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TREASURY DEPARTMENT

FUTURE RELEASE

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For release, morning papers
January 1, 1929

Washington, December 31, 1928.

New Year Statement by Secretary Mellon.

During the last year the country has made steady progress. Early in the year the volume of business began to show marked improvement over the closing months of 1927, and this improvement has continued. It has been evident in manufacturing, in steel production, carloading, automobile production, building contracts and sales of goods to consumers. All of this is evidence also that buying power has been sustained and that, on the whole, satisfactory employment conditions have prevailed.

Prices in basic industries have not been unduly high and have remained fairly stable, nor does there seem to be any immediate danger of excessive demand sending prices to such high levels as to make a slump in activity and consequently in prices inevitable. In the industrial world, conditions seem to be on an even keel; and it is much better to have them so, with a slight upward tendency, as at present.

In the financial world, there is sufficient money available for all legitimate undertakings. A considerable amount of gold has been exported during the past year. But it has not seriously impaired our credit resources while, at the same time, it has helped to establish the gold standard more firmly in Europe and to stabilize foreign currencies with resulting benefits to our import and export trade.

In so far as the Government is concerned, the finances are in a sound condition. The debt has been reduced to manageable proportions; the revenues are ample for our needs; and during the past year there has been another reduction of taxes, the full benefit of which will be more generally felt during the coming year.

For all of these reasons, I look forward with confidence to continued progress in the year ahead.

The Secretary of the Treasury today issued the following statement in connection with the promulgation of the Treasury Regulations relating to consolidated income tax returns of affiliated corporations:

Section 141 of the Revenue Act of 1928 imposes upon the Treasury the duty to prescribe regulations, legislative in character, for the filing of consolidated returns by affiliated corporations and the determination and enforcement of the tax liability thereunder. Early last summer I appointed a Committee to undertake this work, composed of Mr. Henry Herrick Bond, Assistant Secretary of the Treasury, Mr. David H. Blair, the Commissioner of Internal Revenue, Mr. Clarence M. Charest, the General Counsel of the Bureau of Internal Revenue, and Mr. Ellsworth C. Alvord, Special Assistant to the Secretary of the Treasury. The Committee held hearings and various organizations of taxpayers and the public generally were invited to present their views and proposals. The Regulations promulgated today represent the judgment of the Committee formed after the hearings, after months of study, and after constant consultation with many of the recognized experts and students of the problems.

Many basic or fundamental theories were advanced, including the so-called "economic unity" and "legal" principles. It was obvious, however, that the Regulations must conform as closely as possible to the policies already adopted by the Congress and applicable to the determination of tax liabilities of separate corporations and of corporate stockholders, preserving the sound purposes for which the privilege of filing consolidated returns is properly granted and safeguarding against improper advantages and the evasion or avoidance of tax liabilities. Next in importance to the

above seemed the necessity for certainty in the rules to be applied to the more important or more common transactions. It is hoped that under the Regulations taxpayers will be in a much better position to determine in advance the tax liabilities to result from a contemplated transaction, a very desirable substitute for the situation under prior laws in which tax liabilities of affiliated corporations would ordinarily not be determinable until long after the transactions involved took place. Those who have been devoting their time to the preparation of the Regulations undoubtedly recognize, far more than others, the real difficulties of the undertaking. Although it is to be expected that there will be differences of opinion as to some of the particular rules adopted, the Treasury believes that the Regulations will be much more satisfactory than the uncertainties of the past and will prove by experiences over a period of years to be acceptable and sound.

The more important provisions of the Regulations may be summarized briefly as follows:

(1) Future Application only.

The Regulations apply only to the taxable year 1929 and subsequent taxable years. They are not to be applied retroactively, although some of the provisions naturally are based upon the position taken under prior laws.

(2) Administrative Provisions.

The parent corporation is the agent of each corporation in the group and the Treasury will deal only with the parent, with the necessary provisions to apply in case the parent is dissolved or a subsidiary leaves the group. The

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privilege to file a consolidated return must be exercised at the time the parent files its return, and every member of the group must be included in the return. Generally speaking, a group which elects to file a consolidated return for any year must continue on the same basis for subsequent years.

(3) Liability for Tax.

The parent corporation and each subsidiary remain severally liable for the tax shown on the original return and for any deficiency, with a provision that if a subsidiary ceases to be a member of the group by reason of a sale of stock prior to the assessment of the deficiency its liability continues only for its share of the deficiency computed on the basis of its share of the consolidated net income.

(4) Consolidated Net Income.

The net income of the affiliated group is, in effect, the algebraic sum of the net incomes of the separate corporations in the group, with necessary eliminations to prevent recognition of gain or loss upon purely intercompany transactions.

(5) Sale of Stock of Subsidiary.

Gain or loss is recognized upon the sale of stock of a subsidiary, whether or not the affiliation is broken. Inasmuch as under a consolidated return net losses of one member of the group may be offset against the gains of other members, it was necessary to prevent a second allowance (that is, also upon the sale of the stock) of the losses which have been availed of in the consolidated return but

which could not have been availed of if separate returns had been filed. There is much to be said for making an adjustment also for the gains of the subsidiary which were taxed to it when earned. However, inasmuch as gains can be cared for by the declaration of dividends prior to the sale of the stock (thus preventing the so-called "double taxation" for the relief of which the adjustment was proposed), it was not believed the advantages of an increased basis, which would result if a consolidated return were filed but which would be denied to a separate corporation, were justified. Again, if adjustments for gains were to be made corresponding adjustments for dividends would be required. The admittedly complicated provisions applicable to the adjustments for losses would appear simple indeed as compared to the provisions which would be necessary to provide properly for adjustments for gains and dividends.

It was rather singular that no one advocated the rule, which has been adopted as to the past in decisions of the lower courts and of the Board of Tax Appeals, that gain or loss should not be recognized upon the sale of stock of a subsidiary. Such a rule would, obviously, have the effect of removing the present tax upon a realization of appreciation in value of capital assets.

The Regulations also protect against "paper" losses resulting from purely artificial or fictitious transactions.

(6) Dissolution of Subsidiary.

Neither gain nor loss is recognized upon the dissolution of a subsidiary. Dissolutions may, in theory, be classified into three general types: (a) A "purchasing" dissolution, where, in order to obtain the assets, the stock is purchased and the corpo-

ration then dissolved; (b) a "reorganization" dissolution, where a subsidiary is dissolved in order to effect a purely internal rearrangement or reorganization; and (c) a "winding-up" dissolution, where it is decided to abandon the business and close out the affairs of the subsidiary. Obviously, no gain or loss should be recognized, for none is actually realized, in the case of dissolutions of the first two types, while any gain should be taxed and any loss allowed as a deduction in the case of a dissolution of the third type. Generally speaking, however, dissolutions as a practical matter cannot be readily classified. Transactions falling into more than one of the three types are very frequently involved, and the purposes of a dissolution do not always remain constant and are not always apparent or ascertainable. Inasmuch as it would be impossible to prescribe a rule which would distinguish the types and which would be susceptible of sound administration, and in view of the fact that the benefit of losses which are properly allowable are not denied if the loss is realized before the dissolution or if the subsidiary is not a member of the group at the time of the dissolution, it was concluded that the rule adopted in the Regulations, treating all dissolutions as intercompany transactions, was the safest and best and would prove the most satisfactory. Very substantial benefits both to taxpayers and the Government will result in the certainty as to the rule which is to be applied.

(7) Basis of Property.

The basis of property owned by a corporation is not affected by intercompany transactions or by the purchase or sale of its stock.

(8) Net Losses.

Consolidated net losses for 1929 and subsequent years can be carried forward by the same affiliated group. If the group is broken up, the net loss follows the parent and in case is to be allowed to the subsidiary. A corporation coming into a group carries its net loss with it, subject only to the protective provision that it cannot exceed the amount paid by the group for its stock if the affiliation is formed after January 1 of this year. Provision is also made for the carrying forward, subject to certain limitations, of net losses sustained for one or both of the taxable years prior to 1929 if a consolidated return is filed under the new Regulations.

(9) Credit for Foreign Taxes.

The credit for foreign taxes is to be computed as if the affiliated group were the taxpayer.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Monday, January 14, 1929.

Secretary Mellon today sent the following letter to the Chairman of the Senate Committee on Appropriations:

Hon. Francis E. Warren,
Chairman,
Committee on Appropriations,
United States Senate.

January 12, 1929.

My dear Mr. Chairman:

In acknowledging receipt of your letter of January 11th, in which you state that the First Deficiency Bill has been reported to the Senate with the inclusion of an item of \$25,000,000 for the Bureau of Prohibition, for prohibition enforcement, and that it is the wish of the Committee that the Treasury Department furnish a statement as to whether in the opinion of the Department such a sum could be judiciously expended, and if granted by Congress how such an amount would be allocated, permit me to give you a brief general statement on the subject of prohibition enforcement.

The problem of prohibition enforcement has many ramifications and its successful solution depends not only on ample appropriations for the Bureau of Prohibition but on the activities and situation of other departments and bureaus of the Government. The question, therefore, of whether an increase of \$25,000,000 in the amount appropriated for the Bureau of Prohibition will accomplish the results desired by the Congress and this Department, is not one that can be answered without a thorough-going survey of the entire field, for I assume, of course, that if any such large sum is to be appropriated, the Congress will desire it to be used with the utmost effectiveness and in a way calculated to bring about the greatest results. For instance, one of the major difficulties encountered in making the prohibition laws truly effective is the congestion in the United States courts

occasioned in large part by numerous pending prohibition cases. It would seem desirable, therefore, if the Congress deems it advisable to appropriate an additional sum of \$25,000,000 for this general purpose, that some consideration should be given to whether a part of this sum at least should not be allocated to the Department of Justice. As to the needs of the Department of Justice I am, of course, not in a position to express an opinion.

The problem of smuggling is an important one. Its prevention is largely dependent, in so far as our sea coast is concerned, on the adequacy of the fleet maintained by the Coast Guard and in part on an adequate Customs force at our various ports; and in so far as our land borders are concerned, on an effective patrol of the borders. On account of our failure thus far to secure a satisfactory agreement with Canada, which, in my opinion, would materially reduce the liquor traffic coming over the Canadian border, the necessity of a thorough-going survey as to the best means of increasing the effectiveness of our border patrol is apparent. This the Department has recently undertaken.

In so far as the Coast Guard is concerned, some time ago I instructed Admiral Billard to submit a report as to the adequacy of the present Coast Guard fleet, together with an estimate of the Coast Guard building needs over the period of the next five years.

The problem of securing the necessary personnel under the provisions of existing law applying the Civil Service to the Bureau of Prohibition and Customs Border Patrol must likewise be taken into consideration. Up to the present time, it has been possible to make permanent appointments for only a portion of the service and it is anticipated that many months will elapse before the provisions of the Civil Service Act can be fully applied through the furnishing of adequate eligible registers for the present positions.

In so far as the Bureau of Prohibition itself is concerned, some additional funds could be advantageously used at the present time in increased investigational activities and in a well-considered educational program. Looking to the future, it will no doubt be advantageous to provide additional funds for increased border patrol of the Customs Service and an increased Customs force at some of the principal ports of entry, and increased equipment for the Coast Guard.

The Department desires, of course, to see every reasonable provision made for the adequate enforcement of the law, but I do not believe that any such large sum as is provided for in the present Deficiency Bill should be appropriated until the surveys above suggested have been completed and until it can be determined how any increased amounts can be most wisely and effectively expended. In other words, I am not prepared to say that prohibition enforcement can not be made more effective by the expenditure of increased amounts for this purpose, but I do feel that no such appropriations should be made until they can be definitely allocated to certain specific purposes, and that any other method of procedure will necessarily result in the extravagant use of the public funds.

Very truly yours,

A. W. MELLON

Secretary of the Treasury.

FOR RELEASE, MORNING PAPERS,
Monday, January 14, 1929.

WHY REFUNDS?

An interview with

Honorable Henry Herrick Bond,

Assistant Secretary of the Treasury.

Why Refunds?

In an interview today, Henry Herrick Bond, Assistant Secretary of the Treasury, explained in detail why refunds of taxes are made. A summary of his statements follows.

Attention has been focussed recently upon the refunding of federal taxes. During the fiscal year ending June 30, 1928, there were about 168,000 refunds of internal revenue taxes, principally income taxes, which ranged in amounts from 1¢ to \$3,600,000. The refunds totalled \$142,393,567.17, so it will be seen that the average amount was approximately \$8,500. For the current fiscal year \$130,000,000 was originally appropriated for this purpose and Congress has now been asked for an additional \$75,000,000.

A very proper question is raised in the minds of the public. The public is entitled to know why taxes which have once been paid are being refunded or paid back. The answer is simple.

The system prescribed by Congress for the collection of federal revenues is based upon the proposition that the needs of the government demand and justify an insistence upon immediate payment of taxes. Any dispute over the amount to be paid must not be permitted to postpone payment. It can be settled thereafter. The soundness of this long-established policy is not open to question (though it has been relaxed considerably by the creation of the Board of Tax Appeals). The conveniences of the individual must be subordinated to the public necessity. An obvious corollary requires a refund of any payment in excess of the amount finally determined to have been due.

The principal steps in administering an income tax are not difficult to understand. A taxpayer makes his return, computes the amount he thinks is due, and pays. His return is then audited and his transactions examined. One of three results follows: -- (1) His return may be found correct,

or (2) he may owe an additional amount, or (3) he may have paid too much. If the first, his case is considered as closed, though of course it may subsequently be reopened if necessary; if the second, we proceed to collect a deficiency; and if the third, we proceed to refund or credit against an amount owing for another year. It is rather significant that our collections of additional taxes far exceed our refunds of overpayments.

Why should a taxpayer ever overpay his tax? Let me counter with a question -- Do you understand every provision of our income tax laws? or, assuming you are a "super-expert", Does every one agree with your interpretations and applications? But you are entitled to a more specific answer. A few of the more important reasons are: -- Mathematical error; failure to appreciate or present important facts; ignorance of the law; inability to determine the proper interpretation of the law, because of complexities, ambiguities, or omissions; payment in accordance with Treasury regulations or interpretations subsequently reversed, either by the Treasury itself or as a result of final decisions of the Board of Tax Appeals or the courts; legislation which has retroactively reduced the tax liability; or a provision of the law is held to be unconstitutional.

During the war years, the Government was under the necessity of collecting more than 4 billion dollars annually, under an entirely new form of tax, from taxpayers having no conception of the meaning of the law. Collections had to be made. It was at times necessary to be somewhat arbitrary in the preliminary determinations. "Time was of the essence", as the lawyers would say, and so the public poured into the national treasury large amounts, the legality of which was in dispute. In part these payments were made because of the "payment first" principle which I have described, and in part it was due to patriotism. There was always, however, the realization that ultimately these payments would be analyzed,

that correct interpretations would be applied, and that a readjustment would be made and overpayments promptly refunded.

Who should make the final determination? Should it be made by the Commissioner of Internal Revenue, a highly important and responsible official of the Treasury, upon the advice of a corps of experts and legal counsel, or should he shirk the responsibility and force taxpayers into the courts, facing the costs and interminable delays of litigation? I am personally convinced that the determination and adjustment of tax liabilities must be primarily an administrative function. Our judicial system, sorely burdened even now with calendars crowded with cases in which taxpayers have not agreed with the Government's determination, could not possibly survive if any other course were pursued. The Board of Tax Appeals is years behind and it reviews only additional tax determinations and not refunds. I would be pleased indeed at an opportunity to present this issue more fully to the public.

But should the Commissioner hesitate and refuse to refund just because the amount is large? Most of the discussion has been occasioned, I believe, by a refund of \$15,000,000 to one taxpayer. It has been frequently overlooked that this taxpayer paid over \$217,000,000 and that the net amount of its taxes for the year involved is in excess of \$173,000,000. Suppose we were talking in terms of thousands rather than millions, would anyone question or criticize? Should we pay interest upon an amount which a court would clearly direct us to refund? I would approve without fear any settlement clearly in the best interests of the Government. Cases of this kind are most carefully considered. The Treasury is fully appreciative of its duty, as trustee for all taxpayers, to guard zealously the public's interests. By far the greater amount is refunded pursuant to court decisions. I am confident that tax-

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payers who have obtained refunds will testify that it is no simple undertaking to convince the Treasury officials that the refund was properly allowable.

We must not overlook the size of the job carried on by the Bureau of Internal Revenue. The Bureau has collected since 1917 almost \$39,000,000,000; has assessed more than \$4,000,000,000 of back taxes, and has refunded almost \$1,000,000,000. The total refunds made during the past 12 years and 3 months (\$975,012,356.33) are only approximately 24 per cent of the total amount of additional assessments and collections resulting from office audits and field investigations (\$4,061,769,209.91) which have been made during the same period, and but 2.5 per cent, approximately, of the total internal-revenue receipts during the period in question (\$38,715,757,522.36). It should be remembered that most of these refunds have been with respect to the excess profits tax years 1917 to 1921, inclusive, and therefore refunds in future years should steadily diminish.

Why refunds? Simply because we find we have money to which we are not entitled. We may learn this from the taxpayer himself, we may learn it from our own examination of his return, or we may be told by the authoritative voice of the court. To magnify this fact and distort it is unfair. Emphasis rather should be laid upon the creditable record of the Bureau in collecting additional taxes far in excess of the amount of refunds in each year, and upon the willingness of the Bureau to assume the responsibility of closing cases once and for all.

Jan. 18, 1929

STATEMENT BY UNDERSECRETARY OF THE TREASURY OGDEN L. MILLS.

For immediate release.

At the morning conference held at Mr. Hoover's home this morning and attended by Mr. Hill, State Chairman Machold and myself, the general situation of the Republican Party in New York was discussed. There was general agreement that Messrs. Machold, Hilles, and Hill could be relied on to take all of the steps necessary to insure cooperation and harmony among party leaders, with a view to building up and strengthening party leadership and organization.

THE ADMINISTRATION OF THE FEDERAL INCOME TAX

SPEECH TO BE DELIVERED BY UNDERSECRETARY OF THE TREASURY MILLS
BEFORE THE BAR ASSOCIATION OF THE STATE OF NEW YORK, ON
SATURDAY EVENING, JANUARY 19, 1929,
AT THE HOTEL ASTOR, NEW YORK CITY.

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In recent weeks we have heard much discussion of the refunds of Federal income taxes, coupled with a suggestion, in some quarters, that they constitute a basis for criticism and suspicion of the administrative practices of the Treasury Department. The sound and wise administration of our tax laws, and faith in the integrity and wisdom of those who administer them, are of such vast importance to our people that I feel that a discussion of what the Treasury is seeking to accomplish in the way of reform will be of interest to a group of professional men such as this.

Let me say, however, that it is neither my purpose nor desire to promote or encourage the more active interest of lawyers as a class in income tax matters. Quite the contrary. From my standpoint, lawyers who like litigation--those representing the Government as well as those representing taxpayers--have had altogether too much to do with the income tax, from the very outset. What was fundamentally an administrative problem developed almost at once into an unlimited and interminable series of legal battles. The substitution of administration for litigation is the essence of our present income tax problem.

Leaving aside the obvious political aspects and motives, the most interesting feature of the recent criticism of the Treasury in connection with refunds is the insistence of our critics that, even though the Department after careful consideration has decided that the taxpayer has paid more

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to the Government than he should, under the law, nevertheless he must be compelled to go to Court to obtain what is rightfully his. What they would do, in short, is to substitute our Federal Judges for the executive officers of Government charged with the duty of collecting the revenue, and have the income tax law administered by the judicial rather than the executive branch of Government. Such a proposal violates every sound rule of taxation and of good government. It is the very bog from which the Treasury seeks to extricate the income tax.

How did the recent discussion arise? The Commissioner of Internal Revenue decided that the United States Steel Corporation was entitled to a refund of \$15,000,000, plus interest. To be sure, this is a large sum--which seems to me to be utterly beside the point, even leaving out of consideration the fact that this particular taxpayer paid \$173,000,000 in taxes for the year in question and that if we were dealing in thousands, rather than millions, and with some small corporation, rather than the Steel Corporation, the question in all human probability would never have been raised. To be sure, the \$975,000,000 of back tax refunds paid during the course of the last twelve years is an immense sum, but the public is not told that during the same period the Government assessed more than 4 billion dollars in back taxes, and that refunds constitute but $2\frac{1}{2}$ per cent. of the total amount of 39 billion dollars collected,--a very good showing indeed if you take into consideration the enormous difficulties of the war and early post-war period. Can it fairly be contended that it is quite proper for the Government, after audit and review, to assess 4 billion dollars of additional taxes on the income taxpayers of the Country, but when, by the employment of the same methods, the very same Government officials determine that the taxpayers have paid more than they should, the latter should not be repaid except by virtue of a Court decision? Of course not. And if I am right, the obvious, sound and proper course to

pursue is for the Commissioner of Internal Revenue to assume the responsibility of making a decision, and when the decision is in favor of the taxpayer, to refund the amount he determines to have been illegally collected. This doesn't mean that some cases, where really doubtful points of law are involved, will not have to be litigated, but they should be the exception and not the rule.

What gives rise to refunds, and why should taxpayers ever overpay their tax? Under our income tax system, the taxpayer prepares his return and pays his tax as he estimates it to be. The Bureau of Internal Revenue audits his return and examines the various elements involved. It then decides whether the return is correct or whether the taxpayer has overestimated or underestimated his tax. If underestimated, a deficiency is assessed; if overestimated, he is entitled to a refund. The Bureau's determination of a deficiency, of course, is not and should not, be final; so that, if he pays, he is then entitled to seek a judicial determination and to claim a refund. Perhaps the best way to answer the second question, as to why any man should ever be guilty of the folly of paying more in taxes than he actually owes, is to give some actual illustrations.

Case No. 1. Taxpayer A made his return claiming a deduction of \$600,000, which was his pro rata share of the New York Transfer Tax as a legatee of a deceased relative. Such a deduction was held improper by the Supreme Court in the case of Keith v. Johnson. Thereafter the Revenue Act of 1928 was passed, and under the provisions of Section 703 such a tax, if claimed as a deduction by the legatee and not by the estate, was made an allowable deduction to the legatee. Therefore a refund of \$300,000 was made.

Case No. 2. Taxpayer B, on behalf of himself and the other stockholders, sold all the capital stock of a certain company, of which he personally owned two-thirds, for a net price of \$20,000,000. About \$15,000,000 was distributed to the stockholders, including the taxpayer. The remaining \$5,000,000 was set aside to meet undetermined tax liabilities of the corporation. Later when these

were determined the balance of this \$5,000,000 was distributed to the stockholders. The taxpayer reported his share of this balance in the year when he received it. The Bureau ruled that it was taxable in the year of the original sale of the stock. Therefore a deficiency was assessed for the year of sale, 1925, and an overassessment certified for the year 1926, which was credited against the additional assessment for 1925.

Case. No. 3. Taxpayer C, a taxi corporation, originally claimed depreciation at the rate of 1¢ a mile. Subsequently the actual records of the life and total mileage of taxicabs showed that the correct rate of depreciation was 2¢ a mile. These records were submitted and verified and the result was refunds of \$40,000 for 1924 and \$50,000 for 1925.

Case. No. 4. Taxpayer D, a steamship corporation, failed to claim amortization on its original returns for 1918 and 1919. Later, within the time as extended by Congress itself claims were duly filed and after careful audit were allowed, giving deductions of \$700,000 for 1918 and \$300,000 for 1919. The result was an overassessment of \$50,000 for 1918, which was credited against taxes for other years, and a small balance refunded, and \$20,000 refunded for 1919.

It is apparent from these illustrations which were selected at random that neither the taxpayer nor the Government was to blame for the situation creating the necessity for a refund. In the first case, the refund resulted from a change in the law; in the second, from a misinterpretation of the law by the taxpayer; in the third, from a more accurate ascertainment of the facts, which turned out to be more favorable to the taxpayer; in the fourth, to the failure of the taxpayer upon his return to take advantage of a provision of law enacted by Congress for his relief and later extended to him. What I would emphasize is, that under a tax law which deals with such a great variety of circumstances, reaches so many people, and produces so much revenue, even under the most favorable conditions, without any fault on the part of the

taxpayer or the administrators, cases must arise where the taxpayer finds that he has either overpaid or underpaid the Government. If the first, he is entitled to be repaid; if the second, the Government is entitled to an additional tax. In neither case is there any occasion for criticism or for belief on the part of the public that it is confronted with anything abnormal, unexpected or alarming. Quite to the contrary. If you were to examine our revenue laws, you would realize at once the many constantly recurring situations which can be met only by refunds, and the many provisions which can be administered, and must have been intended by Congress to be administered, solely by refunds. Furthermore, any system of revenue collection under which payments are compelled prior to final determinations must necessarily be based upon the principle of refunding overpayments. This is true for instance of the English system, which is frequently and properly pointed to as a model of sound income tax administration, under which their credits, drawbacks, and refunds amount to about 15 per cent of the collections.

Refunds are but a part of a much larger problem. The present discussion will have served a very useful purpose if it presents to the Country in a reasonably clear light the very definite and simple issue: Should the income tax be treated as all other taxes, as an administrative problem with responsibility definitely lodged in the proper executive officers, or is it to be singled out and considered as not susceptible of anything but judicial interpretation and decision? In so far as I know, no other country has ever considered the assessment and collection of income taxes through the judiciary as necessary or advisable; nor do I know of any case of any one of our States taking such a position, though many of them have enacted and enforced some extremely complicated tax laws, particularly in the field of corporate taxation. Though in the State and City of New York we raise annually immense sums through taxes, I have never heard it suggested that we could not trust the decision and judgment of our tax officials, but must compel them to refer all doubtful questions, whether of law or fact, to

the Courts. In the case of the Federal Income Tax, however, it is undeniable that until recently there has been a very definite tendency to lean heavily on the Courts. Administrative officers have been unwilling to assume the responsibility of making final decisions. The Government has been inclined to settle all doubtful points in its own favor and force the taxpayer to appeal to the Court for relief; while, on the other hand, the taxpayer, finding that the Government was prepared to litigate all doubtful questions, found it very much to his advantage to do likewise. Perhaps all this was unavoidable, considering the novelty of the problems presented, the intricate facts surrounding practically every transaction of importance, and the staggering amount of the sums involved. In any event, the attitude of both the taxpayer and the Government was in large measure responsible for much of the delay in settling cases which has occasioned so much complaint, and for the protracted litigation which we have come to associate with the Income Tax Law, thus depriving this very sound method of raising revenue of the two essential qualities of a sound tax, namely, certainty and promptness.

Moreover, there grew up the strange fiction that questions which by their nature are not susceptible of mathematical or logical determination could be settled with mathematical accuracy and pure logic--leaving no room for the exercise of judgment. Attempts were made to determine such questions as the valuation of natural resources, the valuation of intangibles, the amortization of war facilities, and the computation of depreciation by the use of formulae and with mathematical accuracy. There persisted and persists to-day the belief that the determination of a tax liability can be determined in each case with precision and exactness, and if the Bureau has any doubt as to its ability to reach this ideal, it should let the Board of Tax Appeals or the Courts attempt it.

Now, the truth is that many questions cannot be solved with exact precision, and sound policy demands that they should be disposed of by administrative action on the basis of the best judgment of competent officials. It is true, of course, that important questions of law must be left to the Courts for determination, but,

in so far as the great mass of problems that arise are concerned, we cannot hope to settle them by a series of legal decisions. Experience has shown that conditions are so varied, complex and changing that hardly a day goes by without developing some new problem only remotely related to those already decided. A final court decision five years from today is of no help in reaching present-day determinations.

