever date is the later. The benefits of subsection (d) shall also be extended to the taxpayer if claim therefor is filed before the expiration of six months after the return of the proceeds."

Pursuant to the above-quoted provisions and the provisions of the various Internal Revenue laws, the following Regulations are hereby prescribed:

ART. I - DEFINITIONS

When used in these Regulations --

(a) The term "property" includes money, the proceeds of property, income, dividends, interest, annuities, and other earnings (including amounts allocated or payable out of the unallocated interest fund), income payable under section 23, and amounts payable under Section 10, of the Trading with the Enemy Act.

(b) The term "property seized by the Alien Property Custodian" includes property conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or to the Treasurer of the United States, under the Trading with the Enemy Act.

(c) The term "property held by the Alien Property Custodian" includes property held by the Treasurer of the United States under the Trading with the Enemy Act.

(d) The term "unallocated interest fund" has the meaning assigned to such term by the Trading with the Enemy Act.

(e) The term "Trading with the Enemy Act" includes all amendments of such Act, and all orders, rules and regulations issued or prescribed under such Act or any such amendment.

## ART. II - APPLICATION OF REGULATIONS

## (a) Income or Profits Taxes.

These Regulations are applicable to any income, war-profits, or excess-profits tax imposed by any Act of Congress and payable by any person whose property is or has been held by the Alien Property Custodian, whether or not such tax is imposed in respect of such property or in respect of the period during which any of such property has been held by the Alien Property Custodian.

## (b) Estate Taxes.

These Regulations are applicable to any estate tax imposed by any Act of Congress upon the transfer of the estate of any decedent if any of the property of such estate is or has been held by the Alien Property Custodian or if any of such tax is payable by any person whose property is or has been held by the Alien Property Custodian.

## (c) Citizens of the United States.

Any property held by the Alien Property Custodian may be returned, prior to any computation or payment of internal-revenue taxes, to any individual who at the time of the seizure of such property was a citizen of the United States.

ART. III - COMPUTATION OF TAX

(a) Income or Profits Taxes.

The amount of any income, war-profits, or excess-profits tax payable for any taxable period shall be computed in accordance with the Revenue Act and the regulations promulgated thereunder applicable to such period (including all amendments enacted or promulgated prior to the computation), except as specifically otherwise provided by these Regulations.

(b) Estate Taxes.

The amount of any estate tax shall be computed in accordance with the Revenue Act and the regulations promulgated thereunder applicable at the time of the death of the decedent (including all amendments enacted or promulgated prior to the computation), except as specifically otherwise provided by these Regulations.

(c) General.

In making any such computation, the seizure of property from the owner shall be considered as not affecting the ownership thereof; the seizure of property from any person not the owner shall be considered as the receipt of such property by the owner; and any act of the Alien Property Custodian, the Treasurer of the United States, or the Secretary of the Treasury, in respect of such property (including any investment, sale, or other disposition and any payment or other expenditure) shall be considered as the act of the owner.

(d) Tentative Computations.

In order that the return of property by the Alien Property Custodian may not be delayed until the amount of taxes payable by the person to whom such property is returnable, or out of the property to be returned, is finally computed and paid, a tentative computation of such amount will be made in every case, unless such person or the Alien Property Custodian notifies the Commissioner of Internal Revenue in writing that he prefers that the return of his property be postponed until the amount of such taxes can be finally computed or unless the Commissioner of Internal Revenue believes that a final computation will not postpone the return of the property.

In making any such tentative computation, the gross income or the gross estate (as the case may be) as shown by the records of the Alien Property Custodian (excluding therefrom items exempt from taxation) shall be considered as the net income or net estate (as the case may be), unless a return has been filed or facts are available upon which a more accurate computation of the amount of such taxes can be made.

(e) Final Computations.

A final computation of the amount of taxes payable by the person to whom property is returnable by the Alien Property Custodian, or out of property to be returned, will be made as soon as practicable in every case. In any case in which the amount shown by a tentative computation has been paid, a refund or credit of any amount paid in excess of the amount properly due,



will be made in accordance with the final computation, even though a claim therefor has not been filed, if the period of limitation applicable to the filing of such claim has not expired. If, however, the taxpayer desires to protect his right to any credit or refund determined to be due, a claim for credit or refund should be filed. Any such claim in respect of the amount paid in accordance with a tentative computation will be accepted even though it does not clearly set forth in detail all the facts upon which the claim is based. Any such claim in respect of an amount paid in accordance with a final computation, however, must clearly set forth in detail under oath all the facts relied upon in support of the claim and must conform to the regulations applicable to an ordinary claim for refund or credit (See, for example, Article 1304, Regulations 69).

(f) Information Required--Income and Profits Taxes.

The following information submitted under oath is necessary in each case for a final computation, for each taxable year for which the computation is to be made:

(1) All income (other than income received by the Alien Property Custodian) regardless of amount received during such taxable year from sources within the United States, or if no such income has been received, then a statement to that effect;

(2) If a return of such income has been made, then the following data in respect of such return:

(A) The taxable year for which the return was made, and the tax (whether income, war-profits or excess-profits)

paid;

(B) The name of the taxpayer for whom the return was made;

(C) The name of the agent or other person (if any) by whom such return was made;

(D) The office of the collector in which such return was filed.

(3) Such other facts as may be required, from time to time, by the Commissioner of Internal Revenue.

(g) Information Required - - Estate Taxes.

In order to make a final computation of the amount of estate taxes payable in any case, the usual estate tax return should be filed, together with the supporting documents required by the regulations.

(h) Returns.

It should be noted that in many cases allowance of deductions and credits will be contingent upon the making of a return in accordance with the applicable revenue act. The submission of information in accordance with subdivision (f) above will be considered as the making of the return required by such revenue act.

(i) Taxable Years.

The amount of income, excess-profits, and war-profits taxes will be computed for each taxable year prior to the return of all the property out of which the tax is payable or to the person by whom the tax is payable, unless the amount of any tax paid would be considered an overpayment under sec-

tion 607 of the Revenue Act of 1938 (providing for the credit or refund of amounts paid after the expiration of the period of limitations). However, unless facts are available indicating a liability for taxes for a taxable year ending prior to the seizure of the property by the Alien Property Custodian or beginning after the return of all the property out of which the tax is payable, or to the person by whom the tax is payable, the computations (both tentative and final) will be made only in respect of periods during which the property is held by the Alien Property Custodian. In any case in which a duly authorized officer or employee of the Bureau of Internal Revenue has computed the amount of taxes payable in respect of any such period, such computation will be accepted as a tentative computation, unless the facts clearly indicate that a more accurate computation can be made.

(j) Detail of officials of the Bureau of Internal Revenue.

The Commissioner of Internal Revenue will detail to the office of the Alien Property Custodian such officers and employees of the Bureau of Internal Revenue as may be necessary to make the computations under these regulations promptly and accurately. An officer or employee of the Collector of Internal Revenue, Baltimore, may be detailed by the Collector, for such periods of time as may be necessary, to receive payments at the office of the Alien Property Custodian.

ART. IV - PAYMENT OF TAXES

(a) Tentative Computations.

The amount of taxes shown by a tentative computation shall be paid by the Alien Property Custodian to the Collector of Internal Revenue, Baltimore, or to a representative of such collector, as soon as practicable after the tentative computation has been made. It will not be necessary, however, for the payment to be made prior to the return of property if an amount sufficient to make the payment is retained by the Alien Property Custodian out of the property which would otherwise be returnable.

(b) Final Computations.

If a final computation shows that the full amount of internal-revenue taxes properly payable is in excess of the amount (if any) previously paid, the amount remaining unpaid shall be paid by the Alien Property Custodian to the Collector of Internal Revenue, Baltimore, or to a representative of such collector, as soon as practicable after the final computation has been made. If the final computation shows that the full amount of internal-revenue taxes properly payable is less than the amount previously paid, the difference shall be credited or refunded in accordance with the provisions of these regulations. A final computation will not prohibit a subsequent computation if it is determined that the amount shown by the final computation is erroneous.

(c) Funds Available For Payment.

If the property held by the Alien Property Custodian is insufficient to make the payment, payment shall be made by the Alien Property Custodian to the extent of the property held by

him (if any), including any property subsequently received by him, and the amount remaining unpaid may be collected from the person liable therefor in the same manner as a deficiency in tax.

(d) Giving of Bond Prior to Computation.

If it appears in any case that neither a tentative nor a final computation of the amount of taxes properly payable can be made within two months after the date on which the Alien Property Custodian would otherwise return the property, and if the Alien Property Custodian deems it advisable not to postpone the return of the property until a computation can be made, the property may be returned in accordance with subdivision (a) if a bond is filed with the collector in such amount (or unlimited in amount) and with such sureties as the Commissioner of Internal Revenue deems necessary (or collateral authorized by law deposited in lieu of surety), conditioned upon the payment of the full amount of the internal-revenue taxes finally computed to be due. Only surety companies holding certificates of authority from the Secretary of the Treasury as acceptable sureties on Federal bonds will be approved as sureties.

(e) Deficiency Letters and Notice and Demand.

All payments by the Alien Property Custodian shall be made without regard to the provisions of law relating to the mailing of a deficiency letter or to notice and demand, and all refunds shall be made directly to the Alien Property Custodian.

ART. V - SEGREGATED CAPITAL NET GAINS

(a) Tax on Gains from Sales by Alien Property

Custodian.

In any case in which a claim therefor (as prescribed in section 24(f) of the Trading with the Enemy Act) is filed by the taxpayer (or as prescribed in Article VIII, in making a tentative computation), so much of the net income of a taxpayer for the taxable year 1917, or any succeeding taxable year, as represents gain derived from the sale or exchange by the Alien Property Custodian of any property held by him, shall be segregated and separately taxed in the manner hereinafter provided in this Article.

(b) Definitions.

For the purposes of this Article -

(1) The term "segregated capital gain" means taxable gain from the sale or exchange by the Alien Property Custodian of segregated capital assets;

(2) The term "segregated capital loss" means deductible loss resulting from the sale or exchange by the Alien Property Custodian of segregated capital assets;

(3) The term "segregated capital deductions" means such deductions as are allowed by the income, excess-profits and war-profits tax laws for the purpose of computing net income, and are properly allocable to or chargeable against segregated capital assets sold or exchanged by the Alien Property Custodian during the taxable year;

(4) The term "ordinary deductions" means the deductions allowed by the income, excess-profits and war-profits tax laws for the purpose of computing net income, other than segregated capital losses and segregated capital deductions;

(5) The term "segregated capital net gain" means the excess of the total amount of segregated capital gain over the sum of (A) the segregated capital deductions and segregated capital losses, plus (B) the amount, if any, by which the ordinary deductions exceed the gross income computed without including segregated capital gains;

(6) The term "ordinary net income" means the net income computed in accordance with the income, excess-profits, and war-profits tax laws applicable to the taxable year, after excluding all items of segregated capital gain, segregated capital loss and segregated capital deductions; and

(7) The term "segregated capital assets" means any property held by the Alien Property Custodian other than (the seizure by the Alien Property Custodian being disregarded and the property regarded as in the possession of the taxpayer) stock in trade of the taxpayer, or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale in the course of his trade or business.

(c) Computation of Tax.

In any case in which gain derived from the sale or exchange by the Alien Property Custodian of any property held by him is segregated and separately taxed, the aggregate of the amount of income, excess-profits, or war-profits taxes shall be computed as follows:

(1) An income tax shall be computed upon the basis of the ordinary net income;

(2) The war-profits and excess-profits taxes shall be computed upon the basis of the ordinary net income;

(3) A tax of 30 per centum shall be computed upon the basis of the segregated capital net gain;

(4) The amount of income, excess-profits and war-profits taxes shall be the sum of the amounts determined under paragraphs (1) to (3), inclusive.

(d) Partners, Estates, Trusts, and Beneficiaries.

If any member of a partnership, any estate or trust, or any beneficiary of an estate or trust, complies with the provisions of subdivision (a) of this article, he shall be entitled to the benefits of the provisions of this article, and the proper part of the share of the net income which consists, respectively, of ordinary net income, or segregated capital net gain, shall be computed by the Commissioner of Internal Revenue, and taxed to the member or beneficiary or to the estate or trust as provided in the provisions of the applicable income, war-profits, and excess-profits tax laws with respect to partnerships, estate or trusts, and the members or beneficiaries thereof.



ART. VI-INVOLUNTARY CONVERSION

(a) Computation of Tax.

In the case of any property sold or exchanged by the Alien Property Custodian, no gain or loss shall be recognized, for the purposes of the income, war-profits, and excess-profits tax laws, if the owner of the property thus sold or exchanged, forthwith upon the return of the proceeds (or such part thereof as is returned) of the sale or exchange to him, in good faith expends such proceeds in the acquisition of other property similar or related in service or use to the property sold or exchanged, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund (described in subdivision (b) of this Article). If any part of such proceeds is not so expended the gain, if any, shall be recognized but in an amount not in excess of the money which is not so expended. Any income derived from such proceeds in the interim between such sale or exchange and such expenditure shall, however, not be considered within the provisions of this Article. As used in this Article the term "control of a corporation" means the ownership of at least 80 per centum of the voting stock and at least 80 per centum of the total number of shares of all other classes of stock of the corporation. In any case where the proceeds of the property sold or exchanges are not identifiable when returned to the owner, the money or property first returned to him (not including amounts payable under section 23, Trading with the Enemy Act, or otherwise identifiable as not the proceeds of such property,) shall be deemed the proceeds of the sale or exchange.

(b) Replacement Fund.

In any case where the owner elects to replace the property sold or exchanged but it is not practicable to do so immediately, he may obtain permission to establish a replacement fund in his accounts in which part or all of the proceeds returned shall be held, without deduction for the payment of any mortgage. In such case the owner should, in connection with his claim for the benefits of this Article, make application to the Commissioner on Form 1114 for permission to establish such a replacement fund and in his application should recite the matters required in subdivision (e) of this Article and declare that he will proceed as expeditiously as possible to replace such property. In each case the owner will be required to furnish a bond as provided in subdivision (f) of this Article.

(c) Claims Prior to Return of Proceeds.

In any case where the proceeds of the sale or exchange have not yet been returned by the Alien Property Custodian, and the owner elects to replace the property sold or exchanged upon the return of the proceeds to him, the owner may obtain the benefits of this Article by filing a proper claim therefor (as set forth in subdivision (e) of this Article) declaring that he will forthwith upon the return of the proceeds to him expend the proceeds as required in subdivision (a). In such a case the owner will be required to furnish the bond prescribed in subdivision (f) of this Article. If the provisions of this subdivision are complied with, the benefits of subdivision (a) shall be applied both in the tentative and the final computation of the taxes.

(d) Preliminary Claims.

Section 24(f), Trading with the Enemy Act, prescribes definite periods of time within which claims for the benefits of this Article may be filed. Where it is not possible to file within such period the complete claim as prescribed in this Article, a preliminary claim for the benefits of this Article should be filed within such period. If within six months after the filing of such preliminary claim, or within such further period as the Commissioner shall upon application allow, the complete claim is filed in accordance with subdivision (e) of this Article, the claimant shall be entitled to the benefits of this Article. Upon failure to file such complete claim within such period the preliminary claim shall become null and void.

(e) Complete Claims.

No person shall be entitled to the benefits of this Article unless he files a complete claim therefor as prescribed herein and agrees to file at the time prescribed by law a true and correct return of all income for the taxable period in which the property, in the acquisition of which the proceeds have been expended, is sold or otherwise disposed of, and to pay all internal-revenue taxes in respect of such income.

Each complete claim must contain under oath the following information:

(1) In respect to the property sold or exchanged by the Alien Property Custodian -

(A) A description thereof (including specifically the kind and the service and use to which the owner devoted the property);

(B) The date and mode of acquisition;

(C) The cost thereof, and, if acquired prior to March 1, 1913, the value thereof on that date.

(2) In respect of the property in the acquisition of which the proceeds have been expended (or if the proceeds have not yet been returned, or if the establishment of a replacement fund is contemplated, the property in the acquisition of which the owner undertakes to expend the proceeds) -

(A) A description thereof (including specifically the kind and the service and use to which the owner is devoting or proposes to devote the property);

(B) The cost or contemplated cost thereof;

(C) The date or contemplated date of acquisition.

(4) All other necessary information in respect of the transaction and/or contemplated transaction.

Each such claim must be accompanied by the statements under oath of three competent witnesses to each material fact set forth in the claim.

(f) Bonds.

In any case where a bond is required under this Article, the bond must be filed with such surety as the Commissioner may require in an amount not in excess of double the estimated additional income, war-profits, and excess-profits taxes which would be payable if the benefits of this Article were not claimed. The estimated additional taxes, for the amount of which the claimant is required to furnish security, should be computed at the rates at which the claimant would have been obliged to pay,

taking into consideration the remainder of his net income and resolving against him all matters in dispute affecting the amount of the tax. Only surety companies holding certificates of authority from the Secretary of the Treasury as acceptable sureties on Federal bonds will be approved as sureties. The claim and/ or application accompanying the bond should be executed in triplicate so that the Commissioner, the claimant, and the surety or depositary may each have a copy.

(g) Applicability of Law and Regulations.

Except as otherwise specifically provided in these Regulations the provisions of the internal-revenue laws and regulations in respect of the basis for determining gain or loss from the sale or other disposition of property acquired by the expenditure of the proceeds of an involuntary conversion and all matters incident, related, or consequent to such a conversion or to the expenditure of the proceeds thereof, shall apply in all cases where the benefits of this Article are claimed. (See inter alia, Section 204 (a) (6), Revenue Act of 1926, and section 113 (a) (10), Revenue Act of 1928.)

ART. VII - INTEREST AND PENALTIES

(a) Liability for Interest and Civil Penalties.

Liability for interest or civil penalties is governed by section 24(e) of the Trading with the Enemy Act. This subsection is not applicable to interest or civil penalties payable in respect of any internal-revenue tax imposed in respect of any period prior to the seizure of the property by the Alien Property Custodian, or after the return of the property, or in respect of property not seized by the Alien Property Custodian.

(b) Retroactive Adjustments.

In any case in which interest or a civil penalty has been assessed contrary to the provisions of section 24(e), the assessment thereof shall be abated. In any case in which interest or a civil penalty has been collected from or paid by or on behalf of the taxpayer, or in which interest has been credited or paid to the taxpayer in respect of any credit or refund, contrary to the provisions of section 24 (e), proper adjustment shall be made therefor in determining the full amount of internal-revenue taxes properly payable.

ART. VIII - CLAIMS FOR REFUND OR CREDIT  
AND FOR OTHER BENEFITS

(a) Claims for the benefits of subsections (c),(d) and (e) of section 24 of the Trading with the Enemy Act must be filed within the period prescribed by subsection (f). Any such claim must contain a statement in detail under oath of all the facts relied upon in support of the claim and should be filed with the Collector of Internal Revenue, Baltimore, Md., or with his representative in the Office of the Alien Property Custodian. In making any tentative computation, it will be assumed that a claim for the benefits of section 24(c), if the rate of tax is in excess of 30 per centum, and for the refund or credit of interest or civil penalties paid contrary to section 24(e), will be duly filed. A claim for the benefit of section 24(e) is necessary only in case an amount of interest or civil penalties has actually been paid by the Alien Property Custodian or by the taxpayer. (See, also, Article VI (d), above, relating to preliminary claims for the benefits of section 24(d)).

(b) Any act of the Alien Property Custodian for, or on behalf of, a taxpayer in respect of any claim under these regulations will be considered as the act of such taxpayer, unless such taxpayer notifies the Commissioner of Internal Revenue in writing that he does not ratify such act.

ART. IX - CLOSING AGREEMENTS

(a) Section 606 of the Revenue Act of 1928 authorizes closing agreements to be entered into as to the entire tax liability, any part of the tax liability, or any method to be followed in computing the liability, of any person. A closing agreement may be entered into in respect of the computation of the tax under Article VI (relating to involuntary conversion), either before or after the expenditure of the proceeds. If, however, the closing agreement is entered into prior to the expenditure of the proceeds, the terms of the agreement will provide for compliance with the requirements of Article VI, and for the agreement becoming final only upon the actual expenditure of the proceeds (as distinguished from the establishment of a replacement fund). It is believed that the final settlement of tax liabilities will be materially expedited and will prove a benefit to both the Government and the taxpayer. In order to facilitate closing agreements, one or more of the officers or employees of the Bureau of Internal Revenue detailed to the Office of the Alien Property Custodian will be authorized to enter into any closing agreement and to advise and assist the taxpayer in respect thereof.

(b) The effect of a duly executed closing agreement is prescribed by section 606 (b) as follows:

If such agreement is approved by the Secretary, or the Undersecretary, within such time as may be stated in such agreement, or later agreed to, such agreement shall be final and conclusive, and, except upon a showing



of fraud or malfeasance, or misrepresentation of a material fact--

(1) the case shall not be reopened as to the matters agreed upon or the agreement modified, by any officer, employee, or agent of the United States, and

(2) in any suit, action, or proceeding, such agreement, or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded.

ART. X - RESERVATION OF POWER TO AMEND

The power to amend or repeal these regulations or any provision thereof is expressly reserved.

H. F. MIRES,

Acting Commissioner of Internal Revenue.

APPROVED: June 21, 1928.

OGDEN L. MILLS,

Acting Secretary of the Treasury.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
WEDNESDAY, JUNE 27, 1928.

SPEECH TO BE DELIVERED BY HON. OGDEN L. MILLS  
AT THE RATIFICATION MEETING  
OF THE  
REPUBLICAN COUNTY COMMITTEE OF KINGS COUNTY  
HELD AT KISMET TEMPLE  
ON THE EVENING OF  
TUESDAY, JUNE 26, 1928.

Note:

For full text of speech see Subject File: Secretary's Speeches

Secretary Mellon made the following announcement in connection with the close of the fiscal year of the Government on June 30th:

The fiscal year just closed has witnessed a further improvement in the financial position of the Government. There was a substantial surplus of receipts over expenditures. The national debt was reduced by over \$900,000,000, accompanied by a material cut in interest charges. The vast refunding operations begun in 1927 were continued and have been well nigh brought to a successful conclusion. Taxes were again cut by over \$220,000,000.

The total ordinary receipts amounted to \$4,042,000,000, as compared with the estimate submitted to the Congress by the Treasury last October of \$4,076,000,000, and as compared with \$4,129,000,000 in the fiscal year 1927. The expenditures chargeable against such receipts were \$3,644,000,000, as compared with the Budget estimate of \$3,621,000,000 (exclusive of \$50,000,000 under War Claims Act), and expenditures in 1927 of \$3,494,000,000. The surplus amounted to \$398,000,000, as compared with the Treasury estimate of \$405,000,000 and with a surplus of \$635,000,000 in 1927.

#### RECEIPTS

The aggregate of tax receipts, that is, customs, income tax, and miscellaneous internal revenue receipts, was \$3,364,000,000, or \$111,000,000 less than receipts from these sources in 1927, and \$41,000,000 less than the amount estimated by the Treasury last October, a difference of 1.2 $\frac{1}{2}$  per cent.