But, leaving aside all argument and theory, here are some facts which indicate clearly enough the danger which threatens the income tax in this country, a danger which no true friend of the system can afford to minimize. After a strenuous and successful effort to bring the work of the Bureau of Internal Revenue to a current basis, after disposing of an accumulation of 3,000,000 cases, in accordance with the old strict method, we found ourselves faced with over 22,000 cases, involving over \$700,000,000, pending before the Board of Tax Appeals--five years work, without taking into consideration new cases. The cleanup in the Bureau was apparently not all that it appeared to be. Difficult cases were evidently being disposed of by driving the taxpayer to the Board, there to wait in patience and uncertainty. What both the taxpayer and the Government want is to have the case settled and closed, not simply transferred from the Bureau of Internal Revenue to the Board of Tax Appeals. Obviously, litigation is not the key to the successful administration of a tax law, which each year reaches over 2,800,000 persons and produces annually over 2 billion dollars. Moreover, we found that the Government was successful in sustaining only about 50 per cent. of the assessments appealed to the Board. What did this show? It showed clearly enough that the administrative officers were failing to assume the responsibility which was theirs. The taxpayer was entitled to many more decisions in his favor than they were making. The trouble was not, as has been suggested, excessive use of discretion on the part of administrative officers, but a failure to exercise courageously their own judgment and to dispose of these cases without the necessity of Court action.

To allow such a condition to continue, and grow worse, was to subject the income tax law to such a storm of just criticism as would inevitably bring it into disrepute. Accordingly, with the war years pretty well back of us, with every prospect that we had reached a period of stability where the law could be considered as in more or less permanent form, we determined to return to sound tax principles and to treat the collection of an income tax as primarily an administrative rather than a legal problem. The ideal we are aiming at is to have cases closed fairly, promptly and finally. We want to get away from the old spirit of claiming everything for the Government and letting the taxpayer protect himself by litigation. We want the taxpayer to meet us half-way in a similar spirit of fairness and with an appreciation that litigation, both for himself and the Government, is the most unsatisfactory and expensive method of determining his tax liability. All we want of him is what, under the law, he owes the Government. As a plain matter of common sense, in the long run, how is that amount/^{more}likely to be determined accurately and equitably? By mutual fairness, frankness and full disclosure at the start, or by suspicion, secrecy, distrust and arbitrariness, ending in litigation? Always remember that, in the field of taxation, promptness and certainty are frequently infinitely more important than meticulous accuracy.

Our immediate problem was to relieve the Board of Tax Appeals, which was in serious danger of breaking down. In the summer of 1927, the so-called Special Advisory Committee was created, to apply settlement methods not only to pending appeals but to cases in which a 60-day letter had been sent out. The Committee consists of fourteen members, and a number of conferees both in Washington and the field. These conferees are carefully chosen and trained. They confer with the taxpayer and attempt primarily to settle cases where facts are in dispute. The work accomplished during the course of the last year has demonstrated the soundness and value of such a method. In that period the Committee has considered 5,748 appealed cases and 2,777 cases about to be appealed.

Of the appeals, 3,288, and of the 60-day letter cases, 2,088, have been recommended for settlement. The combined cases proposed for settlement resulted in additional assessments totaling almost \$37,000,000.

The success of this Committee was such that early last year plans were perfected for the creation of a similar agency in the General Counsel's Office to attempt similar settlement work in cases involving primarily questions of law and mixed questions of law and fact. Many cases involved a number of issues, each of which is a fairly close question of law without procedure, and not of general importance. On some of these questions the Bureau may profitably yield in exchange for similar concessions by the taxpayer. It is, in a word, the introduction into the realm of tax administration of a businesslike method for adjusting disputes. Litigation is proving expensive and, on the average, unprofitable both to the taxpayer and to the government. Settlement methods serve to keep the tax problem on an administrative basis, where it belongs, to reach results promptly, with benefit to the Government and the taxpayer, and in the long run to produce more revenue. These two agencies, no matter how effective they may prove to be, are necessarily limited in the scope of their activities, but the success of their efforts, the educational work which they are satisfactorily contributing by bringing the conferees and auditors into direct contact with them, the exchange of auditors, meetings for general discussion and the reading of the Committee's recommendations in specific cases, are all contributing to the introduction of a new point of view and a new method of approach to the solution of their problem in the Bureau itself. If litigation is to be avoided, if tax cases are to be settled with promptness and certainty, the ultimate responsibility must definitely rest on the Bureau of Internal Revenue. Its employees must recognize that responsibility and be willing to assume it, and they must receive the wholehearted support and encouragement of those at the top. There need be no fear of laxity, carelessness or failure to protect the interests of the Government. We are proceeding

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Secretary Mellon to-day sent the following letter to Bishop James Cannon, Jr., of the Methodist Episcopal Church South.

THE SECRETARY OF THE TREASURY,
Washington, January 21, 1929.

My dear Bishop Cannon:

I beg to acknowledge receipt of your telegram of January 18th in which you suggest that the appropriation of \$25,000,000 for the Prohibition Bureau as contained in the so-called Harris amendment to the First Deficiency Bill be made available so as to be expended as the Secretary of the Treasury may determine, and in which you also suggest that the zeal on the part of the Secretary of the Treasury to secure adequate enforcement may well be questioned if he refuses the opportunity offered by the Harris amendment.

As I pointed out in my letter of January 12th to Senator Warren, prohibition enforcement does not rest solely upon the Bureau of Prohibition, but its success depends largely on the cooperation afforded by the Coast Guard, the Customs Service, and the Border Patrol, and, what is even of more vital importance, on the possibility of bringing to trial cases prepared by the Prohibition Bureau and ready for trial. What I endeavored to point out in my letter to Senator Warren is that the Harris amendment makes the additional funds available to the Prohibition Bureau only and restricts the uses by that Bureau, with no discretion in the Secretary of the Treasury. There are now 21,000 liquor cases pending in the Federal courts and causing congestion, with no relief in sight. The Customs Service needs additional guards in the principal ports and the Border Patrol needs strengthening, while in so far as the Coast Guard is concerned, Admiral Billard is at present undertaking a survey as to the ships needed to replace a number of destroyers whose usefulness has been pretty nearly exhausted, and is prepared to recommend an increase in the commissioned personnel of the

Coast Guard. The Harris amendment would not make funds available for any of these purposes, nor could the additional money provided for be used for the educational purposes which you emphasize in your telegram.

Under these circumstances, can it be fairly said that an appropriation of \$25,000,000, made with these restrictions, would of itself constitute an intelligent and effective means of promoting prohibition enforcement?

I note that in your telegram you suggest that the restrictions be removed and that \$25,000,000 be made available to the Secretary of the Treasury to spend as he sees fit. This, of course, is not the Harris amendment now pending in Congress, and aside from the fact that it would make no provision whatsoever for relieving the congestion in the courts, which to-day constitutes one of the major problems in the field of prohibition enforcement, I want to suggest whether you consider it good practice to place so vast a sum in the hands of a public official with unlimited discretion as to its use? It makes no difference whether that official be the Secretary of the Treasury or some other chief of an Executive Department of Government, I do not believe that adequate protection of the public interests and the proper safeguards that should always surround the expenditures of public funds can fairly be said to have been provided for if an appropriation of this character is made. Such a program would break down the safeguards of the Budget System, and the effective and proper control which Congress exercises over the expenditure of the public funds. I think that upon second consideration you will realize that this is not a minor question but a fundamental one, and that in the long run, whether in the prohibition field or in any other field of government, infinitely more is lost than gained if for the sake of accomplishing immediately a purpose, no matter how desirable, a fundamental principal of good government and sound practice is violated. *principle*

Bishop James Cannon, Jr.,
Methodist Episcopal Church South,
Bliss Building,
Washington, D. C.

Sincerely yours,

A. W. MELLON
Secretary of the Treasury.

Secretary Mellon to-day made public the following identical letters addressed by him to the President of the Senate and the Speaker of the House of Representatives:

THE SECRETARY OF THE TREASURY,
Washington, January 21, 1929.

My dear Mr. President (Speaker):

In my Annual Report for the fiscal year 1928, submitted to the Congress last December, referring to the question of whether the National Bank notes now in circulation should be retired, I said as follows:

"In all probability a conclusion as to the possible retirement of the national-bank circulation, through exercise of the call privilege attaching to the 2 per cent consols which arises after April 1, 1930, will be reached before the department can issue national-bank notes in the reduced size. The Federal Reserve Act originally contemplated the retirement of the national-bank currency. The problem was discussed fully in the annual report for 1924. Considerable time having elapsed, it is felt advisable to submit the matter to the Congress for decision at the present session. In the event national-bank notes are continued indefinitely as a part of the money circulation of the United States, the Treasury will be prepared to apply the new designs to such notes and to make them available in the reduced size within a reasonable time after the issue of other kinds of currency in the reduced size."

The question has received the thorough study and consideration of this department, and I have concluded that it would be inadvisable to submit to Congress at this time a program looking to early retirement of our National Bank note circulation. Accordingly, when the new-size paper currency is issued, on or about July 1, 1929, the Treasury Department will be prepared shortly thereafter to make available National Bank notes in the reduced size.

Sincerely yours,

A. W. MELLON,

Secretary of the Treasury.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Wednesday, January 23, 1929.

Secretary of the Treasury Mellon today made public his letter to Honorable Reed Smoot, Chairman, Senate Finance Committee, regarding Senator McKellar's bill for the review of tax refunds, credits, and abatements by the Board of Tax Appeals.

"January 22, 1929.

My dear Mr. Chairman:

There is pending in the Senate a bill offered by Senator McKellar, S. 5319, the substance of which has also been offered as an amendment to the Treasury Deficiency Bill. The bill and amendment both provide that all claims for refund, credit or abatement of an internal revenue tax involving more than \$10,000 shall, before payment, be certified to the Board of Tax Appeals for review and determination and that upon the disallowance of any claim involving more than the said amount the taxpayer shall have the right of appeal to said Board. The said bill further provides that all claims for not more than \$10,000 shall only be refunded, credited or abated under regulations prescribed by said Board.

This bill is of such a revolutionary character and, in my judgment so unwarranted, that I submit the following facts for your consideration, inasmuch as the Committee on Judiciary, to which the bill was referred, reported the matter favorably without asking this Department for its recommendations.

The proposal is so fundamentally unsound that it should not require extended argument to demonstrate the fact. In the first place, it would increase the volume of work of an important Board, already so overloaded that two years ago its very existence was threatened, and, in the second place, it would utterly change the character of this Board by converting it from a quasi-judicial body passing upon disputed issues into a body with purely administrative powers.

The Board of Tax Appeals has during its four years of existence, been unable to cope with the vast flow of appeals on asserted deficiencies. On June 30, 1925 there were 3,494 appeals awaiting trial; on June 30, 1928, 21,639. During the past eighteen months the Treasury Department has made heroic efforts to reduce the accumulation. The peak was reached on May 31, 1928, when 22,061 cases were pending. These have been reduced to 20,079 on December 31, 1928. However, it is apparent that at least three years of most strenuous endeavor by all concerned are still required to make the Board current on its work.

This condition has arisen with their jurisdiction limited to deficiencies. Now it is proposed to increase their work by giving them the review of all refunds, abatements and credits over \$10,000, and administrative control over all other refunds, abatements and credits.

How much would this increase their work? In the fiscal year 1928 the Board disposed of 2,085 cases after hearings on the merits. This is a fair measure of their output at the present time. And yet there were 4,052 claims for refunds in excess of \$10,000 passed upon by the Bureau of Internal Revenue in that year, of which, under Senator McKellar's bill, 1,636 which were allowed would have had to be reviewed by the Board, and the 2,416 rejected would have had the right to appeal to the Board. In addition there were numerous claims for abatement and credit.

It is therefore clear that this bill would more than double the present work of the Board. It is useless to estimate whether this would delay bringing their present work to a current basis, because it is so clearly evident that the Board would be completely buried in a volume of work from which it could never emerge. If it were to dispose of appeals now pending (without reference to those filed hereafter) before considering refunds, these refunds, amounting probably to at least \$75,000,000 annually, would wait at least three years for refund by the Board and final payment. This would mean that on such an estimated amount additional interest totalling \$13,500,000 annually would soon be accruing, - an entirely needless expense, - to say nothing of the hardship to the taxpayers of the country who would be deprived for over three years of the use of this money to which they would be clearly entitled and would be compelled to borrow it elsewhere if they could secure credit. If refunds were to be given precedence over pending cases the Government would postpone for years the collection of large amounts of back taxes to which it is now entitled and the reduction in revenue would have to be made up from other sources in the meantime.

Fully as serious is the fact that the proposal would completely change the character of the Board and the nature of its work. The Board of Tax Appeals is a quasi-judicial body. It functions as a court, passing upon disputed issues after hearing witnesses and the arguments of counsel. This bill would transfer to them purely administrative duties, - the review of matters upon which the parties are in full agreement, with respect to claims allowed by the Commissioner. It would also give them administrative control of all refunds, however small, through the power of issuing regulations. In all of the recent discussion in the Congress and elsewhere there has been no suggestion that refunds were being made dishonestly. Why, then, should the administrative duty now imposed in the Commissioner of Internal Revenue be virtually transferred to the Board of Tax Appeals? What reason is there to believe that a member of this Board is better fitted to pass upon these administrative problems than the Commissioner of Internal Revenue.

A stable Government must rest upon the confidence of its people. High administrative officers must be entrusted with responsibility and on their good faith, proven by the test of time, the people must rest. Responsibility must be placed somewhere under our taxation system. Obviously it should be placed in those high administrative officers whose positions were created for the purpose of the enforcement of the law. Nothing is gained by superimposing a semi-judicial review of such administrative action in all cases. On the contrary it would be a mere transfer of responsibility, at a large interest cost, increased administrative expense, and would inflict a serious blow to the morale of the Bureau of Internal Revenue.

If the Commissioner and his experienced and trustworthy assistants cannot be entrusted with this responsibility they should not be trusted with any responsibility whatever under an income tax law, because the responsibility

for making refunds is no greater than the responsibility for collecting additional taxes. Their faithful devotion to the interests of the Government has been proven during too long a period to require defense. I can, therefore, only suggest that the person who would propose transferring the responsibility for these refunds to other officers would probably within a short period of time make a similar attack upon the Board of Tax Appeals and, pointing to the large amount being refunded by the Board, demand that the power to refund be transferred to some other person or group.

No proof has been offered to show any improper payments. There is no evidence of maladministration, corruption or improper practices. There is nothing to indicate that the present machinery is not functioning smoothly and with adequate protection to the interests of the Government. Why, then, when it has been determined that a taxpayer has paid more than he ought, should he be compelled to wait three years in order to have his case reviewed by a semi-judicial body?

The real issue is whether the income tax is to be administered by the executive branch of the Government in accordance with every precedent and every sound principle of Government, or is to be turned over to the judicial branch. I have no hesitation in prophesying that the latter course spells the complete breakdown of the income tax. Any tax that cannot be administered save by means of litigation and court decision cannot long survive.

Very truly yours,

A. W. MILLON

Secretary of the Treasury.

Honorable Reed Smoot,

Chairman, Senate Finance Committee."

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TREASURY DEPARTMENT.

FOR IMMEDIATE RELEASE,
Wednesday, January 30, 1929.

Secretary of the Treasury Mellon today made public his letter of January 24, 1929, to Chairman Anthony of the House Committee on Appropriations, as follows:

January 24, 1929.

My dear Mr. Chairman:

The Senate, on Tuesday of this week, adopted the following amendment to the Deficiency Appropriation Bill:

"For increasing the enforcement force, \$24,000,000, or such part thereof as the President may deem useful, to be allocated by the President, as he may see fit, to the departments or bureaus charged with the enforcement of the national prohibition act, and to remain available until June 30, 1930."

It is my understanding that in order to make prohibition enforcement more effective the Senate intended to provide additional funds for certain purposes, such as: the relief of the congestion in the courts; increasing the fleet, equipment, and personnel of the Coast Guard; increasing the effectiveness of the Customs Service, including the Border Patrol; and increasing the personnel of the Bureau of Prohibition and the Department of Justice; and that inasmuch as it was impossible definitely to allocate the sums to be spent for certain specified purposes at this time, the additional funds provided were to be allocated as the President in his discretion might decide.

I feel that it is my duty to point out to you that an examination of the amendment reveals that it will not accomplish the purposes intended. The appropriation will not be available for any of the purposes above enumerated, except increasing personnel of the Bureau of Prohibition and the Department of Justice, nor will it be available for the conduct of an educational program which may have been contemplated.

The amendment as adopted provides funds "for increasing the enforcement force". Granting that the language should be construed most liberally and

in the light of the desired ends which the Senate was seeking to accomplish, I fear that the appropriation would not be available for more than an increased personnel. Even such essential incidental expenses necessarily accompanying an increased personnel, such as rent, office equipment and supplies, and traveling expenses could not be paid from it.

Again, the President may allocate the appropriation, for the above purpose, only "to the departments or bureaus charged with the enforcement of the national prohibition act." Only the Department of Justice and the Bureau of Prohibition of the Treasury Department qualify under this language. Neither the Judiciary, the Coast Guard, the Customs Service, nor the Civil Service Commission is included.

I bring this matter to your attention in order that the true intent of Congress may be accurately expressed before the bill is enacted into law, if it is determined that additional funds should be appropriated.

Very truly yours,

A. W. MELLON

Secretary of the Treasury.

Hon. D. R. Anthony,
Chairman, Committee on Appropriations,
House of Representatives.

Secretary of the Treasury Mellon today made public his letter to Honorable Francis E. Warren, Chairman, Senate Committee on Appropriations, regarding a Senate amendment dealing with hearings on tax refunds in excess of \$10,000.

"January 29, 1929.

My dear Mr. Chairman:

I submit the following for your consideration in connection with the Senate amendment to the First Deficiency Appropriation Bill providing as follows:

'That no part of the funds herein appropriated for tax refunds where the claim is in excess of \$10,000 shall be paid out except upon hearings before any committee or officer in the Department conducting the same, which hearings shall be open to the public, and the decision shall be a public document.'

The portion of the amendment which provides for public hearings is open to serious objection. In the judgment of the responsible officials of this Department, this proposal is not consistent with sound administrative practice.

In order that the effect of the proposal may be clearly seen and the necessity for it correctly estimated, let me review briefly the usual procedure on a claim for refund.

After a claim for refund is filed by a taxpayer, it regularly goes to the office of the Revenue Agent in Charge in the taxpayer's district and is assigned to an agent for examination. Conferences are held with the taxpayer or his representative, the necessary examinations of the taxpayer's books and papers made, and a report prepared. This report is then reviewed in the office of the Revenue Agent in Charge and is finally submitted to the Revenue Agent in Charge. Further conferences in his office may be held. If he approves, the papers are forwarded to the Income Tax Unit in Washington and assigned to an auditor for complete review and consideration. The auditor's conclusions must then be reviewed and approved by his superiors before a final decision is reached. Frequently further conferences with the taxpayer or his representative are necessary. If the claim is in excess of \$50,000, the entire file is sent to the General Counsel's Office and there assigned to a special group for another complete review and again conferences may be held with the taxpayer at this stage. The work of the attorney or attorneys who make this review is then submitted to the head of the division and, if approved, then to the General Counsel or one of his assistants for final approval. In every

important case the file and recommendations go to the Commissioner's office where the Commissioner or one of his assistants reviews the case. In addition, if the amount allowed is in excess of \$75,000, the General Counsel, before transmitting the file to the Commissioner, prepares a complete statement of the case which is submitted to the Joint Congressional Committee on Internal Revenue Taxation and the matter held in abeyance for the thirty-day period provided by law. During that time the staff of the Joint Congressional Committee examines the claim and if they have any doubt as to the propriety of its allowance present their views, either by letter or conference, to the General Counsel's Office for reconsideration.

It will thus be seen that no claim is allowed as a result of the action of one or two individuals but that on the contrary every claim has to run the gauntlet of thorough and complete audits, examinations, and legal review by a staff of competent men, certain of them especially chosen and trained for this work. It is my opinion that this system completely and adequately protects the Government's interests.

With this picture of the procedure in mind it is difficult to see the exact point at which a public hearing could properly be injected. Surely the Congress would not contemplate a requirement that all these proceedings be open to the public, including the initial conference of the revenue agent in the taxpayer's office in his examination of the books. Each of the subsequent proceedings are steps in the Department's efforts to reach a correct conclusion by ordinary administrative practices. There is no point in the procedure for formal arguments and the presentation of evidence as in a court of law or before the Board of Tax Appeals. The record consists of evidence submitted from time to time by the taxpayer, frequently in affidavit form with his claim and sometimes furnished at a later point in the form of further affidavits and documentary proof; of facts obtained by the revenue agent from examinations of the taxpayer's books and papers; at times of reports of agents of the Intelligence Unit; and frequently of reports of engineers sent to make examinations of the condition or value of tangible property. The conferences consist of informal discussions of the facts thus established and the application of the law thereto. The record in each case is necessarily an accumulation of work extending frequently over a long period of time.

It is misleading to speak of the present procedure as a secret one. Conferences between the only persons who have any real interest in the matter should not be called secret simply because the idly curious are not privileged to be present, or because the procedure does not permit the divulgence of facts of interest only to the taxpayer and the Government, or because it does not authorize the presence of tax experts seeking information of interest to possible prospective clients, or to competitors of the taxpayer. There is a real purpose accomplished by the provisions of the act forbidding such disclosures. While certain large corporations may publish from time to time their balance sheets, there are many smaller taxpayers, particularly new and struggling corporations, whose business could be ruined, for the disclosure of their financial position would frequently encourage unfair business practices

designed to eliminate them from the field and possibly permit competitors to take advantage of perhaps a temporarily weak condition. In addition, it would reveal secret formulae, secret trade processes, and vital statistics, such as costs of production. Furthermore, it must be borne in mind that taxable net income is an arbitrary figure often having but slight relation to the true business income of the concern, and seldom any relation to the financial condition or standing of the taxpayer. Taxable net income may be greatly in excess of, or much less than, true income. The publication, therefore, of taxable net income would necessarily be misleading. It might destroy public confidence in a well managed business, or might unfortunately establish an unjustified confidence in the minds of creditors or investors. Particularly would this be probable since the publication of the figures would necessarily be incomplete and fragmentary. Taxpayers should be permitted to contribute to the revenues of the Government and adjust their tax liabilities without being forced to disclose their business affairs and policies, of interest only to competitors and the curious, and without being subjected to the risk of improper and unwarranted deductions. Furthermore, in cases involving the so-called special assessment provisions, the decision rests upon the data secured from competitors' returns, and these companies could rightly object to publication of their figures when they have no pending claim.

For the above reasons I respectfully urge that the provision for a public hearing on these matters be eliminated.

Whether the final decision of the Department should be made a public document or record presents a somewhat different problem though it would seem such action is open to most of the objections above enumerated. At the present time all the larger cases are formally presented to the Joint Congressional Committee and all the records of the Department relating to refunds are at all times open to the scrutiny of the members of that committee and their agents. What more effective safeguard can be provided?

I am sending similar letters to Senator Smoot, Chairman of the Committee on Finance, Congressman Anthony, Chairman of the House Committee on Appropriations, Congressman Wood of the House Committee on Appropriations, and Congressman Hawley, Chairman of the Committee on Ways and Means and the Joint Committee on Internal Revenue Taxation.

Very truly yours,

A. W. MELLON

Secretary of the Treasury

Honorable Francis E. Warren,
Chairman, Senate Committee on Appropriations,
United States Senate."

Treasury Department.

For release, morning papers,
February 26, 1929.

The Government and Architecture

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Speech of

Honorable Ogden L. Mills

Undersecretary of the Treasury

at the Annual Dinner of the

New York Chapter

of the American Institute of Architects

New York

February 25, 1929

The Government and Architecture

I am very glad indeed to have an opportunity to address the New York Chapter of the American Institute of Architects, for the Treasury is under a debt of gratitude to you and to your national organization for the devoted and patriotic service which you have rendered in a great work on which we are now engaged in Washington. I refer to the beautifying of the nation's capital and the part which the Institute has taken not merely in reviving interest in that work but in helping to determine the lines along which it should be carried out.

More than a quarter of a century ago, when the Centennial of the establishment of the seat of Government in the District of Columbia was being celebrated, the American Institute of Architects, then meeting in Washington, went on record in opposition to the prevailing practice of constructing public buildings without regard to the original plan of the City of Washington or of any established order or design. A great meeting was held in the White House on the invitation of President McKinley, attended by the highest officials of the Government and by the members of the American Institute of Architects. The L'Enfant plan was rescued from the oblivion in which it had reposed for nearly a hundred years and interest in the whole subject was revived. As a result of the meeting, the Institute, with the efficient cooperation of Senator McMillan, secured the appointment of an expert Commission, which should make an intensive study of the needs and possibilities of Washington and recommend a method for carrying their plans into effect.

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That Commission, comprising such illustrious names as McKim, Burnham, St. Gaudens and Olmsted, subsequently made a report known as the Plan of 1901, in which they recommended a return to the original plan of Washington and L'Enfant, with certain modifications, particularly as regards the Mall and the development of a system of outlying parks and boulevards.

This was only the beginning of a long fight to carry these plans to execution. They were attacked with great bitterness in Congress as extravagant and excessive. After Senator McMillan's death the movement was left without a leader in Congress; and it remained for the Institute to make another effort at crystalizing public sentiment in favor of the Plan. At its meeting in Washington in 1905, a dinner was held at which notable speeches were made by President Roosevelt, by Speaker Cannon and others who gave official approval to the idea that the national capital should be enlarged and beautified and that public buildings were to be erected thereafter only in accordance with an orderly and systematic plan.

It was a great service which the Institute rendered. There were many results, of which I shall mention only the removal of the unsightly railroad tracks from the Mall and the erection of a beautiful Union Station in accordance with the Plans of the Commission. Later on the Lincoln Memorial was built and other projects were being planned when the Great War intervened and all progress stopped.

Temporary buildings sprang up overnight along the Mall and around the Union Station to house the greatly increased activities of the Federal Government, which were made so vitally necessary by the war. Construction of beauti-

ful and permanent buildings was at a standstill; and there the situation continued until recently, when the Secretary of the Treasury and the Postmaster General, in accordance with a provision in the Public Buildings Act of May 25, 1926, made a report to Congress regarding the need for the construction of public buildings throughout the country. Subsequently Congress authorized a building program of \$200,000,000; and in addition \$48,000,000 will be realized through the sale of old buildings and sites and will unquestionably be made available. More will be needed, and very shortly the Department will submit a complete survey to Congress.

Of the buildings to be erected outside the District of Columbia, nearly 300 are for post office buildings at places now without Federal buildings. Others are to replace old and inadequate Federal buildings, and still others are for new buildings and extensions to present buildings and for hospitals and buildings for the Customs and Immigration Services.

The needs of New York City have been recognized by the two Departments of the Treasury and the Post Office, whose duty it is to allocate the available funds. The greater New York projects which are now being considered for inclusion in this allocation will require an estimated total expenditure of over \$41,000,000. This amount is in addition to an expenditure recently made for a site and building for the Appraiser's Stores at a total cost of approximately \$7,600,000.

In the case of the Stapleton-Marine Hospital, it is proposed to acquire additional land and enlarge the present plant to provide a capacity of 600 beds with a view toward an ultimate capacity of 1,000 beds, at an estimated cost of \$2,500,000. This project is now before Congress for specific authorization.

For the Annex Building to the general Post Office, it is proposed to acquire the balance of the block bounded by 8th and 9th Avenues, 31st and 33d Streets and erect thereon an annex to the present general post office, at an estimated cost for site and building of \$8,250,000.

The Parcel Post Building is required for the additional needs of the postal service and office quarters for a number of activities now renting space. The Government has already contracted for the purchase of a block of land approximately 200 x 800 feet, located at 9th and 10th Avenues, 29th and 30th Streets, at a cost of \$2,000,000. There is now before Congress an estimate of cost and request for the appropriation to commence construction of a building on this site, the limit of cost of the building being \$9,000,000, which makes a total outlay for this project of \$11,000,000. This building and the Annex Building will provide the Post Office with approximately 33 acres of additional floor space required for the proper handling of the mails in that part of New York.

The Old Appraisers' Stores Building has been vacated and the activities of the Appraisers transferred to the recently acquired buildings at Hudson, Varick, King and West Houston Streets, the total cost of the new site and building being approximately \$7,600,000. The old Appraisers' Stores Building is to be remodeled at a cost of approximately \$500,000 and made available for office and storage space for governmental activities. Specific legislation to

carry out this project is now before Congress.

Legislation has already been enacted providing for the addition to the Brooklyn Post Office and Court House, at an estimated cost of \$2,700,000; and \$190,000 has been allocated for the construction of a post office on Staten Island.

There is a very real need in New York City for proper accommodations for our Federal Courts. At the same time, the people of New York City are anxious to have the Federal Government move the present Post Office so as to make that site available for park purposes in the neighborhood of City Hall. Both the City authorities and the Federal officials are earnestly endeavoring to work out a solution which will be acceptable both to the City and to the Federal Government. Just at present we are working on a plan which contemplates the erection of a Federal building on the block bounded by Vesey, Barclay, West Broadway, and Church Streets, in which would be housed the Post Office, the Federal Courts and other Federal activities now occupying rented space. Whether it will be possible to reach an agreement as to what compensation the City should allow the Federal Government for vacating the present Post Office site, I am unable to say, but it does seem as if with a little good will on both sides, an agreement could be reached.

The Treasury Department also has under consideration the advisability of transferring the Assay Office to another site. The present site is rather too valuable to be held for Assay Office purposes, and, moreover, there is some complaint of the fumes. Our plans are by no means perfected and a definite decision has not been reached, but in the meanwhile the

necessary authority is being requested of Congress so that the Treasury will be in a position to proceed with such a program should it appear to be desirable after final study.

The carrying out of this huge program requires a large and well-organized force of architects and engineers. The force now employed by the office of the Supervising Architect of the Treasury Department is engaged in the preparation of plans and specifications for projects not only in the District of Columbia but throughout the country. Owing to the urgent needs for relief and the number of major projects, it has been found advisable to acquire the services of outside architects for several of these important projects and it is our belief that additional help will have to be secured from local architectural firms in the larger cities where conditions appear to make this desirable. It is in this work that we must rely on help from you and from your fellow architects in other cities.

Turning now to the great building program for the City of Washington, which I know is of deep interest to you; Congress has authorized an expenditure of \$75,000,000 and has directed the Secretary of the Treasury to acquire land and erect such public buildings as will meet the Government's most pressing needs in housing various departments and governmental activities.

Several of these buildings are now under way. A new and larger building is being erected for the Department of Commerce; construction has begun on a building for the Department of Agriculture and one for the Bureau of Internal Revenue. A building will be erected for the Supreme Court on Capitol Hill; and, as rapidly as possible, other buildings will be started to house the Departments of Justice and Labor, to provide a suitable building for the Government's archives, and buildings for

the Interstate Commerce Commission and other independent establishments of the Government.

Most of these buildings, with the exception of those for the Supreme Court and the Department of Agriculture, will be grouped together in the area known as the Pennsylvania Avenue Triangle, extending from 6th Street to the Treasury at 15th Street, and extending south thereon to B Street, bordering the Mall. To secure a comprehensive treatment of this area as regards the grouping and also the design of the various buildings, Secretary Mellon has appointed a Board of Architectural Consultants composed of five private architects and one from the Supervising Architect's Office. This Board includes the distinguished president of your New York chapter. The buildings of the Triangle area, while being given individuality in their architectural treatment, are to be harmonious in design and will be in keeping with the tradition of the best of our older Government buildings in Washington. The composition of the new group will include two large open spaces, one rectangular in shape and referred to as the Great Plaza, the other circular, resembling in extent the Place Vendome in Paris.

Such an arrangement will add much to the beauty and dignity of Washington, and particularly of Pennsylvania Avenue. At the same time it will contribute to the convenience of the Government and of those who must do business with it without obliging them, as at present, to travel from one end of the city to the other in search of the various bureaus of a single Department of the Government.

By grouping these departmental buildings in the Pennsylvania Triangle, it will be possible to carry out the original conception of Washington and L'Enfant, that the Mall should be kept as a beautiful Park, interspersed occasionally with art galleries and museums and adorned with drives and walks, reflecting pools and trees, all arranged in such a way that long vistas will be opened up for views of the Capitol on its commanding hill at one end, and of the Washington Monument and the Lincoln Memorial on the banks of the Potomac at the other.

It is a magnificent conception. For its design we are indebted to Washington and L'Enfant; for its preservation we are under obligation to Senator McMillan and the American Institute of Architects; and now for its execution we owe a debt of gratitude to Secretary Mellon who has insisted that the original plan for the Mall be adhered to and that departmental buildings must not be placed there, as was about to happen, but must be grouped along Pennsylvania Avenue in accordance with the original design for the city.

In carrying out these plans, Secretary Mellon and the Treasury have had the benefit not only of your advice as an organization but also of many individual members who are consulted from time to time. In this, at least, we are reverting to the practice of an earlier and better day, and are following the example of Washington, who, as you know, consulted L'Enfant and Thornton and Hoban for the Capitol and the White House and took pains to see that the ideas of these expert advisers were carried out.

It is interesting to know that the great men who founded the Republic attached so much importance to beauty in public buildings. I have already referred to Washington and the concern which he felt as regards the smallest

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details of the designs for the capital city and its principal buildings. But lest I be accused of partisanship in the arts, as I so often am in politics, let me quote for my Democratic brethren what Thomas Jefferson had to say of the necessity for investing our public buildings with beauty and dignity.

Being in Paris in 1785, he was asked by the State of Virginia to secure a plan for a State House, which he did with great promptness, only to be informed that an impatient legislature had not waited for his design but had begun the erection of a building less suited for its purposes and far more expensive. In writing to his friend, James Madison, to enter his protest, Jefferson said: "How is a taste in this beautiful art to be formed in our countrymen unless we avail ourselves of every occasion when buildings are to be erected of presenting to them models for their study and imitation You see I am an enthusiast on the subject of the arts, but it is an enthusiasm of which I am not ashamed, as its object is to improve the taste of my countrymen, to increase their reputation, to reconcile to them the respect of the world and procure them its praise."

There is Jeffersonian simplicity for you. But it is the simplicity of true greatness and true art. May I add that, while at the Treasury we do not profess to follow Jefferson in everything, at least in this respect we are trying to walk in his footsteps. In the plans which are being made for public buildings in Washington and throughout the country, Secretary Mellon has insisted that in so far as it may be possible, subject to the limitations of cost and legal restrictions in selecting architectural assistance, we shall give the country buildings in good taste and of the best design and arrangement that can be achieved under the circumstances.

And now lest the too practically-minded among you should be misled into thinking that the Treasury has for one moment lost sight of the practical in its championship of the esthetic side of any question, let me hasten to say that we have found that beauty of design has a concrete value that is beginning to be recognized even by a nation so eminently practical as our own. In fact, it is a bad investment to build anything that is not beautiful, or at least in good taste. Otherwise, in time, as taste improves, one can be sure that the ugly thing will be torn down to make way for something better.

Certainly no one so well as the Government itself can set a standard of good taste in architecture and firmly establish it. Our public buildings must of necessity add to or detract from the beauty of any city in which they are erected. Furthermore, it is inevitable that they should influence to some extent the architecture of buildings erected by the city or by private enterprise. It is of the greatest importance, therefore, that these buildings which the Federal Government is erecting should be simple and dignified in design and suited to the uses to which they are to be put.

But when it comes to the building of a national capital, an even greater obligation is imposed upon us. We have inherited from the founders of the Republic a great tradition below which we dare not fall. And as the country has grown in greatness and in influence, its capital city has become increasingly important. More and more it is being visited by those who come from every part of this country and the world. We owe it to them and to the generations yet to come, to see that they shall find there a great and beautiful city - a city not made with hands only but into which have been builded the beauty and hopes and aspirations of America.

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FOR RELEASE UPON APPEARANCE OF THE
UNDERSECRETARY BEFORE THE COMMITTEE
ON WAYS AND MEANS, WHICH WILL BE ABOUT
3 P.M., Wednesday, February 27, 1929.

STATEMENT BY UNDERSECRETARY OF THE TREASURY MILLS BEFORE THE
COMMITTEE ON WAYS AND MEANS, Wednesday, February 27, 1929.

Taken as a whole, the administrative sections of the Tariff Act of 1922 have presented relatively few difficulties in interpretation and enforcement. It is inevitable, however, in the administration of a law of such broad application as the Tariff Act for a period of several years, that some difficulties should develop and in addition that some amendments suggest themselves due to changing conditions.

As a result of experience with the Tariff Act of 1922 and its study of the administrative provisions, the Treasury Department believes that a considerable number of amendments to the administrative provisions could well be made at this time. For the most part, the amendments which the Department would recommend are of minor importance and involve little in the way of policy or change in procedure. To aid the Committee in its consideration of amendments suggested, those considered to be of major importance have been segregated from those which may well be considered as noncontroversial.

Value

As many of the tariff rates are based on value, the definition of value is of fundamental importance. Therefore, any amendments to Section 402 become major considerations. Accuracy in the determination of value is essential to the protection of the revenue. It is also important that value be defined so that it may be readily ascertained. Otherwise, an unjustified burden would be placed on commerce and upon the administration of the law.

The accurate determination of foreign value requires investigations abroad and such investigations cannot in all instances be conducted without opposition and objection difficult to overcome. The abandonment of foreign value as a basis of assessment of ad valorem duties is now the subject of considerable discussion. This, however, is considered by the Department as a broad question of policy for the Congress to determine. In the absence of information as to the desire or intention of the Committee to adopt some other basis of value, the Department is confining its suggested amendments to the improvement of the present basis rather than the substitution of some alternative.

Section 500 of the Tariff Act imposes on the appraiser the duty of appraising the merchandise "in the unit of quantity in which the merchandise is usually bought and sold by ascertaining or estimating the value thereof by all reasonable ways and means in his power, any statement of cost or cost of production in any invoice, affidavit, declaration, or other document to the contrary notwithstanding." The mandate of Congress that the appraising officer shall affirmatively determine a value and not rely on unverified statements or statements not susceptible of verification is plain.

Section 402 of the Tariff Act provides in part that, "if neither foreign nor export value can be ascertained to the satisfaction of the Appraising Officer", duties shall be assessed on United States value. Under the present procedure with regard to reappraisal, although the Appraiser might not ascertain foreign value to his satisfaction, the court, on appeal, might decide that a foreign value did exist with the result that the duties finally determined and paid would be based on a foreign value proved to the court by the submission of affidavits which Treasury agents were unable to verify, or by evidence undisclosed

at the time the Appraiser made his decision and which cannot be subject to check. The weakness of the present system, it therefore appears, is not in Section 402 which directs appraisement on United States value where foreign value cannot be satisfactorily ascertained, but in the reappraisement proceedings which may result in appraisement on a value which cannot be properly verified by Treasury officials.

It is believed that the method or basis determined upon by the Appraising Officer as proper should, subject to review by the Secretary of the Treasury, be applicable throughout all the proceedings. Thus the Court would be limited to the question whether the value on the basis used by the Appraiser had been properly determined, and, if not, to a redetermination of the value on that basis only. The Department believes that the existing law is susceptible of being so construed and that the result to be accomplished by the proposed amendment was intended in the 1922 Act. As a further safeguard it is suggested that the appraiser's valuation be made prima facie correct on reappraisement.

The present definition of United States value is not entirely satisfactory, as such value cannot be found if "such or similar imported merchandise" is not "freely offered for sale in the principal market of the United States." The word "similar" has been very strictly construed. It is thought that the definition should be amended to allow the value to be arrived at from the value of a comparable article, whether domestic or imported, so offered for sale in the United States, with proper adjustment for differences in quality and in other respects. The Department believes that this accords with the intention of the present definition, and would make possible the determination of United States value in many cases in which it cannot now be determined.

The provisions of Section 510, placing an embargo upon the goods of exporters who refuse to allow access to their books for the purpose of determining value, have been productive of much ill feeling, which has sometimes approached international importance. It is the opinion of the Treasury that, with the amendments above suggested, section 510 may be repealed.

Bonds

There are many provisions throughout the Act requiring or authorizing the taking of bonds in certain cases to secure the payment of duties, or compliance with administrative requirements. These provisions vary greatly. The Act requires bonds in some cases in which experience has shown them to be unnecessary, and omits the requirement in others where it has been found that a bond is necessary for the protection of the revenue. The Department recommends, in order to provide more elasticity in this respect, that in lieu of these specific requirements the Secretary of the Treasury be given general authority to require by regulation such bonds or other security as he may deem necessary to protect the revenues and assure compliance with the provisions of the law. The Act already gives the Secretary (or, in some cases, the Commissioner or the Collector) power to fix the amount, to approve the sureties, and, sometimes, to prescribe the conditions of the bonds required. The administrative officers thus have full power over bonds, except in determining in what cases they shall be required.

Marking

The several tariff acts prior to 1922 have required that all imported articles should be marked to indicate the country of origin, when such marking could be done without injury. No penalty was prescribed other

than that the articles imported not marked should not be delivered until marked in conformity with the law. Under these provisions the Customs officers and the Treasury Department determined the question of what articles were subject to marking under the Act.

The Act of 1922, however, introduced two new elements: A penalty of additional duty of 10% was imposed upon all articles not marked at the time of importation unless they were exported, and the domestic manufacturers were given the right to protest against the rate of duty assessed by the Collector. In certain instances the Department held the unit of sale to be the article rather than the individual piece in such unit, as, for example, a bundle of shingles was held to be the article of commerce rather than the individual shingle, or the book of cigarette papers rather than the individual leaf. The Customs Court, however, has interpreted the Act very strictly, indicating that the individual paper of the cigarette book or the individual shingle should be marked instead of the book or the bundle.

A strict interpretation of the language of the marking provision has led to absurdities, not only in requiring the marking of articles where marking seems illogical, but in relieving certain articles from the marking requirements where marking appears entirely reasonable. It is believed that if the policy which requires the marking of country of origin is to be carried out adequately, greater flexibility must be given to the statutory rule and power placed in the Secretary of the Treasury

to meet changing conditions and circumstances. The amendment recommended to Section 304 will in no wise affect the marking of articles where Congress has seen fit to prescribe a special form of marking.

Amendments to Entry

Though the appraised value be lower than the entered value, duty cannot, under the law, be assessed on an amount less than the entered value (except in certain very limited classes of cases). On the other hand, if the appraised value be higher than the entered value, the importer is subject to substantial additional duties. It is, therefore, greatly to the importer's interest to enter at a value which will correspond as closely as possible to the appraised value. The existing law allows an entry to be amended at any time before the invoice or the merchandise comes under the observation of the appraiser. This has been construed by the court to mean the appraiser himself and not an assistant appraiser or examiner, although the latter officers value the merchandise, subject to the appraiser's approval.

To carry out the evident intent of Congress, it is recommended that no amendment of an entry be allowed after the merchandise or invoice has come under the observation of an examiner, assistant appraiser, or any other officer for the purpose of ascertaining value.

Drawback

Section 313 of the Act provides for the drawback of duties previously paid on imported merchandise upon the exportation of articles manufactured or produced in the United States with the use of such imported merchandise. Section 558 provides that no drawback of duty shall be allowed on the exportation of any merchandise after its release from customs custody, except in the case of articles manufactured or produced with the use of imported merchandise.

The word "produced" in Section 313 has been broadly construed so that imported articles which have been subjected to some simple process, such as dyeing, bleaching, waterproofing, etc., have, on exportation, been entitled to drawback. Numerous cases have come to the attention of the Department in which individuals have purchased imported articles which had been in this country for a considerable period and for which no market had been found, and had subjected them to some such simple process and then exported them, obtaining drawback of duties in amounts exceeding the price paid for the articles.

There is another difficulty with the operation of the two sections. An importer may order a large shipment of goods from a foreign country. Upon the ordinary entry, he is not allowed to inspect them until they leave customs custody. He may then find they are not up to sample or specifications, but as they have been released from customs custody and do not fall within the drawback provisions, the duty paid cannot be refunded, even though the goods are so far from specifications as to make them useless to the importer. The American importer is thus to some extent at the mercy of foreign exporters. Moreover, he is at once placed under the necessity of applying to the merchandise some one of the minor processes, above referred to, so that he may obtain the benefit of the drawback provisions of the Act.

In order to remedy these two principal evils growing out of the drawback provisions, the Department recommends that Section 313 be amended, first, so as to allow drawback only in case the manufacture or production to which the imported merchandise has been subjected in the United States has enhanced its value and, second, to provide that drawback should not in any case be allowed in respect of merchandise not exported within five years from the date of importation. These amendments would, it is believed,

provide a very effective check upon the business of collecting drawback on merchandise for profit.

It is further recommended that Section 558 be broadened so as to allow a refund in the case of goods found not up to sample or specification and exported within ten days after release from customs custody, questions of identify and conformity to specification to be determined under regulations prescribed by the Secretary. Such amendment, it is believed, will afford relief to the importer who finds that he has not received what he ordered, and will correct the present tendency of the law to drive him to resort to questionable practices.

Bills of Lading

Section 483 of the Act provides that "All merchandise imported into the United States shall, for the purposes of this title, be held to be the property of the person to whom the same is consigned; and the holder of a bill of lading duly indorsed by the consignee therein named, or, if consigned to order, by the consignor, shall be deemed the consignee thereof". Section 484 (c) provides that "The consignee shall produce the bill of lading at the time of making entry". The Federal and State courts have held in several cases that under these provisions collectors of customs are personally liable for any damage resulting from the delivery or release of merchandise without the production by the party making entry of the original bill of lading. For their own protection, therefore, most collectors require the original bill of lading to be filed with the entry and retained in their custody. Importers and carriers object, and probably with reason, to this requirement. The importers contend that the original bill of lading is needed to obtain possession of the goods

from the carrier, and the carriers contend that they must have the original bill of lading for their own protection in the event a claim is filed against them for wrongful delivery.

Provision for protection of the collector accepting entry upon a duplicate bill of lading involves the difficulty of protecting the shipper's rights. The original bill may have gone to a bank, with a draft attached, against payment of which the bill is held. Thus, to allow delivery by the collector upon a duplicate bill would be to jeopardize the shipper's collection.

The Treasury recommends as a solution of these difficulties that entry be allowed upon either the original bill or a properly certified duplicate, with a requirement that where entry is made upon a duplicate, and the collector has possession of the goods, he must either deliver to the carrier or to the holder of the original bill. Where the carrier obtains possession of the goods, it is of course responsible for delivery, and the customs treatment does not affect the situation in any respect.

The amendments heretofore discussed, it is believed, are the only proposals which the Treasury desires to present which involve fairly important questions of policy. The rather large number of other amendments are of a minor, technical, or clerical nature. It is suggested that drafts of these amendments be submitted to the Committee at a later date.

It is unnecessary to add that the Treasury will be very glad of every opportunity to assist the Committee in its preparation of the proposed legislation.

TREASURY DEPARTMENT

58
FUTURE RELEASE
FOR RELEASE, MORNING PAPERS,
Thursday, March 7, 1929.
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 nine months $4\frac{3}{4}$ per cent Treasury certificates of indebtedness of Series TD2-1929, dated and bearing interest from March 15, 1929, and maturing December 15, 1929. The amount of the offering is \$475,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TM-1929 and TM2-1929, both maturing March 15, 1929. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing March 15, 1929, will be allotted in full up to the amount of the offering.

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 September 15 and December 15, 1929.

About \$560,000,000 of Treasury certificates of indebtedness, and about \$60,000,000 in interest payments on the public debt, become due and payable on March 15, 1929.

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

The text of the official circular follows:

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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 TD2-1929, dated and bearing interest from March 15, 1929, payable December 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 September 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 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. 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, 1929, 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-1929 and TM2-1929, both maturing March 15, 1929, 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.

FUTURE RELEASE
RESERVE DATE

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Tuesday, March 12, 1929.

Secretary Mellon announced that subscriptions for the issue of 4-3/4 per cent Treasury Certificates of Indebtedness, Series TD2-1929, dated March 15, 1929, maturing December 15, 1929, will close at the close of business today, Tuesday, March 12, 1929.

Subscriptions which fail to reach a Federal Reserve Bank or branch, or the Treasury Department, before the close of business today 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 regard to the current offering.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
Wednesday, March 13, 1929.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, Series TD2-1929, $4\frac{3}{4}$ per cent, dated March 15, 1929, maturing December 15, 1929, closed at the close of business on March 12, 1929.

Reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$475,000,000, or thereabouts, total subscriptions aggregate some \$523,000,000. As previously announced, subscriptions in payment of which Treasury certificates of indebtedness of Series TM-1929 and Series TM2-1929, maturing March 15, 1929, were tendered, were allotted in full. Upon these exchange subscriptions about \$33,000,000 have been allotted. Allotments on the cash subscriptions were made as follows: All subscriptions in amounts not exceeding \$100,000 for any one subscriber were allotted in full. Subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 for any one subscriber were allotted 90 per cent, but not less than \$100,000 for any one subscriber; and subscriptions in amounts over \$1,000,000 for any one subscriber were allotted 85 per cent, but not less than \$900,000 for any one subscriber.

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, March 14, 1929.

Secretary Mellon today announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series-TD2-1929, $4\frac{3}{4}$ per cent, dated March 15, 1929, maturing December 15, 1929, was \$524,109,000. The total amount of subscriptions allotted was \$475,999,500, of which \$32,796,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TM-1929 and TM2-1929, maturing March 15, 1929, 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>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 24,715,000	\$ 24,130,000
New York	202,996,000	177,734,500
Philadelphia	31,613,500	28,656,000
Cleveland	33,366,500	31,122,000
Richmond	30,022,000	27,952,000
Atlanta	27,544,000	26,136,000
Chicago	63,670,500	58,271,500
St. Louis	16,121,500	15,279,000
Minneapolis	8,889,000	8,494,000
Kansas City	17,499,500	16,892,000
Dallas	30,009,000	28,222,000
San Francisco	37,289,000	32,737,000
Treasury	<u>373,500</u>	<u>373,500</u>
Total	\$524,109,000	\$475,999,500

The Secretary of the Treasury issued the following statement today:

The President has today signed an Executive Order, and has approved Regulations prescribed by me, relating to the publication of refund decisions of the Commissioner of Internal Revenue. Briefly, the effect of the Order and the Regulations is that the Commissioner of Internal Revenue will prepare a decision in every case in which an overassessment (whether resulting in a refund, credit, or abatement) of income, war-profits, excess-profits, estate, or gift taxes, in excess of \$20,000, is allowed. This decision will be accompanied by a brief summary of the relevant facts and a citation of the applicable statutory and judicial authorities, and will be open to inspection in the office of the Commissioner.

It has been the consistent policy of the Treasury, a policy determined upon only after careful consideration and as to which ample opportunities have been offered repeatedly for reconsideration, that tax returns, and the information thereon, should under no circumstances be open to public inspection. This policy is based upon the principle that taxpayers should be permitted to contribute their share of the revenue necessities of the Government without subjecting their business affairs and transactions to the scrutiny of their competitors, the idly curious, solicitors of contributions, and unscrupulous tax practitioners seeking out possible future clients. This policy is not affected by the Executive Order. The Regulations specifically provide that neither the return, nor any part thereof, shall be open to inspection, and in addition the publication of the source of any income, gains, or profits, or transactions resulting in losses or expenditures, is specifically prohibited.

The Congress adopted, as an amendment to the First Deficiency Appropriation Act, a provision which, as a matter of legal interpretation, would probably require no material change in the procedure or practice of the Bureau

of Internal Revenue. Furthermore, whatever effect might have been intended was, of course, limited to the specific appropriations made by that Act, and would not be applicable to any of the other appropriations available for making refunds.

The Treasury has entered serious objections to all so-called "publicity" proposals. The soundness of this position is reiterated. However, in an effort to dispel any misunderstanding that might have arisen in the minds of the public because of the recent discussions of the matter, the Treasury has undertaken to go much further than the amendment requires. It is believed that the publication of the decisions in the manner outlined above will, in a very short period of time, show conclusively that the Treasury has nothing to hide in the matter of tax refunds; that there is nothing mysterious about tax refunds; that practically all refunds, credits, and abatements, which are allowed, are attributable directly to such causes as decisions of the courts or of the Board of Tax Appeals, overturning the Treasury position or holding a provision of the statute unconstitutional, to retroactive legislation, to uncertainties, ambiguities or omissions in the statute, to mathematical error, to factors which could not have been determined at the time the tax was paid, or to the public-spirited attitude of taxpayers in deciding doubtful questions against themselves at the time the tax is paid, relying upon a proper administrative policy in reaching a final determination of the amount properly due; and that the refunding of overpayments of taxes is merely a necessary part of the administration of our tax laws -- in fact, an essential corollary of any tax system founded upon the "payment first" principle so frequently discussed. It must not be forgotten that our federal tax collection system is founded upon the doctrine that taxpayers may be compelled to pay the amount government officials determine to be due, with no opportunity until after payment for a review of that determination. It is vital, and the interests of tax-

payers and the public generally properly demand as a necessary protection, that when that review is afforded, whether it be administrative or judicial, the decision be carried out without undue delay.

The Executive Order and the Regulations are as follows:

EXECUTIVE ORDER

Publication of Internal Revenue Tax Refund Decisions

Pursuant to the provisions of section 55 of the Revenue Act of 1928 and section 257 of the Revenue Act of 1926, it is hereby ordered that decisions of the Commissioner of Internal Revenue allowing a refund, credit, or abatement of income, war-profits, excess-profits, estate, or gift taxes, in excess of \$20,000, shall be open to inspection in accordance, and upon compliance, with the regulations prescribed by the Secretary of the Treasury and approved by me, bearing even date herewith.

HERBERT HOOVER

The White House
March 14, 1929.

(T. D. _____)

Amending T. D. 3856 - Publication of Internal Revenue Tax
Refund Decisions

TREASURY DEPARTMENT,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE AND OTHERS CONCERNED:

T.D. 3856, as amended, (being regulations prescribed by the Secretary and approved by the President and applicable to the inspection of returns under the Revenue Act of 1928 and prior Revenue Acts) is amended by adding

at the end thereof the following new paragraph:

"20. The Commissioner of Internal Revenue shall cause to be prepared a written decision in every case in which an overassessment (whether resulting in a refund, credit, or abatement) of an income, war-profits, excess-profits, estate, or gift tax is allowed, in excess of \$20,000, and such decision shall be considered a public record and shall be open to inspection, during regular hours of business, in the office of the Commissioner of Internal Revenue or such office as he may designate. Such decision shall give the amount of the overassessment and shall be accompanied by a brief summary of the relevant facts and a citation of the authorities applicable thereto, or, in a case in which a decision of a court or of the Board of Tax Appeals has become final, by a citation of the court or Board decision. Under no circumstances shall the provisions of this paragraph be construed as making any return, or any part thereof, open to inspection, or as authorizing the source of any income, gains, or profits, or the specific transactions resulting in losses or expenditures, to be made public; nor shall any of the information contained in any return or relating thereto be made public except in accordance with, and to the extent necessary in carrying out, these regulations."

A. W. MELLON

Secretary of the Treasury.

Approved:
March 14, 1929.

HERBERT HOOVER
The White House.

Treasury Department

For release, morning papers,
March 31, 1929, or when
delivered.

TREASURY POLICIES

Speech of

Honorable A. W. Mellon

Secretary of the Treasury

from Station W M A L, Washington,
as part of the National Radio Forum
arranged by the Washington Star and
sponsored by the Columbia Broadcasting System.

March 30, 1929.

Treasury Policies

In this country tradition plays an important part in government. In the conduct of business, on the other hand, we are singularly free as a people from being hampered by precedent. If a bridge must be built or a new process developed or an industry established, we find the best and quickest way to do it and are not concerned because it was never done that way before. It is this initiative in blazing new trails, this enterprise in overcoming difficulties, that have made America great.