Income tax receipts aggregate \$2,174,000,000, as compared with \$2,225,000,000 in 1927 and as against an estimate of \$2,165,000,000. In view of the amount of discussion that has taken place as to the accuracy of the Treasury's estimate of income taxes, it is worthy of note that, with collections

aggregating over \$2,000,000,000, they exceeded estimates by the narrow margin of \$9,000,000, or an error of .42 of 1 per cent.

Customs yielded \$569,000,000, as compared with an estimate of \$602,000,000, and receipts last year of \$605,000,000. The latter were record figures. This year's are about normal.

Miscellaneous internal revenue receipts were \$621,000,000, as compared with an estimate of \$638,000,000, and actual receipts last year of \$645,000,000. The falling off in revenue, both as compared with the estimate and last year's receipts, is due in the main to a sharp diminution in the receipts from the estate tax and in part to the Revenue Act of 1928, which repealed the excise tax on the sale of automobiles.

Miscellaneous receipts yielded \$678,000,000, as compared with an estimate of \$670,000,000 and a yield last year of \$654,000,000.

As compared with 1927, the principal items of decrease were \$36,000,000 in customs receipts, \$51,000,000 in income tax receipts, due, as anticipated, to the falling off of back tax collections, and \$24,000,000 in miscellaneous internal revenue receipts, resulting in the main from reduced estate taxes. The principal item of increase is \$24,000,000 in miscellaneous receipts, resulting from an increased liquidation of the obligations of railroads to the Government, which, however, was in a large measure offset by a decrease in receipts from the realization on other assets.

EXPENDITURES

Total expenditures chargeable against ordinary receipts amounted to \$3,644,000,000, as compared with an estimate of \$3,621,000,000, the latter being exclusive of expenditures under the Settlement of War Claims Act, and of \$3,671,000,000 including the said expenditures. The total expenditures, therefore, show a decrease of \$27,000,000 as compared with estimates, or

less than  $\frac{3}{4}$  of 1 per cent. The total expenditures in the fiscal year 1927 amounted to \$3,494,000,000. It should be noted, however, that by reason of the failure of the Deficiency Bill in 1927 and a change in the revenue law, a substantial amount of expenditures properly chargeable to the fiscal year 1927 was carried over into 1928.

#### THE SURPLUS

The Treasury Department estimated the surplus at \$455,000,000, exclusive of payments under the Settlement of War Claims Act, which in fact amounted to \$50,000,000, or, in other words, a surplus of \$405,000,000. The actual surplus was \$398,000,000, or within  $1\frac{3}{4}$  per cent of the estimate. \$367,000,000 of the surplus has already been applied to the retirement of public debt obligations, and the balance, which has been temporarily carried over as an increase in the net balance in the General Fund at the close of the year over the balance at the beginning, will be used for debt retirement purposes early in the fiscal year 1929.

#### THE PUBLIC DEBT

The total gross debt at the close of the fiscal year amounted to \$17,604,000,000, as compared with \$18,511,000,000 at the close of the fiscal year 1927, or a decrease of \$907,000,000. Of this amount, \$540,000,000 is to be attributed to the sinking fund and other debt retirements chargeable against ordinary receipts, and \$367,000,000 to debt retirement from the surplus of receipts over expenditures.

The annual interest rate on the interest-bearing debt on June 30, 1928, was 3.87 per cent, as compared with 3.96 per cent at the close of the fiscal year 1927, and 4.29 per cent in 1921. Total interest payments in the fiscal year 1928 were \$732,000,000, as compared with \$787,000,000 in 1927, or a reduction of \$55,000,000.

During the fiscal year 1928, the Treasury Department practically completed the retirement and refunding of the Second Liberty Loan bonds, of which on March 1, 1927, there were outstanding \$3,104,000,000. On June 30, 1927, there were still outstanding \$1,308,000,000. By June 30, 1928, all but \$33,000,000 had been retired. In the fiscal year just closed, the Treasury began refunding operations in anticipation of the maturity on September 15th next of \$2,147,000,000 of Third Liberty Loan bonds outstanding on January 1, 1928. On June 30, 1928, this amount, by retirement and refunding, had been reduced to \$1,228,000,000.

During the course of the 18 months beginning on March 15, 1927, and ending on September 15, 1928, the Treasury will have retired or refunded into securities bearing a lower rate of interest over \$5,000,000,000 of Second and Third Liberty Loan bonds.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,  
THURSDAY, JULY 5, 1928.

Secretary Mellon announced that the authorization given Federal Reserve Banks under date of June 21, 1928, to purchase, at the option of the holders, until further notice, at par and  $2/32$  and accrued interest, any Third Liberty Loan  $4\frac{1}{4}$  per cent bonds that might be tendered, was terminated at the close of business Thursday, July 5, 1928.



## STATEMENT BY SECRETARY MELLON

The Treasury announces an offering of Treasury bonds of 1940-43, dated and bearing interest from July 16, 1928, at the rate of  $3\frac{3}{8}$  per cent, maturing June 15, 1943, and callable on four months' notice, in whole or in part, on and after June 15, 1940. The offering will be a combined offering for cash and in exchange for outstanding Third Liberty Loan bonds.

The amount of the cash offering will be \$250,000,000, or thereabouts. The books for cash subscriptions will open on July 5, 1928, and may close without notice within a few days thereafter. Cash subscriptions are invited as of August 1, 1928, at par and accrued interest. In other words, payment upon allotted cash subscriptions should not be made until August 1, 1928, and should include not only the par amount of bonds allotted but also the accrued interest thereon from July 16, 1928, to August 1, 1928. The Treasury will not make delivery of the new bonds on allotted cash subscriptions until August 1st.

The amount of the exchange offering will be limited by the amount of the Third  $4\frac{1}{4}$ 's tendered and accepted. Exchange subscriptions are invited at par. Interest on any Third  $4\frac{1}{4}$ 's surrendered and accepted upon allotted exchange subscriptions will be paid in full to September 15, 1928. Accordingly, at the time of delivery of the new Treasury bonds the Federal Reserve Banks will pay to the

subscriber or his authorized agent the interest from March 15, 1928, to September 15, 1928, on the Third 4 $\frac{1}{4}$ 's surrendered in exchange. Delivery of the new bonds on exchange subscriptions will be made on and after July 16, 1928, upon acceptance of the Third 4 $\frac{1}{4}$ 's tendered in exchange.

The exchange offering will be kept open for a limited period - probably until July 31st - but the Secretary of the Treasury reserves the right to close the exchange offering, as well as the cash offering, at any time without notice.

Attention is invited to the fact that the Third Liberty Loan bonds mature September 15, 1928, and that interest thereon will cease on that date.

If the amount of exchange subscriptions received by the Treasury is such that the allotted subscriptions to the combined offering aggregate \$500,000,000, or thereabouts, there will be no further offering of long term bonds in connection with the maturity of the Thirds.

A copy of the official circular is attached.

# UNITED STATES OF AMERICA

## THREE AND THREE-EIGHTHS PER CENT TREASURY BONDS OF 1940-43 OFFERED FOR CASH AND IN EXCHANGE FOR THIRD LIBERTY LOAN BONDS

Dated and bearing interest from July 16, 1928

Due June 15, 1943

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST  
ON AND AFTER JUNE 15, 1940

Interest Payable June 15 and December 15

The Secretary of the Treasury invites subscriptions, from the people of the United States, for three and three-eighths per cent Treasury bonds of 1940-43, of an issue of Gold Bonds of the United States authorized by the act of Congress approved September 24, 1917, as amended.

Cash subscriptions are invited at par and accrued interest. The subscription books for the cash offering will open on July 5, 1928, and may close without notice within a few days thereafter. The Treasury will not make delivery of the new bonds on allotted cash subscriptions until August 1, 1928, at which time payment at par with accrued interest from July 16, 1928, to August 1, 1928, must be made. Payment should not be made upon allotted cash subscriptions until August 1, 1928. The amount of the issue for cash will be \$250,000,000, or thereabouts.

Exchange subscriptions, in payment of which only Third Liberty Loan 4¼ per cent bonds of 1928 (hereinafter referred to as Third 4¼'s) may be tendered, are invited at par. Interest on any Third 4¼'s so surrendered and accepted will be paid in full to September 15, 1928. On and after July 16, 1928, delivery of the new bonds on exchange subscriptions will be made upon acceptance of the Third 4¼'s tendered in exchange. The amount of the issue upon exchange subscriptions will be limited to the amount of Third 4¼'s tendered and accepted.

### DESCRIPTION OF BONDS

The bonds will be dated July 16, 1928, and will bear interest from that date at the rate of three and three-eighths per cent per annum payable on December 15, 1928, on a semi-annual basis, and thereafter semiannually on June 15 and December 15 in each year until the principal amount becomes payable. The bonds will mature June 15, 1943, but may be redeemed at the option of the United States on and after June 15, 1940, in whole or in part, at par and accrued interest, on any interest day or days, on four months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease. The principal and interest of the bonds will be payable in United States gold coin of the present standard of value.

Bearer bonds with interest coupons attached will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. Bonds registered as to principal and interest will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000, \$50,000,

and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds and for the transfer of registered bonds, without charge by the United States, under rules and regulations prescribed by the Secretary of the Treasury.

The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

The bonds will be acceptable to secure deposits of public moneys, but do not bear the circulation privilege and are not entitled to any privilege of conversion. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter issued, governing United States bonds.

#### APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks, as fiscal agents of the United States. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve Banks are authorized to act as official agencies. With respect to subscriptions to the cash offering, attention is invited to the fact that while delivery of the new bonds and payment therefor are not to be made until August 1, 1928, applications must nevertheless be submitted promptly after the opening of the subscription books on July 5, 1928.

The right is reserved to reject any subscription and to allot less than the amount of bonds applied for and to close the subscriptions at any time without notice, and the act of the Secretary of the Treasury in these respects will be final. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final.

#### PAYMENT

*Cash subscriptions.*—Payment at par and accrued interest from July 16, 1928, to August 1, 1928, for any bonds allotted on cash subscriptions must be made on August 1, 1928.\* Any qualified depository will be permitted to make payment, as of August 1, 1928, by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

*Exchange subscriptions.*—Payment for any bonds allotted on exchange subscriptions may be made only in Third 4¼'s, which will be accepted at par. Interest from March 15, 1928, to September 15, 1928, on the Third 4¼'s so accepted will be paid in full at the time of delivery of the Treasury bonds of 1940-43 (or interim certificates) upon allotted subscriptions. Payment for bonds subscribed for should be made when the subscription is tendered. If any subscription is rejected in whole or in part, any bonds which may have been tendered and not accepted will be returned to the subscriber.

\* The accrued interest for this period for each \$1000 face amount of bonds is \$1.47540976.

SURRENDER OF BONDS

*Surrender of coupon bonds.*—Third 4¼'s in coupon form tendered in exchange for Treasury bonds issued hereunder should be presented and surrendered to a Federal Reserve Bank. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are not agents of the United States under this circular.

Coupons dated September 15, 1928, must be attached to the coupon bonds of the Third 4¼'s when presented. At the time of delivery of the Treasury bonds of 1940-43 (or interim certificates) upon allotted subscriptions, Federal Reserve Banks will pay to the subscriber or his authorized agent the interest from March 15, 1928, to September 15, 1928, on the coupon Third 4¼'s surrendered and accepted in exchange.

*Surrender of registered bonds.*—Third 4¼'s in registered form, tendered in exchange for Treasury bonds issued hereunder, should be assigned by the registered payee or assigns thereof to "The Secretary of the Treasury for exchange for Treasury Bonds to be delivered to -----" (name of person to whom delivery is to be made to be inserted in assignment), in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange into coupon bonds, and thereafter should be presented and surrendered to a Federal Reserve Bank. The bonds must be delivered at the expense and risk of the holder. At the time of delivery of the Treasury bonds of 1940-43 (or interim certificates) upon allotted subscriptions, Federal Reserve Banks will pay to the subscriber or his authorized agent the interest from March 15, 1928, to September 15, 1928, on the registered Third 4¼'s surrendered in exchange.

The Federal Reserve Banks, as fiscal agents of the United States, are hereby authorized and requested to receive subscriptions for Treasury bonds hereunder, to receive Third 4¼'s tendered in exchange, to make allotments of subscriptions on the basis and up to the amounts indicated to them by the Secretary of the Treasury, and to make delivery of Treasury bonds on full-paid subscriptions allotted, and, pending delivery of definitive bonds, to issue interim certificates.

FURTHER DETAILS

Any further information which may be desired as to the issue of Treasury bonds under the provisions of this circular may be obtained upon application to a Federal Reserve Bank. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the exchange, and may terminate the offer at any time in his discretion.

A. W. MELLON,  
*Secretary of the Treasury.*

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
July 5, 1928.

Department Circular No. 405.  
(Public Debt)

TO THE INVESTOR:

Almost any banking institution in the United States will handle your subscription for you, or you may make subscription direct to the Federal Reserve Bank of your district. Your special attention is invited to the terms of subscription and allotment as stated above, and to the fact that Third Liberty Loan bonds may be exchanged for the Treasury Bonds offered. Further attention is directed to the fact that the Third Liberty Loan bonds of 1928 mature on September 15, 1928, and will cease to bear interest on that date.

The following address, regarding the Treasury's offering of 3 3/8 per cent Treasury Bonds of 1940-1943, was broadcast last evening (Thursday, July 5th) by Honorable Ogden L. Mills, Undersecretary of the Treasury, through a nation-wide chain of the National Broadcasting Company and associated radio stations:

I am bringing you to-night a message which is of interest to all investors, and more particularly to those who, either during the war or since, have invested their savings in Third Liberty Loan bonds.

On September 15th next, the Third Liberty Loan bonds will mature. That is to say, on September 15th next the Government will pay the principal of these bonds and the final interest. On September 15th, therefore, these bonds will cease to bear interest.

This is the first of the great series of bonds, issued by the United States Government during the war, to mature. It does not seem so long ago that the Government was calling on all patriotic citizens to subscribe to its bonds to enable us to do our share in the mightiest war of all time. You will all remember the Liberty Loan committees, on which many of you doubtless served, the Liberty Loan rallies and parades, the Liberty Loan posters, the Liberty Loan buttons, the house to house canvasses, and the enthusiasm which greeted the final announcement that the Third Liberty Loan had been oversubscribed. Subscriptions had been received from 18,300,000 individuals, and the total amount subscribed was over \$4,176,000,000. Now ten years have elapsed and we are retiring such of these bonds as are still outstanding, for in the course of the last few years the Treasury has refunded or retired all but approximately \$1,225,000,000 of the original issue of Third Liberty Loan bonds.

There is a certain dramatic quality in the maturity date and final payment of a great war issue, but the process of reducing the war debt has been proceeding

steadily and rapidly, year in and year out. From 1919 to June 30, 1928, our public debt has been reduced from \$25,484,000,000 to \$17,604,000,000, or a reduction of almost \$8,000,000,000. One-third of the war debt has already been disposed of, and it will not be many years before United States Government bonds, which since the war have come to be looked upon as the safest and in many respects, one of the most desirable forms of investment, will cease to be available for investment purposes. Last year, over \$3,000,000,000 of Second Liberty Loan  $4\frac{1}{4}$  per cent bonds were either retired or refunded, but of those refunded about \$2,000,000,000 were exchanged for securities with a maturity date of not exceeding five years and which will be paid off during the course of the next five years.

In addition, therefore, to the intrinsic value which they possess from the standpoint of safety and ready marketability, long-term United States Government bonds are yearly becoming increasingly valuable because of their scarcity. This is one of the reasons why the Treasury  $4\frac{1}{2}$  per cent bonds, issued at par in October, 1922, are now selling at 114; the Treasury 4's, issued in December, 1924, at par, with an additional issue in March, 1925, at par and one-half, are now selling at 109- $\frac{4}{32}$ ; the Treasury  $3\frac{3}{4}$ 's, issued in March, 1926, at par and  $\frac{1}{8}$ , at 106- $\frac{6}{32}$ ; and the Treasury 3- $\frac{3}{8}$  per cent bonds, issued just a year ago in exchange for Second Liberty Loan bonds, par for par, and for cash at par and one-half, now command a premium of a dollar and  $\frac{16}{32}$ .

As I have stated, the bonds of the Third Liberty Loan will mature and become payable on the 15th of September. Those of you who hold Third Liberty Loan bonds are perhaps already wondering how you can reinvest the proceeds of your bonds so as to enjoy for the next ten years at least the same character of security and marketability that you have enjoyed during the last ten years. You can, of course, purchase outstanding United States Government bonds in the market, but this would mean, under present conditions, the payment of a high premium.

You will, therefore, I believe be very much interested indeed in the message which I bring you from the Treasury Department. The Secretary of the Treasury this morning announced a new issue of Treasury bonds, which is specially available to holders of Third Liberty Loan bonds. The new Treasury bonds bear interest at the rate of 3-3/8 per cent from July 16, 1928. They have a life of fifteen years, but may be called for redemption after twelve years, but not before twelve years.

Third Liberty Loan bonds may be exchanged for the new bonds par for par or bond for bond. In addition, though the new bonds bear interest from July 16th, the Treasury will pay interest in full to September 15th on the Third Liberty Loan bonds offered in exchange.

In other words, at the same time that the Government delivers your new bonds to you, it will hand you a check covering the interest on your Third Liberty Loan bonds for the full six months' period ending September 15, 1928.

Here, then, is the opportunity for those of you who have kept your funds invested in United States Government bonds for the last ten years to continue to keep them so invested for the next twelve or fifteen years. It is true the interest rate is somewhat lower, but this is equally true of the return on all first-class investments as compared with ten years ago.

In the public announcement of this morning, the Secretary of the Treasury stated that if the allotted cash and exchange subscriptions for this new issue of Treasury bonds aggregate approximately \$500,000,000, there will in all probability be no further issue of long-term Treasury bonds in connection with the maturity of the Third Liberty Loan. In other words, this is probably the last opportunity open to Third Liberty bond holders to obtain a new long-term United States Government bond through the medium of offering their Third Liberty Loan bonds in exchange. The value which the market places on the exchange privilege is indicated by the fact that whereas Third Liberty Loan bonds were selling on Tuesday



at about par, upon the announcement of the exchange offering they at once went to a premium of a dollar a hundred.

My allotted time will not permit me to give you further details to-night. But your local banker has to-day been furnished with full information concerning the Treasury's exchange offering, and he will, I am sure, be pleased to instruct you as to the surrender of your Third Liberty Loan bonds for exchange.

Please, however, remember these facts:

Your Third Liberty Loan bonds will become payable on September 15th of this year, and will not bear any interest after that date.

You are now offered the privilege of exchanging your Third Liberty Loan bonds for a new issue of United States Treasury three and three-eighths<sup>h</sup> per cent bonds which will not be callable for redemption for twelve years.

And at the time of the exchange the Government will pay you the full six months' interest on your Third Liberty Loan bonds.

The exchange offer is open for only a limited period.

I may add that those who do not hold Third Liberty Loan bonds may subscribe to the new bonds for cash at par and accrued interest as of August 1st next. The cash offering will remain open in all probability but a few days, but you will be interested to know that heavy cash subscriptions have already been received to-day, though the subscription books were only opened this morning.

Whether you are a holder of Third Liberty Loan bonds and desire to exchange, or whether you are simply an investor desiring to subscribe to a new issue of United States Government long-term bonds, in either event you should not delay seeking advice.

You should consult your local banker tomorrow, or if not tomorrow the next day.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
MONDAY, JULY 9, 1928.

Secretary Mellon announced that subscriptions for the cash offering of 3-3/8 per cent Treasury Bonds of 1940-43, dated July 16, 1928, closed at the close of business on Saturday, July 7, 1928. Although final reports from the twelve Federal Reserve Banks have not been received, it is indicated that the cash subscriptions for this offering will aggregate at least \$725,000,000.

The current offering of Treasury Bonds of 1940-43 was announced on July 5th. The new bonds are dated and bear interest from July 16, 1928, at the rate of 3-3/8 per cent. They mature on June 15, 1943 and are callable on and after June 15, 1940. The offering was a combined offering for cash and in exchange for outstanding Third Liberty Loan bonds. The amount of the cash offering was announced to be \$250,000,000, or thereabouts. Cash subscriptions were invited as of August 1, 1928, and payment upon allotted cash subscriptions will not be required to be made until August 1, 1928. The Treasury will not make delivery of the new bonds on allotted cash subscriptions until August 1, 1928.

The closing of the cash subscriptions does not affect the privilege of exchanging Third Liberty Loan bonds for the new bonds. The exchange privilege remains open and will continue to be available until about July 31st. Exchange subscriptions are invited at par. Interest on any Third 4 1/2's surrendered and accepted upon allotted exchange subscriptions will be paid in full to September 15, 1928.

The Secretary of the Treasury further called attention to the fact that Third Liberty Loan bonds mature on September 15, 1928, and that interest thereon will cease on that date.

Secretary Mellon announced that the allotment of cash subscriptions for the issue of 3-3/8 per cent Treasury bonds of 1940-43, dated July 16, 1928, maturing June 15, 1943, and callable on and after June 15, 1940, has been made on the following basis:

All cash subscriptions in amounts not exceeding \$1,000 for any one subscriber were allotted in full. Cash subscriptions in amounts over \$1,000 but not exceeding \$100,000, were allotted 60 per cent, but not less than \$1,000, on any one subscription; cash subscriptions in amounts over \$100,000 but not exceeding \$500,000, were allotted 50 per cent, but not less than \$60,000 on any one subscription; cash subscriptions in amounts over \$500,000 but not exceeding \$1,000,000, were allotted 30 per cent, but not less than \$250,000 on any one subscription; and cash subscriptions in amounts over \$1,000,000 were allotted 20 per cent, but not less than \$300,000 on any one subscription. Cash subscriptions for this issue of Treasury bonds were invited as of August 1, 1928, at par and accrued interest. The offering was a combined offering for cash and in exchange for outstanding Third Liberty Loan bonds. The amount of the cash offering was \$250,000,000, or thereabouts, and the total cash subscriptions received aggregated \$743,767,700.

The exchange offering will remain open until about July 31, and holders of Third Liberty Loan 4 $\frac{1}{4}$  per cent bonds may still exchange their bonds for the new 3-3/8 per cent Treasury bonds of 1940-43, at par, bond for bond. As previously announced, interest on any Third 4 $\frac{1}{4}$ 's surrendered and accepted on allotted exchange subscriptions will be paid in full to September 15, 1928. Holders of Third Liberty Loan bonds are urged to consult their banker at the earliest opportunity, in order that they may avail themselves of the exchange privilege.

Acting Secretary Mills to-day announced that the total amount of cash subscriptions received for 3-3/8 per cent Treasury bonds of 1940-43, dated July 16, 1928, maturing June 15, 1943, and redeemable at the option of the Secretary of the Treasury on and after June 15, 1940, was \$743,367,700, and the total of cash subscriptions allotted was \$251,528,600.

The subscriptions and allotments were divided among the several Federal Reserve districts as follows:

<u>Federal Reserve District:</u>	<u>Total Cash Subscriptions Received:</u>	<u>Total Cash Subscriptions Allotted:</u>
Boston	\$ 92,982,750	\$ 43,109,600
New York	203,924,450	55,504,550
Philadelphia	123,734,150	32,888,000
Cleveland	62,202,150	21,548,650
Richmond	36,395,250	13,972,900
Atlanta	32,304,850	15,279,150
Chicago	98,553,400	35,020,800
St. Louis	21,260,750	7,559,700
Minneapolis	7,549,850	4,484,450
Kansas City	13,622,350	6,052,250
Dallas	13,248,850	6,472,450
San Francisco	37,581,550	9,630,350
Treasury	7,350	5,750
<b>Total</b>	<b>\$743,367,700</b>	<b>\$251,528,600</b>

The above figures relate to cash subscriptions only. The privilege of exchanging Third Liberty Loan bonds for the new 3-3/8 per cent Treasury bonds of 1940-43 is still available and will remain open until on or about July 31st.

Acting Secretary Mills today announced that the privilege of exchanging Third Liberty Loan  $4\frac{1}{4}$  per cent bonds for the new  $3\text{-}3/8$  per cent Treasury bonds of 1940-43 will definitely expire on Tuesday, July 31, 1928. Exchange applications in the mails or otherwise in transit before midnight on July 31st will be accepted.

The offering of  $3\text{-}3/8$  per cent Treasury bonds of 1940-43 was first announced on July 5th. The offering was a combined offering for cash and in exchange for outstanding Third Liberty Loan bonds. The books upon the cash offering closed on July 7th, when cash subscriptions aggregating over \$743,000,000 had been received. Of these cash subscriptions \$251,528,600 have been allotted. Under the exchange offering, which as above stated will close on July 31st, interest on any Third  $4\frac{1}{4}$ 's surrendered and accepted upon exchange subscriptions will be paid in full to September 15, 1928. The new bonds issued upon exchange bear interest from July 16, 1928. Through the use of the radio, newspaper advertisements, placards, and other methods of publicity, the Treasury has endeavored to inform every holder of Third  $4\frac{1}{4}$ 's of the exchange privilege, and banks throughout the country have lent their assistance in communicating information to their customers.

Acting Secretary Mills further called attention to the fact that the Third Liberty Loan bonds will mature on September 15, 1928, and will cease to bear interest on that date.

Acting Secretary Mills today announced that beginning today and continuing until further notice, he has authorized the Federal Reserve Banks to purchase, at the option of holders, Third Liberty Loan  $4\frac{1}{4}$  per cent bonds, for account of the sinking fund. Such purchases will be made at 100- $\frac{1}{32}$  to August 15, 1928, and thereafter at par, together with accrued interest to the date of such optional purchase. Coupon bonds presented for purchase must have September 15, 1928 coupons attached. Registered bonds presented for purchase must be assigned to "The Secretary of the Treasury for purchase" in accordance with established regulations, and accrued interest thereon will be paid to date of discharge of registration.

In making this announcement the Acting Secretary again called attention to the fact that Third Liberty Loan bonds are due for payment on September 15, 1928, and will cease to bear interest after that date, and further, that in accordance with prior announcement, the privilege of exchanging such bonds for 3- $\frac{3}{8}$  per cent Treasury bonds of 1940-43 expired at the close of business last evening. Preliminary figures received from Federal Reserve Banks indicate that exchange subscriptions aggregating approximately \$106,500,000 were received. Allotted cash subscriptions to this issue of Treasury bonds amounted to \$251,528,600. The total amount of the issue of 3- $\frac{3}{8}$  per cent 1940-43 Treasury bonds will therefore be approximately \$358,000,000.

TREASURY DEPARTMENT

189  
FOR RELEASE, MORNING PAPERS,  
Monday, August 13, 1928.

Acting Secretary Lowman today in referring to the offer made by the Treasury on August 1 to purchase, through Federal Reserve Banks, at the option of holders, Third Liberty Loan  $4\frac{1}{2}$  per cent bonds, for account of the sinking fund, called particular attention to the fact that the price fixed by the Treasury for such purchases would change on August 15. He stated that any bonds tendered under this offer before the close of business August 15 would be purchased at  $100-1/32$ , together with accrued interest to date of purchase, and that any bonds tendered after that date would be purchased at par, together with accrued interest to date of purchase. He further stated that any tenders actually in transit up to midnight August 15 would be accepted at the August 15 price.

TREASURY DEPARTMENT

170  
FOR IMMEDIATE RELEASE  
Tuesday, August 14, 1928.

The Revenue Act of 1928 imposes upon the Treasury the duty to prescribe regulations, for the taxable year 1929 and thereafter, for the filing of consolidated returns by affiliated corporations and the determination of the tax liability of, and the collection of the tax from, affiliated corporations filing consolidated returns.

The Treasury appreciates keenly the importance and difficulty of the task with which it is confronted, and believes that the presentation of the views and suggestions of persons familiar with consolidated return problems of the taxpayers will be of invaluable assistance. Accordingly, it is proposed to hold public hearings, beginning September 10, 1928, and continuing through September 15, 1928, or until the hearings may properly be closed. The hearings will be stenographically reported, and written memoranda may be filed.

The hearings will be held in Room 276 of the Treasury Building and will begin each morning at 9:30 and continue until 5:30, with an adjournment for one hour at 12:30. They will be held before a committee composed of Henry Herrick Bond, Assistant Secretary of the Treasury, David H. Blair, Commissioner of Internal Revenue, Clarence M. Charest, General Counsel of the Bureau of Internal Revenue, and Ellsworth C. Alvord, Special Assistant to the Secretary of the Treasury. Every effort will be made to arrange hours in conformity with the expressed desires of those to be heard, although it can well be appreciated that departures may possibly be necessary. Communications should be addressed directly to Assistant Secretary Bond, Treasury Department, Washington, D. C. Persons requesting a hearing will be advised as soon as possible of the date and hour assigned.



## STATEMENT BY SECRETARY MELLON

The Treasury is today announcing its September financing, which takes the form of an offering of nine months  $4\frac{1}{2}$  per cent Treasury certificates of indebtedness, dated and bearing interest from September 15, 1928, and maturing June 15, 1929. The amount of the offering is \$525,000,000, or thereabouts.

The Treasury will accept in payment for the new certificates, at par, Third Liberty Loan bonds, maturing September 15, 1928. Subscriptions for which payment is to be tendered in Third Liberty Loan bonds maturing September 15, 1928, will be allotted in full up to the amount of the offering.

About \$970,000,000 of Third Liberty Loan bonds are still outstanding and become payable on September 15, 1928. Also, about \$70,000,000 in interest payments on the public debt become payable on that date.

The final redemption of the Third Liberty Loan brings to a close the vast operations begun by the Treasury in 1927, which, in the course of eighteen months, have resulted in the refunding or retirement of over five billions of Liberty Loan bonds accompanied by important reduction in interest charges. Of \$5,264,000,000 of Second and Third Liberty Loan bonds outstanding in February, 1927, all but \$20,000,000 of which bore a  $4\frac{1}{4}$  per cent rate of interest, about \$1,300,000,000 will have been retired from sinking fund and surplus. The balance have been replaced by bonds bearing  $3\frac{3}{8}$  per cent interest, by three-five year notes bearing  $3\frac{1}{2}$  per cent interest, all with maturity or call dates convenient for sinking fund purposes, and by short-term certificates, including the issue now offered, all maturing on quarterly tax payment dates.

The text of the official circular follows:

The Secretary of the Treasury, under the authority of the Act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness of Series TJ -1929, dated and bearing interest from September 15, 1928, payable June 15, 1929, with interest at the rate of four and one-half per cent per annum, payable on a semiannual basis.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates will have two interest coupons attached, payable December 15, 1928, and June 15, 1929.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

The certificates of this series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates. The certificates of this series will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates applied for and to close the subscriptions at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final. Subscriptions in payment for which Third Liberty Loan  $4\frac{1}{2}$  per cent bonds of 1928 (hereinafter referred to as Third  $4\frac{1}{2}$ 's) are tendered, will be allotted in full up to the amount of the offering. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before September 15, 1928, or on later allotment. After allotment and upon payment, Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified

by the Federal Reserve Bank of its district. Bonds of the Third  $4\frac{1}{4}$ 's, maturing on September 15, 1928, will be accepted at par, in payment for any certificates of the series now offered which shall be subscribed for and allotted, with an adjustment of accrued interest, if any, on the certificates of the series so paid for.

Bonds of the Third  $4\frac{1}{4}$ 's tendered in payment for any certificates of the series now offered should be presented when the subscription is tendered. The bonds must be delivered at the expense and risk of the holder. Coupons dated September 15, 1928, which become payable on that date, should be detached from any bonds of the Third  $4\frac{1}{4}$ 's in coupon form so tendered, and such coupons should be collected by the holders thereof in regular course. Third  $4\frac{1}{4}$ 's in registered form tendered in payment for certificates subscribed for must be duly assigned to "The Secretary of the Treasury for payment", in accordance with the general regulations of the Treasury Department governing such assignments. Final interest due September 15, 1928, on registered bonds of the Third  $4\frac{1}{4}$ 's so tendered will not be paid by interest checks in regular course but will be covered by payments to be made simultaneously with the delivery of the certificates (or interim receipts) upon allotted subscriptions. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements, when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are not agents of the United States under this circular.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

## STATEMENT BY SECRETARY MELLON

Referring to the Treasury's current offering of  $4\frac{1}{2}$  per cent certificates of indebtedness of Series TJ-1929, dated September 15, 1928, and maturing June 15, 1929, attention is directed to the fact that the subscription books for this issue may close within a few days without further notice, and for this reason holders of Third Liberty Loan  $4\frac{1}{4}$  per cent bonds who desire to exchange their bonds for the new certificates, as well as cash subscribers, should enter their subscriptions at the earliest possible opportunity. In view of the fact that Third Liberty Loan bonds will mature on September 15, holders of such bonds may have gained the erroneous impression that they will have until that date to make the exchange, but, as above stated, the subscription books will be open for only a limited period, possibly a few days, and any applications received after the closing of the books will be rejected.

In anticipation of the maturity of the Third Liberty Loan on September 15, 1928, many holders of these bonds have already forwarded their bonds, either direct or through their local banks, to a Federal Reserve Bank or the Treasury Department for payment on September 15. Holders of Third  $4\frac{1}{4}$ 's who have already surrendered their bonds for payment, but who now desire to exchange their bonds for the new  $4\frac{1}{2}$  per cent Treasury certificates of indebtedness, may do so provided their application is received before the closing of the subscription books. In such cases they should file their application for the new certificates through the same agency which they utilized in surrendering their Third Liberty Loan bonds for payment, in order that the necessary change of transaction may be made.

FOR IMMEDIATE RELEASE,  
Tuesday, September 11, 1928.

Statement by Undersecretary of the Treasury Ogden L. Mills.

In this morning's papers, Governor Smith accuses me of misrepresenting the facts as to New York State finances when I said, in a recent speech, that the huge increase in resources due to prosperity had been applied under Governor Smith neither to tax reduction nor to debt reduction, but spent. I stand by my statement.

As to misrepresentation, if there is any, it will be found in the statement issued by Governor Smith. For instance, the Governor states that "from July 1, 1927, to July 1, 1928, the State debt was reduced by \$3,742,000". Any one reading these words would conclude that the debt of the State of New York had actually been reduced during that 12 months' period, and the statement was undoubtedly intended to give that impression. What are the facts? During the year 1927-1928 the gross debt increased by over \$18,000,000 and the net debt by over \$15,000,000. What Governor Smith has done is to give the figure of bonds retired from the sinking fund as constituting debt retirement, but he has failed to give the figures for the new bonds issued during the same year, which vastly exceed in amount those retired. This method of presenting a financial picture hardly needs to be characterized.

What are the facts on which I based my statement that there had been neither tax reduction nor debt reduction? The total revenues of the State of New York increased from \$76,000,000 in 1918 to \$218,000,000 in 1928. Total expenditures

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for general purposes /increased year by year, except during the two years when Miller was Governor, from \$73,000,000 in 1918 to \$212,000,000 in 1928. Total taxes increased from \$69,000,000 in 1918 to \$184,000,000 in 1927 (I have not as yet seen the 1928 figures). An increase of 166 per cent in total taxes collected would seem to justify the statement that there had been no tax reduction, in spite of the fact that in certain selected years a slight rebate may have been given on income taxes, which is no longer true to-day. In so far as the direct State tax is concerned, to which Governor Smith refers, from 1918 to 1928 there was an increase and not a decrease.

Turning now to the debt question, we find that the net State debt in 1923, when Smith became Governor the second time, was \$181,000,000, or about what it had been in 1918. By 1928 it had grown to over \$258,000,000.

But this does not tell the whole story, for under Governor Smith's leadership during his last two terms of office \$465,000,000 of bonds have been authorized. Governor Smith says "by whom?" He cannot disclaim responsibility. He went from one end of the State to the other telling the people that this borrowing was necessary --- something which events have since shown to be quite otherwise --- extolling the merits of borrowing as contrasted with the pay-as-you-go policy and ridiculing the latter. This is the record. It establishes beyond dispute the fact that Governor Smith is the greatest spender and borrower the State of New York has ever seen.



Secretary Mellon announced that the subscription books for the current offering of nine-months  $4\frac{1}{2}$  per cent Treasury certificates of indebtedness, Series TJ-1929, closed at the close of business Tuesday, September 11th. Subscriptions received in the mails up to 10 o'clock Wednesday morning will be accepted.

The offering, which was for \$525,000,000, or thereabouts, was publicly announced on September 7th.

The closing of the subscription books applies not only to cash subscriptions, but also to those subscriptions in payment for which Third Liberty Loan  $4\frac{1}{4}$  per cent bonds might be tendered, and accordingly any subscriptions entered after the closing date will be rejected.

The Secretary further stated that while final subscription figures had not been received from the Federal Reserve Banks, preliminary reports indicate that the total subscriptions will aggregate over \$960,000,000. Of these subscriptions, at least \$80,000,000 represent subscriptions in payment for which Third  $4\frac{1}{4}$  per cent bonds were tendered. As previously announced, such latter subscriptions will be allotted in full. The balance, or approximately \$880,000,000, represent cash subscriptions, subject to later allotment. Allotments on these cash subscriptions will be made at an early date, at which time full details as to the basis of allotment and the final amount of aggregate subscriptions will be announced.

Secretary Mellon today announced that according to the final reports received from the twelve Federal Reserve Banks the total subscriptions for the new offering of  $4\frac{1}{2}$  per cent Treasury Certificates of Indebtedness, Series TJ-1929, aggregate \$1,019,699,800. Of this amount \$102,821,300 represent subscriptions in payment for which Third Liberty Loan  $4\frac{1}{4}$  per cent bonds were tendered. The latter subscriptions have been allotted in full, and allotments on the \$916,878,500 cash subscriptions were made as follows: All cash subscriptions in amounts not exceeding \$10,000 for any one subscriber were allotted in full. Cash subscriptions in amounts over \$10,000 but not exceeding \$100,000 for any one subscriber were allotted 80 per cent, but not less than \$10,000 on any one subscription; cash subscriptions in amounts over \$100,000 but not exceeding \$500,000 for any one subscriber were allotted 60 per cent but not less than \$80,000 for any one subscription; cash subscriptions in amounts over \$500,000 but not exceeding \$1,000,000 for any one subscriber were allotted 40 per cent but not less than \$300,000 on any one subscription; and cash subscriptions in amounts over \$1,000,000 were allotted 30 per cent but not less than \$400,000 on any one subscription. On the above basis the total amount of certificates to be issued will aggregate approximately \$550,000,000.

Further details as to subscriptions and allotments by Federal Reserve Districts will be announced when final reports are received from the Federal Reserve Banks.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE  
Thursday, September 20, 1928.

Secretary Mellon today announced the detail figures of subscriptions received and allotted for the offering of 4 $\frac{1}{2}$  per cent Treasury certificates of indebtedness of Series TJ-1929. Cash subscriptions for the offering aggregated \$916,880,500, and the total of such cash subscriptions allotted was \$446,462,000. As previously announced the exchange subscriptions for which Third Liberty Loan 4 $\frac{1}{4}$  per cent bonds were tendered in payment were allotted in full and these subscriptions aggregated \$103,153,900.

The subscriptions and allotments were divided among the several Federal Reserve districts as follows:

<u>Federal Reserve Districts</u>	<u>Total Exchange Subscriptions Received.</u>	<u>Total Cash Subscriptions Received.</u>	<u>Total Subscriptions Allotted.</u> (Cash & Exchange)
Boston	\$ 5,493,600	\$ 76,499,200	\$ 49,694,900
New York	31,560,500	287,153,100	141,367,100
Philadelphia	4,921,700	63,045,400	37,721,700
Cleveland	10,912,000	59,099,000	43,370,500
Richmond	2,977,600	23,949,400	20,175,500
Atlanta	1,240,400	47,971,300	34,661,200
Chicago	13,455,900	96,126,500	67,452,400
St. Louis	7,711,100	30,331,100	25,442,000
Minneapolis	4,796,700	14,311,400	14,965,700
Kansas City	8,862,500	22,547,800	24,473,400
Dallas	3,149,800	43,338,900	29,537,900
San Francisco	5,095,300	152,230,500	57,533,900
Treasury	2,976,800	276,900	3,219,700
<b>Total</b>	<b>\$103,153,900</b>	<b>\$916,880,500</b>	<b>\$549,615,900</b>

Total Subscriptions Received.....\$1,020,034,400  
Total Subscriptions Allotted..... 549,615,900

The above figures are subject to slight change due to subsequent adjustments in exchange subscriptions.

TREASURY DEPARTMENT

202  
FOR RELEASE, MORNING PAPERS,  
September 27, 1928.

Secretary Mellon today announced that, in accordance with established procedure, notice has been given to the banks of the country, through the Federal Reserve Banks, that there will be an offering of Treasury securities early in October. This new issue will complete the program of financing occasioned by the maturity of the Third Liberty Loan on September 15th last. Experience has demonstrated that in the case of the long-term war issues, which were widely distributed, maturing bonds are not all presented on the maturity date but a large number are presented for redemption over a considerable period of time. In the case of the Third Liberty Loan bonds, \$955,000,000 were outstanding on September 14th. Only \$475,000,000 were presented on September 15th, and up to and including September 25th \$733,000,000 had been presented. Accordingly, in order to avoid borrowing in excess of actual needs and to save unnecessary interest charges, the Treasury Department on September 15th, in connection with its usual quarterly financing, made provision for the redemption of such Third Liberty Loan bonds as might reasonably be anticipated would be presented for payment prior to October 15th. The October issue of securities, which in amount will be substantially smaller than the offering dated September 15th, is intended to furnish the necessary funds to redeem the Third Liberty Loan bonds still outstanding, as well as to provide for the financial needs of the Government up to December 15th, 1928.

TREASURY DEPARTMENT

203  
FUTURE RELEASE  
FOR RELEASE MORNING PAPERS,  
Thursday, October 4, 1928.

OBSERVE DATE

Letter of Secretary Mellon in reply to a letter  
from Senator Caraway.

Washington, D.C.,

October 2, 1928.

Dear Senator Caraway:

Your letter of the 28th ultimo, which appeared in the press, has been received. You ask me to tell you:

"exactly how many gallons of intoxicating liquors you or the company or companies in which you are interested owned when the 18th Amendment was ratified and the Volstead Act became effective and how many gallons have been disposed of since, and what your present ownership either in person or through companies is."

Also:

"If you were never engaged in the liquor business, will you please say why you bought a distillery? Was it your intention to engage in that business, if not why was the distillery purchased?"

In so far as present ownership either in person or through companies is concerned, the answer is that neither today nor for several years have I had any direct or indirect interest in any distillery or in the manufacture of liquor or in any stock of liquor held for sale.

Several years before the prohibition amendment went into effect, the Overholt distillery, in which I owned an interest, absolutely ceased from the manufacture of whiskey and from doing any business; and, before I took office as Secretary of the Treasury, the entire property, real and personal, was by all of the stockholders or parties interested conveyed to a trust company

by irrevocable deed as trustee with directions to dispose of the property and business at its discretion (the owners retaining no direction or authority whatsoever in the matter) the trustee to account and pay the parties interested the net proceeds of sale, less commission and expenses. Since that time I have had no concern or connection with the property or business. The trustee executed the trust by disposing of the real estate, stock on hand, and other property in its entirety. I do not know how many gallons of liquor were held at the time when the 18th Amendment and Volstead Act became effective. In fact, I have never known. I have never had any other interest connected with liquor or its distillation and never at any time was I personally engaged in the distillery or liquor business.

In answer to your further question "why was the distillery purchased", my reply is that the distillery stock was acquired years ago just as I bought stock in any other business. My entire investment was only \$25,000. I have never at any time given personal attention to the Company's business; in fact, have devoted more time, since I have been Secretary of the Treasury, replying to inquiries, as now, than in all the years of the business. If I had bought \$25,000 of stock in a tobacco company, would it be said that I was a tobacconist?

This matter was exploited first when my name was under consideration by President Harding for appointment to the Treasury, and then publicly explained. It was revived and reiterated in the Senate and House; it was revived again by Governor Pinchot of Pennsylvania; and in the Coolidge campaign; then revived for the present campaign. However, the agitation will cease on November sixth.

Yours very truly,

Honorable T. H. Caraway,  
United States Senate.

A. W. Mellon.

Under a Resolution of Congress approved May 29, 1928, the Secretary of the Treasury was authorized and directed to cause to be struck and presented to Thomas A. Edison a gold medal, with suitable emblems and inscriptions, in commemoration of the achievements of Mr. Edison "in illuminating the path of progress through the development and application of inventions that have revolutionized civilization in the last century".

Several designs were submitted to the Treasury for consideration. Secretary Mellon has approved the design executed by Mr. John R. Sinnock of 2022 Spring Garden Street, Philadelphia, Pennsylvania, and such approval is concurred in by the Commission of Fine Arts. The medal is now being prepared in the United States Mint at Philadelphia.

Formal presentation of the medal will be made in Mr. Edison's laboratory, West Orange, New Jersey, on Saturday evening, October 20th. Preceding the ceremonies in West Orange, a short address will be broadcast by President Coolidge over a nation-wide hookup of radio stations, contributed by the General Electric Company, and the program will then be transferred to the Edison Laboratory at West Orange from which the remainder of the program will be broadcast. Presentation of the medal will be made by Secretary Mellon, and the ceremony in West Orange will also include an address by a person of national prominence. The ceremonies will probably occupy the period of one hour, beginning at 9 P.M., Eastern Standard time.

TREASURY DEPARTMENT

206  
FOR RELEASE, MORNING PAPERS,  
Saturday, October 6, 1928.

In view of the action taken yesterday by the Board of Estimate and Apportionment of New York City, as reported in the press, and the statement attributed to Mayor Walker, the Secretary of the Treasury makes public the correspondence between Mayor Walker and the Treasury Department in relation to a new United States Court House and the removal of the Federal Building from its present site:

"September 4, 1928.