But in the conduct of government we have been slow, and rightly so, in introducing innovations. We have changed somewhat and can still improve the structure of governmental machinery, especially in the coordination of related or overlapping activities. In so far, however, as fundamental policies are concerned, they have been based, and are based today, on certain guiding principles which, with the passage of time, have assumed the force of great traditions.

This is particularly true as regards our financial policies. These policies are few in number and may be easily enumerated. One is the keeping of expenditures always within the revenues. Another is the payment of the Public Debt. A third is the levy of the lowest taxes consistent with the Government's needs; and still another is the support of the Public Credit so that the financial integrity of the Government shall be a rock amidst the fluctuations of internal and world finance.

It is of these policies that I wish to speak. They are of general interest because the business of Government has become so vast in extent and is so far-reaching in its influence that the manner in which it is conducted is of vital concern to every man, woman and child in the country.

In so far as keeping down expenditures is concerned, we have always believed that they should be kept within our revenues, and that the piling up of debts for current expenses, except in time of war, is strictly to be avoided. But before the establishment of the Budget System eight years ago, there was no way of knowing what our expenditures would be. Each Department went to Congress and secured whatever it could in the way of appropriations. Since the Budget System was established, however, Congress has recognized the importance of a balanced budget and has adhered strictly to the policy of keeping appropriations well within the Budget estimates.

Turning now to the question of debt payment: no other part of our financial policy has been more consistently maintained than that providing for the prompt payment of the public debt. Even in the early days, after the Revolutionary War, when a debt of 50 million dollars with an interest charge of less than 5 million dollars a year constituted a problem of the first magnitude, the newly formed government, with its slender resources and inadequate financial machinery, set about paying its debts. The same thing was true after the Civil War. After the World War this policy was continued and has been responsible for much of the progress made in paying off the debt.

Today that debt has been reduced to manageable proportions and about three hundred million dollars a year saved in interest charges. Eventually, as the debt is paid off entirely, this drain on our revenues will be removed and we can look forward then to a very great reduction in taxes.

Already taxes have been restored to a peace-time level. Over two million individuals, in the lowest brackets, have been relieved of all liability for Federal income taxes, and the substitution of moderate rates

for excessive ones has benefited all along the line. Productive business, by being relieved of oppressive rates, has found it possible to expand in an orderly manner. As a result, prosperity has become more general; the national income has increased; and, during the year 1928 which set a new record for prosperity, the Government received revenues adequate for its needs, even with lower rates and fewer tax payers.

This is progress in the right direction. There is still much that can be done and should be done when revenues show sufficient permanent increase. At present there is a growing demand for further reductions in taxes on earned income. It is a position with which I have always been in sympathy, as is evidenced by the recommendations which the Treasury made to Congress as long ago as November, 1923. At that time the Treasury said:

"The fairness of taxing more lightly income from wages, salaries and professional services than the income from a business or from investment is beyond question. In the first case, the income is uncertain and limited in duration; sickness or death destroys it and old age diminishes it. In the other the source of income continues; it may be disposed of during a man's life and it descends to his heirs."

The Treasury is still of this opinion and will be glad to see these principles still further carried into law whenever revenues justify such action.

Another place where progress can be made is in the administration of the tax laws. As a business man, I realize how the average man and woman throughout the country view these laws. I know with what impatience you face the long and tedious business of making out your income tax return each year. The form which you must fill out doubtless seems unduly long and complicated; and it is not unreasonable that you should ask, first, why the law can not be simplified, and secondly, why the return can not be reduced to a few short, simple questions and answers.

Believe me when I say that the Treasury appreciates and sympathizes with that point of view. But there is an answer to each of these questions and the first one is that, if the tax laws are to cover all the intricacies of modern business, then these laws must, of necessity, be technical in their provisions. Suppose, for example, that for the present law we should substitute the simple statement that "all income shall be taxable" at given rates, without any attempt to define the word "income" and ignoring all such complicated and unpleasant matters as exemptions, credits and deductions. What would happen? Neither the Treasury nor the taxpayer would know, for example, whether business expenses were deductible or whether a particular transaction gave rise to taxable gain. The result would be that they would be obliged to go into the Courts to determine tax liabilities. True simplicity can be attained not by omitting vitally necessary statements and definitions, but by making them as clear and brief as possible. If such statements are omitted in the name of simplicity, we may perhaps secure brevity, but it will not be true simplicity.

Now for the second question. An attempt is made each year to simplify the tax return; and it might be possible to shorten it still further and to make it seem less formidable if it were not necessary for one form to cover such a variety of cases. The real opportunity for improvement lies in simplifying the administration of the tax laws; and this the Treasury is making a determined effort to do. The Government is trying to settle each tax case promptly and finally and with due regard to the interests of both the Government and the taxpayer. The progress which has been made in this direction is encouraging.

It was the general rule in both State and Federal taxation that, if a dispute arose over the amount to be paid, the dispute was not allowed to postpone payments. This rule has been relaxed by the creation of the Board of Tax Appeals, where the taxpayer can litigate all claims for additional taxes before payment is required in the ordinary case. If, however, the taxpayer prefers to have recourse to the Federal Courts, then he must pay before bringing suit.

But this does not mean that the Government should keep money to which it is not entitled. If the taxpayer is dissatisfied with the amount he has paid, either upon his original return or as determined by the Commissioner of Internal Revenue, a responsible and conscientious official of the Treasury, who has the assistance of expert technical and legal advice, then the taxpayer may claim a refund and eventually go to the Courts, if necessary. It is worthy of note, however, in administering this difficult law, and particularly the excess profits taxes levied during the war period, that so small a part of the taxes paid have had to be refunded.

Since 1917 the Bureau of Internal Revenue has collected almost 39 billion dollars and has assessed more than 4 billion dollars of back taxes. During this time it has refunded less than one billion dollars or approximately $2\frac{1}{2}$ per cent of the amount collected, notwithstanding the large amounts refunded under interpretative Court decisions or because of retroactive legislation or under provisions of the law which can be administered only through refunds. Even the credits and abatements allowed since 1922 have amounted to less than 2 billion dollars. It is a record of efficiency that would be hard to equal. And yet responsible public officials, while not charging dishonesty, have attempted to discredit this record because occasionally a refund of several million dollars has been made to a single taxpayer. They neglect to state that the taxes paid by such individuals or corporations often run into the hundreds of millions, of which only a small part is ever refunded.

Honest criticism, of course, is desirable and makes for efficiency in government. But it should be constructive criticism and not made in such a way as to increase the difficulties of administering a law as to which large responsibilities for administration must be vested in and assumed by the officials charged with its enforcement. Responsibility must be placed somewhere. I am convinced that the enforcement of the tax laws must, of necessity, remain an administrative problem, not a legalistic one, and that any policy of administration, which shuns such responsibility by transferring the problem to the Courts for solution, endangers not only the law but the very existence of the income tax.

The Treasury has not and will not evade its responsibilities in this respect. It is in furtherance of its policy never to endanger the integrity of the Income Tax that it has maintained a consistent attitude with respect to the so-called "tax publicity" question. The Treasury policy has always been that tax returns, and the information disclosed therein, should under no circumstances be open to public inspection. This policy is based upon the principle that taxpayers should be permitted to contribute their share of the revenue necessities of the Government without subjecting their business affairs to the scrutiny of their competitors, the idly curious, the solicitors of contributions, and unscrupulous practitioners seeking out possible future clients.

This policy is not affected by the Regulations recently issued by the Treasury providing for the publication of refund decisions. What will be published will be a brief summary of the relevant facts and a citation of the statutory and applicable judicial authorities. It is believed that the publication of such decisions will remove any possible grounds for misunderstanding or for loose and unfounded charges that the decisions of the Commissioner of Internal Revenue are not made in accordance with law.

Now as regards the Public Credit: it has been the aim of the Government to carry on its own financial operations with the least possible disturbance either to business or to the individuals of the country. Fortunately, in recent years, we have evolved the machinery to do this. And yet there was a time not so very long ago, during the Spanish-American War, when, in order to float a bond issue of only 200 million dollars, the market had to be prepared and the operation carried through with the greatest care.

Compare the difficulty of that relatively small undertaking with the ease with which the Government's vast financial operations can be carried on today. Last year these operations involved more than 10 billion dollars. Within a twelve month period the Government collected over 4 billion dollars, chiefly from customs duties and income taxes. It paid out a like amount; and, in addition to this, made provision for the Third Liberty Loan which came due in September and amounted, at the time refunding operations commenced, to over 2 billion dollars. The Treasury was obliged to produce funds with which to pay off this loan, or else exchange part of it for other obligations bearing lower rates of interest and coming due at some convenient time in the future.

It would have been difficult to do this, or even to carry on the Government's usual quarterly financing, without some such machinery as that provided by the Federal Reserve System. This may be seen by reviewing briefly how such quarterly financing is done. The principal source of Government funds is from tax payments, made on quarterly tax payment dates on the 15th of March, June, September and December and deposited to the credit of the Government with the Federal Reserve Banks. If these payments were permitted to remain in the Federal Reserve Banks, outside the ordinary channels of trade until needed for Government expenditures, there would be a stringency in the money market every quarter until the money was distributed to the commercial banks of the country.

So what the Government does to avoid this situation, is to sell short-term notes or certificates timed to mature on quarterly tax-payment dates; and the proceeds, generally speaking, are left on deposit at interest with the subscribing banks to be withdrawn into the Federal Reserve Banks from time to time as needed during the succeeding quarter for the Government's current expenditures. When the tax payments are received, they are used to pay off in whole or in part these certificates or notes maturing on the same date; and, in this way, transactions often involving half a billion dollars or more on each side, are cleared through the banks in the course of a few days without involving the withdrawal of these vast sums from general circulation even for a single day. If the tax payments and other receipts should exceed the amounts needed for expenditures for any three months' period, this surplus can always be profitably applied in reduction of the public debt. By the use of the method which I have just described, the Government is enabled to carry on its financial operations with the least possible disturbance to the business life of the country.

Such, in brief outline, are the Government's financial policies. They still conform, as you see, to the traditions established when the Government was first founded. We can not do better than to follow those traditions and to make sure that, in fundamental matters, our actions square with those great, immutable principles which our forefathers, with such consummate wisdom, made a part of the very structure of our Government.

TREASURY DEPARTMENT

78
FOR RELEASE, MORNING PAPERS,
Monday, April 15, 1929.

The Treasury has received so many inquiries regarding the plans for the erection of Government buildings here and also for the development of the Mall and other parts of Washington, that it has seemed desirable to report progress. In order to accomplish this a meeting will be held on Thursday evening, April 25th, in the Council Chamber of the United States Chamber of Commerce, which has been tendered for use on this occasion. It will be in the nature of an official meeting, to which invitations will be sent to the President, the Vice President, the Cabinet, the United States Supreme Court, the Senate and House of Representatives, the Fine Arts Commission and the National Capital Park and Planning Commission. The wife of each official will also be invited. Owing to the limited capacity of the hall, cards can be issued only to the above officials. The only additional guests will be the members of the American Institute of Architects, then holding its annual meeting in Washington.

The new model, which has just been completed, of the Government buildings to be erected in the Pennsylvania Avenue Triangle from Fifteenth Street to the Capitol, will be exhibited for the first time, and a motion picture film of "The City of Washington," which has been specially made for the occasion, will be shown.

Secretary Mellon will act as presiding officer. Speeches will be made on subjects relating to the development of Washington by President Hoover, Senator Smoot, Congressman Richard N. Elliott, and Mr. Milton B. Medary of Philadelphia, who is a member of the National Capital Park and Planning Commission. The entire proceedings will be broadcast over a nation-wide radio chain, and during the evening the Marine Band Orchestra will play.

In connection with the bills to-day introduced by Senator Smoot and Representative Hawley authorizing the Treasury Department to sell Treasury bills on a discount basis, Secretary Mellon made the following statement:

The present method of financing the requirements of the United States Government was developed as a war measure, and not only served admirably in financing war-time expenditures but has continued to function satisfactorily up to the present time. The Treasury Department believes, however, that in so far as short-term financing is concerned, certain modifications are desirable in the interest of greater economy and of closer adjustment of current borrowings to the immediate needs of the Government.

Generally speaking, short-term financing of the Government is carried on by means of Treasury certificates, with maturities of from three to twelve months, issued quarterly on tax-payment dates and maturing on tax-payment dates. These certificates serve a three-fold purpose: They maintain a part of the outstanding war debt in the form of short-term securities, which, on the whole, has been advantageous from the standpoint of interest charges. They provide the necessary funds to meet the current obligations of the Government. Since their maturities coincide with the period during which very heavy tax payments are received, they furnish an effective instrument for preventing heavy withdrawal of funds from the market, with a consequent serious disturbance every quarter date.

It is not the purpose of the Treasury Department to dispense with this system, to which our people have become accustomed and which has functioned smoothly and efficiently, but rather to correct certain defects which have developed and to supplement it in such a way as will decrease the cost of financing and adjust it more closely to the needs of the Government.

The defects may be briefly described as follows:

1. Since the Government borrows only four times a year, the funds are borrowed in advance of the actual requirements, and the interest cost on such borrowings has exceeded the interest received on idle Government deposits. Thus, for instance, the Government borrows on the 15th of March the funds

necessary to meet certain definite obligations on the 15th of April and there is necessarily a thirty-day interest loss on the funds borrowed. If, however, the Treasury sold bills on the 15th of April rather than certificates on a deposit credit basis on the 15th of March, the saving would be immediate and substantial.

2. While the maturing of securities today synchronizes in a general way with the collection of income taxes, in practice the redemption of these securities proceeds more rapidly than income tax checks can be collected. Consequently at every tax period there is a temporary excess of Treasury disbursements, which necessitates temporary certificates of indebtedness issued to cover over-drafts at the Federal Reserve Banks, on which the Treasury Department pays interest in addition to the interest paid on the newly issued securities.

3. Under the present system where certificates are issued bearing a fixed coupon rate, the Treasury Department is confronted with the difficult task of accurately adjusting the interest rate to current market conditions, and while the Department has been successful in doing this with great accuracy, nevertheless it would be more desirable to have the market itself fix the rate by competitive bidding.

The Treasury Department, therefore, suggests that the necessary legislative authority be obtained to permit the Treasury to sell short-term bills, with a maturity not greater than a year, on a discount basis, thus furnishing the Government with a new and more flexible type of security. Such Treasury bills would be sold from time to time in the market whenever funds were needed for cash on a discount basis at the lowest rates bid by prospective purchasers. It is not the purpose of the Treasury Department, however, to discontinue the present depository method or system of short-term financing, but rather to supplement it with the new system, using both as may prove to be most advantageous to the interests of the Government.

Several important advantages may be expected to follow the adoption of this new form of Treasury obligation:

1. Competitive bidding for these bills should enable the Treasury to get the lowest discount rates consistent with current market conditions.

2. The sale of these securities could be timed to coincide almost exactly with the need for funds, thus saving the interest on money borrowed ahead of requirements.

3. Maturities could be timed to correspond closely to the actual collection of income taxes and not all made to fall on the nominal date of tax payments, as at present.

4. They would enable the Treasury to take advantage of periods of seasonal ease for the sale of Treasury bills rather than, as sometimes occurs, compel the Treasury to offer a large issue of securities during a period of temporary stringency and high money rates.

5. The banks and the investing public would be furnished with a new instrument for the investing of temporary surplus funds, with frequent and convenient maturities.

Treasury Department

82
For release, afternoon papers,
Wednesday, April 24, 1929.

Owing to inability, on account of the size of the hall, to supply extra tickets for the meeting to be held on Thursday, April 25th, at the United States Chamber of Commerce, and also because of the fact that some persons can not be present at that meeting, Secretary Mellon has arranged a second meeting to be held on the following evening, Friday, at the Chamber of Commerce Building at 8:30 o'clock. At this meeting Honorable Charles Moore, Chairman of the Fine Arts Commission, will preside, and the speakers will be Hon. Louis C. Cramton and Hon. A. J. Montague of the House of Representatives, Mr. Edward H. Bennett, Chairman of the Board of Architectural Consultants, Treasury Department, and Major L. E. Atkins, of the District of Columbia Government. The Marine Band Orchestra will play, and following the program of speeches the moving picture film of "The City of Washington" will be shown. This film has been specially made for the occasion under the direction of the Treasury Department. It is the story of the City of Washington from the time when it was founded up to the present and it also deals with the future developments that are now or soon will be under way. It is the first time that a complete story of the City has ever been told with moving pictures. The photography was done by Lawrence Kroger and in the making of the picture various Government departments had a part. The Signal Corps laboratories of the War Department assisted; the motion picture section of the Department of Agriculture furnished its facilities; and the Navy Department has also contributed help. It is expected that the film will be shown in other places following its first presentation here on Thursday and Friday evenings.

TREASURY DEPARTMENT

23
FOR RELEASE, MORNING PAPERS,
THURSDAY, APRIL 25, 1929.

SPEECH TO BE DELIVERED BY HON. OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY,

-before-

THE FORUM OF WASHINGTON CHAPTER, AMERICAN INSTITUTE OF BANKING,
AT THE RALEIGH HOTEL, WASHINGTON,
ON THE EVENING OF APRIL 24, 1929.

Note:

For full text of speech see Subject File: U.S. Sec.--Treasury Bills

HOUSE OF REPRESENTATIVES

94
FOR RELEASE, MORNING PAPERS,
April 26, 1929, or when
delivered.

ADDRESS OF

Honorable Richard N. Elliott,
Chairman, Committee on Public Buildings and Grounds
of the House of Representatives
At the meeting on the development of Washington
held at the United States Chamber of Commerce Building,

Washington

April 25, 1929.

FUTURE RELEASE
OBSERVE DATE

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Washington, the capital of the United States, is the only city in the country that is purely federal in its character. It is governed by the President and the Congress, the citizens having no voice in its government. It is what our forefathers intended it to be, the home of our federal government, and Congress should make it a model city, the greatest capital in the world.

Congress meeting in Philadelphia in 1790 passed an act removing the capital from that city to the District of Columbia, a tract of land containing one hundred square miles of territory which was ceded to the federal government by the States of Maryland and Virginia. It was located at the head of tidewater on the Potomac River, as a compromise between the representatives of the thirteen original states. This was the first act of Congress relating to the capital in its present location. The city was laid out by Major Pierre Charles L'Enfant, a French army engineer, in accordance with the act of Congress and under the supervision and direction of President George Washington. The plat of the city could well be used by any great city planner of today and reflects great credit upon its authors. It was planned to facilitate the movement of troops through the city and its broad avenues extend in every direction, making all parts of the city easy of access from any given point.

While in 1790 the greed of man had not yet been felt in the destruction of nature's great forests and natural parks, which God designed and created for the welfare, pleasure and happiness of the people, the planners of the capital realized that some day there would be great need in this city for parks and breathing places for its inhabitants. They provided the Mall and other parks which form the nucleus of the beautiful park system in the national capital of which we all are justly proud.

The first buildings authorized by Congress were the Capitol, White House and Land Office. After the partial destruction of the Capitol and the White House by the British Army in 1814 these buildings were rebuilt and the Capitol enlarged and extended. The Capitol and the White House have been enlarged from time to time under various acts of Congress and the Capitol assumed its present form shortly before the Civil War when the House and Senate wings were built under the supervision of Jefferson Davis who was then Secretary of War.

Since 1790 Congress has passed various laws providing for the erection of buildings and other improvements in the capital and many plans were suggested and adopted for its improvement and beautification, but no great forward step was taken in the rebuilding of the national capital until Congress passed a public building law of May 25, 1926, which authorized the construction of buildings in the District of Columbia to the amount of fifty

This law was quickly followed by the Triangle bill which authorized the purchase of all the land bounded by Pennsylvania Avenue, Third Street, Missouri Avenue, B Street and Fifteenth Street, N.W. The land is to be cleared of buildings and used for the sites for the magnificent public buildings shown on the model exhibited here tonight. They will be easy of access to the people who have business to contract with the government, a matter that will be highly appreciated by all who have experienced the difficulty we have had to contend with, in the widely scattered bureaus and departments as they are now located. For instance the Department of Agriculture has been occupying space in forty-seven different and widely scattered rented buildings in the District of Columbia; the Bureau of Internal Revenue has occupied space in nineteen buildings; and all departments of the government have been likewise congested. In addition to this the archives of the government, many of them priceless, many of them records on which our glorious history rests, containing the records of the World War soldiers, have of necessity been kept in non fireproof buildings where they have been under grave danger of destruction for many years. Some of the buildings authorized under the terms of the public building law of 1926 are for the Departments of Commerce, Agriculture, Labor, Justice, Bureau of Internal Revenue, Archives Building, and additions to the Government Printing Office and the Bureau of Engraving and Printing. The passage of this act marked an epoch in the history of the public buildings of our country for the reason that it was the beginning of the first comprehensive building program adopted by our government. It not only took into consideration the need for public buildings in the District of Columbia but provided for much needed public buildings throughout continental United States and its dependencies. The sixty-ninth and seventieth Congresses will go down in history as doing more in a constructive way for the remaking of the national capital and the providing of adequate public buildings throughout the country than all of the preceding Congresses had done in this behalf.

Our government under the constitution is divided into three great departments, the legislative, executive and judicial. The Supreme Court has never had a satisfactory or adequate home. After the Senate wing of the capitol was built just before the Civil War the old Senate Chamber was turned over to this great court for a court room and it has held its sessions in that chamber since that time. It is without doubt the greatest court in the world. Its decisions are felt and respected by all our people, most of whom will be surprised to know that the average county seat court in the United States is better housed than is the Supreme Court. Under the terms of the public building act a new Supreme Court House will be erected on the block of ground north of the Con-

gressional Library which will be in keeping with its dignity and importance.

Another important act passed by Congress was the authorization of the Arlington Memorial Bridge which was the dream of Andrew Jackson, President of the United States, who insisted that there should be a bridge of enduring granite spanning the broad bosom of the Potomac as a symbol of the union of the North and the South. Within a short time that dream will be realized in the completion of the great bridge now under construction; and it is a coincidence that the construction work of this great bridge has been done under the supervision of Lieut. Col. U.S. Grant, 3d, a grandson of the late General U.S. Grant. A magnificent boulevard has been authorized connecting the west end of the Arlington Bridge with Mt. Vernon, the home of Washington. B Street is to be widened to the width of one hundred and twenty feet from the Senate Office Building to the Potomac River. Twenty-third Street, N.W. will be widened as far north as Washington Circle. B Street between the government buildings and the Mall will be the great thoroughfare over which processions going from the National Capitol to Arlington Cemetery will travel.

Last but not least is the act of March 4th, 1929, a bill for the enlarging of the capitol grounds. It authorizes the opening of a boulevard from the Columbus Monument, in front of the Union Station, to a point where it will intersect with Pennsylvania Avenue at Second Street, and it provides for the extension of the Capitol Park to the Union Station and removes all of the old buildings therefrom. It is said that the signing of this bill was the last official act of President Calvin Coolidge who was a great friend of all the legislation seeking to improve and rebuild the national capital. His administration will go down in history as marking the beginning of the great reconstructive period in the national capital. The work of constructing these great buildings is placed by law in the hands of the Secretary of the Treasury. Secretary Mellon and his able corps of assistants have been working hard to carry on this great work and complete it at the earliest possible time, and they deserve great praise and credit for the start they have made in carrying out the mandate of Congress. It is well to note that in this time of reconstruction of the national capital we are fortunate in having as chief executive of the nation a man who is a trained engineer and builder, one whose life has been devoted to the handling of large affairs. President Hoover by reason of his great ability and industry will have many constructive achievements to his credit at the end of his administration, and he will no doubt go down in history as the great builder and the monument to his administration will be Washington, the finest capital in the world.

FOR RELEASE, MORNING PAPERS,
APRIL 26, 1929, or when
delivered.

"Making a Capital City"

Address of

Milton B. Medary

Member of the National Capital Park and Planning Commission

at a Meeting on the

Development of the City of Washington

held at the

United States Chamber of Commerce Building

Washington

April 25, 1929.

FUTURE RELEASE
OBSERVE DATE

The physical plan of a city should bear the same relation to the development of its separate elements that a constitution or charter bears to the development of the social and political life of its people. Washington and his advisers recognized this fact and gave us a physical plan with our Constitution. Had they anticipated the chaos and anarchy associated with the physical development of many American cities during the period which followed the early Republic, I am inclined to think they would have provided a Government agency as guardian of the physical plan of Washington in much the same manner as the Supreme Court is called upon to measure the development of social and political institutions in terms of the Constitution.

Such a plan must necessarily be basic and flexible enough to permit the freest development in accordance with the varying conditions of a constantly changing social order, insisting only that all individual elements of a city's growth shall be in harmony with each other and with the whole.

The value of large and farseeing planning is by no means confined to the aesthetic. In considering each project in the development of a city as a part of a grand purpose, great economies result from the avoidance of overlapping interests and the consequent destruction of previous development by the encroachment of newer work, and through the conveniences of use resulting from orderly arrangement of related interests. Each step in such a program gradually but consistently leads in the direction of that true simplicity in the arrangement of the city as a whole which can result only from a singleness of purpose behind all of its physical works.

Without such purpose physical chaos will eventually deprive a city of much of its usefulness as well as its dignity. The period of artistic illiteracy which governed the development of Washington during the period between the

influence of the L'Enfant Plan and the Plan of 1901 well illustrates this point, a notable example being the introduction of railroad tracks and stations in the great park designed by L'Enfant and known as the Mall. The cost and manner of correcting this mistake illustrate both the lack of economy resulting from unguided development and the value to a city of the orderly disposition of its utilities in their true relation to a great basic plan. The great industries of the country never hesitate to scrap entire plants, if badly planned, not for aesthetic reasons but as a necessary measure of economy of production and maintenance, and our universities, hospitals and other large institutions are frequently under the same necessity.

Huge as our country has become and accustomed as we are to large figures, we are often staggered by large plans because of the ultimate cost of their realization. The size and cost of the ultimate realization of the City of Washington as planned by L'Enfant did not seem extravagant to Washington and the group of his advisers who dictated that plan. The infant Republic was in no position to think of its immediate realization, but nevertheless it was planned to be the capital of what Washington believed would be a great nation and in discussing such details of the plan as the size of the White House he stated that the plans were being made for a far-distant future.

The McMillan plan, made in 1900, is after nearly thirty years, only partly realized. It would seem reasonable, therefore, to anticipate a period of twenty-five to fifty years in any comprehensive plans for the future and in doing so they should represent the normal annual development multiplied by 25 or 50 without implying any increase in normal average expenditure.

This much farsight at least would be required to insure against the destruction in one decade of what had been built in an earlier one while at the same time paving the way to ultimate results not possible in individual projects. The cost of public works is largely a state of mind, and, while we are accustomed

to the costs of naval vessels and great reclamation works, we are not accustomed to compare the cost of the Capitol on the hill, symbolizing the whole Nation, with the cost of single units in a naval program, or to the thought that a dozen navies have been built and scrapped while the Capitol has been serving the Nation, and that it stands today, as through its whole history, one of the notable buildings of the world.

Turning for a moment to the model of the departmental buildings as exhibited here tonight - the line of buildings facing on B Street and continued west beyond the Monument toward the river would cost much less than a line of warships of the same length and would outlive them by more than a century. Or, as another example, the cost of the two aeroplane carriers recently constructed would more than build and equip all of the buildings in the Triangle.

A National Capital or a Federal City has stood as a challenge to the American people ever since provision was made for it in the Constitution and since L'Enfant crystallized in a definite form the vision of Washington and his associates of a city belonging to and typifying the whole Nation, independent of any of the States, a plan so farseeing that the early structures, which were planned in harmony with its spirit, although surrounded for years with thoughtless development, maintain their places as dominating elements in the original plan or in any worthy plan conception of today, and affirm the judgment of L'Enfant in fitting the proposed city to the topography of the site.