Honorable Andrew W. Mellon,  
Secretary of the Treasury,  
Washington, D. C.

My dear Mr. Secretary:

In reply to your letter of August 24, 1928, regarding the site for a new building for the United States Courts in New York City, you inquire if The City of New York will sell to the United States a site in its civic center and 'at what price?'

On the 15th of August, in an executive session of the Board of Estimate and Apportionment, I again asked for advice on the subject of transferring the necessary site in our civic center for the purpose of constructing a new Federal courts building. The members of the board on that occasion unanimously reiterated their opinion, which I had previously brought to you in Washington, namely, that they would indeed be very glad on behalf of the city to give to the Federal government the desired site for a new court building. Further, the members of the board stated they would require but one consideration, the entire removal from City Hall Park in the City of New York of the present Post Office and Federal courts building. The site proposed is adjacent to the State and City courts and is valued at nearly two and one-quarter million dollars.

This opinion was fortified by innumerable communications from various associations and citizens asking for the demolition of the present Post Office building. It is generally felt that the building has become an eyesore and charges are freely made by members of the bar and citizens who are compelled to use it that it is insanitary and, to say the least, unsuited for its present purposes. There is an overwhelming demand in this city for the removal of this unsightly and obsolete structure.



We want to assist and, in fact, expedite the matter by giving the site to the Federal government without any cost. The city might sell this property for private development and obtain, at least the valuation mentioned, or might avail itself of your offer to purchase it, but it prefers to offer the ground to the Federal authorities free, in the belief that in turn the government would provide a new branch post office for the convenience of the people of this city.

Very truly yours,

(Signed) James J. Walker,

Mayor."

"September 12, 1928.

My dear Mr. Mayor:

I have yours of September 4, 1928, in answer to mine of March 22, 1928, in which I pointed out that the need of the Federal Courts in New York City for adequate quarters is pressing, and inquired if the City of New York would sell to the United States a site in its civic center, and at what price. In your answer you say that the members of the Board of Estimate and Apportionment are willing to sell the desired site for a new court house to the Federal Government, but only on condition that the Federal Government abandon the present site of the Post Office Building for a new site.

The situation appears to be as follows: There is urgent need for a new building for the United States Courts, and both the Federal Government and the City of New York are agreed that a desirable site for such a building can be found in the so-called civic center. The City of New York, however, desires the Federal Government to abandon the present Post Office Building for some other suitable site. This the Post Office Department is quite willing to agree to, providing a site equally suitable and adequate for the efficient carrying on of the postal business, so vital to the interests of the People of the City, can be found, and is offered by the city in exchange for the present post office building on an equitable basis.

To date, the City authorities have not been able to suggest such a site, nor have the independent efforts of the postal authorities succeeded in locating one.

The building of a new United States Court building and the relocation of the present Post Office are two separate and independent propositions. There is no reason why the carrying out of the first should be made dependent upon the immediate carrying out of the second. It is admitted that the need for a building for the United States Courts is immediate and pressing. The site for such a building is available. If the City is willing to sell the site to the Federal Government, the program can be submitted to the Congress at the coming session and necessary appropriations obtained. It is not apparent how either the City or the Federal Government can benefit by delaying the carrying out of such a program until it has been found possible to find a suitable site for a Post Office building.

I trust that in the light of these circumstances the Board of Estimate and Apportionment will reconsider its decision of August 15th and will let me know at what price the City of New York will sell to the Federal Government a site in its so-called civic center for the construction of a United States Courts Building.

Very truly yours,

(Signed) A. W. Mellon

Secretary of the Treasury.

Honorable James J. Walker,  
Mayor of the City of New York,  
New York, New York."

TREASURY DEPARTMENT

209  
FOR RELEASE, MORNING PAPERS,  
Monday, October 8, 1928.

FOR RELEASE  
OBSERVE DATE

STATEMENT BY SECRETARY MELLON

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of eleven months  $4\frac{3}{4}$  per cent Treasury certificates of indebtedness of Series TS-1929, dated and bearing interest from October 15, 1928, and maturing September 15, 1929. The amount of the offering is \$300,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates will have two interest coupons attached payable March 15 and September 15, 1929.

About \$150,000,000 of Third Liberty Loan bonds, which became payable on September 15, 1928, are still outstanding. Also, about \$150,000,000 in interest payments on the public debt become payable on October 15, 1928. This issue, together with cash now on hand, will provide for the Treasury's requirements up to December 15, 1928.

The text of the official circular follows:

The Secretary of the Treasury, under the authority of the Act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness of Series TS-1929, dated and bearing interest from October 15, 1928, payable September 15, 1929, with interest at the rate of four and three-quarters per cent per annum, payable on a semiannual basis.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates will have two interest coupons attached, payable March 15, 1929, and September 15, 1929.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

The certificates of this series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates. The certificates of this series will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates applied for and to close the subscriptions at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before October 15, 1928, or on later allotment. After allotment and upon payment, Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

As fiscal agents of the United States, Federal Reserve Banks

are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated October 15, 1928, Series TS-1929,  $4\frac{3}{4}$  per cent, maturing September 15, 1929, closed at the close of business on October 9th, 1928. The reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$300,000,000, or thereabouts, total subscriptions aggregate some \$838,000,000.

Allotments on subscriptions were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted in full; subscriptions in amounts over \$1,000 but not exceeding \$10,000 were allotted 80 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$50,000 were allotted 70 per cent, but not less than \$8,000 on any one subscription; subscriptions in amounts over \$50,000 but not exceeding \$500,000 were allotted 50 per cent, but not less than \$35,000 on any one subscription; subscriptions in amounts over \$500,000 but not exceeding \$1,000,000 were allotted 30 per cent, but not less than \$250,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 20 per cent, but not less than \$300,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
October 12, 1928, or when  
delivered.

FUTURE RELEASE  
OBSERVE DATE

"REPUBLICAN ACCOMPLISHMENTS."

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Speech of  
Honorable A. W. Mellon  
Secretary of the Treasury,  
from Station WRC, Washington,  
October 11, 1928.



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## Republican Accomplishments

In the final analysis, there is only one issue in this campaign. That is whether the leadership offered by the Republican or by the Democratic Party is better qualified to assume the burden of carrying on the Government and of solving the problems which will arise in the next four years. That is the real issue to be decided on November 6.

The Democratic candidate has told you what he proposes to do. The Republican candidate, Mr. Hoover, is in the fortunate position of being able to tell you not only what he will do but what he and the Administration, of which he has been an important part, have already done. He offers you an unparalleled record of constructive achievement; and, on that record, he and the Republican Party ask for your continued confidence and support.

What has that record been? In the first place, it has been a complete fulfillment of the promise which the Republican Party made that the Government should be administered economically and in accord with accepted business principles, and that the affairs of the country should be put on a sound basis, so that confidence might return and the march of progress might be resumed after the long interval of the war.

That the Administration has made good its promise is best attested by the fact that today the finances both of the Government and of the country are in a sound condition. Under the present Administration taxes have been materially lowered on four occasions. Expenditures have been cut. The public debt has been reduced so that it is no longer a heavy burden on the taxpayers. The nation has been given the benefit of a protective tariff; and during the entire period the country has moved steadily forward, getting further and further away from the unsettled conditions which prevailed in 1921, when the present Republican Administration took office.

At that time the whole economic structure seemed in need of readjustment. Now, after nearly eight years, it is possible to judge of what has been accomplished. Not only has the nation passed through this difficult period of post-war readjustment, but during the last three or four years it has enjoyed one of the most prosperous periods in its history.

In no other nation and at no other time in the history of the world have so many people enjoyed such a high degree of prosperity or maintained a standard of living comparable to that which prevails throughout this country today. There are, of course, some localities and some industries, just as there are always some individuals, who from time to time do not share equally in the prevailing prosperity. The task of government should be to lessen that inequality wherever possible; and this the present Administration has tried to do. The test, however, of whether a nation is prosperous or not depends upon whether it can be shown that the average man and woman, or the majority of them, share in that prosperity and are able not merely to maintain but to raise their standard of living.

In the United States today conditions as a whole meet that test. Our highways are crowded with automobiles, and statistics show that the number of passenger car registrations have more than doubled in the last seven years. Savings deposits have nearly doubled; and bank deposits have increased from

39 billion dollars in 1921 to 56 billion in 1927. Our foreign trade now amounts to nearly 9 billions a year, and each year since 1924 we have invested a billion dollars in foreign securities.

In 1921,  $6\frac{1}{2}$  million individuals reported for Federal tax purposes a total income of  $19\frac{1}{2}$  billion dollars. In 1927, 4 million individuals reported an income of  $22\frac{1}{2}$  billion dollars. During this period, as a result of the Administration's tax reduction program, more than  $2\frac{1}{2}$  million individuals were relieved entirely of all liability for Federal income taxes; and yet, due to increased prosperity, the income reported by the decreased number of taxpayers was 3 billion dollars more than was reported in 1921. Furthermore, the Preliminary Statistics of Income for the year 1927, which are now being compiled by the Treasury, show that in the year 1927 there was a substantial movement of taxpayers from the lower grades into the higher ones, a thing which could not have occurred if there had not been an increasing volume of earning during the year, as well as a fairly uniform and widespread prosperity.

The Administration's tax policy has been a material factor in this situation. Within a period of seven years there have been four sweeping reductions of taxes. In 1921, 1924, 1926, and 1928 Congress passed revenue bills at the strong urging of the Administration reducing taxes about 1800 million dollars a year or about 5 million dollars a day as compared with what would have been collected under the 1918 law. Back in 1921, although the war had been over nearly three years, taxes were levied on many commodities such as railroad and Pullman tickets, victrolas, pianos, automobiles, candy, chewing-gum, soft drinks, ice cream, and many other things besides. Today none of these things are taxed. When the present Administration took office in 1921, a married man with a salary of \$250. a month was paying an income tax of \$40; today he pays nothing. A man earning \$4000 a year was paying \$80; today he pays \$5.63, and so on up to \$10,000, on which the tax in 1921 was \$590, whereas

today it is less than one-fifth of that amount.

These are examples of the very real benefits which the taxpayers enjoy by reason of the Administration's tax policy. But this is not all that the Administration has been able to accomplish. It has also made use of the opportunity offered by tax reduction to effect that reform of the tax system which has been one of the objectives of the present Administration. When the Administration came in, it found an elaborate war-time system with numerous and heavy taxes on many commodities and activities. Enterprise and initiative were discouraged. Today there is an internal revenue system of few and relatively light taxes. Moderate rates have been substituted for excessive ones and, true to sound tax principles, have proved more productive in revenue than were the higher rates. By raising exemptions and credits, the small taxpayer has been almost entirely relieved of the burden of Federal taxes. Productive business, by being freed of oppressive rates, has been taken out of a straitjacket and permitted to expand in an orderly manner, unhampered by artificial restrictions of the tax laws. Capital is no longer driven into such channels as tax-exempt securities in order to avoid payment of the tax. As a consequence business has expanded; the national income has increased; and adequate revenues for the Government have been realized, even with lower rates and fewer taxpayers.

Not only have taxes been lowered but great reductions have been made in expenditures. One of the first acts of the new Administration was the establishment of the Budget System, under which the Government's spending departments have been organized and the budget has been reduced by nearly 1900 million dollars as compared with the last fiscal year of the preceding Democratic Administration.

At the same time the public debt has been reduced over six billion dollars. That debt is represented principally by war loans, which the Government borrowed

from the people of the country in order to carry on the war. These loans must be repaid; and it is the part of wisdom to pay them off as quickly as possible, for the interest charges constitute a heavy burden on the taxpayers. During the last eight years the average interest rate on the entire debt has been materially lowered and over eleven billion dollars of securities have been paid off or exchanged for securities bearing lower rates of interest. All of this has resulted in a saving in interest payments of not less than 268 million dollars a year.

Another important policy of the Administration has been to provide adequate credit for agriculture. Through the War Finance Corporation, the Intermediate Credit Banks, and the banks of the Farm Loan System, ample credit has been provided on easy terms and at low interest rates. This is one of the vital elements in the farm problem and places at the farmer's disposal adequate banking facilities. It does not, of course, solve those other problems of organization, distribution, and disposal of the surplus, which are responsible for so many of the farmer's present troubles. These problems must and will be solved in other ways.

The disposal of the farm surplus is closely bound up with conditions abroad. American agriculture was greatly expanded during the war to meet the new demands made by Europe, and since the war unsettled conditions there have had their effect on this country. One of the elements of uncertainty in the situation was the war debts owed to this country by foreign governments. So long as they remained unsettled they constituted an unknown quantity in the balance sheets of both debtor and creditor governments. Currencies could not be stabilized; credit was affected; and extension of trade among the various countries was seriously retarded. In order to put an end to such uncertainty, this Government proceeded at once to a settlement of the debts owed to this country by foreign nations and reached agreements with all the principal debtor nations for amounts exceeding eleven billion dollars. Today we are receiving payments regularly on

account of principal and interest and these payments are being applied in reduction of our debt.

There are three other things which should be mentioned in connection with the Government's financial policies. The war claims against Germany and Austria have been settled in a way satisfactory to those nations as well as to ourselves; the loans made to our railroads during the war have been nearly all repaid; and the charters of the Federal Reserve Banks have been renewed, thus insuring a continuation of the banking system under which we were able to finance the war and to pass safely through the reconstruction period without any sharp and disastrous money panics such as visited the country after the Civil and Spanish Wars.

I would like to make it clear that in the renewal of the charters of the Federal Reserve Banks, the Administration had the cooperation and support of Democrats as well as Republicans in Congress. There is no desire on the part of the Administration to claim exclusive credit for a measure which was and should have been non-partisan in its character and supported by thinking men in both parties. What the Administration does claim, however, is that it was on its initiative and at its strong and insistent urging that such measures as the renewal of the bank charters were enacted into law, and that these measures form a part of the general policy which the Administration has undertaken to carry out and for which it is responsible.

Such is the record of the Administration as regards its financial policies. It is a constructive record and one that speaks for itself. And yet Governor Smith and other Democratic speakers not only seek to withhold credit from the Coolidge Administration for its undisputed achievements, such as reducing debts, taxes, and expenditures, but apparently do not approve that record. They are careful not to specify in what respect they would change it but content themselves with the charge that nearly eight years of good government and mounting prosperity do not, in their opinion, constitute a record of "constructive" achievement.

I submit that it is a constructive record in the best sense of the word. What more constructive service can a political party render than to give a sound Administration, under which economy is substituted for extravagance in government and a feeling of confidence for the confusion which formerly existed throughout the country? Construction does not consist, as the opponents of the Administration seem to think, in following every new and untried social and economic theory that may be presented.

The extent to which the present Administration has succeeded in carrying out its general policy is an instance of what can be accomplished by an Administration which adopts a definite policy and adheres to it until it has been put into effect. Success, however, can not be achieved and was not achieved in this instance without a fight. Take the question of reduction of taxes and reform of the tax system, or reduction of the public debt, or the settlement of the foreign debts. All of these measures helped in building up that feeling of confidence which has been no small factor in promoting prosperity during the last three or four years. All were an essential part of the Administration's general policy. Looking at them in retrospect each one of these steps would seem not only simple and logical but inevitable; and yet it would be the greatest mistake to assume that these results came about without effort. They did not just happen. On the contrary, the Administration was opposed at each step of the way in trying to carry out these policies. The fight for a sound tax system is so recent that it is unnecessary for me to call it to your attention. The same thing can be said of the debt settlements. There was violent opposition in Congress to the settlements recommended by the Debt Commission; and, even in the case of debt reduction, there were those who would have attacked the integrity of the Sinking Fund and would have reduced the amount paid each year into the fund, regardless of the increased cost to the taxpayers of debt payments long deferred.

In these, and in other matters, the Administration claims to have done only what seemed to be the sound and sensible thing to do under the circumstances. It has indulged in no unsound experiments nor has it sought to bring about the millennium by committing the country to financial heresies. On the contrary, the men in charge have tried to conduct the public business on the same sound business principles which they would have applied to their own affairs.

In doing this, the Republican Party has given a notable instance of platform promises which have been carried out. Under the leadership of President Coolidge, it has proved itself a party of constructive ability. In Mr. Hoover, it offers to the country an able and experienced leader, who will carry on the work of the present Administration. After a long and successful business career, he has held many public and official positions of the greatest responsibility. He has proved himself a great organizer, a far-seeing and resourceful executive, and has discharged every duty in a way to merit the highest praise and admiration. Based on nearly eight years of close association with him, I am convinced that he will give the nation a sound and successful administration of the government and that he is supremely well qualified to deal with those great economic problems that influence so directly and to such a very large extent the prosperity of the country and the comfort, welfare and happiness of the people.



Secretary Mellon today announced that the total amount of subscriptions received for the issue of  $4\frac{3}{4}$  per cent Treasury certificates of indebtedness, Series TS-1929, dated October 15, 1928, maturing September 15, 1929, aggregated \$838,700,000, and that the total of subscriptions allotted was \$308,807,500. Subscriptions in amounts not exceeding \$1000 were allotted in full, while allotments on subscriptions in amounts over \$1000 were made on a graduated scale.

The subscriptions and allotments were divided among the several Federal reserve districts as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 61,512,500	\$ 23,716,500
New York	319,928,000	83,797,000
Philadelphia	76,092,500	29,700,000
Cleveland	57,601,500	24,898,500
Richmond	34,479,500	17,568,500
Atlanta	42,662,500	23,356,000
Chicago	70,027,000	32,111,500
St. Louis	24,233,000	11,888,000
Minneapolis	11,077,500	6,834,500
Kansas City	27,838,500	13,020,500
Dallas	38,174,000	20,306,000
San Francisco	74,637,500	21,299,000
Treasury	436,000	311,500
Total.....	\$838,700,000	\$308,807,500

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,  
WEDNESDAY, OCTOBER 17, 1928.

ADDRESS DELIVERED BY  
HONORABLE HENRY HERRICK BOND  
ASSISTANT SECRETARY OF THE TREASURY  
AT THE  
ANNUAL MEETING  
OF THE  
ASSOCIATED INDUSTRIES OF MASSACHUSETTS  
10 A.M., BOSTON, MASSACHUSETTS, OCTOBER 17, 1928.

Note:

For full text of speech see Subject File: Taxation.

TREASURY DEPARTMENT

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WASHINGTON, October 17, 1928,  
FOR RELEASE, MORNING PAPERS,  
Thursday, October 18, 1928.

STATEMENT BY THE SECRETARY.

Under ordinary circumstances I would not think it worth while to answer a purely political speech. But in the address delivered at Sedalia, Missouri, last night, by the Democratic candidate for the Presidency, he undertook to challenge my good faith and to accuse me of presenting a false picture to the nation. He included in this charge the Director of the Bureau of the Budget and the Undersecretary of the Treasury. In other words, Governor Smith accuses the financial officers of the Government of carrying on a deliberate campaign of misrepresentation intended to conceal the true picture of the nation's finances. This will not do. Before a responsible man makes such a charge he should have a thorough and intimate knowledge of all the facts, and be able to support it with clear and convincing proof. Now, perhaps the most accurate statement in Governor Smith's entire speech is the one in which he said that the fiscal reports of the Federal finances were a Chinese puzzle to him. His whole address exhibits the most superficial knowledge of what has actually taken place, and in citing figures he has been guilty of what even the most charitably-minded would have to describe as "inaccuracies".

Let me begin by correcting Governor Smith's conception of what this Administration understands by economy in government. Economy is not just saving, but wise spending; the elimination of waste; the promotion of efficiency and businesslike methods; the building up of a sense of

responsibility to the taxpayer on the part of all public servants; the careful management of the Government's finances, as exemplified, for instance, by a policy of steady debt reduction with consequent relief from the heavy burden of interest charges. Under such a definition, expenditures might actually increase from year to year and yet the nation receive an economical and businesslike administration of its public affairs.

If Governor Smith understood the meaning of economy in government in this sense, he would not point the finger of scorn and ridicule at the items of minor savings effected by individuals holding subordinate positions in the Federal Government. For instance, he ridiculed the saving of \$14 by the American Consul at Curacao. It might have occurred to the Governor that the opportunities for saving were probably limited in this small office and that the \$14 represented all that that particular individual could save by the proper administration of his office. Governor Smith thinks that the savings effected by another officer of the Government by turning out lights when they were not needed is fit only for comedy and laughter. Doesn't he realize that these examples of minor savings effected by people holding subordinate positions, sometimes in a distant part of the world, are simply proof that the example set by the President at the top has reached down until it has permeated the whole Civil Service and revolutionized their attitude toward the expenditure of the public funds. It is the best example of the high morale

that has been built up under President Coolidge's leadership, and nothing that I know of is more conducive to the destruction of that morale than to have a candidate for the presidency of the United States hold up to ridicule and contempt the efforts of public servants to save the money of the taxpayers.

Governor Smith sought to establish his case by claiming that the reduction in expenditures effected since 1921 was not due to economy and good administration, but to the automatic demobilization of the war-time machine. The trouble with that contention is that the war had been over for  $2\frac{1}{2}$  years when the Republican Administration took control of the Government in March, 1921. If these savings were inevitable as Governor Smith would have us believe, why hadn't they already been more largely effected? The Governor states that the war-time expenditures dropped gradually during 1921, 1922, and 1923. The fact is that in the first year in which it was established the Budget Bureau succeeded in paring and pruning costs that had already actually been appropriated for the fiscal year 1922 to the extent of \$755,000,000. There was nothing very gradual, automatic, or inevitable about that. Something evidently had taken place other than simply an addition of twelve months to the post-war period. What had taken place was that a new Administration had come in; the Budget System had been established, and for the first time the Government found itself equipped with an agency for carrying out a systematic policy of retrenchment and for attacking the problem of waste.

I take it from Governor Smith's remarks that he considers

a comparison between 1921 and 1928 as an unfair basis of comparison, and he himself suggests the years 1924 and 1927 as offering a fair basis. To be sure, he does not hesitate to use the 1921 basis when the figures happen to be favorable to his contention, as he did in the case of the executive department and the District of Columbia. Overlooking, however, this inconsistency, and overlooking minor inaccuracies let me come to the central point of the Governor's speech, to the statement which he says is "a pretty good, clean, clear-cut statement", made "without equivocation", from which he has "got nothing to subtract or deduct", and made "with the knowledge that the figures are right." What is that statement?: "All of the departments of the Government in 1927 cost \$200,000,000 more than they did in 1924." I am afraid Governor Smith has been grossly misinformed. The total ordinary expenditures of the Government, which does not include the expenditures payable from postal revenues, aggregated in 1924 \$1,828,000,000, and in 1927, \$1,857,000,000, or an increase of \$29,000,000, and not \$200,000,000. The postal expenditures are not included for the very good reason that they are met from postal receipts, which the law requires shall be kept separate and earmarked for postal expenditures. Except to the extent that there is a deficiency, they do not constitute a drain on the general resources of the Government. Postal expenditures necessarily increase from year to year with the

growth of the country, but increased postal business is accompanied, of course, by increased postal revenues. Total governmental expenditures, including public debt items, the postal deficiency and operations in special accounts, amounted to \$3,506,000,000 in 1924, and in 1927 to \$3,493,000,000, or a decrease of \$13,000,000, in spite of the fact that in 1927 there was expended \$115,000,000 for account of the Adjusted Service Certificate Fund, intended for the benefit of our veterans, an expenditure which was not made in 1924, and in spite of the fact that debt retirement from ordinary receipts increased by \$62,000,000.

This is the second time that Governor Smith has been guilty of an error of this character. In his speech of acceptance, in charging the Republican Administration with the maintenance of useless offices and commissions merely for the benefit of patronage seekers, he makes this statement: "The appropriations for independent bureaus and offices not responsible to any Cabinet officer increased from \$3,400,000 in 1914 to \$163,000,000 in 1921, and to \$556,000,000 in 1928." Governor Smith stopped there. He did not say that of the \$556,000,000 expended in 1928, \$500,000,000, or all but \$56,000,000 can be accounted for by the United States Veterans' Bureau, which had not come into existence in 1914, and whose expenditures in 1921 were comparatively small because the United States Government had not then begun to meet its obligations to its wounded and mutilated veterans. Governor Smith cannot be ignorant of the fact that these large expenditures on the part of the Government are not only justifiable but inevitable and irreducible in amount - and yet he would create the impression that these expenditures were due to the maintenance of jobs for patronage seekers. This is a good example of the use of figures, not to present an accurate and truthful picture, but quite the opposite.

And now let me turn to the Governor's third charge, that public works have been neglected entirely, postponed, or started with grossly inadequate appropriations. The Governor states that there is established in Washington what he calls a trick bookkeeping system under which large amounts are authorized, while only small amounts are appropriated year by year. He is apparently under the impression that this practice was recently inaugurated for political purposes. Since 1837 the House of Representatives has followed the sound rule of not permitting an appropriation for any given purpose unless that purpose had previously been authorized. Moreover, the Governor by the use of a little diligence could have ascertained that in so far as public buildings are concerned, it is not necessary that the amounts authorized specifically for projects be appropriated for in their entirety at once, as the Secretary of the Treasury is given authority to enter into contracts to the full limit of cost in each instance. Therefore, the estimates submitted to Congress are simply in such amounts as will provide adequate funds to carry each project until the following appropriation can have become law. It is all simple and readily understandable by those having knowledge of the Government business.

The Governor cites a number of instances in which building sites were acquired some years ago on which no building has to date been constructed. The fact is that the last omnibus public building bill, the



items for which were made up by the committees of the House and Senate, became a law on March 4, 1913. Work under that bill progressed steadily until the conditions brought about by the World War caused the then Secretary of the Treasury, in the interest of conserving manpower, materials and transportation facilities for war purposes, to suspend the letting of contracts for new buildings.

When the new Administration came into power in 1921, the immediate task to be undertaken was putting the Government's own house in order; the restoration of economical and businesslike principles of administration; the reduction of the cost of government, necessarily followed by relief from the frightful burdens of taxation under which the country was staggering and which formed so serious an impediment to the restoration of the economic prosperity of the Nation. Until this vital task had been accomplished, no thought could be given to expanding the physical plant of the Government.

Once accomplished, the President recommended to the Congress that the time had come for expanding the physical facilities of the Federal Government, but he was unwilling that we should return to the old pork barrel practices of an omnibus public buildings bill. Accordingly, a law was enacted under the terms of which, for the first time in its history, the physical plant of the Government would be constructed on the basis of actual requirements, rather than by virtue of the political needs of congressional districts. Since that time and in the course of the last three years a general authorization of \$298,000,000 has been made for public buildings purposes, of which \$77,000,000 have been appropriated, and of which \$50,000,000 approximately are being annually expended. To date 251 projects have been authorized, 244 for the country at large, and 7 for the District of Columbia.

The Governor gave what he called a few shining examples of mismanagement. He stated that in the Borough of Brooklyn, the Government acquired a site as far back as 1915 and that up to and including this year not a single dollar has ever been appropriated to put a building on it. Now what are the facts? When the land in question was acquired, there were buildings on it and the very act which authorized its acquisition provided for the remodeling of those buildings. They have since been remodeled and have been in use by the Federal Government ever since. As already stated, there was no Public Buildings Act until 1926. At the present time \$2,700,000 has been authorized for the demolition of the old buildings and the extension and remodeling of the main building. It is expected to advertise the foundations in January and the superstructure in April, 1929.

In Chicago, Governor Smith states that a site was acquired at a cost of close to \$4,000,000, that the new Federal building is designed to cost \$14,250,000, and that at the last session Congress appropriated just \$300,000, not enough for the foundation. From which he would have the people infer that this project is being handled in a wasteful and unbusinesslike manner. Here again the Governor has been guilty of making charges without a careful ascertainment of the facts. It is true that a site has been acquired in 1928 at a cost of \$3,890,000, but that site does not include all of the land required for the new building. The Government was not able to purchase the balance of the property for what it conceived to be a reasonable price. Condemnation proceedings have had to be resorted to. Until this needed property has been acquired, it is impossible to begin construction, and the \$300,000 appropriated is

all that can possibly be expended this fiscal year. Moreover, I again invite attention to the fact that the Secretary of the Treasury is authorized to enter into building contracts up to the full limit of \$14,250,000 as soon as the title to the land becomes vested in the United States and the plans for the building are completed.

In Pittsburgh, in 1913 the Congress directed the sale of a site previously acquired. Not until 1917 was the Treasury Department able to consummate a sale. At that time the site was sold to the Pennsylvania Railroad Company under a contract which gave the United States an option to purchase a new site near the Pennsylvania Railroad station on Grant Street. However, due to a plan of the City of Pittsburgh for relocating Grant Street, the Government was not in a position to contract for the purchase of the new site until 1926. Title was finally acquired towards the end of that year. During the last session of Congress the construction of the new building was authorized at a cost of \$6,425,000, and \$300,000 was actually appropriated. In view of the fact that the services of outside architects are being employed in this case and that they have not yet been in a position to submit their plans and drawings, the \$300,000 is adequate to cover such expenditures as may be incurred this year.

These examples are, I think, sufficient to demonstrate that Governor Smith has been led to draw rash conclusions from insufficient data and inadequate study.

The business of the United States Government is the greatest business enterprise in the world. Knowledge of it is not to be acquired hastily during the course of a few months' campaign. It is no reflection

on Governor Smith's ability that he is inadequately informed as to the business of the Federal Government. What might reasonably be asked of him, however, is that he refrain from charging others with misrepresentation and bad faith until by study and familiarity with his subject he has placed himself in a position to deal with it in terms of fact.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
October 19, 1928, or when  
delivered.

FUTURE RELEASE  
OBSERVE DATE

Speech of

Honorable A. W. Mellon

Secretary of the Treasury

at the Annual Founder's Day Exercises

of the Carnegie Institute,

Pittsburgh,

October 18, 1928.

Developing the Nation's Capital.

I am glad to be here for this occasion. For many years, in my capacity as a trustee of the Carnegie Institute, I have attended the Founders' Day exercises; and, since I have been in Washington, I have looked forward each year to returning home and joining with you in celebrating the founding of this institution, which is doing so much for the cause of education and in training the youth of the country in a knowledge of the arts and sciences.

It is because of your interest in such things, that I want to speak to you on a subject somewhat different from those usually associated with the work of government at Washington. It has to do with the beautifying of the Nation's Capital and the carrying out of the original plan whereby the City of Washington shall become not only one of the most impressive capitals in the world but one which shall be representative of the best that is in America. The importance of the work was stressed by President Coolidge in his last annual message to Congress, in which he said:

" . . . .If our country wishes to compete with others, let it not be in the support of armaments but in the making of a beautiful Capital City. Let it express the soul of America. Whenever an American is at the seat of his Government, however traveled and cultured he may be, he ought to find a city of stately proportion, symmetrically laid out and adorned with the best that there is in architecture, which would arouse his imagination and stir his patriotic pride . . . ."

Congress has made the necessary appropriation to initiate this work and to carry out the most important features of that long neglected plan of Washington and L'Enfant for the development of the city. The responsibility for carrying out this plan, by the purchase of sites and the erection of buildings,

was placed by Congress on the Secretary of the Treasury and has become, therefore, an integral part of Treasury activities.

Before entering upon a discussion of what is to be undertaken, it is necessary to have a clear understanding of the historic background against which this work must be done. Washington, as you know, was founded for the express purpose of being the nation's capital. There have been only two other world capitals so founded - the former Russian capital of Petrograd , and the newly created city of Canberra in Australia. To me there has always seemed something heroic about the early beginning of Washington. When we remember that at that time the entire country had a population of less than six million; that communication was difficult and the Government almost without financial resources, we marvel at the courage and vision of men who proceeded to build a city in a wilderness and to project it along lines so magnificent that even today we do not find it easy to carry their plans to completion.

The new capital was established in accordance with a provision inserted in the Constitution; and it thus became one of the first duties of the newly formed government to carry this provision into effect. You remember how both the Northern and the Southern States desired that the Federal Capital should be located in their territory. The final decision was made in a way that settled another question then agitating the public mind. Alexander Hamilton, as Secretary of the Treasury, had succeeded in having the Federal Government assume the payment of all debts incurred by that government in the prosecution of the Revolutionary War. But the assumption of the debts incurred by the States was another matter. The States with small debts felt that it was unfair to ask them to help discharge the larger debts incurred by other States, and opposed assumption by the Federal Government. As it happened, the States with small debts were mostly in the South, where it was ardently desired that the

capital should be located. Hamilton felt that assumption of the debts was a vital part not only of his financial policy for establishing the public credit but of that larger purpose involved in tying the States together in a firm and indestructible union. He determined, as some one has remarked, to resort to the expedient of "giving a civility in exchange for a loaf of bread". He asked Jefferson, who represented the Southern party, to give a dinner. At this dinner-party, it was arranged that the capital city should be located in the South and in return the South agreed to support assumption of the State debts by the Federal Government.

Subsequently Congress authorized the capital to be established on the Potomac River and that President Washington be allowed to select the exact spot. He did so, with the aid of Jefferson and Madison; and these two, with the three Commissioners appointed to prepare the new seat of government, gave to the city the name of Washington and to the District the name of Columbia. Washington, himself, throughout his life always modestly referred to the new capital as "The Federal City".

The President's next step was to secure the services of a man who should design the city. He chose Major Pierre Charles L'Enfant, a young French engineer officer, who had served in the army during the Revolutionary War. L'Enfant was eminently suited for the task. He knew Europe and was undoubtedly familiar with landscape architecture as practiced there by that greatest of all landscape architects, Le Notre, whose designs at Versailles and elsewhere have been followed throughout the civilized world.

L'Enfant threw himself into the work with enthusiasm. With Washington and Jefferson he worked out a plan for a splendid city, with a system of streets running from north to south and from east to west. Superimposed upon this rectilinear arrangement were those diagonal avenues radiating from



the Capitol and the White House, as do the spokes from the hub of a wheel. He sought to locate all public buildings in appropriate landscape settings and with especial regard to preserving the axial treatment, which is an outstanding feature of Le Notre's work. These buildings were to be grouped along a beautiful park a mile long, connecting the Capitol building with the President's park south of the White House. A great avenue was to border this park, flanked on one side by public buildings; and, at the point where the axis of the White House intersected the axis of the Capitol, was to arise the monument to Washington already voted by the Congress. It was a noble plan; and, if carried out, will give to the City of Washington that sense of unity and grandeur which so impresses one in Paris today.

During its first hundred years, the City of Washington suffered many vicissitudes. It struggled into existence as best it could with little regard for the plan of L'Enfant or any other plan. On the removal of the Federal Government from Philadelphia in 1800, the new city was almost as much of a wilderness as it had been a little earlier when the Indians of the Powhatan Tribe held their councils at the foot of Capitol Hill. Fortunately the Capitol building and the White House had been started before the death of Washington, and so the main axes of the new city had been fixed. Both buildings were badly burned during the British raid on Washington in 1814, but were soon restored in accordance with the original designs; and, in the case of the Capitol, the wings and dome were added a few years later. During this same period of good taste, the Patent Office was built and also the present Treasury building, two of the architectural glories of Washington.

I would like to say a word about the Treasury. The building in which it was originally housed was destroyed by the British in 1814. The new building, erected in its place, was destroyed by fire in 1833; and finally, in

1836, the present building was begun on the site designated by President Jackson. It was commonly reported that, becoming wearied of the delay in selecting the location, General Jackson planted his cane one morning at the northeast corner of the present site and said "Here, right here, I want the corner-stone laid". And it was laid there, notwithstanding the fact that, when finally completed in 1869, the south wing was interposed between the Capitol and the White House, and thus shut off the vista at that end of Pennsylvania Avenue.

Before leaving this subject, I would like to say a word also about the White House. It is so perfect, in proportion and design, that it merits special comment. But what has seemed to me remarkable is that a building, which was planned for a small and struggling nation and situated in what was at that time a backwoods capital, should have proved adequate for the needs of one of the greatest and most powerful nations in the world today. Such things do not come about by accident. It was surely due to the extraordinary foresight of some one, and that person, it is interesting to know, was Washington, himself. Following the adoption of Hoban's plan for the White House, Washington directed that the size of the building be enlarged one-fifth over the original plan, notwithstanding the difficulty of meeting the increased cost involved. The President's reason shows his intensely practical mind. He said "I was led to this idea by considering that a House which would be very proper for a President of the United States for some years to come, might not be considered as corresponding with other circumstances at a more distant period; and, therefore, to avoid the inconvenience which might arise hereafter on that subject, I wished the building to be upon the plan I have mentioned". Washington's views were carried out; and so we owe one more debt to that great man,

who, more than any other single individual, gave us not only our country but our national capital as well.

Unfortunately, after his death there was no driving force, either in Congress or elsewhere, which could carry out his plans for the city's development. The end of the Civil War found it a badly built, straggling town, largely unpaved, with a few streets lighted by oil lamps, and the areas reserved for parks overgrown and neglected. Later President Grant induced Congress to give the city a territorial form of government; and under Alexander R. Shepherd, a man of extraordinary energy, courage and vision, who became Commissioner of Public Works, the city was transformed. He succeeded in grading, paving, and lighting the streets; the old Tiber Creek was inclosed in a sewer; and thousands of trees were planted, thus laying the foundation for that growth of trees which is now one of the glories of Washington. During this period, one great work, the half-built Washington Monument, was carried to completion in 1884. But the Mall, on which it was placed, had never been properly developed; and throughout the entire city the effect for which Washington and L'Enfant strove was entirely lacking.

Such was the condition of the nation's capital in 1900, when the one hundredth anniversary of the establishment of the seat of government in the District of Columbia was celebrated. At the invitation of President McKinley a meeting was held in the White House attended by many high officials of the Government and by the members of the American Institute of Architects then meeting in Washington. Interest in the L'Enfant Plan was revived;

and shortly afterwards Senator McMillan secured authority from Congress for the appointment of a special commission of experts, who should recommend a plan for the beautification and development of Washington.

That Commission included Daniel H. Burnham and Charles F. McKim, architects; Augustus Saint Gaudens, sculptor; and Frederick Law Olmsted, landscape architect. It was a notable group, such as has seldom been brought together in one undertaking. Burnham, McKim and Saint Gaudens and the father of Olmsted had brought about those beautiful architectural and landscape effects at the Chicago World's Fair in 1893, which gave an impulse to city planning and to the rebirth of beauty and good taste in this country.

After a careful study of Washington and its possibilities, these men presented a report, known as the Plan of 1901. In it they recommended a return to the original plan of Washington and L'Enfant, with such extension of it as might be required to meet modern conditions and the city's growth. After submitting their report, the Commission passed out of existence; but its members were consulted unofficially by Presidents Roosevelt and Taft with regard to the location of public buildings and memorials. Later Mr. Burnham and Mr. Olmsted, who were the only members then living, were made members of the Commission of Fine Arts, a body created by Congress in 1910 to serve in an expert and advisory capacity regarding questions affecting the development of Washington. This Commission, which was established during the Administration of President Taft, owes much to the backing which he gave it and also to the interest and understanding of Mr. Root. Under the chairmanship of Mr. Charles Moore, it is now doing splendid work for Washington and the country.

The Commission has adhered to the Plan of 1901 as a restatement of the authority of the L'Enfant Plan and has insisted that this plan must continue as fundamental in the development of Washington. In more than a quarter of a century since the Plan of 1901 was presented, much has been accomplished. The unsightly railroad tracks have been removed from the Mall; and, due largely to the cooperation and public spirit of a distinguished son of Pennsylvania, President A. J. Cassatt of the Pennsylvania Railroad, a great Union Station has been built in accordance with the plans of the Commission. The Station and also the beautiful City Post Office adjoining it, have been placed in a position subordinate to the buildings on Capitol Hill, but in a harmonious and vital relation to them. In this way a traveler arriving in Washington gazes first across a beautiful plaza to the great Dome of the Capitol and the Library of Congress beyond. Today this Station stands like a great city gate at the entrance to the city; and, while much remains to be done in clearing off the space intervening between it and the Capitol, the Union Station, itself, in its architectural and landscape treatment, has already helped to establish a precedent by which railroad stations in this country have come to be recognized as public buildings of the first importance.

The Plan of 1901 considered the Capitol as the dominating feature to which all structures in the legislative group must be subordinated. The Library of Congress facing the Capitol, had been built in 1897; but in the later structures, such as the white marble office buildings for the use of Senators and Congressmen, the principle of subordination in grouping has been observed. It will be carried out in the erection of a building for the Supreme Court in the vacant space facing the east front of the Capitol and flanking the Library of Congress.

At the foot of Capitol Hill, looking toward the Treasury and the White House, the Plan of 1901 contemplates that there shall be a great open plaza with monuments and fountains somewhat like the Place de la Concorde in Paris. It was intended that this space should provide a dignified entrance to Pennsylvania Avenue and also into the Mall leading westward to the Washington Monument a mile away. The memorial to General Grant has been located in this space in accordance with these plans, but there progress has stopped. The development of the plaza and the Mall has been delayed until arrangements could be made for the removal of the Botanic Gardens to larger and more suitable quarters on land to be acquired on the west front of the Capitol. The State of Pennsylvania has erected a memorial to General George Gordon Meade, as a companion to the Grant Memorial, and in doing so has also provided for suitable landscape setting in accordance with the Mall plan. Thus these two memorials will stand in the great Union Plaza at the head of the Mall and the way will be open at last to complete the developments required to make the Mall into a beautiful park.

First it will be necessary to demolish the temporary buildings and the smokestacks erected during the War. Then a great avenue of green-sward, bordered by drives and lined with four rows of stately trees, will be projected through the Mall, leading westward from the Capitol and the Union Plaza to the Washington Monument and the Lincoln Memorial beyond. Along this avenue, at intervals, will be such buildings as the Agricultural Department, the Freer Gallery, the National Museum, and

the Smithsonian Institute. This avenue will end at the Washington Monument; and, beyond the Monument, at the point where the new axis meets the Potomac, has been placed that beautiful white marble structure, the memorial to Abraham Lincoln.

From the foot of the Lincoln Memorial a great Bridge, commemorating the Union of the North and South, is now in process of building. When completed it will lead across the Potomac to the slopes of Arlington, where, surrounding a mansion once the home of General Robert E. Lee, are the graves of those who died in their country's service, including that newly erected national shrine, the Tomb of the Unknown Soldier. From Arlington a boulevard will stretch to Mt. Vernon, the home of Washington; and all of this region and the section known as Potomac Park, with its river drives and famed cherry trees, will be joined, under plans now being carried out, with Rock Creek Park and that section of the city where the great Gothic Cathedral is rising on the wooded heights of Mount St. Alban.

Now, I must ask you to return for a moment to a consideration of another vast project which will eventually realize L'Enfant's dream for a great avenue bordering the Mall and leading from the Capitol to the White House. You are familiar with the distressing spectacle which Pennsylvania Avenue presents today. It is perhaps our most important street and certainly there is no avenue of corresponding importance in any capital which can compare with it in sheer ugliness or lack of architectural dignity. It is the street over which our great processions pass in triumph to the Capitol. Yet never, in the days of either the ancient or the modern world, has any one seen before a great triumphal way bordered, throughout much of its length, by gasoline stations, lodg-

ing houses, and Chinese laundries.

This state of affairs, I am glad to say, will soon be remedied. Congress has determined that the Capitol shall be approached by an avenue commensurate in dignity with its importance. Senator Smoot, who has such a clear conception of the future possibilities of Washington, has taken the lead in this work; and he has been ably seconded by Senator Swanson, Senator Bruce, Congressmen Elliott, Lanham and others. An appropriation of \$50,000,000 has been made, supplemented last winter by an additional \$25,000,000, and other amounts will be forthcoming as the work progresses. The amounts already appropriated will be used to initiate the most important features of the plans for Washington's development, with special regard for the Mall and for improving Pennsylvania Avenue.

The Secretary of the Treasury was authorized to use this money in the purchase or condemnation of land and the erection of public buildings. It is intended to carry through, as rapidly as possible, the most pressing needs as regards housing of government departments and activities. These will include a new and larger building for the increased activities of the Department of Commerce; a Supreme Court building; a building for the Bureau of Internal Revenue; an Archives Building; a building for the Department of Agriculture; still another for the Department of Labor, and several others besides. One of these buildings, that for the Supreme Court, will be placed on Capitol Hill for reasons already given; but, as regards the others, advantage will be taken of this opportunity to group them together in such a way as to contribute in the greatest measure possible to the beauty of Washington. The placing of these buildings is a great responsibility, for on the proper determination of this question largely hinges the future development of Washington.



Before coming to a decision, the Secretary of the Treasury consulted with Mr. Edward H. Bennett of Chicago, who has had so large a part in bringing to completion the extensive plans for beautifying that city. Mr. Bennett was appointed Consulting Architect to the Secretary of the Treasury; and, under his advice, and also in consultation with the Fine Arts Commission, Colonel U. S. Grant, 3rd, of the Office of Public Buildings and Public Parks, and Assistant Secretary of the Treasury Schuneman and Supervising Architect of the Treasury Wetmore, the general principle has been established that no large departmental buildings are to be placed in the Mall, as was at first proposed, but that the Mall is to be reserved for park purposes and as a site for buildings of a museum-like character.

Departmental buildings are to be placed along the south side of Pennsylvania Avenue from the Treasury to the Capitol. In addition to facing on Pennsylvania Avenue, these buildings will face also on a grand boulevard, which is to be cut through the city, bordering the Mall and stretching from the Capitol to the new Memorial Bridge on the Potomac near the base of the Lincoln Memorial. Plans are now being made to secure a comprehensive treatment of this entire area between Pennsylvania Avenue and the new boulevard both as regards the location and the grouping of the various buildings. A group of the leading architects of the country has been formed to study this problem and to submit designs for all the buildings in this area. It is intended that these buildings, while having each a separate and distinctive architectural treatment, shall be of harmonious design and grouped around two large interior courts or plazas somewhat after the arrangement of the Louvre in Paris.