An era of rapid development is the usual explanation of the lack of vision which characterized the development of Washington after the period of the early Republic. The renewed interest in the National Capital which has followed the Plan of 1901 indicates however that rapid development offers no excuse but rather demands greater vision. The Plan of 1901 made it clear that what was envisioned and physically begun by the Founders of the Nation was the only basis upon which it can consistently develop into a great and beautiful capital.

Perhaps it was because there was no complicated group of local city interests to confuse the vision of its Founders, and because in their minds there must have been a firm intention that such interests when they came should always be secondary and kept in their true relation to the national character of the City, that the construction of all the early public works was begun with the plans of L'Enfant taken for granted and apparently without the suspicion that they would be forgotten and ignored. It would seem wise for us to think of the Washington of the future as it was thought of by its Founders and in all public works or legislation affecting the City to have in mind the dignity and distinction of its ultimate character as a national city distinguished from the great commercial cities which justly and fittingly express their raison d'etre, each in its own way. There should be no conflicting national and local interests; as the Capitol on the hill is the Nation's Capitol so the City must always be the Nation's City. It was founded for this purpose, and its construction nobly begun and its future left in faith and trust to the successors of the Founders. Washington is the place where it seems to me more than anywhere else all the men who have loved this Country and planned great things for it and had visions of its greatness and power live today in the life they have put into it.

The costs of building and maintaining a Nation's Capital have been the subject of much controversy and it is not my purpose to discuss the merits of the many suggestions which have been offered, but I believe the effect upon the character of the Capital of the application of certain principles demands careful consideration. Washington should not only be the seat of the National Government, but should also invite as its guests the national organizations having to do with the arts and sciences and the cultural and spiritual elements of life. If the Capital is to become the cultural center of the Nation, the housing of such interests requires the creation and maintenance of streets and

utilities, police and fire protection, and many other obligations of a city government, and it would seem as if a plan could reasonably be devised by which the national and local interests could be definitely segregated permitting the Capital to be built as generously as it may wish of the love of a whole Nation, without complication with the finances of the District, reaffirming the original hope that Washington should never become a competitor of the commercial and industrial centers of the country.

Frequent reference has been made to the L'Enfant Plan, and so much has been said concerning it that it seems important to discuss those elements which make it applicable to the present time and not merely an interesting historic document. Its greatness lies in its simplicity and in its development to the utmost of the topography of the District.

With the Capitol placed upon the hill a great park extends westward to the river, thus giving the Capitol major importance for all time. The center of this park was planned as an open Mall dominated by the dome of the Capitol. From the center of the dome great arterial avenues radiated in all directions each of which led up to and in turn was dominated by the dome, thus radiating the influence of the Capitol to all parts of the City, and in turn leading all parts of the City up to the Capitol. The same arrangement focused upon the President's House which also had its own great park, though of lesser importance in the plan, leading southward to the Mall. The intersection of the great diagonal avenues offered minor focal points as ideal locations for memorials of the Nation's history. Lying between these great thoroughfares a network of smaller streets offered access to individual properties not exposed to the confusion of the heavier traffic on the main arteries. This is a controlling principle sought today in all modern planning and zoning regulations.

The flexibility of the L'Enfant Plan is best illustrated by the fact that many developments of the present day, undreamed of in L'Enfant's time, find their

best expression by conformity with the greater elements of his plan. As a specific illustration, the Department of Commerce, now building, houses one of the greatest activities of the Federal Government and is a structure of such great size that it would be a dominating element in any large city. Every apartment within this building has been designed to meet the requirements of the particular work which will be housed in it. These apartments have been assembled into a great building and take their relative places within it. The building itself, however, becomes merely a unit in a greater project known as the Triangle Development. The name "Triangle" is merely an acknowledgment of the L'Enfant Plan and represents the triangular space lying between Pennsylvania Avenue, radiating from the Capitol toward the northwest, and the boundaries of the Mall, running directly west from the Capitol grounds. This larger unit in itself recognizes the greater plan and has been designed to create a monumental and effective separation of B Street and Pennsylvania Avenue at the apex of the Triangle and to make a fitting closure of the cross vista from the Mall to the Department of Justice building. It gives a facade to Pennsylvania Avenue worthy of the importance of that thoroughfare, and creates on B Street a part of the great frame of the Mall envisioned by L'Enfant, holding the City back from the great central motif in which the Nation's tributes to Washington and Lincoln are enshrined as no other location, however commanding, could enshrine them. Imagine these same two monuments erected anywhere in the built-up part of the City and deprived of their reverent isolation!

By the application of the principle that, no matter how important the project, it must take its place in the treatment of the whole, it has been possible to make every office in the proposed group of departmental buildings not only serve its own purpose in the most efficient way but do its part in paying homage to the great central motif of the City and to the majestic simplicity of the L'Enfant Plan. This treatment points the way for the location and design of such

buildings as will be needed in the future to the west of the Monument, and for the completion of the frame on the south side of the Mall.

At the present time the Mall is marred by the temporary buildings erected during the War. The Munitions and Navy buildings should be removed and their functions housed on the north side of B Street. They now occupy a site originally planted with trees, and during the ten years since the War the balancing trees on the south side have grown to such size that it will be many years before a new planting on the north side, on the site of these buildings, can re-establish the balance necessary to the setting of the Lincoln Memorial. President Lincoln's action in completing the dome of the Capitol during the stress of the Civil War is a significant challenge to the continued obstruction of the park leading up to the Capitol by these war structures.

The Smithsonian Group should be studied in order that its future constructions from time to time will ultimately give it its true relation to the L'Enfant Plan, one of its units, the Freer Gallery, having already been so placed.

Another interesting illustration of the multiplied values resulting from good planning is the proposed development of a municipal group at John Marshall Place. There is no more beautiful example of early republican architecture in the country than the District Court House now somewhat lost in Judiciary Square and seen by the casual visitor only by accident. By the wise choice of a site and the understanding manner of the planning and designing of the proposed structures, this group, without adding anything to the bulk or cost of its buildings, will frame a portion of the north side of Pennsylvania Avenue, will open a splendid vista through to the Court House bringing this ancient building directly into the main plan of the City, and create a monumental frontage for the south side of Judiciary Square, while in turn the old Court House will add its distinction to the municipal group by occupying the end of its principal court, much as the Madeleine is seen when looking from the Place de la Concorde.

It was for these reasons that the MacMillan Commission, after an exhaustive study of the problems confronting the City in 1900, determined that no plan of the City could be devised which would ensure a nobler future than that prepared by Major L'Enfant in collaboration with Washington and Jefferson. This Commission reaffirmed that plan and extended it to meet the many new conditions which had asserted themselves and modified it only where original opportunities had been permanently lost.

Many of the proposals of the Plan of 1901 for park extensions and buildings locations have not been realized and some of them are no longer available. Other great assets of the Capital pointed out in that plan are still available but may not long remain so. I have in mind the development of the great scenic region extending from Potomac Park up to and including the Great Falls of the Potomac. The lower portion of the river is now happily made available by the legislation creating Mount Vernon Boulevard. With a park development extending from this boulevard up to and including the Falls, Washington would have a river park unrivalled by any of the world's capitals. The project of the Fort Drive connecting the ring of Civil War forts occupying the heights around the City is rapidly becoming almost impossible of realization.

On the other hand much that was proposed by the report and Plan of 1901 has been realized, some of it, notably the railroad situation, in spite of what might have been regarded as insurmountable obstacles. The greatness of the plan for the Mall, in its ultimate simple dignity, appealed to the imagination of the then president of the Pennsylvania Railroad and resulted in clearing the way for a realization of the Plan not only in the development of the Mall but in the creation of a great gateway to the City in the form of the Union Station and plaza as now constructed, and the development of the land from the station to the Capitol as now authorized.

The extension of the Mall and the location of the Lincoln Memorial represent additions to the original plan of elements unknown at the time of its creation, while the Memorial Bridge, connecting the heart of the City with the memories of the Nation's dead at Arlington, completes the greater central motif of the Plan of 1901 now approaching realization. The Grant and Meade memorials in Union Plaza ensure the development of the head of the Mall as planned and the removal of the temporary war buildings will make possible the opening of the Mall from the Capitol to the Monument. From the Monument to the Lincoln Memorial, the plan has been realized and the Arlington Bridge is well under construction. The Washington Monument Gardens remain to be treated as a part of the Mall scheme and of the intersection of the White House axis with that of the Mall. It had been hoped that this might be a project inaugurated in connection with Washington's 200th Birthday.

B Street North was planned as a great ceremonial street, over which corteges might pass, from the dome of the Capitol to the Arlington National Cemetery. This also has been provided for and should be realized in the near future.

The proposal that the gardens of the Mall should include buildings of the museum type has been partly realized by the location of the National Museum and the Freer Gallery.

The proposal that a legislative group should be created around Capitol Square and an executive group about Lafayette Square has been partly realized in the creation of the Senate and House Office Buildings and the proposed additional House Office Building. The Supreme Court has also been authorized in the location proposed. Rock Creek Park has been enlarged and extended, Potomac Park largely realized, and work on the Anacostia Park begun. All of these projects have taken their places as elements of one great plan and would have lost much of their significance if treated as unrelated units like the Interior Department Building.

The buildings of the early Republic were models of good taste, sound design, and beauty of mass, proportion and detail. These buildings represented a standard unsurpassed in any of the private or semi-public work throughout the country. Jefferson's interest in architecture is historic and his doctrine of the obligation of the Government to set an example in the arts of design governed the early development of the National Capital and should find expression today in all the works of the Federal Government.

In addition to the obligation of the Federal and District governments, the obligation to maintain an appropriate character of the City extends to owners of private property. In this connection we learn of another of the many examples of President Washington's wisdom and vision. In the original terms governing the building of the Capital he made the design and materials of construction of private structures subject to such regulations as might be thought necessary to ensure their appropriateness. Unhappily this control has long since been relinquished but it is a matter for congratulation that the legislation recently proposed for re-establishment of such control has received the almost unanimous approval of the citizens of Washington and it is to be hoped that before long such legislation may be enacted into law.

Our National forests and parks witness our faith that the beauty of woodland and meadow are as necessary to a wholesome national life as their material products. The building of our national Capital should witness the same faith.

In closing, let me again repeat and leave with you the statement that no city can have dignity, beauty and distinction, or be a great city in the best sense of the word unless its every element is an appropriate part of a greater whole.

The Plan of 1901 has never been officially adopted; its intrinsic merit has given it force and carried conviction. Since 1901 the National Commission of

Fine Arts has been created and more recently the National Capital Park and Planning Commission. These two agencies have been governed in their advice and decisions on all individual projects by the relation such projects bear to the City as one great unit.

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UNITED STATES SENATE

FOR RELEASE, MORNING PAPERS,
APRIL 26, 1929, or when
delivered.

"Appropriations for Public Buildings."

Address of

Honorable Reed Smoot,

Chairman of the Public Buildings Commission,

at a Meeting on the

Development of the City of Washington

held at the

United States Chamber of Commerce Building

Washington

April 25, 1929.

FUTURE RELEASE
OBSERVE DATE

The President has told you of the great importance of the work on which we are engaged in building a beautiful capital city. Now, I want, in a very few words, to tell you of the ways and means by which we hope to accomplish it.

For a quarter of a century I have had a desire and unfailing faith that I would see Washington, America's Capital City, the most beautiful city in the world. The realization of this desire and faith is near at hand. I call to mind that the late Senator Heyburn and myself, twenty-one years ago, thought the time had arrived to purchase the privately owned land in the triangle and had in mind the beginning of the erection of buildings to supply the needs of the Government, thus making it the center of the nation's activities. Senator Heyburn exhibited drawings of a type of building he thought ought to be approved.

An appropriation of \$10,000,000 was asked for the purchase of the land. This vast sum asked for at that time was the death knell of the plan. For one I am thankful it failed for if it had succeeded we would never have had anything to compare with the plans now fully under way. A Twenty Million appropriation in 1908 is fairly comparable with 200 Millions today, the amount that will be required to complete the present triangle building program.

Congress has already authorized \$75,000,000 for public buildings in the District of Columbia. Of this amount \$50,000,000 is to be used for construction of buildings and \$25,000,000 for the acquisition of land on which these buildings are to be erected. Most of this latter sum will be spent in acquiring land in the so-called Triangle Area, extending along Pennsylvania Avenue from Fifteenth Street to the Capitol and bounded on the south side by the Mall. The former sum of \$50,000,000 will include a site which has already been purchased for the Supreme Court Building, facing the Capitol and extending along East Capitol Street, covering an area approximating that of the Congressional Library on the south side of the street. A commission, of which the Chief Justice is Chairman, is now securing a design for the building.

As regards acquiring sites, there are twenty-three city blocks involved and of this number four have been purchased, nine are now in process of condemnation, and condemnation proceedings will be started for six within the next month. This leaves only four blocks yet to be appropriated for, and it is expected that, shortly after the next regular session of Congress convenes, an appropriation will be made to complete the purchase of the land in question.

Now for the buildings; Under the \$50,000,000 authorization, \$43,500,000 will be expended for construction, the balance to be expended for sites for certain of these projects. Some of this work is now under way. An Administration Building connecting the two existing wings of the Department of Agriculture is being built at a cost of \$2,000,000. The Agricultural Department will also have another building to be constructed shortly on the south side of the Administration Building, containing a number of laboratories and housing many activities now scattered in other buildings.

An extension to the Government Printing Office will be made at a cost of \$1,250,000. A beautiful building for the Bureau of Internal Revenue is being built at a cost of \$10,000,000. This building will be a part of the Triangle Development and will cover the area bounded by Tenth, Twelfth, B and C Streets North West. It is expected that this building will be completed in a little over two years. It will house all the activities of the Internal Revenue Bureau now so widely scattered throughout the City.

A building for the Department of Commerce is being erected at a cost of \$17,500,000. It is the largest building that will be constructed in the Triangle Area and will be over one thousand feet in length along Fifteenth Street, and will extend from the Mall to Pennsylvania Avenue and Fourteenth Street.

An Archives Building has been authorized at a limit of cost of \$8,750,000. This will be one of the most important buildings in the Triangle group. It

will house the archives and valuable records of the Government which are now scattered in many buildings, some of which are not fire-proof.

Designs are being made for other buildings in the Triangle group, for the Departments of Justice and Labor and the Interstate Commerce Commission and other independent establishments, as you will see by a model of these buildings on view in the adjoining room. When finally completed, the Triangle Area will contain a most magnificent group of buildings. These buildings, by grouping together related governmental activities, will greatly add to the convenience of those doing business with the Government. They will also make it possible to operate the Government more efficiently and, in the end, more economically by putting an end to the large rent bill which the Government is now paying for offices to house the Departments of Justice, Labor, Commerce, and others.

In addition to the Triangle project, it is expected that additional accommodations will be provided for the Legislative Branch of the Government by constructing an addition to the House Office Building on the south side of the the Capitol, at an estimated cost of \$7,500,000; and by enlarging the Senate Office Building, thus completing the quadrangle of which the present building forms three sides, - the cost of which is not established but will probably be somewhat over \$2,000,000.

An appropriation of \$4,912,414 has been authorized for completing the park between the Capitol and the Union Station and also carrying out the long delayed plans for the development of the Mall. At the western end of the Mall the Arlington Memorial Bridge is now under way, and when finally completed will represent a total cost of \$14,750,000. This will include, besides the bridge, the construction of a plaza west of the Lincoln Memorial, the improvement of Columbia Island in the Potomac, a formal terraced avenue on the Virginia side leading to Arlington Cemetery, and the widening of several streets in Washington to give suitable approach to the Bridge.

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All of these plans, when carried out, will add greatly to the convenience and beauty of the city. They will not involve a very great outlay each year. For the great Triangle Development, it has been estimated that only \$11,000,000 will be expended this year, and next year only \$24,000,000.

The plans have been carefully made and will, I believe, meet general approval. I am a strong believer in the necessity of carrying forward this great work in an orderly and systematic manner and am confident that, in so doing, we will merit the thanks and approbation of future generations who will come here to view the work which we have done.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
APRIL 26, 1929, or when
delivered.

SPEECH OF
HONORABLE A. W. MELLON
SECRETARY OF THE TREASURY
AT THE MEETING ON THE
DEVELOPMENT OF THE CITY OF WASHINGTON
HELD AT THE
UNITED STATES CHAMBER OF COMMERCE BUILDING
WASHINGTON
APRIL 25, 1929.

UTURE RELEASE
OBSERVE DATE

Tonight History repeats itself. We are met under circumstances almost identical with those under which a meeting was held twenty-five years ago in the old Arlington Hotel, only a short distance from this place. Then, as now, it was a meeting of those representing the Government, and it was held for the purpose of considering plans to make more beautiful the City of Washington.

The principal speaker on that occasion was President Roosevelt. The Congress of the United States was represented by the speeches of Speaker Cannon and others; and Mr. Root, with his great eloquence, championed the cause which he had so much at heart and which he, himself, had done so much to advance.

On that historic occasion, the host was the American Institute of Architects. It is most fitting, therefore, that tonight we should have as our guests the representatives of that great and influential organization, to whose foresight and untiring efforts we owe not only the revival but the preservation and advancement of a plan for the orderly and systematic development of the nation's capital.

The meeting held in 1905 centered attention on the needs of Washington. At the same time it made certain that the future development of the city should conform to a balanced and comprehensive plan, based upon the spacious and dignified ideas of President Washington and Major L'Enfant, with such modifications as might be required to meet modern conditions and the city's growth.

Now we are engaged in trying to carry out those ideas. Conditions have reached a stage where economy demands that the Government's activities should be adequately housed in buildings owned by the Government itself; and, in order to meet this need, Congress has made the necessary appropriations to begin this work and to proceed with certain other plans for the orderly development of

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the city. The responsibility for the condemnation and purchase of sites and the erection of most of these buildings has been placed by Congress on the Treasury Department and has become, therefore, an integral part of Treasury activities.

The placing of these buildings involves a great responsibility, for the proper determination of this question will largely influence the future development of Washington. Before coming to a decision, the Treasury obtained the advice of Mr. Edward H. Bennett of Chicago, a well-known architect, whose efforts have had so much to do with bringing to completion the plans for beautifying his native city. Mr. Bennett was appointed Consulting Architect of the Treasury; and, with a small group of other eminent architects from different parts of the country, has given unstintedly of his services in arriving at a solution of this problem.

These men have come to Washington at frequent intervals and have served without adequate remuneration in helping to work out a plan under which the new buildings shall be grouped and designed in such a way as to contribute in the greatest measure possible to the beauty of Washington. In evolving these plans the Treasury has had the cooperation of the Fine Arts Commission and its able and devoted Chairman, Mr. Moore; with the Capital Park and Planning Commission; the Office of Public Buildings and Parks; and especially with those members of the Senate and House of Representatives who are most directly concerned in this work and who have been so largely responsible for the developments now under way.

All of these developments have been embodied in a comprehensive Plan; and it is this Plan which will be presented to you tonight. We want also to have you view the Model which has been made of public buildings to be erected along Pennsylvania Avenue. This Model is on view tonight in a

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room adjoining the one in which we are now, and will be taken later to the Treasury where it will be left permanently on exhibition for all who care to view it.

It was to place these plans before you and also to make something in the nature of a visual presentation through motion pictures that have been prepared, that we have asked this distinguished audience to come together tonight. I hope that the plans will meet with your approval, so that we can proceed with carrying them out, fortified in the knowledge that we have your sanction and support. I am sure in advance of your deep interest, for it is a work which makes a strong appeal to every one and gives us all an opportunity to do something of permanent value for the country.

No one has taken a deeper interest in this great undertaking than has President Hoover. In all the things that have been done and are now under way, he has given his counsel and support, and behind the plans which have been made for the future he has placed the full force of his Administration. It is a great privilege to have him here tonight, and to have the honor of announcing the President of the United States who will now address you.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
APRIL 27, 1929, or when delivered.

SPEECH OF
 EDWARD H. BENNETT,
 CHAIRMAN, ARCHITECTURAL CONSULTANTS, TREASURY DEPARTMENT,
 AT A MEETING ON THE
 DEVELOPMENT OF THE CITY OF WASHINGTON
 HELD AT THE
 UNITED STATES CHAMBER OF COMMERCE BUILDING
 WASHINGTON
 APRIL 26, 1929.

I am to speak about the development of Washington, with special reference to the areas in which the new departmental and other Government buildings will be placed. This area, roughly speaking, lies between Pennsylvania Avenue and Maryland Avenue, the Capitol and the Monument. I shall refer most specifically in my remarks to the area now known as the "Triangle", between Pennsylvania Avenue and B Street, and, since this whole subject has been so splendidly covered in the speech of the Secretary of the Treasury recently at Pittsburgh, I shall quote in places from his statement.

It is obvious at the start that this, although an element in the plan of Washington, is a very important one in the composition of its plan, and particularly of the plan of the future Washington. I should like to emphasize at the start the orderly relationship of the plan of this great section of land to that of the whole Mall.

"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."

The present gathering meets in a sense to pay a tribute to order, as I see it, a human order, the product of centuries of civilization as expressed in the thoughts of men and the works of their hands. It is not the order of nature so far as one can see. That we may realize by taking a trip out into the cosmos under the guidance of a great scientist like Jeans, Eddington, or our own Milliken. We encounter nebulae, galactic clusters, solar systems, myriad masses of suns and so-called cosmic dust, into the infinite. But spirals, whorls, everywhere! No tangible arrangement as recognized by the cultivated intelligence of the human being.

One returns with a sense of relief to considerations of order as related to the human mind, expressed in its architectural works, and with joy if we can see the beauty of this order and its rhythm. It is an order more nearly related to that natural to the smaller expressions of the creation as evidenced by the structures of crystals, plant life and animal life, the compositions of which all relate to a simple plan in which there are dominant and subordinate elements.

We are this evening to get a glimpse of the beauty of Washington in its past, present and future. To do that we must first see and appreciate the underlying system or order of its great plan.

An architectural plan! We may well rejoice that the original plan was made. Suppose for example there had been no plan of L'Enfant and General Washington. It might easily have been the case as has been the fate of most other great capitals early founded, whose plans have been later rectified, and as in the case of Paris, made superb. Most cities have grown from a congerie of huts, evolved more or less according to the necessities of the situation as controlled by the growing intelligence of the inhabitants. But in the case of Washington enough great precedent had been established - a conscious idea of city planning existed in Europe and very distinctly in the early days of the United States.

The orderly mind of the great Washington saw the necessity of planning ahead of the actual needs and he must have seen the possible beauty of a city planned on formal lines - formal or perhaps more correctly, regular lines. It was essentially a formal age. No doubt life pulsed just as keenly in humanity as today, but it seemed more disciplined and in its social contacts, ordered. Hence the ordered and rhythmic expression of the architecture of the day, and hence, added to the great new outlook in life on a vast continent, the potentiality of which was becoming apparent, the instinctive, if not conscious aim to lay foundations in an orderly and comprehensive manner. Hence the Washington of the past.

The Washington of the present is the expression of the early plan of 1790, stimulated and corrected by the great plan of the Park Commission of 1901 but as yet incomplete in its execution.

The Washington of the future, based on that which has gone before, must be the result of our efforts of today. Let alone, it would end in chaos, as has been demonstrated by some of the attempts ignorantly proposed in violation of the original plan. Given meager support, the final result will be no better than it is today, but given great and concentrated attention and enthusiastic support by the nation through its representatives and that collection of splendid men who are giving their time freely in its interest, officially and unofficially, it will become superb!

That is why tonight we are looking at the plan of Washington, and I hope, with the keenest appreciation of the fact that there was the original plan of the Capital. The perspective we have, the past experience of civilization centering on the original plan, its renewal in the plan of 1901, and today substantial expansion of that plan, an expansion which is also a consolidation.

Through all this development there have been great personalities involved. Most of them are known to you in history. It is my personal desire to acknowledge our good fortune in that the work of today has received not only the support of our leading Executive, but an important part of it has been under the direction of the man who, having had the power to help the realization, had also the vision and desire to do so. I allude, of course, to our great Secretary Mellon.

I hope what I have said will not seem too far afield, because I think it is so important that we should realize that this great group of departmental buildings to which I refer in general outline, is so strongly related to the general composition of the plan of Washington. The main axis of the Triangle group is parallel to the Mall, not yet completed, stretching from the Capitol to the

Lincoln Memorial. The L'Enfant plan did not have compositions lateral to the Mall, although they might well have been incorporated even in that day, as that would have resembled an arrangement of the great eighteenth century French plans from which the plan of Washington was really evolved, the main axis of the Triangle plan has this further justification in precedent. It is traversed by a series of great axes in extension of existing streets. All this can be seen on the plans and diagrams in the moving pictures.

Important as is this group of the Triangle, it must be remembered that similar developments, though not so extensive, are proposed for the south side of the Mall, and in order to complete the picture of this great composition, which will slowly be realized, one must include the planning of the Capitol approach from the Union Station, including the new park area to the north of the Capitol and the magnificent approach from the gateway of the city by the Union Station to the head of the Mall. These plans, if carried out, founded as they are on a great and substantial ideal, should measure up to the requirements of the Capital of this great country.

"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; 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 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. It is intended the 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."

A uniform corner height has been observed, although the architecture is varied. The ground contains seventy acres, and it is upwards of 3,000 feet in length on B Street. There are upwards of one million square feet in the Commerce Building alone. The plazas are actually three in number; that on 12th Street, the circular one, being in a sense the pivot of the composition. In it we have proposed a great commemorative column. The vistas will extend from this circular plaza through into the other plazas, and especially into the Great Plaza, which, in turn, opens through an arched way on to Pennsylvania Avenue and toward the Mall, where it has been suggested shall be placed the National Museum of Art. The vital element binding the entire group is the connection between the two larger plazas. A happy solution adjusted to the scale of both has been found, crowned by a pavilion giving variety to the silhouette of the group.

"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, 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."

To realize the force of this axial arrangement one must see it after dusk. Sounds of the activities of the city are heard in the distance, but the Mall, with its three great structures, the Capitol, the Monument, and the Lincoln aglow and reflected in the pools, is silent and conveys a sense of strength; the strength and confidence of a nation.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
APRIL 26, 1929, or when
delivered.

SPEECH OF
 HONORABLE A. W. MELLON
 SECRETARY OF THE TREASURY
 AT THE MEETING ON THE
 DEVELOPMENT OF THE CITY OF WASHINGTON
 HELD AT THE
 UNITED STATES CHAMBER OF COMMERCE BUILDING
 WASHINGTON
 APRIL 25, 1929.

Tonight History repeats itself. We are met under circumstances almost identical with those under which a meeting was held twenty-five years ago in the old Arlington Hotel, only a short distance from this place. Then, as now, it was a meeting of those representing the Government, and it was held for the purpose of considering plans to make more beautiful the City of Washington.

The principal speaker on that occasion was President Roosevelt. The Congress of the United States was represented by the speeches of Speaker Cannon and others; and Mr. Root, with his great eloquence, championed the cause which he had so much at heart and which he, himself, had done so much to advance.

On that historic occasion, the host was the American Institute of Architects. It is most fitting, therefore, that tonight we should have as our guests the representatives of that great and influential organization, to whose foresight and untiring efforts we owe not only the revival but the preservation and advancement of a plan for the orderly and systematic development of the nation's capital.

The meeting held in 1905 centered attention on the needs of Washington. At the same time it made certain that the future development of the city should conform to a balanced and comprehensive plan, based upon the spacious and dignified ideas of President Washington and Major L'Enfant, with such modifications as might be required to meet modern conditions and the city's growth.

Now we are engaged in trying to carry out those ideas. Conditions have reached a stage where economy demands that the Government's activities should be adequately housed in buildings owned by the Government itself; and, in order to meet this need, Congress has made the necessary appropriations to begin this work and to proceed with certain other plans for the orderly development of

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the city. The responsibility for the condemnation and purchase of sites and the erection of most of these buildings has been placed by Congress on the Treasury Department and has become, therefore, an integral part of Treasury activities.