It is easy to see what the effect will be. As one proceeds down Pennsylvania Avenue towards the Capitol, on the south side will be a succession of beautiful and harmonious buildings, all of a design in keeping with the semi-classical tradition so well established in Washington. On the north side vistas will be opened up, so that groups of buildings, such as the beautiful District of Columbia Court House on John Marshall Place, shall be brought into the general plan of Pennsylvania Avenue. At the same time the Mall will present the spectacle of a great park bordered on one side by the new boulevard lined with beautiful buildings, and on the other side by a wide park-way of greensward with its four rows of trees, its drives and walks, statues and reflecting pools, all arranged in such a way that long vistas will be opened up for views of the Capitol in one direction and of the Washington Monument and Lincoln Memorial in the other.

All of this will take time, of course. But Rome was not built in a day, nor for that matter was Paris. Paris has passed through many stages, each distinct from the other. The Gothic Paris is as different from the Paris of the Renaissance as the Paris of Louis XIV differs from that of Napoleon III. Go about in modern Paris and it is with difficulty that one can trace the landmarks of the past. Yet somehow, in spite of her vicissitudes and of having no fundamental plan from the beginning as Washington had, Paris possesses that sense of unity and completeness so rare in any great and growing city. All its principal buildings seem to fit into the landscape and to be part of a general plan so magnificent in conception and execution that it makes one wonder whether an effect equally satisfactory and on a scale and design suited to our needs, can ever be produced in Washington.

And yet, Washington has many advantages in so far as its future development is concerned. Its life centers around the Government, as those who planned the city intended it should do. There is no manufacturing; and the engineering and industrial problems, which have to be met at such expense and effort in great industrial centers like Pittsburgh and Chicago, are entirely absent. Washington is still a city of moderate size, notwithstanding the fact that its population has grown from seventy-five thousand at the time of the Civil War to about a half a million today. But so long as it remains chiefly a seat of Government, it will retain its unique character among the cities of the country. More and more it will be visited by people who will go to Washington because of its beauty and their feeling of pride and personal ownership in the nation's Capital. With the rapid growth in the use of automobiles and of aeroplanes, larger and larger numbers will visit Washington each year. As it becomes more beautiful and its fame grows, people will visit it from all parts of the world and Washington will find, as Paris has done, that architectural and landscape beauty can be a source of profit, as well as pride and satisfaction, to a city.

But there are weightier reasons than that why we should give our support to the effort to rebuild our national capital. Until recently, America has been in the frontier stage as nations go. We were too busy about the hard realities of existence to have much time for the amenities. But now we have the opportunity and we have also the resources to raise the standard of taste in this country; and the extent to which this is being done has no parallel at present in any country in the world. No where are the arts of architecture and landscape engineering being practiced more extensively and successfully than in America.

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It has been said that in evolving the skyscraper, we have made the only original contribution to architecture since the Gothic. Certainly, in adapting architecture to the needs of modern conditions and crowded spaces, we have produced something that is expressive of human aspiration and human need. Judged by that standard, the Woolworth Building is a work of art, both because it is beautiful in itself and because it expresses the needs and aspirations of a great people. If we can give to our office buildings something of the beauty of Gothic cathedrals or model our banks and railroad stations after Greek temples, we shall, in time, provide a magnificent setting for the requirements of modern civilization.

But we must remember that, just as these things are architectural expressions of the nation on its commercial side, so should the city of Washington, as President Coolidge has said, express the soul of America. We do well, therefore, to give to it that beauty and dignity to which it is entitled. In doing so, we are not only carrying out those plans which Washington made so long ago for the city which he founded but, at the same time, we are justifying that faith which he had from the beginning in the future greatness of America.

Statement of the Undersecretary of the Treasury.

In answer to inquiries made to him by the press today, Mr. Mills made the following statement:

Mr. Mellon is away today, but even if he were here, I question whether he would consider it desirable to reply further to Governor Smith. Governor Smith refuses to confine himself to the record as made and, when his statements of fact are directly challenged, simply reasserts them without supporting proof. For instance, in his Chicago statement he accuses Mr. Mellon of shifting the issue and of discussing, not expenditures, but tax reduction. The fact is that, in the statement issued by the Secretary of the Treasury the day before yesterday, there was no discussion of tax reduction, but the statement was confined to an answer to the Governor's loose charges regarding expenditures. Again, as a sample of Governor Smith's ignoring the facts, he makes the sweeping assertion: "That there is not a single department of the Federal Government that shows a decrease as between 1924 and 1928." The fact is that three departments show decreases. As to his charge, reaffirming his previous statement that there was an increase in 1927 of \$200,000,000 for all departments, I repeat what the Secretary said. There was no such increase and, far from showing an increase, total governmental expenditures show a decrease in 1927 as compared with 1924.

Governor Smith repeats his charge that "Right in the office of the President himself there is a 100 per cent increase in expenditure from 1921 to 1928". He very conveniently forgets to mention that practically the entire

increase is accounted for by two items: \$155,000 for extraordinary repairs to the White House, and \$86,000 for the White House police, which in 1921 were furnished by the District of Columbia. Now, no one expects Governor Smith to know these facts off-hand, but as a candidate for the Presidency, before he undertakes to make assertions as to the cost of the Federal Government and to charge the President of the United States with extravagance and the responsible financial officers of the Government with misrepresentation, the least that might be expected of him would be to look up the facts.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,  
Sunday, October 21, 1928.

Speech of  
Secretary A. W. Mellon  
presenting to Mr. Thomas A. Edison the medal  
bestowed upon him by the Congress of the United States  
West Orange, New Jersey,  
October 20, 1928.

Few men in the history of the world have effected profound changes not only in the lives of their contemporaries but of all succeeding generations. Thomas A. Edison is one of this small and illustrious company. In the space of a single lifetime, he has changed the conditions under which men live; and, more than any one else now living, has helped to bring about a new social order, based upon the achievements of modern science.

Early in life he acquired the habit of doing what to other men had seemed impossible. Not only did he astound the world with his own inventions, but he was willing always to expend his efforts in improving the work of others and helping to make their inventions of more practical use. In this way he perfected Bell's telephone by inventing a transmitter which increased the volume of sound and gave the invention a greater commercial value. He assisted the inventor of the typewriter to make a successful working machine. He greatly developed the use of Morse's telegraph. Edison's own inventions included the phonograph, the mimeograph, the stock-ticker, the alkaline storage battery, the motion picture camera, and many others too numerous to mention here. But his greatest achievements were in the field of electricity; and so vast and varied have been his contributions to its use that there are some men who even believe that electricity itself is merely another one of Edison's inventions.

It was just fifty years ago that Edison set himself the task of producing an incandescent lamp that would burn steadily, could be manufactured cheaply, and used as easily as gas. Until that time the use of elec-



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tricity had been very limited. There were arc lights in use for street lighting and occasionally for very large interiors. The dynamo had also been discovered, making it possible to transform mechanical energy into electric current; but no way had been found to use this current for lighting purposes except for arc lighting.

For more than a year Edison devoted himself to this problem. Menlo Park was the scene of feverish activity; and the eyes of the world were on that laboratory, especially during those autumn months forty-nine years ago, when it was known that Edison was approaching nearer and nearer to a solution. By October 18th, he had succeeded in carbonizing a filament of cotton. It broke before it could be connected with an electric current; but he kept at his task without stopping for sleep and for three days the battle went on. At last, on the morning of October 21, 1879, just forty-nine years ago tomorrow, the lamp glowed and a new light came into the world. Edison knew then that his patient struggle with Nature had been rewarded; and the world knew that the new era of electricity had begun.

Other inventions and discoveries followed in rapid succession. After the electric lamp came improvements in the dynamo in order to furnish the electric current needed. Edison organized and operated the first commercial central station for distributing electric current for light, power and heat, thereby proving the commercial possibilities of the new invention of incandescent lighting. From this beginning has grown up a great industry. At the same time the first real impetus was given to the new profession of electrical engineering.

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Time does not permit even a short review of Mr. Edison's achievements. Mention must be made, however, of his great services to the country during the war. For more than two years, throughout 1917-1918, he worked on special experiments in connection with war problems and gave invaluable assistance to this Government in its conduct of the war. Since that time, he has continued work in experimenting on new commercial devices and further developing the usefulness and efficiency of his great enterprises.

It would be impossible to estimate the value to the world of Mr. Edison's work. We can only begin to appreciate what he has done if we will think of the world as it existed before he appeared and then contrast it with conditions as they exist today. It is necessary only to point out a few of the great industries, such as the phonograph, the moving picture, and the electrical industries, which are based almost entirely on Edison's inventions. In addition to these, must be mentioned such industries as the telegraph and the telephone, which were materially affected by improvements and new inventions made by him.

It is a formidable list. But just as one can not place a value on Mr. Edison's work, so it is likewise impossible to estimate the importance of those indirect influences which he has set in motion, not merely by his inventions but by his example. It has been said by eminent scientists that Mr. Edison, himself, for more than a generation has been an educational institution of the first rank. From him have emanated not only fresh ideas and new inventions but an influence which has inspired countless young men throughout the world to serve as he has done.

We like to think that Mr. Edison's genius is peculiarly American. It is essentially practical and utilitarian. He, himself, has refused always to be rated as a pure scientist, but has made it clear that he is, before everything else, a practical worker in applied science and that he will be satisfied with nothing less than practical results. No man has a more complete understanding of the necessities of modern life, nor has any one else done so much both to create and to supply those necessities. All his great inventive skill, his untiring energy, his immense knowledge, his vast experience and his creative genius, have been used to invent and to perfect things which shall be not merely useful but also commercially available. As a result, he has raised the standard of living and has added to the comfort and wealth of humanity.

Mr. Edison has never sacrificed quality. His has always been the instinct of the good workman, who felt that he must give the best that was in him to any task that he undertook. In an age when quantity, rather than quality, seems to be the goal, the example of a man like Edison has made for honesty throughout the whole fabric of modern industry.

All the world knows the Edison doctrine of hard work. No one has better exemplified that doctrine than Mr. Edison himself; and in no field are patient application and persistent effort more essential to success than in the field of applied science. One instinctively remembers the thousands of experiments which Edison made during more than half a century. In the conquest of natural forces, however, something more than hard work is needed. There must

be clear thinking and steady application; but behind all this must be that spark of genius which tells a man what to do and how to go about doing it.

It is that genius which has made possible the achievements of Thomas A. Edison. It has set him apart as one of the few men who have changed the current of modern life and set it flowing in new channels. Such men appear only at rare intervals in the world's history. They belong to no nation, for their fame, no less than their achievements, transcends national boundaries. America is proud that she has given such a man to the world; and, as an expression of what the nation feels, Congress has directed that a gold medal be struck in commemoration of what Thomas A. Edison has done "in illuminating the path of progress through the development and application of inventions that have revolutionized civilization in the last century". It is my privilege, Mr. Edison, to present to you this medal as a token of the high esteem and grateful appreciation of your country.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,  
OCTOBER 30, 1928, or when  
delivered.

REPUBLICAN POLICIES.  
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Speech of  
Honorable A. W. Mellon  
Secretary of the Treasury,  
from Station WRC, Washington,  
October 29, 1928.

FUTURE RELEASE  
OBSERVE DATE

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I wish to speak tonight of the reasons why I consider the policies of the Republican Party more sound and worthy of support than those of the Democratic Party. I am, and always have been, a Republican by conviction as well as by inheritance. I have not, however, been such a partisan as not to acknowledge Democratic support which the present Administration has received in putting through certain non-partisan measures, nor have I ever been willing to see credit withheld for things achieved during the Administrations of Cleveland, Wilson, and other Democrats. The true ends of neither party nor country are served by denying credit where it is due, and particularly are they not advanced by indulging in the sort of misrepresentation and appeals to prejudice which have been such a regrettable feature of this campaign.

As between the two parties the line of cleavage comes - and it is a cleavage as definite and distinct today as it has ever been - not merely in the policies which they advance for attaining their ends, but more especially in their general attitude on certain fundamental questions which will be no less vital in their effect on the nation's future development than they have been in the past.

If any one will look back upon the position of the two parties upon vital political issues which have arisen in the past and have had to be determined by legislation or in the administration of government, the Republican Party has, in general, been the constructive party, whose policies have tended to build up and to promote stability, while the Democratic Party has, not infrequently, championed measures which, if enacted into law, would

have had the opposite effect. This was true of Bryan and his championship of Free Silver. It was true, and it is true now, of the historic position of the Democratic Party on the tariff. The platform of that Party calls for "duties that will permit effective competition". This must mean, if it means anything, that duties shall be low enough to expose American goods in our home market to the competition of foreign products on a large scale. But we are told that the Democratic candidate favors a protective tariff. Certainly up to this year his rare public utterances on the subject would not so indicate, but quite the contrary. In his acceptance speech he referred to the Underwood tariff in a way that seemed to denote his agreement with the principle of that bill. Now he says he is opposed to a general tariff bill, but wishes to take it out of politics and to revise it by piece-meal, on the recommendations of an impartial tariff commission.

I doubt, to begin with, that business would find the prospect of constant changing of tariff schedules a reassuring one. It would be like cutting off the dog's tail by inches in order to save him pain. So closely is the tariff interwoven into the whole texture of our economic life, that no material change could be made without necessitating far-reaching readjustments in business in anticipation of such a change. In the second place, the tariff can never be taken entirely out of politics so long as Congress must legislate on the subject; and authority to legislate, of course, must always reside in Congress. While the Tariff Commission might report the facts directly to Congress, after that has been done it is Congress who will decide how the tariff will be revised and not any subordinate board or commission. It might be added also that, if Governor Smith were elected, it would be the Democratic

membership of the Ways and Means Committee of the House of Representatives who would frame the tariff schedules in the first instance; and these gentlemen have given no evidence that they have been converted overnight to the doctrine of protection. The statement which the Democratic National Chairman has induced some of his party's candidates for the House and Senate to sign, while intended to be reassuring to the country on the tariff, is not convincing on this point. No where in that statement is there a specific pledge to enact a protective tariff. To be sure those who signed it promised to disturb neither business nor the wage scale; but so did the Democratic platform of 1912, in accordance with which the Underwood tariff law was subsequently enacted.

So much for the Democratic position on the tariff. The Republican Party has never deviated from its historic attitude on this subject. It has always believed, and it believes today, that the tariff should provide adequate protection from foreign competition. Only in this way can we prevent the inundation of the American market with cheap products both manufactured and agricultural, so that the American manufacturer and the American farmer shall have the full benefit of the great market which has been built up.

Our tariff policy has been largely responsible for the development of manufacturing in this country. Our tariff policy and our immigration policy have brought to labor the highest real wages in its history. We have found that, by the use of labor-saving machinery and by manufacturing in quantity, we can increase the productive capacity per capita of labor and also eliminate waste. In this way we can pay high wages and still reduce costs, so that the finished products are priced low enough to stimulate further consumption. High wages, in turn, have raised the country's purchasing power; and, as a result, we have today a domestic market of more than 115,000,000 people of great consumption capacity. In this market lies the industrial power of America.



Here also lies the power of American agriculture. That market is at the base of all our prosperity and makes us, to a large extent, independent of conditions outside of our own borders. Furthermore, a study of the consumption of the more common commodities in the United States in comparison with total world production shows what America's purchasing power means not only to industry and agriculture here, but to the rest of the world also.

The population of the United States is 7 per cent of the total world population. Yet that 7 per cent consumed last year 48 per cent of the world's total production of coffee, 53 per cent of all the tin, 56 per cent of the crude rubber, 21 per cent of the sugar, 72 per cent of all the raw silk, 36 per cent of the coal, 42 per cent of the pig-iron, 47 per cent of the copper, 69 per cent of the crude petroleum; and, out of nearly 30,000,000 automobiles in the world on January 1, 1928, over 23,000,000 were owned in the United States. In other words, in this country there is an automobile for every five persons as compared with one for every 40 in France and one for every 148 in Germany. These figures are conclusive proof of a national prosperity and a standard of living worthy of most careful guarding.

Furthermore, the fact that the 7 per cent of the world's population, who live in the United States, should supply a market for such large proportions of the world's total production of principal commodities is a consideration of the greatest importance to the world's commerce, industry and employment of labor. During the fiscal year ending June 30, 1928, more than four billion dollars of merchandise was imported into the United States. To those who have been misled into the belief that at present

foreign countries can not sell to the United States, it will no doubt be a surprise to know that during the fiscal year 1928 no less than 65 per cent of our total imports were entirely free of duty; and the fact that these imports free of duty exceeded the average yearly total of all imports both dutiable and free in the period 1910 to 1914 by more than 60 per cent, will come as a revelation.

The United States is the largest customer in the world today. If we were not prosperous and were not able to buy, industry both here and in Europe would suffer. It is inconceivable to me that American labor will ever consent to the abolition of protection and allow the American standard of living to be brought down to the level of Europe, or that the American farmer could survive if the enormous consuming power of this country were curtailed and his home market destroyed. Certainly it will never pay us to break down the tariff barriers or to put into any hands, except those of the true friends of the protective principle, the determination of a question so vitally bound up with our progress and prosperity.

There is another issue closely allied to the tariff. That is the question of restrictive immigration. By a selective immigration law, the present Administration has prevented the flooding of the American market with cheap labor. Only in this way can we preserve the high wage scale made possible by the protective tariff. Only in this way also can we make sure that new infiltrations into our population will be of a character easily assimilated. The Democratic candidate, while proclaiming his belief in a restrictive immigration policy, is opposed to the existing quota basis. But it should be pointed out that the present law is working in a satisfactory manner.

There is no occasion for change, except in so far as provisions can be modified in the interest of uniting families or other purely humanitarian motives. Most assuredly, a modified quota basis should not be used as an entering wedge for reopening the whole immigration question. The Republican Party can be depended upon to adhere to its present sound policy on this subject.

Another problem which confronts the country is that of agriculture. The Republican Party and the Republican candidate have stated definitely what they will do in trying to solve this question. They have long recognized that it is a matter for most serious national concern. It involves not only the livelihood and prosperity of nearly one-third of the population but, by reason of that very fact, it must affect also the other two-thirds from whom the farmers must buy and to whom they must sell their products.

If the farming population is prosperous, the nation's purchasing power is increased. It is, therefore, a matter of vital concern both to the farmer and to the country generally that some way be found whereby the farmer's products can be produced, marketed and distributed with the least duplication of effort and cost, so that the farmer may receive a greater share of the profits and yet the consumer need not be obliged to pay a price so high as to cut down consumption.

A way will be found of working this out. The present Republican Administration might have been able to advance further in the solution of this problem if some of the farmer's friends had not blocked all efforts not based upon the specific plan of the "equalization fee". But the fact that the farmers themselves and their friends in the Government at Washington have so far not been able to agree upon a plan, does not mean that this deadlock will continue. Mr. Hoover has stated that he will call a conference of those who best understand the nature of this problem; and, after a sound program has been evolved, I am confident that it will receive the strong and united support of all those who have the best interest of the farmers at heart.

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The Democratic candidate has offered nothing more than this except in so far as he has committed himself to the equalization fee, if that be the case. In Omaha he came out in favor of the principle of the McNary-Haugen bill, which is to take care of the surplus by assessing the cost upon the commodities benefited. This is the equalization fee, in so far as the public understands it; and, if Governor Smith intends to commit himself to this program, then not only will he involve the United States Government in the business of buying and selling agricultural products but he will fasten on agriculture itself a prying and all-pervasive governmental bureaucracy which is full of menace not only to the farmer but to our traditions of government.

This the Republican Administration has refused to do. It is the friend of the farmer and will do whatever seems to be in his real interest and that of the country of which he is such a vital and important part. But as a business man and a Republican, I am distrustful of any candidate or any party when they offer some recently discovered and miraculous cure-all for economic ills. It is not the first time in the heat of a political campaign that such a cure-all has been offered by Governor Smith's party. I referred before to the "Free Silver" movement which the Democratic Party championed in 1896 - and under circumstances very similar to the present ones. Those of us who lived through that period remember the increasing difficulties in which agriculture found itself throughout the 80's and early 90's. Due largely to an over-expansion of production in this country, coupled with a falling off in the European demand for grain, the price of agricultural products continued to drop throughout this period; the mortgage indebtedness of farm lands nearly doubled; and by 1893 the cost of raising wheat, corn and cotton exceeded the prices received for those products.

A wave of despair swept over the South and West. The farmers demanded relief; and the party of Governor Smith seized upon the slogan of "Free Silver" as a cure-all for the conditions which then prevailed. It offered this cure-all to the country, as interpreted by William Jennings Bryan; and on that issue the campaign of 1896 was fought out. You remember how the country rallied to William McKinley and the gold standard; and how a short time later, with sound legislation and broadening world markets, there came an increased demand for the farmer's products, so that agricultural prices of both products and land again moved upward to more satisfactory levels.

That was the last that was heard of "Free Silver". Now history is repeating itself. Again there is trouble in the farming industry from over-expansion and lack of organization, and also from a decrease in the purchasing power of Europe. Again a cure-all is proposed - the McNary-Haugen principle - and again it is seized upon and offered to the country by the Democratic standard-bearer. The Republican Party offers the other road and promises to work out a sound program under which agriculture may be put more nearly in a position to meet modern conditions and to bring to the farmer a larger share of the profits accruing from his products. Which road shall we take? Whose leadership shall we trust to lead the nation to a sound solution of this problem?

The Republican Party is now, as it always has been, the party of progress. It has kept abreast of the times and has been prepared to meet new conditions as they arose. But it has tested each forward step by the light of sound economic principles and of established American traditions. It has jealously guarded and promoted individual initiative, which is perhaps the most powerful contributing factor in the forward march. It has ever recognized that motion is not synonymous with progress but that stability is essential to confidence and that confidence is the very spirit of business enterprise. No where is this

more true than in the field of credit. Credit is a delicate structure. It is easily impaired or broken down by injurious laws and ill-advised policies of government. Any measure that tends to impede or divert the ordinary channels of trade and commerce, or unduly burden industry, or to break down values and threaten stability, or any policy that places the Government in competition with private enterprise, immediately results in impairing confidence and curtailing business progress and ultimately must have an adverse effect upon the development of the country and the welfare and prosperity of its people.

The policies of the present Administration have been in line with these general principles. Under a balanced program of debt reduction and tax reduction, the debt has been reduced by over six billion dollars and expenditures and taxes have each been cut by more than five million dollars a day. The Administration has taken the necessary steps to safeguard industry and labor by sound tariff and immigration legislation; it has encouraged and promoted foreign trade; it has pursued a consistent foreign policy, supported at home and respected abroad; and it has helped in the stabilization of foreign currencies and has thereby made sure that, in the change and flux of post-war conditions, the gold standard of value shall be restored and continued unimpaired.

By all of these measures the Administration has helped to build up and maintain prosperity. But what is equally important, perhaps, it has refused either to sponsor or to follow any economic heresies which, if adopted, might have wrecked the delicate mechanism of credit or disrupted the established channels of trade. It has fought off attacks on our banking system, and has opposed attempts to load it down with extraneous or impossible tasks. It has refused to throw in our lot with Europe or to become a part of the European System. On the other hand, it has never failed to assert our rights or to cooperate in advancing world progress. While refusing always to barter away

our means of self-defense or to allow others to place us in a disadvantageous position, it has taken care not to be stampeded into an increase in armaments which neither our needs nor world conditions justify. Some of these things which I have cited are on the negative as well as the positive side of the ledger, for good judgment consists as often in knowing what not to do as it does in taking affirmative action.

As a Republican, I find myself in complete accord with the program which my Party has advanced to solve the problems that confront us. That program is in line with the best traditions of the Republican Party. At the same time it would seem that an old line Democrat, with a desire for a continuation of progress along sound lines, would feel more justified today in voting for the policies which Herbert Hoover and the Republican Party represent than for those which have been accepted by the Democratic Party under its new leadership.

It is, after all, largely a question of leadership. If President Coolidge and the Republican Party have conducted the Government in a way to merit your approval, and if you are satisfied with a continuation of the present policies under Mr. Hoover, then why change? In my own business experience, when a management gave me a satisfactory balance sheet at the end of the year, showing a reduction in over-head, a decrease in indebtedness and at the same time an increase in dividends, I would have been very unwilling to see a change in management so long as the condition of the business continued satisfactory.

The Government of the United States is the greatest business enterprise in the world. It is infinitely complex both in its effect on the individual lives of its citizens and in its relation to those great economic forces by which the average man's welfare is so greatly affected. At the head of that business I want to see a man of ability, who is thoroughly familiar with

all of its phases; I want to see a man who understands those economic forces with which he must deal; and lastly I want him to be a man who has a feeling for and sympathy with the conditions under which the average man and woman must live, whether it be in the city or in the small town or on the farm.

Herbert Hoover measures up to all of these qualifications. The Government will be safe in his hands; and as a Republican and as an American I shall support him and vote for him because I believe his election will do most for the progress and prosperity of the country and for the larger welfare of the world.



TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Thursday, November 1, 1928.

Secretary Mellon today made public the two following letters:

"THE REPUBLICAN NATIONAL COMMITTEE

2315 Mass. Ave.,  
Washington, D.C.  
October 31, 1928.

The Honorable,  
The Secretary of the Treasury,  
Washington, D.C.

Dear Mr. Secretary:

For partisan political purposes certain persons are again circulating reports impeaching the Hon. Herbert Hoover's American citizenship.

Although these campaign slanders have repeatedly been refuted by the records both in Great Britain and the United States, Mr. Hoover's opponents still persist in their circulation.

For the purpose of their further refutation, the Republican National Committee is anxious to secure from you, as Secretary of the Treasury, an official statement as to whether or not Mr. Hoover, as an American citizen, has filed returns and paid taxes under the Federal income tax law for every year since the enactment of that law in 1913.

While Mr. Hoover is well aware of the fact that such returns were filed, and such taxes paid by him, he assents to this request in order that the public may be officially informed on the subject.

Your reply will be appreciated by

Yours very truly,

(Signed) James Francis Burke

General Counsel,  
Republican National Committee."

"TREASURY DEPARTMENT

Washington, D.C.

October 31, 1928.

Hon. James Francis Burke,  
General Counsel Republican National Committee,  
2315 Massachusetts Avenue,  
Washington, D. C.

My dear Mr. Burke:

I have your letter of even date inquiring as to whether or not Honorable Herbert Hoover has filed income tax returns and has paid income taxes as an American citizen under the Federal income tax laws for every year since the enactment of the law in 1913.

The records of the Bureau of Internal Revenue show that Mr. Hoover has filed income tax returns for each and every year since the enactment of the law, and that he has paid his taxes as an American citizen in accordance with those returns.

I have personally inspected the returns of Mr. Hoover for the years 1914 to 1925, inclusive, and I am informed by the Commissioner of Internal Revenue that the records of the Bureau show that the returns for the years 1926 and 1927 are now in the hands of the Internal Revenue Agent in Charge for the usual checking up, and that the taxes have been paid to date.

While it is not customary to give out information in regard to the income tax returns of individuals, I note from your letter that Mr. Hoover assents to the request and I am glad to furnish you the information.

Very truly yours,

(Signed) A. W. Mellon

Secretary of the Treasury."

FUTURE RELEASE

OBSERVE DATE

Statement by Secretary Mellon.

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FOR RELEASE, MORNING PAPERS,  
Monday, November 5, 1928.

The Campaign is drawing to a close, and the voters of the Nation are faced with a serious responsibility. As we go to the polls on Tuesday, let us lay aside all feelings of bitterness and prejudice engendered by a heated Campaign. Let us think only in terms of the real issues, and cast our ballots in accordance with our calm, considered judgment as to what is best for the Country and for the people who compose it.

It is indisputable that the Country is enjoying a period of genuine prosperity and well being, to which the policies of the present Administration have made a substantial contribution. The Government at Washington has been conducted on a high standard, whether judged by the test of administrative efficiency or soundness of policy, both in the domestic and foreign field. If the people are satisfied with the kind and quality of Government they have had-- and I believe they are--they should ensure a continuance of its benefits by retaining the services of those who have made good. When conditions are satisfactory, there is nothing more disturbing and damaging than a change of management or of policy.

This is all the more true when the alternative policies offered by the opposition are of doubtful wisdom and carry with them a real threat to confidence and business stability. I do not believe we should substitute a competitive for a protective tariff. I do not believe that the Government should go into the business of buying and selling agricultural commodities or fixing their price, or undertake to operate public utilities, such as power plants and distribution systems. Nor am I satisfied to see adopted the

financial policies that have prevailed at Albany in place of the prudent management that has existed in Washington under President Coolidge. It is not a question of choice between two roads of equal availability; it is a question of choosing the right road or the wrong one.

Finally, the Campaign has demonstrated that, by reason of his broader experience, training and knowledge, and his closer contact with national affairs, Mr. Hoover has a much firmer grasp and a more comprehensive understanding of the Nation's business and problems than are enjoyed by Governor Smith.

We have the opportunity, by electing Mr. Hoover, to carry on the policies of President Coolidge. Let us take advantage of that opportunity and make sure that the high standards that have characterized his Administration of the Federal Government will be maintained and further developed.

## Statement by the Secretary of the Treasury.

I am much gratified at the outcome of the election. The country has spoken and has expressed its confidence in the policies of the Republican Party, as outlined by Herbert Hoover during the campaign. It is also an extraordinary tribute to Mr. Hoover himself. He goes to the Presidency with a strong and united backing from all sections, such as few men in our history have ever received. The country has shown its belief in him and its confidence in his ability to work out the problems which are ahead. I feel sure that he will measure up to these great expectations. He brings to his task an extraordinary equipment and a record of success in many difficult undertakings. He knows conditions both here and abroad. He has demonstrated on many occasions his capacity to analyze and to apply the proper remedy; and, from my knowledge of him and of what he has already done, I am confident that under his leadership the country will be in safe hands and that he will make a President of whom we will be proud.

TREASURY DEPARTMENT

276  
FOR IMMEDIATE RELEASE,  
Friday, November 16, 1928.

At the conference of Governors of the Federal Reserve Banks the Treasury today stated its tentative plans for the issuance of the small size currency which are subject to modifications after the Governors of the Federal Reserve Banks have had an opportunity to study them. July, 1929, has been fixed as the time for the initial issue. All kinds of currency except National bank notes and all denominations from \$1 to \$20 will be included in the initial issue and it is probable that the higher denominations of gold certificates and Federal reserve notes will be issued at the same time.

Issues of old-size United States currency by the Treasury will cease about April 30, 1929, and thereafter for two months the currency demands will be met by Federal Reserve Banks from their stock of new or circulated old-size currency. This may involve for a short period the circulation of notes that would ordinarily be retired from circulation because of their condition, but it is believed that the public will accept this as a temporary measure rendered necessary by the plans for the change to new-size currency and in this way will cooperate in facilitating the carrying out of the program.

On July 1, 1929, there will be in the hands of the Federal Reserve Banks ready for distribution a sufficient number of small-size bills of the various kinds and denominations to meet the reasonable demands. It will probably be necessary for a period of time to allocate distribution so that for several weeks a certain proportion of old-size currency will

remain in circulation, due to the problems involved in the cancellation and redemption of the old-size currency. At as early a date as is possible, however, the Treasury will require the redemption of all outstanding old-size currency as rapidly as it reaches the Federal Reserve Banks.

The issuance of the new-size currency will be through the Federal Reserve Banks and their branches.

The Secretary of the Treasury will later issue a further public statement definitely fixing the issue date and method of distribution. Full details will thereafter be furnished the individual banks by the Federal Reserve Bank of the district from time to time as required.

Advance orders for currency cannot be accepted by the Treasury from individual banks or others, as the distribution will be handled through the Federal Reserve Banks in the manner above indicated.

National bank currency will not be included in the initial distribution. It was originally contemplated at the time of the creation of the Federal Reserve System that this currency should be retired. However, since a considerable period of time has elapsed, the Secretary of the Treasury ~~deems~~ it advisable to submit the matter to the Congress for its further consideration at the next session. Should the Congress determine that the National bank currency is to be continued in circulation, the Department will be prepared to begin production of National bank currency in the reduced size early in the fiscal year 1930 which begins on July 1, next.

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THE UNDERSECRETARY OF THE TREASURY  
Washington

November 26, 1928.

To Heads of Bureaus and Offices and Chiefs of Divisions,  
Secretary's Office, Treasury Department:

There appears to be a growing practice on the part of certain administrative officers of dealing, both formally and informally, with officials of the Bureau of the Budget on matters concerning Treasury appropriations, estimates, receipts, expenditures, and related subjects. Such practice should be discontinued, and in future all such matters will be dealt with by or through the Treasury Department Budget Officer. Where representatives of the Bureau of the Budget deal informally with Treasury administrative officers, report of the subject matter should be made to the Treasury Budget Officer in order that he may be kept fully informed at all times in all such matters.

Laxity has developed in the requirement that requests for opinions of the Attorney General or for decisions of the Comptroller General should be prepared for the signature of the Secretary of the Treasury and routed through the Division of Bookkeeping and Warrants. Administrative officers are cautioned to comply fully with this requirement.

OGDEN L. MILLS  
Undersecretary of the Treasury and  
Budget Officer.



TREASURY DEPARTMENT

277  
FOR IMMEDIATE RELEASE  
Saturday, December 1, 1928.

The Secretary of the Treasury announces:

Final steps were taken today in connection with the funding of the indebtedness of the Kingdom of the Serbs, Croats and Slovenes to the United States.

Mr. Bojidar Pouritch, Counselor of the Legation of the Serbs, Croats and Slovenes and Charge d'Affaires ad interim at Washington delivered to the Treasury sixty-two gold bonds of his Government in the principal amount of \$62,850,000, receiving in exchange original obligations given by his Government in connection with cash advances and surplus war materials sold by the United States Liquidation Commission (War Department).

The Act approving the debt settlement of the Government of the Kingdom of the Serbs, Croats and Slovenes was signed by the President on March 30, 1928. The settlement has likewise been approved by the Government of the Kingdom of the Serbs, Croats and Slovenes.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,  
Friday, December 7, 1928.

STATEMENT BY SECRETARY MELLON

The Treasury is today announcing its regular December financing, which takes the form of an offering of Treasury certificates of indebtedness in two series, both dated and bearing interest from December 15, 1928, at the rate of  $4\frac{1}{4}$  per cent, one series being for 9 months, maturing September 15, 1929, and the other series being for 12 months and maturing December 15, 1929. The amount of the nine months' offering is \$200,000,000, or thereabouts, and the amount of the twelve months' offering is \$300,000,000, or thereabouts.

The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TD-1928, TD2-1928, and TD3-1928, all maturing December 15, 1928. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing December 15, 1928, will be allotted in full up to the amount of the respective offerings.

About \$570,000,000 of Treasury certificates of indebtedness become payable in December, 1928. Also, about \$95,000,000 in interest payments on the public debt become payable on December 15th.

This offering, together with cash on hand, will provide for the Treasury's requirements up to March 15, 1929.

The text of the official circular follows:

The Secretary of the Treasury, under the authority of the Act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness, in two series, both dated and bearing interest from December 15, 1928, the certificates of Series TS2-1929 being payable on September 15, 1929, with interest at the rate of four and one-quarter per cent per annum, payable on a semiannual basis, and the certificates of Series TD-1929 being payable on December 15, 1929, with interest at the rate of four and one-quarter per cent per annum, payable semiannually.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates of Series TS2-1929 will have two interest coupons attached, payable March 15, 1929, and September 15, 1929, and the certificates of Series TD-1929 two interest coupons attached, payable June 15, 1929, and December 15, 1929.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24,

1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above. The certificates of these series will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates. The certificates of these series will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for and to close the subscriptions as to either or both series at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before December 15, 1928, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates

allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. Treasury certificates of indebtedness of Series TD-1928, TD2-1928, and TD3-1928, all maturing December 15, 1928, will be accepted at par in payment for any certificates of the series now offered which shall be subscribed for and allotted, with an adjustment of the interest accrued, if any, on the certificates of the series so paid for.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

TREASURY DEPARTMENT

FUTURE RELEASE 284

FOR RELEASE WHEN PRESENTED  
Friday at 10:30 A.M.

OBSERVE DATE

Statement by Undersecretary of the Treasury Mills before the Ways and Means Committee, Friday, December 7, 1928, submitting a proposed agreement for the settlement of the Relief Indebtedness of Austria to the United States.

At the last session of Congress, in response to a message from the President, House Joint Resolution 247 was introduced by Mr. Burton and reported by the Ways and Means Committee to the House. Under the terms of the resolution, the Secretary of the Treasury is authorized, in cooperation with the other so-called Relief Creditor Governments, to subordinate the lien of the United States upon the assets and revenues of Austria pledged for the payment of the Austrian Relief Bond held by the United States to a lien upon such assets and revenues as may be pledged for the payment of one or more loans floated by Austria in an aggregate net amount of not more than 725,000,000 Austrian schillings and for a period of not more than thirty years; and the Secretary of the Treasury is further authorized, with the approval of the President, to conclude an agreement for the settlement of the indebtedness of Austria to the United States.

At the time of the hearing before the Ways and Means Committee on House Joint Resolution 247 in April, 1928, negotiations for the settlement of the Austrian debt with the Relief Creditors were proceeding, but inasmuch as there are nine Relief Creditors, and Austria is obligated to settle with them all on the same basis, until an agreement with other creditors was actually reached, the Treasury Department was not in a position to submit to the Congress the terms of a proposed agreement for the settlement of the Relief indebtedness to the United States.

Now, however, the settlement proposed by the Austrian Government has been accepted by seven of the nine creditor nations, namely, Denmark, France, Great Britain, The Netherlands, Norway, Sweden, and Switzerland. Negotiations with Italy, to whom Austria makes a similar offer of settlement, are now being carried on. So that the Secretary of the Treasury is at the present time enabled to submit to the Congress the agreement for the settlement of the Relief indebtedness of Austria to the United States, which he is prepared to execute should the Congress grant him the authority.

The Committee will remember that all of the Relief Bonds are of similar tenor and contain the following clause:

"The Government of Austria agrees that no payment will be made upon or in respect of any of the obligations of said series issued by the Government of Austria before, at or after, maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made upon all obligations of the said series issued by the Government of Austria in proportion to the respective obligations of said series."

The terms of settlement, therefore, offered the United States are the precise terms offered the other creditor governments and already accepted by seven of them.

The principal of the indebtedness of Austria to the United States amounts to \$24,055,708.92. The bond matures by extension in 1943 and bears 6% interest. With interest at 6%, the total indebtedness as of January 1, 1928, is \$34,630,968.68. However, the other Relief Creditors reduced the interest rate to 5% on January 1, 1925. If we make a corresponding adjustment in our interest rate, the total indebtedness, principal and interest, as of January 1, 1928, amounts to \$33,911,904.39.

In settlement of this indebtedness, Austria offers to pay, beginning on January 1, 1943, twenty <sup>five</sup> yearly annuities of \$1,337,140, reserving the option, however, to substitute the following schedule of payments: five yearly payments of \$287,556, beginning January 1, 1929; ten yearly payments of \$460,093,

beginning January 1, 1934; and twenty-five yearly payments of \$743,047, beginning January 1, 1944.

On a basis of 5%, the present-day value of the smaller payments to be begun on January 1st next under the alternative schedule is the same as that of the larger and postponed payments to be begun January 1, 1943.

I may add that the Austrian Government has informed us it means to exercise the option.

In this event, the payments are to be subject to the following provision:

"Provided, however, That if Austria shall exercise this option the obligation of Austria to pay annuities during the years 1929 to 1943 will in the case of each annuity not arise if the Trustees of the Reconstruction Loan of 1923 prior to the preceding December first have raised objection to the payment of the annuity in question on the due date. To the extent, if any, that any such annuity is not paid by reason of such objection on the part of the Trustees, the amount thereof together with interest at 5 per cent per annum compounded annually to December 31, 1943, shall be repaid together with further interest at 5 per cent per annum by twenty-five equal annuities on January 1 of each of the years 1944 to 1968 inclusive. Austria shall issue its bonds to the United States for each of the twenty-five annuities similar in form to the bonds first to be issued hereunder, but dated January 1, 1943, bearing interest at the rate of 5 per cent per annum, and maturing serially on January 1st of each succeeding year."

This provision is made necessary by the fact that under the terms of the so-called Lodge Resolution priority over the lien which the United States holds was granted to the bonds of the so-called Reconstruction Loan of 1923, which matures in 1943.

On a basis of  $4\frac{1}{2}\%$ , the present-day value of the payments proposed under the option is 30.2% of \$33,911,904.39. This total is reached, you will remember, by figuring interest at 6% to January 1, 1925, and 5% to January 1, 1928. This compares favorably with the present-day value of 24.6% of the amount due provided for in the debt settlement agreement with Italy, and of 30.3% in that with Jugoslavia. If, however, we figure past interest on the basis, let us say, of the Belgian settlement, the total amount owed is \$30,383,562.70 and the present-day value of the proposed payments is 33.7% of this amount.



The Treasury feels that Austria's offer of settlement is a fair and reasonable one. Austria is a small country with very limited resources. Her economic system was dislocated and torn apart by the dismemberment of the old Austrian Empire. What was previously a large self-sufficient economic entity became a number of independent units separated by political frontiers and trade barriers. About one-third of a population of some 6,500,000 is concentrated in the city of Vienna. About one-half of the total area of Austria is used for agricultural purposes. The rest consists of forests and unproductive land. While progress is being made in agricultural development, Austria does not produce enough for her own needs and has to import large quantities of foodstuffs. There is iron ore in the country, but the development of the steel and iron industry is handicapped by the entire lack of coal. This shortage of coal is a serious handicap to industry and the large coal imports exercise an adverse effect on trade balances. Austria has two important assets, extensive forests, which have led to the building up of paper and paper products industry, and abundant water-power, which, however, needs capital for development.

The trade balance has been consistently adverse. In 1926 imports exceeded exports by \$156,000,000; in 1927 by \$155,000,000. This, of course, makes foreign payments over a term of years difficult, if not impossible were it not for the so-called invisible items, such as tourists' expenditures, emigrant remittances, traffic receipts, etc., which up to the present time have been sufficient to offset the adverse trade balance, to which must be added about \$30,000,000 a year which Austria has to send abroad to cover the service of her foreign debts, including the Reconstruction Loan but not the Relief Debts.

Unemployment is a serious problem. At the end of 1925, 1926, and 1927 there were over 200,000 unemployed. How low the standard of living must be

is indicated by an estimated per-capita income of only \$157 and the following table of wages:

Wages of bricklayers and masons per week as of July, 1928:

Vienna,	\$ 9.99
Berlin,	16.25
London,	20.20
Philadelphia,	78.00

Wages of metal workers in Vienna:

Skilled workers, per week,	\$10.00
Auxiliary workers," "	9.00
Unskilled workers," "	7.00

Relative real wages as of July, 1928, taken from the International Labor Review, which uses the London figures as the standard, are:

London,	100
Philadelphia,	179
Prague,	48
Vienna,	48

The revenue of the federal government as estimated in the 1929 budget amounts to \$187,000,000, of which \$38,000,000 are to be transferred to the provinces and towns. Approximately \$46,000,000 are derived from direct taxes and approximately \$141,000,000 from indirect taxes. The maximum income-tax rate on individuals is 45%, and the exemption \$200. The corporation income-tax rate is 25%. Out of a population of some 6,500,000 there are 2,100,000 individuals paying income tax as compared with 2,471,000 in the United States out of a population of 120,000,000. Of those paying income tax, 610,000 report an income of \$286 or less, 525,000 an income of \$430 or less, 462,000 an income of \$686 or less, 357,000 an income of \$1,460 or less, 105,000 an income of \$3,100 or less, and 42,000 people report an income in excess of \$3,100.

The public debts of Austria are as follows: Reconstruction Loan, \$139,000,000; pre-war debts, \$33,000,000; Relief Creditors, \$178,000,000; owed to the National Bank, \$16,700,000, or a total of \$366,700,000, to which must be added the debts of the provinces and towns, amounting to \$72,000,000.

The cost of the debt service amounts to \$29,700,000 a year, of which \$22,700,000 must be paid abroad, to which foreign payments the payments on the debts of the provinces and towns amounting to about \$8,000,000 should be added.

The Budget has been balanced for the last three years, if we exclude the amounts set aside for capital investments. Thus in 1927 the total revenue amounted to \$157,000,000, current expenditures amounted to \$141,000,000, but \$20,000,000 in addition was spent on so-called productive investments such as railroad reconstruction. The currency has been stabilized and the position of their National Bank has been improving steadily.

The problem of payment of Austria's foreign Relief Debt is not primarily a budgetary but an economic one. As already stated, in so far as current expenditures are concerned, the budget can fairly be said to be balanced. The difficulty is that, as explained to the Committee last spring, Austria needs to expend a very considerable sum for the rehabilitation of her physical plant, more particularly her railroad, telephone and telegraph lines. The Austrian budget is not adequate to furnish the necessary funds. The private capital available for investment in Austria is totally inadequate. It is necessary, therefore, for Austria to borrow the needed capital abroad, and this cannot be done unless the investments are productive and secondly unless the character of the investments themselves is such as to furnish the means of meeting interest and sinking fund payments abroad in foreign currencies. Austria must increase her productive capacity. In order to increase her productive capacity she must have new capital from abroad. She cannot obtain that new capital from abroad unless the Relief Creditors are willing to enable her to do so by making a reasonable settlement of the existing indebtedness. From which it follows that an unreasonable and exacting attitude on the part of her creditors may well impair their own ability ultimately to collect their debt when it falls due in 1943.

No one knows better than the members of this Committee how impossible it is to estimate with any exactitude capacity to pay. The facts and figures presented are not conclusive, but they do serve to outline the general situation

and indicate clearly enough that Austria is not in a position to meet heavy payments.

In this connection, it cannot be overlooked that the European creditors, who presumably are more familiar with Austria's capacity than we are and whose own needs are certainly greater than ours, have agreed that this is all that Austria can fairly be asked to pay. Taking this as well as all other circumstances into consideration, the State and Treasury Departments are strongly of the opinion that Austria's offer should be accepted.