The placing of these buildings involves a great responsibility, for the proper determination of this question will largely influence the future development of Washington. Before coming to a decision, the Treasury obtained the advice of Mr. Edward H. Bennett of Chicago, a well-known architect, whose efforts have had so much to do with bringing to completion the plans for beautifying his native city. Mr. Bennett was appointed Consulting Architect of the Treasury; and, with a small group of other eminent architects from different parts of the country, has given unstintedly of his services in arriving at a solution of this problem.

These men have come to Washington at frequent intervals and have served without adequate remuneration in helping to work out a plan under which the new buildings shall be grouped and designed in such a way as to contribute in the greatest measure possible to the beauty of Washington. In evolving these plans the Treasury has had the cooperation of the Fine Arts Commission and its able and devoted Chairman, Mr. Moore; with the Capital Park and Planning Commission; the Office of Public Buildings and Parks; and especially with those members of the Senate and House of Representatives who are most directly concerned in this work and who have been so largely responsible for the developments now under way.

All of these developments have been embodied in a comprehensive Plan; and it is this Plan which will be presented to you tonight. We want also to have you view the Model which has been made to public buildings to be erected along Pennsylvania Avenue. This Model is on view tonight in a

room adjoining the one in which we are now, and will be taken later to the Treasury where it will be left permanently on exhibition for all who care to view it.

It was to place these plans before you and also to make something in the nature of a visual presentation through motion pictures that have been prepared, that we have asked this distinguished audience to come together tonight. I hope that the plans will meet with your approval, so that we can proceed with carrying them out, fortified in the knowledge that we have your sanction and support. I am sure in advance of your deep interest, for it is a work which makes a strong appeal to every one and gives us all an opportunity to do something of permanent value for the country.

No one has taken a deeper interest in this great undertaking than has President Hoover. In all the things that have been done and are now under way, he has given his counsel and support, and behind the plans which have been made for the future he has placed the full force of his Administration. It is a great privilege to have him here tonight, and to have the honor of announcing the President of the United States who will now address you.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
APRIL 27, 1929, or when delivered.

SPEECH OF
 EDWARD H. BENNETT,
 CHAIRMAN, ARCHITECTURAL CONSULTANTS, TREASURY DEPARTMENT,
 AT A MEETING ON THE
 DEVELOPMENT OF THE CITY OF WASHINGTON
 HELD AT THE
 UNITED STATES CHAMBER OF COMMERCE BUILDING
 WASHINGTON
 APRIL 26, 1929.

I am to speak about the development of Washington, with special reference to the areas in which the new departmental and other Government buildings will be placed. This area, roughly speaking, lies between Pennsylvania Avenue and Maryland Avenue, the Capitol and the Monument. I shall refer most specifically in my remarks to the area now known as the "Triangle", between Pennsylvania Avenue and B Street, and, since this whole subject has been so splendidly covered in the speech of the Secretary of the Treasury recently at Pittsburgh, I shall quote in places from his statement.

It is obvious at the start that this, although an element in the plan of Washington, is a very important one in the composition of its plan, and particularly of the plan of the future Washington. I should like to emphasize at the start the orderly relationship of the plan of this great section of land to that of the whole Mall.

"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."

The present gathering meets in a sense to pay a tribute to order, as I see it, a human order, the product of centuries of civilization as expressed in the thoughts of men and the works of their hands. It is not the order of nature so far as one can see. That we may realize by taking a trip out into the cosmos under the guidance of a great scientist like Jeans, Eddington, or our own Milliken. We encounter nebulae, galactic clusters, solar systems, myriad masses of suns and so-called cosmic dust, into the infinite. But spirals, whorls, everywhere! No tangible arrangement as recognized by the cultivated intelligence of the human being.

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One returns with a sense of relief to considerations of order as related to the human mind, expressed in its architectural works, and with joy if we can see the beauty of this order and its rhythm. It is an order more nearly related to that natural to the smaller expressions of the creation as evidenced by the structures of crystals, plant life and animal life, the compositions of which all relate to a simple plan in which there are dominant and subordinate elements.

We are this evening to get a glimpse of the beauty of Washington in its past, present and future. To do that we must first see and appreciate the underlying system or order of its great plan.

An architectural plan! We may well rejoice that the original plan was made. Suppose for example there had been no plan of L'Enfant and General Washington. It might easily have been the case as has been the fate of most other great capitals early founded, whose plans have been later rectified, and as in the case of Paris, made superb. Most cities have grown from a congerie of huts, evolved more or less according to the necessities of the situation as controlled by the growing intelligence of the inhabitants. But in the case of Washington enough great precedent had been established - a conscious idea of city planning existed in Europe and very distinctly in the early days of the United States.

The orderly mind of the great Washington saw the necessity of planning ahead of the actual needs and he must have seen the possible beauty of a city planned on formal lines - formal or perhaps more correctly, regular lines. It was essentially a formal age. No doubt life pulsed just as keenly in humanity as today, but it seemed more disciplined and in its social contacts, ordered. Hence the ordered and rhythmic expression of the architecture of the day, and hence, added to the great new outlook in life on a vast continent, the potentiality of which was becoming apparent, the instinctive, if not conscious aim to lay foundations in an orderly and comprehensive manner. Hence the Washington of the past.

The Washington of the present is the expression of the early plan of 1790, stimulated and corrected by the great plan of the Park Commission of 1901 but as yet incomplete in its execution.

The Washington of the future, based on that which has gone before, must be the result of our efforts of today. Let alone, it would end in chaos, as has been demonstrated by some of the attempts ignorantly proposed in violation of the original plan. Given meager support, the final result will be no better than it is today, but given great and concentrated attention and enthusiastic support by the nation through its representatives and that collection of splended men who are giving their time freely in its interest, officially and unofficially, it will become superb!

That is why tonight we are looking at the plan of Washington, and I hope, with the keenest appreciation of the fact that there was the original plan of the Capital. The perspective we have, the past experience of civilization centering on the original plan, its renewal in the plan of 1901, and today substantial expansion of that plan, and expansion which is also a consolidation.

Through all this development there have been great personalities involved. Most of them are known to you in history. It is my personal desire to acknowledge our good fortune in that the work of today has received not only the support of our leading Executive, but an important part of it has been under the direction of the man who, having had the power to help the realization, had also the vision and desire to do so. I allude, of course, to our great Secretary Mellon.

I hope what I have said will not seem too far afield, because I think it is so important that we should realize that this great group of departmental buildings to which I refer in general outline, is so strongly related to the general composition of the plan of Washington. The main axis of the Triangle group is parallel to the Mall, not yet completed, stretching from the Capitol to the

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TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
MAY 1, 1929, or when delivered.

SPEECH OF
HON. OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY
AT THE UNVEILING OF A TABLET
ON THE TREASURY BUILDING
TO COMMEMORATE THE SIGNING OF THE WEBSTER-ASHBURTON TREATY
WASHINGTON,
APRIL 30, 1929.

FUTURE RELEASE
OBSERVE DATE

On behalf of the Treasury Department, it gives me great pleasure to accept this beautiful tablet which the Kiwanis Club of Washington has placed on this historic spot. This tablet does more than merely indicate the place where a famous treaty was signed. It marks also the beginning of that firm and lasting friendship which exists today between Canada and the United States-- a friendship which, I am convinced, will grow stronger with the years because it is grounded on mutual respect and a determination always to work together in solving the problems that confront us.

The Webster-Ashburton Treaty is the corner-stone on which that friendship rests. It settled one of those difficult questions involving boundary lines and disputed rights, which might so easily have poisoned our relations in the beginning and are usually such a fruitful source of irritation and even enmity between nations.

At the time the treaty was negotiated, such a state of international irritation had indeed arisen and the tension was very great when Lord Ashburton on behalf of Canada and Great Britain, and Daniel Webster for the United States, determined to arrive at a solution which would be fair to both nations and would end this controversy for all time. They succeeded in their task; and the measure of their success, no less than the methods which they employed in bringing it about, is full of lessons for us today.

Both negotiators were firm in their determination to protect their country's rights. At the same time they recognized the necessity always for proceeding in a friendly spirit and for meeting the requirements of the other's position. In time they found that a settlement of the disputed questions could be reached; and so, I am confident, by the use of the same methods we

shall find it possible always to arrive at a fair and satisfactory solution of any problems that may arise between us and our Canadian friends, either now or in the future.

The long, unbroken friendship between the two countries is one of the outstanding achievements of modern times. It was a source of frequent comment on the occasion of Canada's Diamond Jubilee in 1927; and in closing I can not do better than to quote the words which Secretary Mellon used in pointing out the significance which that historic occasion had for the United States as well as for our friends in Canada.

"It marks" said Mr. Mellon, "not only an era of great national development on the part of Canada, but also an unbroken period of friendly relations between Canada and the United States. It proves that friendship can be maintained between nations, no less than between individuals, where nations neither envy nor hate their neighbors and are willing to insist, as Canada and the United States have always done, that the same rules of decency and fair dealing should be observed between nations as between individuals. The result has been a feeling of friendship and good will and a realization on both sides of the border that each nation will benefit by the other's continued growth and prosperity."

Secretary Mellon today made public the following correspondence with reference to the resignation of Hon. Eugene Meyer as Federal Farm Loan Commissioner:

FEDERAL FARM LOAN BUREAU
Washington

April 3, 1929.

The President,

The White House.

Dear Mr. President:

Nearly two years ago I accepted appointment as a Member of the Federal Farm Loan Board and was designated as Farm Loan Commissioner. I undertook the work, as you know, at the request of President Coolidge and Secretary Mellon in connection with the reorganization of the Farm Loan Board to meet the situation which then confronted the Farm Loan System. One of the largest joint stock land banks had just been placed in the hands of a receiver, and receiverships for two other joint stock land banks were impending; a number of Federal and joint stock land banks were faced with difficult situations; public confidence was impaired; and the Farm Loan Bureau had not been adequately organized to meet its problems.

Since that time the various units of the Farm Loan Bureau, including the appraisal, examining, and legal divisions, have been virtually reconstructed, and a trained and competent organization has been developed to enable the Board properly to discharge the responsibilities devolving upon it. Examinations of the banks and national farm loan associations are being conducted in a thorough and efficient manner; improper and irregular practices that had grown up in some of the banks have been eliminated; sound accounting methods are being followed, and the published statements of the condition of the banks are more accurate than ever before; the management of banks faced with difficulties has been strengthened and reorganized in cooperation with their boards of directors and they are now in a position to deal effectively with their problems; and the Farm Loan Board's supervision of the System has been made a vital and effective force.

The progress that has been made in these directions is outlined in detail in the annual report of the Board for 1928, which was submitted to Congress on March 2, 1929. While, of course, much remains to be done, as always will be the case in a system of this magnitude, I think I am entirely correct in saying that the task of reconstruction has been accomplished or is actively under way, public

confidence has greatly improved, and the situation in all its details is well in hand. The reorganized Board has worked harmoniously and assiduously to bring about these results, and it has had the cooperation not only of the banks of the System generally but also of a large number of public spirited men in various sections of the country. I hope and believe that what has been done during the past two years has materially strengthened the System and will prove to be of permanent value to the agricultural interests which it was created by the Congress to serve.

I have felt it incumbent upon me to continue with the work until the essential requirements of the situation had been effectively met. That point now having been reached, I feel that I am justified in asking that you relieve me of my duties as a Member of the Board and Farm Loan Commissioner in the near future, and I therefore tender my resignation to take effect on May 10, 1929, when I shall have completed two years of service in this capacity.

With all good wishes for the success of your administration, I remain

Sincerely yours,

EUGENE MEYER

Farm Loan Commissioner.

THE WHITE HOUSE
Washington

April 29, 1929.

Hon. Eugene Meyer
Farm Loan Commissioner
Federal Farm Loan Board
Washington, D. C.

My dear Meyer:

I received your letter of April 3rd in which you tender your resignation as Federal Farm Loan Commissioner and as a Member of the Federal Farm Loan Board.

I intensely regret that your decision is irrevocable and that, in the circumstances, the duty devolves upon me to accept your resignation.

I particularly wish to take this opportunity to express the appreciation which all of us hold for the work you have accomplished as Farm Loan Commissioner during the past two years. I know that you undertook the difficult task of reconstruction at a time when the Farm Loan System was confronted with a critical situation and public confidence had been impaired. Under your leadership the

administration and supervision of the System has been greatly strengthened, this great institution of service to the farmers has been placed on a sounder basis and public confidence has been materially improved, and will be of lasting benefit to the agricultural interests of the country.

I am aware that after ten years of public service you unwillingly undertook this additional two years of service, and I can realize your desire to be relieved. I earnestly wish, however, that you could remain in public service where your high qualifications and sense of service so respond to public interest.

Yours faithfully,

(Signed) Herbert Hoover.

THE SECRETARY OF THE TREASURY
Washington

May 1, 1929.

Honorable Eugene Meyer,
Farm Loan Commissioner,
Treasury Department,
Washington.

Dear Mr. Meyer:

It is with great regret that I learn that you are to leave the Treasury. For more than eight years I have been associated with you, first in the work of the War Finance Corporation and afterwards during your administration of the Federal Farm Loan Bureau. During this time I have learned to rely upon your judgment and to feel a sense of security in your handling of all the varied and difficult problems connected with furnishing adequate credit for agriculture.

Under your direction the War Finance Corporation was conducted in such a way that it not only helped to relieve a serious credit stringency which then existed in the agricultural community but it also had a far-reaching effect in helping the farmer to avoid the necessity of enforced liquidation of his products on a demoralized market.

Later, when the necessity arose for reconstructing the Farm Loan Board and reorganizing the operation of the Farm Loan System, you again gave the Government the benefit of your experience and judgment. I know with what reluctance and at what personal sacrifice you agreed to undertake this formidable task; and it should be a source of the greatest satisfaction to you to know that as a result of your efforts the System has been made to function in a more useful manner and has been materially strengthened in the confidence of the country.

All of these duties you have discharged in a way to merit the highest approval. I wish to take this opportunity not only to thank you for the services you have rendered but to express also the pleasure which I have had during the years in which we have been associated together in the work of the Treasury.

With kind regards, I am

Sincerely yours,

(Signed) A. W. MELLON

Secretary of the Treasury.

For immediate release,
May 10, 1929.

The Secretary of the Treasury announced that final steps were taken today for the settlement of the debt owed by Greece to the United States and the differences existing between the two Governments arising out of the Tripartite Loan Agreement of February 10, 1918.

Under the Tripartite Loan Agreement the Secretary of the Treasury, with the approval of President Wilson, established on the books of the Treasury credits in favor of Greece in the aggregate amount of \$48,236,629, for which amount the United States held the obligations of Greece. Against these credits the United States made cash advances of \$15,000,000, leaving a balance of \$33,236,629, which Greece has claimed the United States owed it. The United States took the position that events which transpired subsequent to 1920 relieved it from making any further advances. This difference of opinion has heretofore prevented the reaching of an agreement for the settlement of the indebtedness of Greece to the United States.

At its last session, the Congress authorized the Secretary of the Treasury to make an agreement with Greece providing for the settlement of Greece's indebtedness to the United States and for adjusting outstanding differences as to the Tripartite Loan Agreement. This authorization provided that Greece should fund its outstanding obligations to the United States over a period of years and that the United States should make an additional loan to Greece in an amount which would make the total of the sums advanced equal to the sums advanced by Great Britain under the terms of the Tripartite Loan Agreement to which the United States, Great Britain and France were parties.

The terms of the Agreement signed today on behalf of Greece by Charalambos Simopoulos, Envoy Extraordinary and Minister Plenipotentiary of Greece, and on behalf of the United States by the Secretary of the Treasury, and approved by President Hoover, include the following:

1. The amount owed by Greece to the United States as a result of the cash advances of \$15,000,000 is to be refunded 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
Jan. 1, 1929	20,000
July 1, 1929	25,000
Jan. 1, 1930	25,000
July 1, 1930	30,000
Jan. 1, 1931	30,000
July 1, 1931	110,000
Jan. 1, 1932	110,000
July 1, 1932	130,000
Jan. 1, 1933	130,000
July 1, 1933, and semiannually thereafter to Jan. 1, 1938, 10 payments each of	150,000
July 1, 1938, and semiannually thereafter to Jan. 1, 1990, 104 payments each of	175,000

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

3. The United States will advance to Greece \$12,167,000 at 4 per cent per annum with provisions for a sinking fund to retire the loan in twenty years. The service of this loan is to be administered by the International Financial Commission.

4. This new loan by the United States to Greece is to be turned over in its entirety to the Refugee Settlement Commission. The fundamental articles under which this Commission functions provide that its

Chairman shall always be an American. This new loan by the United States will enable the Commission to continue its great humanitarian work of establishing in economically productive work in Greece, approximately one million and a half Greek refugees driven from Asia Minor.

In addition to the signing of the Agreement, the Secretary of the Treasury delivered to the Greek Minister canceled bonds of the Greek Government in the amount of \$48,236,629.05 which had been delivered to the United States under the Tripartite Loan Agreement of February 10, 1918, and the Greek Minister delivered to the Secretary of the Treasury 124 bonds of the Greek Government in the aggregate amount of \$20,330,000, dated January 1, 1928, and maturing semiannually over a period of 62 years, together with 40 bonds of the Greek Government in the aggregate amount of \$12,167,000 dated May 10, 1929, and maturing semiannually during the next 20 years and bearing interest at the rate of 4 per cent per annum to May 10, 1949. In addition the Greek Government paid in cash to the United States the sum of \$2,922.67 in order that the amount to be refunded should be an even number of dollars, together with \$20,000 in payment of the bond issued under the Agreement and maturing July 1, 1928, and an additional \$20,000 in payment of the bond maturing under the Agreement January 1, 1929. The Secretary of the Treasury delivered to the Greek Minister a check on the Treasurer of the United States for \$12,167,000.

The conclusion of this Agreement was authorized on the part of the United States by the Act of Congress approved February 14, 1929, and on the part of Greece by the Law of January 27, 1928.

Of the debts owed the United States by foreign governments settlements remain to be concluded with Armenia, Austria, and Russia. Congress has already authorized the settlement of the Austrian debt.

TREASURY DEPARTMENT

1929-
FOR AFTERNOON PAPERS,
FRIDAY, MAY 17, 1929.

Address of

Honorable Henry Herrick Bond,
Assistant Secretary of the Treasury,
at the meeting of the
Missouri Bankers Association,
Excelsior Springs, Missouri.
May 17, 1929.



FUTURE RELEASE
OBSERVE DATE



THE NEW CURRENCY ISSUE.

The privilege of meeting with you at this convention of the Missouri Bankers Association is one that I assure you I deeply appreciate, as it gives me the opportunity of presenting to you some of the principal problems connected with the issue of the reduced size currency. I appreciate that with many of these problems you are, by reason of your long experience as bankers, more familiar than I can pretend to have become in my limited connection with the Treasury Department. However, it is my hope that by presenting these problems from the viewpoint of that Department you will perhaps see them from a somewhat different angle, and by showing you the difficulties that we have already faced and overcome, and the remaining difficulties that still confront us, we may have your full cooperation in the transitional period which we are now rapidly approaching.

The initial problem was that of design. For many years the matter of revising the designs of the outstanding currency issues of the United States had been before the Department, but circumstances seemed always to preclude any general revision and the correction of the existing confusion. Generally speaking, there was a different design for the face and back of each denomination of each kind. The multiplicity and duplication of characteristic features was indescribable. For example, I have discovered eight or nine different portraits on the \$5 bills of different types or issues, and certainly as many portraits on currency of the \$10 denomination. Of course, I do not mean to say that all these were found on the current issues, but the current issues were sufficiently

confusing. You will appreciate how this situation favored counterfeiters and handicapped the Secret Service. The conclusion to reduce the size of the bills made it necessary to execute wholly new engraved stock for printing the new currency, and this gave the first really favorable opportunity ever presented for the Department to make a complete revision of designs. Many months were devoted to the study, and finally certain principles were arrived at and adopted, with the result that the new designs are on a denominational basis, with emphasis on the dollar value rather than kind, and with the outstanding features inherently affording greater security. An effort has been made to keep the designs as simple as possible without unnecessary and confusing ornamentation. For the new designs every back of a given denomination will be absolutely identical. For example, take a five dollar bill. The back will always bear an engraving of the Lincoln Memorial as a predominating feature. The five dollar backs will accordingly be printed in quantity and used for any kind of currency issued in this denomination. Accordingly there will be only one five dollar back, instead of several, for the Government to print and protect, and for the public to become familiar with. For the faces, although necessary to show the kind of currency, uniform denominational characteristics have been fixed, the outstanding feature of each denomination being a portrait. Again taking our five dollar bill, on the face side the portrait of Lincoln will always appear in the center. As this feature is so prominent it will take a somewhat careful examination to distinguish between the different types until one is initiated into the points of difference. There are different titles and

variations in texts, and as a further mark of difference to catch the eye, the Treasury seals and serial numbers will be printed in color, on United States notes in red, in blue for silver certificates, in yellow for gold certificates, in green for Federal reserve notes, and in brown for National bank notes. On United States currency the seal will be on the left, balancing a large " F-I-V-E " at the right of the portrait. On the Federal Reserve currency the seal will be superimposed on this word " F-I-V-E " at the right of the portrait, but will be balanced by the Federal Reserve District numeral at the left. The seal will have the same place at the right on the National bank currency, and at the left of the portrait the name of the issuing bank will be prominently printed. These differences of color and the position of the seal are, we are confident, amply sufficient to facilitate the ready sorting of currency by banking institutions. Gold certificates will no longer have the yellow back of the past, but will be printed with a green back like other currency and will have the numbers and seal in yellow on the face. You will see, therefore, that we have succeeded in accomplishing a great simplification of currency designs, and we are confident that both by design and general plan we have made counterfeiting and the raising of the bills from one denomination to another more difficult in the future. The denomination henceforth can always be told readily by the portrait, which is the most difficult thing to counterfeit successfully, and if the public will learn the portraits of the lower denominations they will be protected from the raising of currency, and from counterfeiting in general, to a degree not possible in the past.

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Having thus determined the problem of design, which in itself was in some respects exceedingly difficult to work out, and having given definite approval to the models, the next step was the execution of the engraved stock. First the engraved dies had to be made and approved in turn. From these, master rolls were prepared and then in turn a sufficient number of plates to supply hundreds of presses each with four plates for printing. Our next problem was that of production. It was necessary to print for a complete turnover of United States and Federal Reserve currency approximately 76,000,000 sheets of 12-subjects each, or 912,000,000 individual pieces. These have to go through the various operations of wetting, back printing, examining, a second wetting, face printing, examining, trimming, numbering and sealing, and the final cutting into individual notes. After this they are assembled into packages of 4000 pieces for delivery to the Treasury. Vast as is the capacity of the Bureau to accomplish enormous tasks of this character, the production of this new currency, in part carried on during a period of substantial production of the old-size currency to meet the needs of the past months, has strained the Bureau's capacity to the utmost. However, this work has progressed to a point where I can assure you that the currency will be ready for distribution upon the date contemplated in the Treasury announcements of last year, namely, in the early part of July of this year. The exact date will be announced definitely within the next few weeks.

In order that this new currency might have a longer life than that of the old-size currency, extensive research work was undertaken with the cooperation of the Bureau of Standards, the Bureau of Efficiency, and the

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manufacturers of the paper, to develop a type of paper which would have a greater endurance and folding strength and which would at the same time meet the manufacturing requirements of the Bureau of Engraving and Printing. It is not every paper of high strength that will stand the wetting and drying operations incident to the manufacture of currency. Our currency is printed by the intaglio process on dampened paper. Paper when moistened expands, but does not always contract uniformly as it dries. A second wetting is necessary between the printing of the backs and the faces. We require therefore a paper that will expand and contract uniformly under these conditions, in order that the faces on each sheet of twelve notes may register with reasonable accuracy against the backs previously printed. This is a somewhat severe requirement, when combined with a stipulated thickness, structure and folding strength. We have, however, developed a paper believed to be satisfactory in all these respects and with such an increased strength that we are confident that the currency will have a longer life. Further research will be undertaken to make this paper if possible more resistant to dirt and grease. The new paper has no prominent silk fibre. Such fibre as it contains is so macerated and interwoven in the texture of the paper that it is not readily observed. It has long been felt that the prominent silk fibre was an encouragement to the counterfeiter, since it was so easily imitated.

The determination of even an approximate issue date was in itself a difficult problem. It had to be tentatively fixed before the engraving had been completed and at a time when certain new and essential machinery

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was being designed and manufactured. It had to be fixed with due regard to the exhaustion of the then-existing stocks of the several kinds of currency, to avoid waste thereof, and the printing of old-size currency planned accordingly. In accordance with this plan the Bureau has delivered no new old-size currency since the first of April, and probably by this date the existing stocks of new old-size currency in the Treasurer's vaults and the Federal Reserve Banks, other than certain stocks of National bank currency and, I believe, Federal reserve notes, are pretty completely exhausted. This means that during the next few weeks the average standard of fitness of currency in circulation will be lowered, due to the absence of any considerable issues of new bills. There is no way to avoid this unless we were to produce more old-size currency and this would mean an accumulation that might in part be not required, thus causing such unused stock to be sacrificed. In addition it would require the redemption of much old-size currency while still in a fit condition.

The problem of distribution is planned as follows: Prior to the issue date, stocks of the new-size currency will be placed in reserve custody in the twelve Federal Reserve Banks and in certain of their branches. The initial issue will be on a date not yet determined, but simultaneously to all banks. At this time all established denominations from \$1 to \$20, inclusive, of all kinds of currency except National bank notes will be issued. The higher denominations of United States and Federal reserve currency and the established denominations of National bank notes will follow as soon as possible. All issues will be through the Federal Reserve Banks to member and other banks, and all banks will be placed on an equal footing. There are about 900,000,000 pieces of

paper currency outstanding. During the last fiscal year about 930,000,000 pieces of currency were redeemed and about 925,000,000 pieces of new currency were issued. Roughly speaking, the replacement of the old-size currency with the new small-size currency is the equivalent of about one year's ordinary redemptions and issues. Of course, it would not be possible to undertake the replacement of all outstanding old-size currency at one time, or in a fixed limited period. Nor would it be possible to undertake the replacement of all outstanding old-size currency on and after a given date as rapidly as it might, by chance, be presented. Essential safeguards are necessary in handling this retirement of the old which, in effect, is the basis for the issue of the new. Redemption is involved with certain legal and accounting restrictions and, of course, there are physical limitations both at the Federal Reserve Banks and the Treasury. Therefore, instead of an immediate redemption of all outstanding old-size currency it will be necessary for the issue to be made over a certain period of time. The Treasury and the Federal Reserve Banks will do everything to make this period as short as possible. This means that at the very outset all banks applying for currency will be rationed, as it were, and each will be required to take a certain percentage of old-size currency assorted from that most fit for circulation. This percentage of old currency will be gradually decreased until after a period of a few months it is anticipated that all old-size currency presented at Federal Reserve Banks will be replaced in full with the reduced-size currency. I am referring now particularly to the United States currency and the Federal Reserve currency. (The issue of

National bank currency in reduced size I will refer to shortly.) Thus you will see that for a period of perhaps three or four months, at least, both sizes of currency will be in circulation, but with the old-size currency gradually disappearing, and it is estimated that after several months the old-size currency will be rather a rarity and will only be in circulation because it has not reached a bank for a period of several months. While it will always be a valid obligation it is safe to say that by the first of the year it will not be in general circulation and will be very rarely seen.

The problem of National bank currency in reduced size is a distinct one and in certain ways more difficult of solution than that of United States or Federal reserve currency. When the Secretary of the Treasury determined, as was announced on January 22, 1929, that the bonds upon which the National bank currency rests would not be called for redemption in 1930, he simultaneously announced that this currency would be issued in reduced size shortly after the other currency. Work was at once undertaken to prepare designs which would approximate as closely as possible in their essential features the designs for the other types of currency. These have been completed, and the engraving is now almost accomplished. The exact time and manner of distribution are still under consideration. There are approximately 6300 issuing banks, and their currency represents approximately 15 per cent of all outstanding currency in dollar value. In pieces this currency numbers about 70,000,000. The printing of this large amount, with the appropriate names of the various banks on different denominations, is in itself an enormous task. It has required, first

of all, a careful verification of the charter names, and the securing of facsimile signatures of the officers who have in the past signed by pen or through overprinting with local printers. These signatures will now be printed on the bill at the same time that the title of the bank is printed. It is our aim to plan a method of distribution which will, as nearly as possible, give all national banks a certain amount of reduced-size currency for issue simultaneously, or as nearly simultaneously as possible. There are problems connected with this issue, and especially in connection with the size of the 5 per cent redemption fund and the redemption procedure, which are very difficult of solution, but I can assure you that it is our aim to show no favoritism, either sectional or otherwise, in this distribution, but to accomplish the replacement as generally and as rapidly as conditions will permit. However, it is quite evident that this kind of currency will require a longer period for its complete replacement than the other types of currency require, due to the problem of sorting and redemption, the size of the redemption fund, and other related matters, and therefore it will be found in circulation for a somewhat longer period than the other currency. It is probable that it will take at least six or seven months to complete the turn-over of National bank currency, even under the most favorable conditions.

We recognize that there will be at the beginning of the turn-over period a certain abnormal demand for the new currency, due to the natural curiosity of the public to see the new designs in the reduced-size currency. We believe that the stocks which will be available and which can be issued

will be sufficient to meet this demand. It should be noted, however, that there will be no distribution of new currency in entire sheets to the general public.

You will see from the above that you, as bankers, have an important part in the program. It is only through your cooperation that we can hope to accomplish this turn-over with a minimum of annoyance and disturbance in the currency. With your cooperation the public's requirements for the new currency can be held within the limits of our immediate ability to meet them, and the process of the turn-over thus made successful. Not only must each bank be patient in its demands but we ask you to preach the doctrine of patience to your customers.

Similarly the problem of the Federal Reserve Banks is one of cooperation on the one hand with member banks and other banking institutions, so as to meet their demands for currency as fully and rapidly as facilities will permit, and on the other hand to cooperate with the Treasury so that these demands may be kept within the necessary limitations which the Treasury must impose. I bespeak for them your sympathetic cooperation in this difficult period.

The national banking institution presents a special problem, in that all banks are asked to keep in circulation old-size National bank currency over a somewhat prolonged period of a number of months, thus meeting fully the public requirement for currency. In return for this cooperation, on which we confidently rely, I can assure the banks that the Treasury will make every endeavor not only to hasten production and issue of national bank currency in reduced size at the earliest possible date, but also in sufficient volume to accomplish its complete substitution

for the old-size currency just as rapidly as the redemption facilities will permit.

In order that all of these problems may be successfully solved, the Treasury is planning certain publicity features. We regard it as important that at the very outset of this turn-over period, - a period without precedent in the history of the country, - the public should be thoroughly acquainted with the essential features of the new currency, so that the passing of counterfeits will be impossible. To this end it is planned to place on exhibition in all banking institutions which desire to participate, specimen sets of the lower denominations, supplied at the face value purely for exhibition purposes in advance of the actual issue date. This advance distribution of specimens will be strictly limited to banking institutions. Full details as to this distribution of specimen sets will in due course be furnished by the Federal Reserve Banks in the respective districts through whom alone such distribution will be made. This is one of several features of this kind which the Department is planning to inaugurate for the purpose of acquainting the public in advance with the essential features of the new currency.

In conclusion I appeal to the public for a sympathetic appreciation of the gigantic problems which have confronted the Treasury in this program and for their cooperation during the turn-over period. It is a period of great difficulty such as has never before been faced in currency matters. If the public will but realize that the Treasury is making every endeavor to accomplish a complete turn-over as rapidly as possible they will be content for a certain period before the actual

issue to accept the old-size currency in a condition of wear which would ordinarily require its redemption, knowing that this is a necessary incident of the program, and secondly, they will cheerfully acquiesce to the necessity of using two sizes of currency for a limited period, knowing that thereafter the country will go forward with the reduced-size bills which will be far superior in beauty of design, simplicity, protective features, wearing qualities, and general convenience. In addition there will be a very large annual saving in cost of production, as roughly, we will print twelve small notes for the cost of eight old-size; and at the same time avoid a large expansion of plant at the Bureau of Engraving and Printing within the next few years which would otherwise have been necessary. These ends are so highly desirable that the temporary inconvenience should not, and I am sure will not, be magnified and are certain in the end to be speedily forgotten.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
FRIDAY, MAY 17, 1929.

The corner stone for the new building of the Bureau of Internal Revenue at Twelfth and B Streets, Northwest, will be laid on Monday afternoon, May 20th, at 4:30 o'clock. The exercises will be opened with an invocation by the Reverend Jason Noble Pierce, D.D., which will be followed by a few introductory remarks by the presiding officer, Honorable A. W. Mellon, Secretary of the Treasury. A short address will be made by Honorable David H. Blair, Commissioner of Internal Revenue, which will be followed by the laying of the corner stone by Secretary Mellon and Commissioner Blair. The benediction will be pronounced by the Right Reverend C. F. Thomas. The United States Marine Band will play during the ceremony and officers and men representing the United States Coast Guard will be present.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
TUESDAY, MAY 21, 1929, or
when delivered.

SPEECH OF
 HONORABLE A. W. MELLON,
 SECRETARY OF THE TREASURY,
 AT THE LAYING OF THE CORNER STONE
 OF THE BUREAU OF INTERNAL REVENUE BUILDING,
 TREASURY DEPARTMENT
 WASHINGTON
 MAY 20, 1929.

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We have met this afternoon to lay the corner stone of the new building for the Bureau of Internal Revenue. It is a significant occasion, for it means that this Bureau, with its varied activities and responsibilities for collecting the vast revenues of the Government, will no longer be scattered in buildings throughout the city but will be housed in a building adequate for its needs. It also means that the plans which have been made for the orderly development of Washington, particularly as regards the so-called Triangle Area, are at last under way.

The present building is the first to be commenced in that great group of Government buildings to be erected along Pennsylvania Avenue and the Mall. It will constitute an integral part of that group; and it has been designed in such a way that it will contribute, in the greatest measure possible, to the beauty and dignity of the city and the convenience of all who must transact business with the Government.

It is a matter of special pride to us that the plans for this building have been made entirely within the Treasury itself. These plans have been drawn in the Office of the Supervising Architect, which has been entrusted with such large responsibilities in working out the plans for the public building program in Washington.

It is a particular satisfaction that this long delayed building for the Bureau of Internal Revenue has been started during the administration of the present Commissioner, Mr. Blair. For more than eight years he has carried on the difficult and responsible work of administering the internal revenue laws. Often it has been under the greatest handicaps, such as inadequate housing of the various units of his organization

and also constant changes in personnel. But he has worked always to give the taxpayers and the Government an honest and efficient administration of the tax laws; and he has succeeded in making a record of which the country can well be proud.

It is with great regret that we see him leave the Treasury organization; and I wish him to know that, in leaving, he carries with him the admiration of all those who have been associated with him in the important work of the last eight years. I take pleasure in introducing to you the Commissioner of Internal Revenue, Honorable David H. Blair, who will now address you.

TREASURY DEPARTMENT

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FUTURE RELEASE
FOR RELEASE
MORNING PAPERS
MONDAY, JUNE 3, 1929.
OBSERVE DATE

Secretary Mellon today announced that July 10, 1929, has been set for beginning the issue of the new small-size currency. The issue will be made through the Federal Reserve Banks and Branches. For the initial issue, Federal Reserve Banks have been authorized to make available, to the commercial banking institutions of their respective districts, limited amounts of new small-size currency, on an equitable basis established by them. Federal Reserve Banks will communicate with all banks and trust companies in their respective districts giving full instructions for participation in the initial distribution of the new currency. After the initial issue of new small-size currency the procedure now in effect for supplying the paper currency requirements of the country will, in general, be followed, and in making payments of currency, the Treasurer of the United States and the Federal Reserve Banks and Branches will pay out old-size currency fit for further circulation concurrently with new small-size currency. Replacement of the outstanding old-size currency with the small-size currency accordingly will be a gradual process and, except for the initial issue, will largely be governed by the redemption of old-size currency unfit for further circulation.

The first issues of the new small-size currency will include all kinds except National bank notes, and all denominations from \$1 to \$20. Small-size gold certificates and Federal reserve notes in denominations above \$20 will be issued at a later date. Small-size National bank notes will be printed and issued in order of charter numbers beginning about July 15, 1929.

For the reduced-size currency wholly new designs on a denominational basis have been adopted. The revision of designs will eliminate existing confusion, and will furnish a new and more effective protection to the currency issues of the United States against counterfeiting and fraudulent alterations. Generally speaking, the designs have been simplified, and, as just indicated, there is a characteristic design for each denomination.

Treasury Department Circular No. 415, dated June 3, 1929, will govern the issue of the small-size currency. No issues of the new currency will be made to the public before July 10, 1929. Specimens of the new currency in unseparated sheets will not be available. Any outstanding old-size paper currency, heretofore or hereafter issued, will not be recalled; it will be retired gradually in regular course of business, and in the meantime its validity will not be affected by the issue of the new small-size currency.

The Treasury appreciates that during the period when the two sizes of currency are in circulation this will be a matter of some inconvenience to the general public. However, it is believed that the Department may confidently ask for their indulgence and cooperation in view of the ultimate advantages to be gained.

Accompanying this statement will be found:

1. A description of the essential characteristics of the designs of the small-size currency.
2. A copy of Treasury Department Circular No. 415, dated June 3, 1929, governing the issue of the small-size currency.

REDUCED-SIZE CURRENCY

Description

The new size for the paper currency is 6-5/16 x 2-11/16 inches. The principle of denominational designs has been strictly followed. The back designs are uniform for each denomination irrespective of kind. The face designs, likewise, are characteristic for each denomination as regards the important protective features, with only sufficient variation in detail to indicate the kind. Five kinds of paper currency are now issued - United States notes, silver certificates, gold certificates, Federal reserve notes, and National bank notes. The new designs will be applied to all issuable denominations of all these kinds.

The portraits assigned to the faces, and the embellishments provided for the backs, of the several denominations, are as follows:

<u>Denomination</u>	<u>Portrait on face</u>	<u>Embellishment on back</u>
\$1	Washington	Ornate ONE
\$2	Jefferson	Monticello
\$5	Lincoln	Lincoln Memorial
\$10	Hamilton	U.S.Treasury
\$20	Jackson	White House
\$50	Grant	U.S.Capitol
\$100	Franklin	Independence Hall
\$500	McKinley	Ornate FIVE HUNDRED
\$1,000	Cleveland	Ornate ONE THOUSAND
\$5,000	Madison	Ornate FIVE THOUSAND
\$10,000	Chase	Ornate TEN THOUSAND

The backs of the new currency will be printed uniformly in green; the faces will be printed in black, and the Treasury seals and the serial numbers will be imprinted in the following colors:

- Silver certificates.....Blue
- United States notes.....Red
- Gold certificates.....Yellow
- Federal reserve notes.....Green
- National bank notes.....Brown

For the reduced-size currency a new type of distinctive paper has been adopted. The paper basically is of the type developed during the past few years with a higher folding endurance, particularly in the cross direction, than the paper formerly in use. The use of small segments of silk fiber as a distinctive feature has been retained, but the segments are scattered throughout the sheet and not localized in rows as formerly. The reason for the change is that, as a test of genuineness, dependence may not be placed on an outstanding characteristic, which, in itself, inherently affords no protection.

ISSUE OF NEW SMALL-SIZE CURRENCY

1929
Department Circular No. 415,
Supplementing Department Circular No. 55,
as revised January 26, 1927.

TREASURY DEPARTMENT,
Washington, June 3, 1929.

Treasurer of the United States

The Secretary of the Treasury has heretofore announced the adoption of a reduced size, and wholly new designs, for the paper currency issues of the United States.

The date July 10, 1929, is now set for the initial issue of new small-size currency, and thereafter old-size currency, redeemed as unfit for further circulation, will be replaced with new small-size currency. The issue will be made through the Federal Reserve Banks and Branches. For the initial issue, the Federal Reserve Banks have been authorized to make available, to the commercial banking institutions of their respective districts, limited amounts of new small-size currency, on an equitable basis established by them. After such initial issue, in making payments of currency, the Treasurer of the United States and the Federal Reserve Banks and Branches will follow the usual procedure, and will pay out available old-size currency fit for further circulation concurrently with new small-size currency, in such proportion of each as may from time to time be determined.

The initial issue will include all kinds of currency except National bank notes, and all denominations from \$1 to \$20. Small-size gold certificates and Federal reserve notes in denominations

above \$20 will be issued when available without further notice. Small-size National bank notes will be printed for issuing banks in order of charter numbers, and, commencing about July 15, 1929, will be issued accordingly, as available, against redemptions of old-size bank notes.

Any outstanding old-size paper currency, heretofore or hereafter issued, will not be recalled. It will be retired gradually in regular course of business, and in the meantime its validity will not be affected by the issue of the new small-size currency.

A. W. MELLON
Secretary of the Treasury.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
Friday, June 7, 1929.

STATEMENT BY SECRETARY MELLON

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of nine month 5-1/8 per cent Treasury certificates of indebtedness of Series TM-1930, dated and bearing interest from June 15, 1929, and maturing March 15, 1930. The amount of the offering is \$400,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TJ-1929, maturing June 15, 1929. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing June 15, 1929, will be allotted in full up to the amount of the offering.

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 September 15, 1929, and March 15, 1930.

About \$500,000,000 of Treasury certificates of indebtedness and nearly \$100,000,000 in interest payments on the public debt, become due and payable on June 15, 1929.

The present offering, with tax and other receipts, is expected to cover the Treasury's cash requirements until September.

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 TM-1930, dated and bearing interest from June 15, 1929, payable March 15, 1930, with interest at the rate of five and one-eighth per cent per annum, payable on a semi-annual 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 September 15, 1929, and March 15, 1930.

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. 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, 1929, 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-1929, maturing June 15, 1929, 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.

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TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Monday, June 10, 1929.

Secretary Mellon announced that subscriptions for the issue of 5-1/8 per cent Treasury Certificates of Indebtedness, Series TM-1930, dated June 15, 1929, maturing March 15, 1930, will close at the close of business today, Monday, June 10, 1929.

Subscriptions which fail to reach a Federal Reserve Bank or branch, or the Treasury Department, before the close of business today 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 regard to the current offering.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated June 15, 1929, Series TI-1930, 5 1/8 per cent, maturing March 15, 1930, closed at the close of business on June 10, 1929.

The reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$400,000,000, or thereabouts, total subscriptions aggregate some \$1,118,000,000. As previously announced, subscriptions in payment of which Treasury certificates of indebtedness of Series TJ-1929, maturing June 15, 1929, were tendered, were allotted in full. Upon these exchange subscriptions about \$87,000,000 have been allotted. Allotments on cash 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 70 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 50 per cent, but not less than \$7,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 30 per cent, but not less than \$50,000 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.

Secretary Mellon today announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series TM-1930, 5 1/8 per cent, dated June 15, 1929, maturing March 15, 1930, was \$1,118,862,000. The total amount of subscriptions allotted was \$404,212,000, of which \$86,985,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TJ-1929, 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>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 53,869,500	\$ 22,643,000
New York	346,166,000	90,289,000
Philadelphia	110,681,500	37,300,000
Cleveland	75,331,500	33,110,500
Richmond	38,964,000	19,232,000
Atlanta	57,236,500	23,056,000
Chicago	114,819,500	62,201,000
St. Louis	39,054,500	19,641,500
Minneapolis	18,121,000	10,441,000
Kansas City	30,659,500	18,097,000
Dallas	49,849,500	20,464,000
San Francisco	182,469,500	46,243,000
Treasury	<u>1,639,500</u>	<u>1,494,000</u>
Total	\$1,118,862,000	\$404,212,000

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The Treasury today received payments amounting to \$80,109,385.95 from the following foreign governments on account of their indebtedness to the United States, of which \$78,567,000 was in United States $3\frac{1}{2}\%$ Treasury notes, accrued interest thereon of \$683,509.76, and \$858,876.19 in cash.

GREAT BRITAIN: The thirteenth 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 \$66,795,000, 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 \$66,215,600 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "A" 1930-32, the accrued interest being \$579,386.50, and the cash adjustment \$13.50.

ITALY: The fourth 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 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 \$1,500,000 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "A" 1930-32, \$3,456,600 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "B" 1930-32, the accrued interest being \$43,370.25 and the cash adjustment \$29.75.

BELGIUM: The eighth semi-annual payment of interest and the fourth 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 \$4,200,000, 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 \$500,000 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "A" 1930-32, \$1,970,000 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "B" 1930-32, and \$1,679,000 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "C" 1930-32, the accrued interest being \$50,995 and the cash adjustment \$5.00. \$1,250,000 was for interest and \$1,200,000 for principal on the post-armistice debt, and \$1,750,000 for principal on the pre-armistice debt.

CZECHOSLOVAKIA: The eighth 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 amounted to \$1,500,000, 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 \$495,650 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "B" 1930-32, \$1,000,000 face amount of $3\frac{1}{2}\%$ Treasury notes, Series "C", 1930-32, the accrued interest being \$4,336.94 and the cash adjustment, \$13.06.

ESTONIA: The seventh semi-annual payment on account of the funded indebtedness of the Government of Estonia to the United States under the terms of the debt settlement approved by the Act of April 30, 1926. The payment

amounted to \$125,000, 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. The obligations were \$123,900 face amount of 3 $\frac{1}{2}$ % Treasury notes, Series "B", 1930-32, the accrued interest being \$1,084.13 and the cash adjustment \$15.87. The balance will be funded in accordance with the option given the Government of Estonia in the debt settlement agreement.

FINLAND: The thirteenth 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 \$130,680, and, as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par. The obligations were \$130,600 face amount of 3 $\frac{1}{2}$ % Treasury notes, Series "C", 1930-32, the cash adjustment being \$80.

HUNGARY: The eleventh 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 \$28,973.40, which was made in cash.

LATVIA: The seventh 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 \$45,000, 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 tenth semi-annual payment of interest, except that part to be funded, and the fifth 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 \$84,732.55, of which \$49,634.55 was for interest and \$35,098 for principal. The payment was made in cash. The balance 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 ninth 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 \$1,500,000 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. The obligations were \$495,650 face amount of $3\frac{1}{8}\%$ Treasury notes, Series "B", 1930-32, \$1,000,000 face amount of $3\frac{1}{8}\%$ Treasury notes, Series "C", 1930-32, the accrued interest being \$4,336.94, and the cash adjustment \$13.06. The balance due will be funded in accordance with the option given the Government of Poland in the debt settlement agreement.

RUMANIA: The fourth 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 \$500,000 was made in cash.

YUGOSLAVIA: The fourth 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 approved by the Act of March 30, 1928. The payment amounting to \$200,000 was made in cash.

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

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
June 27, 1929.

The following letters were made public today:

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THE WHITE HOUSE

Washington

June 8, 1929.

Hon. Carl T. Schuneman,
Assistant Secretary of the Treasury,
Washington, D. C.

My dear Mr. Schuneman:

I have before me your renewed resignation as Assistant Secretary of the Treasury.

I regret that you feel it necessary to terminate your service with the Government, but in accepting your resignation I wish to express to you my appreciation for the high degree of public service you have given.

Yours faithfully,

HERBERT HOOVER

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ASSISTANT SECRETARY OF THE TREASURY

Washington

June 26, 1929.

My dear Mr. Mellon:

It is with deep regret that I find it necessary to resign my position as one of your assistants. The opportunity to serve and be associated with you in the great work that you have accomplished in the Treasury Department has been a rare privilege, for which I will always be duly grateful.

With my deep appreciation of your thoughtfulness toward me, I am,

Yours sincerely,

CARL T. SCHUNEMAN

Hon. A. W. Mellon,
Secretary of the Treasury,
Washington, D. C.

THE SECRETARY OF THE TREASURY

Washington

June 26, 1929.

Dear Mr. Schuneman:

I have received your letter of June 26th tendering your resignation as Assistant Secretary of the Treasury, and it is with great regret that I accept it.

Several months ago, when you made known your desire to return to private life, I asked you to continue in your present position until certain matters with which you had been specially charged in connection with the public building program should be completed. You agreed to do so; and now, as I know, these matters are in such shape that you feel free to leave. The entire public building program has benefited by the care and thought which you have devoted to it, and it should always be a satisfaction to you to know that you have played such an important part in the initial stages of an undertaking of great and permanent value to the country.

In addition to this, you have been efficient and loyal in discharging all the duties entrusted to you, and it is with a feeling of personal regret that I see you leave the Treasury organization.

With best wishes, I am

Sincerely yours,

A. W. MELLON

Secretary of the Treasury.

Hon. Carl T. Schuneman,
Assistant Secretary of the Treasury.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
MONDAY, JULY 1, 1929.

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

The Government closed the fiscal year with its finances in a highly satisfactory state. Receipts again exceeded expenditures by a substantial amount, while our national debt shows a reduction over the 12 months period just closed of approximately \$673,000,000 as compared with one of \$907,000,000 in 1928. For the first time since the war, our national debt is now below \$17,000,000,000.

The total ordinary receipts amounted to \$4,033,000,000 as compared with \$4,042,000,000 in the fiscal year 1928. The expenditures chargeable against such receipts were \$3,848,000,000 as compared with \$3,644,000,000 in 1928. The surplus amounted to \$185,000,000 as compared with a surplus of \$398,000,000 in 1928.

RECEIPTS

The aggregate of tax receipts, that is, customs, income tax, and miscellaneous internal revenue receipts, was \$3,540,000,000 or \$176,000,000 more than receipts from these sources in 1928.

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Income tax receipts aggregated \$2,330,000,000 as against \$2,174,000,000 in 1928, or an increase of \$156,000,000. The receipts from the current corporation income tax were somewhat lower than during the previous fiscal year owing to a reduction in the corporation income tax rate from $13\frac{1}{2}\%$ to 12%, but practically all of the loss occasioned by the reduced rate was made up by increased income reported by corporations, due to increased prosperity. Back tax collections likewise showed a falling off, somewhat greater than was anticipated. On the other hand, there was a remarkable increase amounting to about \$220,000,000 in receipts from the current individual income tax. Until the returns have been analyzed, it is impossible to assign definite reasons for this abnormal increase, but, generally speaking, it was unquestionably due to wide-spread prosperity, the cumulative results of the reduction of surtax rates to a more reasonable point, and more specifically to increased income realized on the sale of capital assets due, in the main, to an exceedingly active and constantly rising security market.

The Treasury's estimates of receipts from the corporation tax and from back taxes were reasonably accurate. Owing to the unprecedented conditions above described, which it was impossible to forecast with certainty, the receipts from individual income taxes were considerably under-estimated.

Customs duties, including the tonnage tax, yielded \$602,000,000 as compared with \$569,000,000 in 1928, and the Treasury estimate of \$582,000,000. The increase is accounted for, in large measure, by the impending change in our tariff rates, experience having shown that imports tend to increase prior to tariff legislation.

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Miscellaneous internal revenue receipts were \$607,000,000 a falling off of \$14,000,000 from the 1928 figures, but an increase of \$29,000,000 over the Treasury estimates. The falling off in revenue is due, in the main, to a loss of about \$45,000,000 resulting from the repeal of the excise tax on the sale of automobiles and of about \$12,000,000 owing to increased exemptions applicable to the so-called amusement tax, a total/loss of some \$57,000,000, which, however, was almost entirely made up by increases of about \$40,000,000 from the tobacco tax, and about \$16,000,000 from stamp taxes. The estate tax yielded about the same amount as the previous year, namely \$60,000,000. The difference between the actual miscellaneous Internal Revenue receipts and the receipts as estimated by the Treasury is accounted for principally by two items - \$10,000,000 increase of estate tax receipts over estimates, and \$14,000,000 increase in stamp tax collections, due of course to the unforeseeable and unusual activity in security markets.

The most significant changes to be noted in 1929 as compared with 1928 in so far as receipts are concerned is the almost complete disappearance of the large revenue derived up to the present time from the sale of government-owned capital assets, continued downward trend in back tax collections, the loss in revenue occasioned by the repeal of the automobile tax, the modification of the admission tax, and the reduction of the corporation tax rate; and, on the other hand, the unusual increase in receipts from the individual income tax, the record breaking receipts from the tobacco tax, and the unusually large yield of the stamp tax.

EXPENDITURES.

Total expenditures chargeable against ordinary receipts amounted to \$3,848,000,000 as compared with \$3,644,000,000 in 1928, or an increase of \$204,000,000, the principal items of increase consisting of increased postal expenditures of \$105,000,000 payable from the Treasury, of which \$52,000,000 were for compensation to railroads for mail transportation as a result of a recent Supreme Court decision, of increased internal revenue refunds of \$42,000,000, of increased naval expenditures of \$30,000,000, of flood control and other expenditures connected with flood relief of \$30,000,000, of the first governmental contributions to the Civil Service Retirement Fund of \$20,000,000, of \$16,000,000 increased Veterans Bureau expenditures, of increased public building expenditures and of increased compensation to government employees. The principal items offsetting these increases are \$50,000,000 for war claims paid in 1928, and a decrease in interest paid of \$54,000,000.

Expenditures as compared with the Budget estimate show an increase of \$54,000,000. Though there are a number of decreases and increases in the expenditures of the various departments which to a large extent offset each other, this is accounted for principally by three items - \$52,000,000 paid to the railroads on account of back mail pay as the result of the decision of the Supreme Court, an increase of some \$39,000,000 in internal revenue refunds, and a \$12,000,000 loan to the Greek Government, or a total of \$103,000,000. This increased amount was partially offset by reduced expenditures of some \$49,000,000.

SURPLUS

The surplus amounted to \$185,000,000, as compared with the surplus as estimated in the Budget of \$37,000,000. \$124,000,000 of this surplus has already been applied to the retirement of public debt obligations, and the balance, which has temporarily been carried 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 applied to debt retirement early in the fiscal year 1930.

THE PUBLIC DEBT

The total gross debt at the close of the fiscal year amounted to \$16,931,000,000 as compared with \$17,604,000,000 at the close of the fiscal year 1928, or a decrease of \$673,000,000. Of the amount retired, \$549,000,000 is to be attributed to the sinking fund and other debt retirements chargeable against ordinary receipts, and \$124,000,000 to debt retirement from the surplus of receipts over expenditures.

The annual rate of interest on the interest-bearing debt on June 30, 1929, was 3.94%, as compared with 3.87% at the close of the fiscal year 1928. This slight increase is due to the high coupon rate carried by short-term securities issued during the course of the last six months, in which period tightening credit conditions compelled the Government, as well as other borrowers, to pay higher rates for money.

Total interest payments in the fiscal year 1929 were \$678,000,000, as compared with \$732,000,000 in 1928, or a saving in interest charges of \$54,000,000.

TREASURY DEPARTMENT.

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FOR IMMEDIATE RELEASE,
MONDAY, July 1, 1929.

STATEMENT BY SECRETARY MELLON

My attention has been called to various statements appearing in the public press to the effect that Assistant Secretary of the Treasury Lowman and Commissioner Doran contemplate resigning at an early date. There is no truth in these reports, and there are no facts to justify the circulation of rumors of this character, which do an injustice to two gentlemen who are performing a difficult task with a high degree of ability and devotion, and who have in full measure my confidence and support.

TREASURY DEPARTMENT

FUTURE RELEASE
OBSERVE DATE

FOR RELEASE, MORNING PAPERS,
Sunday, July 7, 1929.