The proposed settlement has been submitted to the former members of the Foreign Debt Commission who are in Washington and met with their unanimous approval.

I submit herewith the proposed agreement and the proposed terms of renewal bonds, together with a list of Relief Creditors, the amounts owed each, and the amounts they will receive under the terms of the settlement.

A G R E E M E N T,

Made the        day of        , 1929, at the City of Washington, District of Columbia, between THE FEDERAL GOVERNMENT OF THE REPUBLIC OF AUSTRIA, hereinafter called Austria, party of the first part, and THE GOVERNMENT OF THE UNITED STATES OF AMERICA, hereinafter called the United States, party of the second part.

WHEREAS, Austria is indebted to the United States as of January 1, 1928, upon an obligation designated as bond No. 1, Relief series B of 1920 in the principal amount of \$24,055,708.92, together with interest accrued and unpaid thereon; and

WHEREAS, Austria desires to liquidate said indebtedness to the United States, both interest and principal, through the issue of bonds to the United States, and the United States is prepared to accept bonds from Austria upon the terms hereinafter set forth;

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. Amount of Indebtedness.--The amount of indebtedness to be liquidated is \$34,630,968.68 which has been computed as follows:

Principal of relief obligations .....	\$24,055,708.92
Accrued and unpaid interest from September 4, 1920 to January 1, 1928 at 6% per annum .....	10,575,259.76
Total indebtedness as of January 1, 1928	<u>\$34,630,968.68</u>

2. Payment.--In order to provide for the liquidation of the indebtedness, Austria agrees to pay and the United States to accept the sum of \$33,428,500, to be paid in twenty-five equal annual installments of \$1,337,140 each, on the first day of January 1943 and on the first day of January of each of the subsequent years to 1967 inclusive. In lieu of these twenty-five payments Austria may, at its option, issue to the United States, at par, bonds of Austria in the aggregate principal amount of \$24,614,885, dated January 1, 1928, and maturing serially on the several dates and in the amounts fixed in the following schedule :

January 1		January 1	
1929 .....	\$287,556.00	1949 .....	\$743,047.00
1930 .....	287,556.00	1950 .....	743,047.00
1931 .....	287,556.00	1951 .....	743,047.00
1932 .....	287,556.00	1952 .....	743,047.00
1933 .....	287,556.00	1953 .....	743,047.00
1934 .....	460,093.00	1954 .....	743,047.00
1935 .....	460,093.00	1955 .....	743,047.00
1936 .....	460,093.00	1956 .....	743,047.00
1937 .....	460,093.00	1957 .....	743,047.00
1938 .....	460,093.00	1958 .....	743,047.00
1939 .....	460,093.00	1959 .....	743,047.00
1940 .....	460,093.00	1960 .....	743,047.00
1941 .....	460,093.00	1961 .....	743,047.00
1942 .....	460,093.00	1962 .....	743,047.00
1943 .....	460,093.00	1963 .....	743,047.00
1944 .....	743,047.00	1964 .....	743,047.00
1945 .....	743,047.00	1965 .....	743,047.00
1946 .....	743,047.00	1966 .....	743,047.00
1947 .....	743,047.00	1967 .....	743,047.00
1948 .....	743,047.00	1968 .....	743,047.00
			\$24,614,885.00

PROVIDED, HOWEVER, That if Austria shall exercise this option, the obligation of Austria to pay annuities during the years 1929 to 1943 will in the case of each annuity not arise if the Trustees of the Reconstruction Loan of 1923 prior to the preceding December first have raised objection to the payment of the annuity in question on the due date. To the extent, if any, that any such annuity is not paid by reason of such objection on the part of the Trustees, the amount thereof together with interest at 5 per cent per annum compounded annually to December 31, 1943 shall be repaid together with further interest at 5 per cent per annum by twenty-five equal annuities on January 1 of each of the years 1944 to 1968 inclusive. Austria shall issue its bond to the United States for each of the twenty-five annuities

similar in form to the bonds first to be issued hereunder, but dated January 1, 1943, bearing interest at the rate of 5 per cent per annum, and maturing serially on January 1st of each succeeding year.

Austria agrees that no payment shall be made upon or in respect of any of its obligations issued to the Relief Creditor Nations, to wit, Denmark, France, Great Britain, Holland, Italy, Norway, Sweden and Switzerland before, at or after maturity, whether for principal or for interest, unless a similar and proportionate payment shall simultaneously be made upon the relief indebtedness of Austria to the United States as set forth above.

3. Form of Bond.---All bonds issued or to be issued hereunder to the United States shall be payable to the Government of the United States of America, or order, and shall be signed for Austria by its duly authorized representative. The bonds to be dated January 1, 1928 and maturing January 1, 1929 and annually thereafter to January 1, 1943 inclusive shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit A", and shall be issued in fifteen pieces with maturities and in denominations as hereinabove set forth and shall bear no interest except that in the event that any bond is not paid on the date of its maturity, interest shall be paid as specified in paragraph 2 above. The bonds to be dated January 1, 1928 and maturing January 1, 1944 and annually thereafter to January 1, 1968 inclusive shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit B", and shall be issued in twenty-five pieces with maturities and in denominations as hereinabove set forth and shall bear no interest.

4. Method of Payment.---All bonds issued or to be issued hereunder shall be payable, as to both principal and interest, in United States gold coin of the present standard of value, or at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

All payments, whether in cash or in obligations of the United States, to be made by Austria on account of the principal of or interest on any bonds issued or to be issued hereunder and held by the United States, shall be made at the Treasury of the United States in Washington, or, at the option of the Secretary of the Treasury of the United States, at the

Federal Reserve Bank of New York, and if in cash shall be made in funds immediately available on the date of maturity, or if in obligations of the United States shall be in form acceptable to the Secretary of the Treasury of the United States under the general regulations of the Treasury Department governing transactions in United States obligations.

5. Exemption from Taxation.--The principal and interest of all bonds issued or to be issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Austria or any political or local taxing authority within Austria.

6. Security.--Austria represents that the Reparation Commission, pursuant to the powers conferred upon it, has recognized that the bonds to be issued under this Agreement shall enjoy the same security as the bonds of Relief Series B of 1920, and shall be a first charge upon all the assets and revenues of Austria, and shall have priority over costs of reparation under the Treaty of Saint-Germain, or under any treaty or agreement supplementary thereto, or under any arrangements concluded between Austria and the Allied and Associated Powers during the armistice signed on November 3, 1918, and the Austrian Government agrees that nothing in this agreement shall prejudice or affect the provisions contained in the bonds of Relief Series B of 1920 constituting such bonds a first charge upon all the assets and revenues of Austria (without prejudice, however, to the lien enjoyed by the Reconstruction Loan of 1923), so that if the Government of Austria should at any time without the assent of the holder of this bond pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 18<sup>4</sup> of the said Treaty, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semi-annually from September 4, 1920 to January 1, 1925 and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

7. Compliance with Legal Requirements.--Austria represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Austria and in conformity therewith.



8. Cancellation and Surrender of Obligations --Upon the execution of this Agreement, the delivery to the United States of the principal amount of bonds of Austria to be issued hereunder, together with satisfactory evidence of authority for the execution of this Agreement by the representative of Austria and for the execution of the bonds to be issued hereunder, the United States will cancel and surrender to Austria at the Treasury of the United States in Washington, the relief obligation of Austria now held by the United States.

9. Notices.--Any notice, request, or consent under the hand of the Secretary of the Treasury of the United States, shall be deemed and taken as the notice, request or consent of the United States, and shall be sufficient if delivered at the Legation of Austria at Washington or at the office of the Ministry of Finance at Vienna; and any notice, request, or election from or by Austria shall be sufficient if delivered to the American Legation at Vienna or to the Secretary of the Treasury at the Treasury of the United States in Washington. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

10. Counterparts.--This Agreement shall be executed in two counterparts, each of which shall have the force and effect of an original.

IN WITNESS WHEREOF Austria has caused this Agreement to be executed on its behalf by its duly authorized representative at Washington, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved all on the day and the year first above written.

THE FEDERAL GOVERNMENT OF THE REPUBLIC OF AUSTRIA

BY

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

BY

Secretary of the Treasury.

Approved:

President.

EXHIBIT A.  
(Form of Bond 1929-1943)

THE REPUBLIC OF AUSTRIA

Series B-1920, No. (Renewal Bond)

The Republic of Austria, hereinafter called Austria, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on January 1, , the sum of Dollars (\$ ). This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder. Nevertheless, the obligation of Austria to pay this bond shall not arise if the Trustees of the League of Nations Loan have, prior to the first day of December preceding the maturity date of this bond, raised objection to the payment of this bond on the due date. If this bond is not paid on its due date by reason of such objection on the part of the Trustees, the amount thereof, together with interest at 5 per cent compounded annually to January 1, 1943, shall be repaid, together with further interest at 5 per cent in twenty-five equal annual installments on the first of January of each of the years 1944 to 1968 inclusive.

This bond is payable as to both principal and interest without deduction for, and is exempt from, any and all taxes and other charges, present or future, imposed by or under authority of Austria or its possessions or any political or taxing authority within Austria. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D. C., or at the option of the Secretary of the Treasury of the United States at the Federal Reserve Bank of New York.

This obligation is one of a series of obligations of similar tenor but in different amounts and payable in different currencies, designated as "Relief Series B of 1920 (Renewal Bonds)".

Austria agrees that no payment will be made upon or in respect of any of the obligations of the "Relief Bond Series B-1920" due on January 1, 1925, or upon or in respect of any of the obligations "Relief Series B of 1920 (Renewal Bonds)" or of any other obligations issued by Austria in renewal of the said "Relief Bonds Series B-1920" before, at, or after maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made

upon all the obligations of "Relief Series B of 1920 (Renewal Bonds)" issued by Austria in proportion to the respective obligations of said series.

The payment of this obligation is secured in the same manner and to the same extent as the obligation of Austria in the principal amount of \$24,055,708.92, designated as Bond No. 1, Relief Series B of 1920.

Austria agrees that if at any time it should pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 184 of the said Treaty, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semi-annually from September 4, 1920 to January 1, 1925 and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

This bond is issued under an Agreement dated between Austria and the United States, to which this bond is subject and to which reference is made for a further statement of its terms and conditions.

IN WITNESS WHEREOF, Austria has caused this bond to be executed in its behalf at the City of Washington, District of Columbia, by its duly authorized representative at Washington.

THE GOVERNMENT OF THE REPUBLIC OF AUSTRIA:

BY

Dated January 1, 1928.

EXHIBIT B.

(Form of Bond 1944-1968)

THE REPUBLIC OF AUSTRIA

Series B-1920, No.

(Renewal Bond)

The Republic of Austria, hereinafter called Austria, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on January 1, , the sum of Dollars (\$ ). This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

This bond is payable without deduction for, and is exempt from, any and all taxes and other charges, present or future, imposed by or under authority of Austria or its possessions or any political or taxing authority within Austria. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D. C., or at the option of the Secretary of the Treasury of the United States at the Federal Reserve Bank of New York.

This obligation is one of a series of obligations of similar tenor but in different amounts and payable in different currencies, designated as "Relief Series B of 1920 (Renewal Bonds)".

Austria agrees that no payment will be made upon or in respect of any of the obligations of the "Relief Bond Series B-1920" due on January 1, 1925, or upon or in respect of any of the obligations "Relief Series B of 1920 (Renewal Bonds)" or of any other obligations issued by Austria in renewal of the said "Relief Bonds Series B-1920" before, at, or after maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made upon all the obligations of "Relief Series B of 1920 (Renewal Bonds)" issued by Austria in proportion to the respective obligations of said series.

The payment of this obligation is secured in the same manner and to the same extent as the obligation of Austria in the principal amount of \$24,055,708.92, designated as Bond No. 1, Relief Series B of 1920.

- 9 -

Austria agrees that if at any time it should pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 184 of the said Treaty, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semi-annually from September 4, 1920 to January 1, 1925 and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

This bond is issued under an Agreement dated between Austria and the United States, to which this bond is subject and to which reference is made for a further statement of its terms and conditions.

IN WITNESS WHEREOF, Austria has caused this bond to be executed in its behalf at the City of Washington, District of Columbia, by its duly authorized representative at Washington.

THE GOVERNMENT OF THE REPUBLIC OF AUSTRIA:

BY

Dated January 1, 1928.

300

	original debt	debt on January 1st 1928 *	<u>RELIEF</u> <u>DEBT</u>			total
			<u>in</u>	<u>Dollars</u>		
				settlement		
			1929 - 33	1934 - 43	1944 - 68	
Denmark	321.618	476.833	19.032	60.998	246.278	326.337
France	17.607.331	26.072.503	1.042.260	3.335.256	13.466.090	17.843.610
England	44.024.618	65.011.610	2.598.868	8.316.415	33.577.511	44.492.795
Netherlands	6.720.974	9.689.425	387.340	1.239.494	5.004.455	6.631.289
Norway	415.186	635.995	25.424	81.358	328.483	435.265
Sweden	19.889	29.059	1.161	3.717	15.008	19.887
Switzerland	4.639.898	6.893.338	275.565	881.812	3.560.315	4.717.692
Italy	22.210.897	31.427.617	1.256.307	4.020.200	16.231.550	21.508.057
United States	<u>24.055.709</u>	<u>35.966.461</u>	<u>1.437.780</u>	<u>4.600.950</u>	<u>18.576.175</u>	<u>24.614.175</u>
	120.016.120	174.202.841	7.043.737	22.540.200	91.005.865	120.589.107

\* Interest included on basis of the rate of 6% per annum, compounded semiannually to January 1, 1925 and thereafter of the rate of 5% per annum, compounded annually.

TREASURY DEPARTMENT

301  
FOR IMMEDIATE RELEASE,  
Tuesday, December 11, 1928.

Secretary Mellon announced that subscriptions for the issue of  $4\frac{1}{2}$  per cent Treasury Certificates of Indebtedness, dated December 15, 1928, Series TS2-1929, maturing September 15, 1929, and Series TD-1929, maturing December 15, 1929, will close at the close of business tomorrow, Wednesday, December 12, 1928. Subscriptions which fail to reach a Federal Reserve Bank or branch, or the Treasury Department, before the close of business tomorrow will not be accepted. The practice of accepting mail subscriptions received on the morning following the closing of the books will not be observed with respect to the current offering.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Thursday, December 13, 1928.

Secretary Mellon announced that subscriptions for the two issues of Treasury certificates of indebtedness, Series TS2-1929,  $4\frac{1}{4}$  per cent, dated December 15, 1928, maturing September 15, 1929, and Series TD-1929,  $4\frac{1}{4}$  per cent, dated December 15, 1928, maturing December 15, 1929, closed at the close of business on December 12, 1928.

Reports received from the twelve Federal Reserve Banks show that for the offering of  $4\frac{1}{4}$  per cent certificates of Series TS2-1929, which was for \$200,000,000, or thereabouts, total subscriptions aggregate some \$262,000,000, and that for the offering of  $4\frac{1}{4}$  per cent certificates of Series TD-1929, which was for \$300,000,000, or thereabouts, total subscriptions aggregate some \$367,000,000. As previously announced, subscriptions in payment of which Treasury certificates of indebtedness of Series TD-1928, Series TD2-1928 and Series TD3-1928, all maturing December 15, 1928, were tendered, were allotted in full. Upon these exchange subscriptions about \$39,000,000 have been allotted. Allotments on the cash subscriptions for  $4\frac{1}{4}$  per cent certificates of Series TS2-1929 were made as follows: All subscriptions in amounts not exceeding \$50,000 for any one subscription were allotted in full. Subscriptions in amounts over \$50,000 but not exceeding \$1,000,000 for any one subscriber were allotted 80 per cent, but not less than \$50,000 for any one subscription; and subscriptions in amounts over \$1,000,000 for any one subscriber were allotted 70 per cent, but not less than \$800,000 for any one subscription.

Allotments on cash subscriptions for  $4\frac{1}{4}$  per cent certificates of Series TD-1929 were made as follows: All subscriptions in amounts not exceeding \$50,000 for any one subscriber were allotted in full. Subscrip-



tions in amounts over \$50,000 but not exceeding \$1,000,000 for any one subscriber were allotted 90 per cent, but not less than \$50,000 for any one subscription; and subscriptions in amounts over \$1,000,000 for any one subscriber were allotted 75 per cent, but not less than \$900,000 for any one subscription.

Further details as to subscriptions and allotments by Federal Reserve districts will be announced when final reports are received from the Federal Reserve Banks.

The Treasury today received payments amounting to \$98,612,203.02, from the following foreign governments on account of their funded indebtedness to the United States:

GREAT BRITAIN:

The twelfth semi-annual payment of interest and the sixth annual installment of principal on the funded indebtedness of Great Britain to the United States under the terms of the debt settlement approved by the Act of February 28, 1923. The total payment amounted to \$94,200,000, of which \$67,200,000 was for interest and \$27,000,000 for principal, and as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par and accrued interest. The obligations were \$90,540,000 face amount  $3\frac{1}{2}\%$  Treasury Notes, Series C-1930-32, maturing December 15, 1932; \$3,628,050 face amount  $3\frac{1}{4}\%$  Treasury Notes, Series B-1930-32, maturing September 15, 1932; accrued interest thereon, \$31,920.83, and cash adjustment of \$29.17.

BELGIUM:

The seventh semi-annual payment of interest on the post-armistice funded indebtedness of the Government of Belgium due the United States under the terms of the debt settlement approved by the Act of April 30, 1926. The payment amounting to \$1,250,000 as authorized by the terms of the settlement, was made in obligations of the United States, which were accepted at par and accrued interest. The obligations were \$1,000,000 face amount of  $3\frac{1}{2}\%$  Treasury Notes, Series A 1930-32, maturing March 15, 1932; \$239,000 face amount  $3\frac{1}{2}\%$  Treasury Notes Series B-1930-32, maturing September 15, 1932; accrued interest thereon, \$10,901.14; and cash adjustment of \$98.86.

CZECHOSLOVAKIA:

The seventh semi-annual installment of principal on the funded indebtedness of the Government of Czechoslovakia due the United States under the terms of the debt settlement approved by the Act of May 3, 1926. The payment amounting to

CZECHOSLOVAKIA (continued)

\$1,500,000, as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par and accrued interest. The obligations were \$1,486,500 face amount, 3½% Treasury Notes, Series B 1930-32, maturing September 15, 1932; accrued interest thereon, \$13,078.74, and cash adjustment of \$421.26.

ESTONIA:

The sixth semi-annual payment on account of the funded indebtedness of the Government of Estonia to the United States due under the terms of the debt settlement approved by the Act of April 30, 1926. The payment amounted to \$100,000, which was made in cash. The balance will be funded in accordance with the option given the Government of Estonia in the debt settlement agreement.

FINLAND:

The twelfth semi-annual payment of interest and the sixth annual installment of principal on the funded indebtedness of the Government of Finland due the United States under the terms of the debt settlement approved by the Act of March 12, 1924. The total payment amounted to \$183,460, of which \$131,460 was for interest and \$52,000 for principal, and as authorized by the terms of the settlement, was made in obligations of the United States, which were accepted at par and accrued interest. The obligations were \$181,800 face amount 3½% Treasury Notes Series B 1930-32, maturing September 15, 1932; accrued interest thereon of \$1,599.54, and cash adjustment of \$60.46.

HUNGARY:

The tenth semi-annual payment of interest and the fifth annual installment of principal on the funded indebtedness of the Government of Hungary due the United States under the terms of the debt settlement approved by the Act of May 23, 1924. The total payment amounted to \$39,773.01, of which \$29,133.01 was for interest and \$10,640 was for principal. The payment was made in cash.

LATVIA:

The sixth semi-annual payment on account of the funded indebtedness of the Government of Latvia to the United States due under the terms of the debt settlement approved by the Act of April 30, 1926. The payment amounted to \$40,000, which was made in cash. The balance will be funded in accordance with the option given the Government of Latvia in the debt settlement agreement.

LITHUANIA:

The ninth semi-annual payment of interest, except that part to be funded, on the funded indebtedness of the Government of Lithuania to the United States under the terms of the debt settlement approved by the Act of December 22, 1924. The total payment amounted to \$48,970.01, which was made in cash. The remainder of the interest amounting to \$44,302.50, will be funded in accordance with the option given the Government of Lithuania in the debt settlement agreement.

POLAND:

The eighth semi-annual payment on account of the funded indebtedness of the Government of Poland to the United States under the terms of the debt settlement approved by the Act of December 22, 1924. The payment amounted to \$1,250,000, which was made in cash. The remainder due will be funded in accordance with the option given the Government of Poland in the debt settlement agreement.

The obligations of the United States in the face amount of \$97,075,350, accepted in connection with the British, Belgian, Czechoslovak and Finnish payments, have been cancelled and retired and the public debt reduced accordingly.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,  
Thursday, December 20, 1928.

Secretary Mellon today announced that the total amount of subscriptions received for the two issues of Treasury certificates of indebtedness, Series TS2-1929, 4 $\frac{1}{4}$  per cent, dated December 15, 1928, maturing September 15, 1929, and Series TD-1929, 4 $\frac{1}{4}$  per cent, dated December 15, 1928, maturing December 15, 1929, was \$631,182,000. The total amount of subscriptions allotted was \$520,164,000, of which \$39,473,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TD-1928, TD2-1928 and TD3-1928, maturing December 15, 1928, were tendered in payment. All of such exchange subscriptions were allotted in full, while allotments on other subscriptions were made on a graduated scale.

The subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

	<u>SERIES TS2-1929</u>	
<u>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscription Allotted:</u>
Boston	\$ 9,647,000	\$ 8,617,500
New York	64,388,500	48,968,500
Philadelphia	13,555,000	10,778,000
Cleveland	22,710,500	17,854,500
Richmond	16,219,500	14,866,500
Atlanta	18,419,500	15,961,500
Chicago	20,161,500	16,708,500
St. Louis	9,323,500	7,905,500
Minneapolis	4,797,000	4,352,000
Kansas City	5,674,000	4,737,000
Dallas	19,966,000	17,141,000
San Francisco	58,218,500	41,881,500
Treasury	146,500	146,500
Total . . . . .	\$263,227,000	\$209,918,500

(See following page for figures covering Series TD-1929)

SERIES TD-1929

<u>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 8,100,000	\$ 7,826,500
New York	146,044,500	116,700,000
Philadelphia	24,381,000	21,063,500
Cleveland	21,369,000	18,748,500
Richmond	9,042,500	8,565,000
Atlanta	17,964,500	16,635,000
Chicago	24,103,000	21,867,500
St. Louis	10,742,000	9,664,500
Minneapolis	5,602,000	5,339,000
Kansas City	10,657,000	9,723,000
Dallas	25,432,000	23,929,500
San Francisco	64,295,500	49,969,000
Treasury	222,000	214,500
Total . . . . .	<u>\$367,955,000</u>	<u>\$310,245,500</u>

Total Subscriptions, both series .. \$631,182,000

Total Allotments, both series ..... \$520,164,000