"THE NEW SMALL-SIZE CURRENCY"

Speech

to be

delivered over the radio

by

Hon. Ogden L. Mills,

Undersecretary of the Treasury,

through

Station WABC, New York City,

and a chain of stations of the

Columbia Broadcasting Company

on

Saturday evening,

July 6, 1929,

at 9:00 p.m., Eastern Standard Time

(10:00 p.m., Eastern Daylight Saving Time)

On July 10th, that is, next Wednesday, the United States Government will begin the issue of new paper currency of reduced size and improved design. Our paper currency has been issued in its present size since 1861 and this step, therefore, is an important one which is bound to arouse widespread interest. For a few days we will look with surprise at these new, to us, strange looking bills and then, in the course of a few weeks, we will wonder why, for so many years, we accommodated ourselves so readily to their larger and more unwieldy brothers.

You will ask, of course, what were the reasons which led the Government after so many years, to make this change. After an exhaustive study and investigation covering a number of years the Treasury concluded that it was possible to give the public paper money of more convenient size, of longer life and better quality, and of improved design with greater protection against counterfeiting. The Treasury Department decided that the convenience of the public warranted this reform, while from the standpoint of the Government the proposed reduction in size will create substantial savings in the expense of manufacturing as well as in the cost of handling the currency.

From the time the paper is delivered by the mill until the notes are put into circulation an estimated gross saving amounting to almost \$1,500,000 a year will be derived from the change in size. Each note will require one-third less paper and ink; its shipping weight will be reduced by one-third, and 50 per cent more notes will be produced by the same operation. An additional saving, the amount of which cannot be definitely estimated, will undoubtedly be accomplished as a result of the expected increase in the life of the smaller note as compared with

that of the larger one, due to the fact that they will be subjected to less creasing and folding.

The normal increase in the population and wealth of this country necessarily results in a constantly increasing demand for currency. This is well illustrated by the following figures: In 1917 the Bureau of Engraving and Printing delivered 128,672,045 sheets of currency; in 1920, 163,860,748 sheets; in 1923, 171,955,335 sheets; in 1926, 227,566,949 sheets, and, in 1928, 236,565,232 sheets. The building now occupied by the Bureau of Engraving and Printing was completed in 1914, and at the time of its erection it was contemplated that this building would be adequate to meet the Bureau's requirements for an extended period. It appears, however, that within a comparatively short time the normal increase in the demand for currency would, were it not for the contemplated change, force the Bureau to obtain additional manufacturing equipment and build a large extension to the present plant. The introduction of the new size currency will solve the production difficulties of the Bureau for the reason that the reduced size will permit the production of twelve subjects to the sheet instead of eight, resulting in an increased production of 50 per cent more notes for each printing operation. The reduced size will also have an important effect upon the available vault space, both in the Treasury and the Federal Reserve Banks.

The present size of the currency is $7 \frac{7}{16}$ by $3 \frac{1}{8}$ inches. The new size is $6 \frac{5}{16}$ by $2 \frac{11}{16}$ inches. I realize, of course, that a description of size given in terms of $\frac{1}{16}$ of an inch does not convey very much over the radio, but I think you will be pleasantly surprised next Wednesday when you see the new bills and realize how great is the improvement in appearance and in convenience from the standpoint of handling.

I have mentioned improved appearance. For many years the matter of revising the designs of the outstanding currency issues of the United States has been before the Department, but there was never an opportunity to undertake a general revision until the decision to revise the size of the bills made it necessary to execute wholly new engraved stock for printing the new currency. Generally speaking, there is today a different design for the face and back of each denomination of each kind of paper currency, and there are five kinds -- United States notes, silver certificates, gold certificates, Federal Reserve notes and National Bank notes -- accompanied by a multiplicity and duplication of characteristic features. In so far as the new notes are concerned, the principle of denominational designs has been strictly followed. That is to say, the emphasis has been placed on the dollar value of the note rather than the kind. Thus, instead of having different backs varying with the kinds of currency, -- that is, United States currency or Federal Reserve notes, let us say -- for the new designs every back of a given denomination will be absolutely identical. For example, take a \$5.00 bill. The back will always bear an engraving of the Lincoln Memorial as a predominating feature. Accordingly, there will be only one \$5.00 back instead of several for the Government to print and protect and for the public to become familiar with. Of course, in so far as the faces are concerned, sufficient variation in detail is necessary to indicate the kind for purposes of sorting by banking institutions; that is to say, whether the bill is a United States note, a silver certificate, a gold certificate, a Federal Reserve note, or a National bank note. But here again uniform denominational characteristics have been fixed, the outstanding feature of each denomination being a portrait. Thus, in the case of our \$5.00 bill, on the face side, the portrait of Lincoln will

always appear in the center. As a Lincoln portrait will always indicate a \$5.00 bill, so the portrait of Washington will always be found on the 1's; of Jefferson on the 2's; of Hamilton on the 10's; of Jackson on the 20's; of Grant on the 50's; of Franklin on the 100's; of McKinley on the 500's; of Cleveland on the 1,000's; of Madison on the 5,000's; and of Chase on the 10,000's.

We believe that we have succeeded in accomplishing a great simplification of currency designs and we are confident that we have made counterfeiting and the raising of the bills from one denomination to another more difficult in the future. The denomination henceforth can always be told readily by the portrait, which is the most difficult thing to counterfeit successfully, and as the public gradually becomes accustomed to associate a given portrait with a given denomination they will be increasingly protected against raised bills and from counterfeiting in general.

In connection with counterfeiting I think I should call your attention to another feature. Up to the present time the use of small segments of silk fibre, localized in rows, have formed part of the distinctive features of our currency. It has long been felt that the prominent silk fibre, localized in rows, was an encouragement to the counterfeiter since the public was inclined to rely on this feature, which, as a matter of fact, was very easily imitated. In the new currency the small segments of silk fibre have been retained, but they are scattered throughout the sheet and not localized as formerly.

The life of paper currency is intimately connected with its fitness and we all know how desirable it is to have clean, fit bills, though not necessarily brand-new ones. In order that this new currency might have a longer life than that of the old, extensive research work was undertaken

with the cooperation of the Bureau of Standards, the Bureau of Efficiency, and the manufacturers of the paper, to develop a type of paper which would have greater endurance and folding strength and which would, at the same time, meet the manufacturing requirements of the Bureau of Engraving and Printing. It is not every paper of high strength that will stand the wetting and drying operations incident to the manufacture of currency. Our currency is printed on dampened paper. Paper when moistened expands but does not always contract uniformly as it dries. A second wetting is necessary between the printing of the backs and faces. We require, therefore, a paper that will expand and contract uniformly under these conditions in order that the faces on each sheet of twelve notes may register with reasonable accuracy against the backs previously printed. This is a somewhat severe requirement when combined with a stipulated thickness, structure and folding strength. We have, however, developed a paper believed to be satisfactory in all these respects and with such an increased strength that we are confident that the currency will have a longer life. Moreover, in their smaller sizes the notes will generally fit into pocketbooks without being folded, which is not possible with currency in its present size, and its frequent folding and creasing eventually breaks the fibre of the paper and hastens its deterioration.

There are at present outstanding some five billion dollars worth of paper currency, or nine hundred million pieces. These figures will, I think, indicate the magnitude of the task undertaken by the Treasury when it determined to replace this huge volume of currency with currency of a completely new design. First the engraved dies had to be made and approved in turn. From these master rolls were prepared and then in turn a sufficient number of plates to supply hundreds of presses, each with four plates for

printing. Our next problem was that of production. It was necessary to print for a complete turnover of United States and Federal Reserve currency approximately seventy-six million sheets of twelve subjects each, or nine hundred and twelve million individual pieces. These have had to go through the various operations of wetting; back printing; examining; a second wetting; face printing; examining; trimming; numbering and sealing, and the final cutting into individual notes. After this they have to be assembled into packages of four thousand pieces for delivery to the Treasury. Vast as is the capacity of the Bureau of Engraving and Printing to accomplish enormous tasks of this character, the production of this new currency, in part carried on during a period of substantial production of the old-size currency to meet the needs of the past months, has strained the Bureau's capacity to the utmost. The task has been completed on schedule time, but this is due entirely to the skill and ingenuity of the personnel in overcoming all manner of mechanical and technical difficulties, and to the devotion of the employees generally in their endeavor to maintain the schedule of production that had been determined in advance.

The work of production has, in large measure, been completed except in so far as National bank notes are concerned, which involved a special problem, but they, too, are now being produced rapidly and will be available for distribution at an early date. The problem of production is behind us. There remains the problem of distribution. As I have stated, there are at present outstanding about nine hundred million pieces of paper currency. Last year about nine hundred and thirty million pieces of currency were redeemed and about nine hundred and twenty-five million pieces of new currency were issued. Roughly speaking, therefore, the replacement of the old-size currency with the new small-size currency is the equivalent of

about one year's ordinary redemptions and issues. This makes it entirely clear that it would not be possible to undertake the replacing of all outstanding old-size currency at one time. I emphasize this so that you will be prepared to be patient and must not expect to see the new currency, when issued, almost immediately substituted for the old. We must proceed gradually and carefully. Essential safeguards are necessary in handling the retirement of the old which, in effect, is the basis for the issue of the new. The redemption of currency necessarily involves definite legal and accounting restrictions and, of course, there are physical limitations both at the Federal Reserve Banks and the Treasury. Therefore, instead of an immediate redemption of all outstanding currency it will be necessary for the issue of the new to be made over a certain period of time. The Treasury and the Federal Reserve Banks will do everything to make this period as short as possible. This means that at the very outset all banks applying for currency will be rationed, as it were, and each will be required to take a certain percentage of old-size currency assorted from that most fit for circulation. This percentage of old currency will be gradually decreased until after a period of a few months it is anticipated that all old-size currency presented at Federal Reserve Banks will be replaced in full with the reduced-size currency.

The first issue of the new small-size currency will include all kinds, except National bank notes, and all denominations from \$1.00 to \$20.00. Small-size gold certificates and Federal Reserve notes in denominations above \$20.00 will be issued at a later date. The small-size National bank notes will be printed and issued in order of charter numbers, beginning about July 15th.

The issue of the new small-size currency will be made through the Federal Reserve Banks and branches. Stocks of the new-size currency have already been

placed in Federal Reserve custody in the twelve Federal Reserve Banks and in certain of their branches. The Federal Reserve Banks have been authorized to make available on July 10th to the commercial banking institutions of their respective districts limited amounts of new small-size currency. But let me emphasize that the amounts available for issue on July 10th will be strictly limited. We anticipate, of course, a curiosity demand which, for a comparatively short period of time, will increase the demand for currency, and we are prepared to meet that curiosity demand, but only to a limited extent. After, what I may call, the period of initial, novelty interest is over, the public must expect the new currency to be issued but gradually and as the old currency is retired as unfit for further circulation. This will require, as I have already said, a period of least three or four months, during which time both sizes of currency will be in circulation, but with the old size gradually disappearing. In so far as the National bank notes are concerned, it will probably take at least six or seven months to complete the turnover. All this necessarily will involve a certain amount of inconvenience on the part of the public, an inconvenience wholly temporary in character and which I think the public will appreciate is fully justified and is very much outweighed by the advantages to be derived from the substitution of the new currency for the old. You can rest assured that the Treasury will make every endeavor to accomplish a complete turnover as rapidly as possible, but in the meanwhile we ask you to be patient; to be satisfied for the time being with the currency which has given you reasonable satisfaction for more than sixty years, and not to consider it necessary to carry nothing but the new bills in your pocket. With your cooperation and good will it is probable that a year from now the old-size currency bill will be a rarity and in a short time thereafter will arouse as much curiosity as our new bills will on Wednesday, next.

Acting Secretary Mills today announced that Secretary Mellon had appointed Captain Frank X. A. Eble of Salt Lake City, Utah, to be Commissioner of Customs, to fill the vacancy caused by the resignation of Mr. E. W. Camp. The appointment will be effective today.

Captain Eble was born in Milnesville, Luzerne County, Pennsylvania. After extended experience in the commercial field, he served in the Army during the World War. Upon his return from France he became a member of the War Loan Staff of the Secretary of the Treasury, in which capacity he assisted the Treasury in the installation of improved methods of procedure. Subsequently he became affiliated with the Institute of Government Research in Washington. In 1922, Captain Eble was appointed a Treasury Agent, with headquarters at Berlin, Germany, for duties in connection with United States customs laws. In 1923 he was made Chief of the Service in the Berlin district.

In 1924 he was assigned by the Secretary of the Treasury to the Finance Committee of the Senate, in which position he assisted the Committee in its consideration of the revenue bill. He rejoined the Customs Service in August 1924, resuming his Berlin post, and in 1926 accepted the invitation of Professor Kemmerer to become a member of the Kemmerer Mission to Poland, financial advisers to that Government. Captain Eble had charge of the customs administration work of this commission. Returning from Poland in November, 1926, he resumed his official duties at Berlin, where he has continued up to the present time.

FUTURE RELEASE
FOR RELEASE MORNING PAPERS
THURSDAY, July 11, 1929.
OBSERVE DATE

TREASURY DEPARTMENT

Acting Secretary Mills today announced that he has authorized the Federal Reserve Banks to purchase, at the option of holders, for account of the sinking fund, up to \$75,000,000, or thereabouts, aggregate face amount of 3½ per cent Treasury Notes of Series A-1930-32, at 98 and accrued interest. This offer will remain open until the close of business on Tuesday, July 16, 1929, and without further notice will then terminate, or at such earlier date as the full amount shall have been tendered.

Tenders will be accepted in the order in which received, and those making tenders will be notified of acceptance or rejection. Any notes tendered for purchase must be forwarded at the owner's own expense and risk, and such notes may accompany the tender, or may be forwarded upon receipt of notification from Federal Reserve Bank of acceptance of offer. In any event the notes accepted must be received at the Federal Reserve Bank on or before Thursday, July 18, and the Federal Reserve Bank on that date will make payment for such notes at 98 and accrued interest from March 15 to July 18, 1929. Any Treasury Notes, Series A-1930-32, presented for purchase under this offer, should have attached the coupon bearing date September 15, 1929, and all subsequent dates (Nos. 5 to 10 inclusive).

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
WEDNESDAY, July 17, 1929.

Secretary Mellon today in referring to the offer made on July 11, 1929, to purchase \$75,000,000, or thereabouts, aggregate face amount of $3\frac{1}{2}$ per cent Treasury Notes of Series A-1930-32, at the option of holders, for account of the cumulative sinking fund, which offer closed last evening, announced that tenders aggregating \$75,869,450 had been received at Federal Reserve Banks, all of which have been accepted by the Treasury.

In accordance with the terms of the offer payment for the notes tendered will be made on July 18, 1929, at 98 and accrued interest from March 15.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
July 19, 1929.

The Secretary of the Treasury announces the acceptance today of the bid of the 40 Wall Street Corporation in the amount of \$6,501,000 for the purchase of the United States Assay Office property, New York City, in accordance with the terms specified in the Department's advertisement, dated May 20, 1929.

Bids were opened on June 24, 1929. Six bids were received ranging in amounts from \$5,120,000 to \$6,501,000. The initial payment of \$500,000 has been deposited by the highest bidder. Under the terms of the contract of sale the Department does not guarantee a definite time when possession may be given to the purchaser, but it is estimated that a new site and new assay office will be ready for occupancy in approximately four years.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Friday, July 26, 1929.

Commenting on the statement of W. D. Euler, Canadian Minister of National Revenue, that the United States has no effective check on their own boats and are not required to obtain clearance, Dr. J. M. Doran, Commissioner of Prohibition, said:

"No one is in a position to know whether the boats engaged in the illicit liquor traffic are Canadian owned or American owned because nearly all vessels which Canada has reported under the treaty as clearing for the United States with liquor cargoes are not recorded in the United States."

TREASURY DEPARTMENT

Statement by the Secretary of the Treasury.

I am greatly pleased at the action of France in ratifying the agreement for the settlement of the debt owed by her to the United States. Under this agreement France undertakes to meet her obligations and, by so doing, gives evidence of that financial integrity which has always characterized her conduct.

As one who helped to negotiate the agreement for the settlement, I feel that much credit is due to the frankness shown by those representing France in disclosing all the factors involved in arriving at an estimate of their country's capacity to pay. The American Commission approached the situation with equal frankness and good will; and the settlement subsequently arrived at is one which we believe is eminently fair to both nations.

It involved, of course, some sacrifice on the part of both France and the United States. But the amount which it was agreed that France could pay, was determined without taking into consideration any payments from reparations or other such outside sources; and the astonishing financial and economic recovery which France has made, even in the short period intervening since the agreement was negotiated, is convincing evidence that great hardship will not be imposed on France in meeting the payments to America. Furthermore, I am convinced, as I was three years ago when the settlement was made, that the burden which it involves as regards the French people will grow lighter, relatively speaking, as time goes on.

By ratifying this agreement France has now eliminated in the relations of the two countries a matter which was disturbing so long as it remained unsettled. At the same time this action, by disposing of one of the last

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financial problems inherited from the war, will make for world stability and will prove a powerful factor in promoting general economic progress.

In so far as this country is concerned, it brings to a successful conclusion the task entrusted to the World War Foreign Debt Commission to negotiate settlements with the various nations for the debts incurred during and after the war. Agreements have been reached with Great Britain, Finland, Hungary, Lithuania, Poland, Belgium, Czechoslovakia, Latvia, Estonia, Italy, Yugoslavia, Rumania, Greece and France, bringing the total amount which has been funded to date to \$11,554,851,000. All of these nations are punctually meeting their engagements; and the payments, as they are received, are being applied on the debt owed by this Government to its bondholders.

The Secretary of the Treasury today released for publication the text of the notes exchanged between him and the French Ambassador constituting the Agreement between France and the United States providing for the postponement of the date of the maturity of the principal of the indebtedness of France in respect of its purchase of surplus war supplies maturing August 1, 1929.

"July 29, 1929.

My dear Mr. Ambassador:

The agreement between the French Republic and the United States, known as the Mellon-Berenger Agreement, providing for the funding of the payment of the indebtedness of the French Republic to the United States, has been ratified in France in accordance with the terms thereof but has not as yet received the approval of the Congress of the United States. The said agreement having been ratified by the Government of the French Republic, the Secretary of the Treasury, with the approval of the President, hereby agrees with the French Republic to the postponement of the date of the maturity of the principal of its indebtedness in respect of its purchase of surplus war supplies maturing August 1, 1929, until the Mellon-Berenger Agreement has been approved or disapproved by the Congress of the United States, but in no event shall such date be postponed beyond May 1, 1930. The Congress will reconvene shortly, and it is my expectation that the Mellon-Berenger Agreement will receive consideration at an early date.

It is understood that the French Republic agrees to continue to pay interest on the said obligations maturing August 1, 1929, in accordance with the terms thereof, until payment, provided, however, that if the Mellon-Berenger Agreement is approved by the Congress of the United States prior to May 1, 1930, such amounts paid as interest prior to that date will be credited to the first annuities specified in the Mellon-Berenger Agreement. It is further understood that in the event of the approval of the Mellon-Berenger Agreement by the Congress of the United States the French Republic, within a reasonable time thereafter, will pay to the United States such additional amount as may be necessary to bring to a current basis the payments due up to that time under the terms of the Mellon-Berenger Agreement.

I shall appreciate it if you will transmit this communication to your Government with the suggestion that your Government authorize you to signify in writing its acceptance of this agreement and that this exchange of letters constitutes a definite and binding agreement between the two Governments.

With assurance of my esteem, I am,

Sincerely yours,

A. W. MELLON

Secretary of the Treasury.

His Excellency,
The Ambassador of France,
French Embassy,
Washington, D. C.

Approved:

HERBERT HOOVER

President."

Washington, July 29, 1929.

My dear Mr. Secretary:

I have the honor to acknowledge receipt of your letter of July 29 concerning the report of the date of payment of the obligations contracted by France towards the United States for the purchase of war stocks and coming to maturity on August 1, 1929.

I take pleasure in informing you, after having consulted my Government, that the latter has just invited me to notify you of their acceptation of the conditions expressed in your communication.

Please accept, My dear Mr. Secretary, the renewed assurances of my high consideration.

(Signed) PAUL CLAUDEL.

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

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
AUGUST 7, 1929.

It was announced to-day that Assistant Secretary Henry Herrick Bond is tendering his resignation effective September 1, 1929. Mr. Bond is from Massachusetts and was appointed by President Coolidge on November 7, 1927, and during his entire period of service in the Treasury he has had administrative supervision over the Internal Revenue Service, the office of the Comptroller of the Currency, the Bureau of Engraving and Printing, the Mint Bureau, the Secret Service Division, and the office of the Disbursing Clerk. During his term of office Mr. Bond has devoted himself particularly to Internal Revenue matters with a view to simplification, settlement of pending cases and greater cooperation between the Department and the taxpayer. Much has been accomplished in these directions and with the practical completion of the currency program in connection with the replacement of the old large-size by new small-size notes at the Bureau of Engraving and Printing, Mr. Bond has felt that the time has arrived when he must return to private life. It is his intention to resume the practice of law.

STATEMENT BY SECRETARY MELLON

To meet a maturity of about \$510,000,000 of Treasury certificates, the Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of nine month $4\frac{7}{8}$ per cent Treasury certificates of indebtedness of Series TJ-1930, dated and bearing interest from September 16, 1929, and maturing June 16, 1930. The amount of the offering is \$500,000,000, or thereabouts.

Applications for the new certificates will be received at the Federal Reserve Banks. The Treasury will accept in payment for these certificates, at par, Treasury certificates of indebtedness of Series TS-1929 and TS2-1929, both maturing September 15, 1929. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing September 15, 1929, will be allotted in full up to the amount of the offering. In addition, $3\frac{1}{2}$ Treasury notes of Series A-1930-32, B-1930-32 and C-1930-32 will be accepted at a price of \$98 for each \$100 face amount, with an adjustment of interest accrued to September 16, 1929, in part payment for any certificates of the series now offered, up to \$100,000,000 face amount of notes; the difference between the price of \$98 for the notes and the \$100 face amount of the new certificates to be paid in cash on or before September 16, 1929. Payment by Treasury notes will be

treated as cash subscriptions and will be given preferred allotment in the order received. These notes are being purchased for sinking fund purposes.

On subscriptions for which Treasury notes are tendered in partial payment, the face amount of the Treasury notes tendered must equal the face amount of the new certificates subscribed for, and such subscriptions must be in multiples of \$500.

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 December 16, 1929, and June 16, 1930.

Particular attention is invited to the new tax exemption provision. In accordance with the Act of Congress approved June 17, 1929, the new certificates will be exempt, both as to principal and interest, from all taxation, except estate and inheritance taxes. The interest on certificates heretofore issued under the Second Liberty Bond Act, as amended, has been exempt from the normal income tax but from surtaxes only to a limited extent. These certificates, however, will be fully exempt as to interest from surtaxes, as well as normal income taxes, and, accordingly, should be more attractive to the individual investor.

In addition to \$510,000,000 of Treasury certificates of indebtedness due and payable on September 15, 1929, over \$65,000,000 in interest payments on the public debt will become due and payable in September, 1929, and over \$149,000,000 in October, 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 of Series TJ-1930, dated and bearing interest from September 16, 1929, payable June 16, 1930, with interest at the rate of four 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 will have two interest coupons attached, payable December 16, 1929, and June 16, 1930.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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.

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 December 16, 1929, and June 16, 1930.

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. 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 16, 1929, 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 TS-1929 and TS2-1929, both maturing September 15, 1929, 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. In addition, three

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and one-half per cent Treasury notes of Series A-1930-32, B-1930-32 and C-1930-32 will be accepted at a price of \$98 for each \$100 face amount, with an adjustment of interest accrued to September 16, 1929, in part payment for any certificates of the series now offered, up to \$100,000,000 face amount of notes; the difference between the price of \$98 for the notes and the \$100 face amount of the new certificates to be paid in cash on or before September 16, 1929. The exchange of notes for certificates will be treated as cash subscriptions and will be given preferred allotment in the order received. All coupons maturing after September 15, 1929, must be attached to the notes when surrendered, and prior coupons should be detached. These notes are being purchased for sinking fund purposes.

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

FOR IMMEDIATE RELEASE,
Saturday, September 7, 1929.

Acting Secretary Mills announced that subscriptions for the issue of 4-7/8 per cent Treasury Certificates of Indebtedness, dated September 16, 1929, Series TJ-1930, maturing June 16, 1930, will close at the close of business on Monday, September 9, 1929. Subscriptions which fail to reach a Federal Reserve Bank or branch, or the Treasury Department, before the close of business on Monday 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,
Wednesday, September 11, 1929.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated September 16, 1929, Series TJ-1930, 4-7/8 per cent, maturing June 16, 1930, closed at the close of business on September 9, 1929. The reports received from the twelve Federal Reserve Banks show that for the offering, total subscriptions aggregate some \$1,486,000,000. Of these subscriptions, \$104,249,000 represent subscriptions for which Treasury certificates of indebtedness of Series TS-1929 and Series TS2-1929, both maturing September 15, 1929, were tendered in payment, all of which were allotted in full, and \$105,795,500 represent subscriptions for which 3½% Treasury Notes were tendered in partial payment, of which only \$100,000,000 were accepted, in accordance with the terms of the Treasury's original announcement.

Allotments on other subscriptions were made as follows: 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 \$50,000 were allotted 70 per cent, but not less than \$1,000 on any one subscription; cash subscriptions in amounts over \$50,000 but not exceeding \$100,000 were allotted 40 per cent, but not less than \$35,000 on any one subscription; cash subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 30 per cent, but not less than \$40,000 on any one subscription; and cash subscriptions in amounts over \$1,000,000 were allotted 15 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.

Secretary Mellon today announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series TJ-1930, 4 7/8 per cent, dated September 16, 1929, maturing June 16, 1930, was \$1,486,492,000. The total amount of subscriptions allotted was \$549,707,500. Of this amount, \$104,274,000 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TS-1929 and TS2-1929, maturing September 15th, were tendered in payment, which subscriptions were allotted in full. The total also includes \$100,000,000 allotted on subscriptions for which 3 1/2 per cent Treasury notes were tendered in partial payment. 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>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 74,250,000	\$ 27,218,000
New York	653,602,500	217,362,500
Philadelphia	143,740,500	51,105,000
Cleveland	97,375,000	44,753,000
Richmond	37,651,500	20,001,500
Atlanta	58,635,000	25,650,000
Chicago	116,734,500	53,914,000
St. Louis	27,517,000	14,167,500
Minneapolis	16,805,500	10,186,500
Kansas City	28,024,500	17,320,500
Dallas	62,721,000	27,814,000
San Francisco	168,684,500	39,523,000
Treasury	750,500	692,000
Total	\$1,486,492,000	\$549,707,500

TREASURY DEPARTMENT.

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FOR IMMEDIATE RELEASE,
Saturday, September 28, 1929.

The Secretary of the Treasury has accepted the offer of the Potomac Electric Power Company to sell to the Government for a consideration of \$3,600,000, Squares 259 and 260, together with the buildings and all equipment thereon, except certain cables and sub-station equipment which the contract provides is to be salvaged by the Potomac Electric Power Company. The contract also provides that the power company may remain in possession of all or any part of the land and buildings for a period of eighteen months, rental at the rate of 5% per annum of the contract price to be paid to the Government after title to the property is vested in the United States, and until the property is vacated.

Statement by Secretary Mellon.

While the final detailed estimates of revenues and expenditures for the fiscal years 1930 and 1931 have not been completed, the Secretary of the Treasury considers the estimates have reached the point where tax reduction should be recommended to the Congress at the coming session.

The indications are that business profits, dividends, interest and wage payments in 1929 will considerably exceed those of the year 1928. Our estimates indicate that the Government should close both the fiscal years 1930 and 1931 with a surplus. Taking all factors into consideration, the Secretary of the Treasury, with the approval of the President, will recommend tax reduction to the Congress. The form of relief to the taxpayers which the Treasury's recommendations will probably take will be a one per cent reduction of the normal tax on the incomes of individuals and corporations applicable to 1929 incomes and payable in the calendar year 1930. That is to say, on the first \$4,000 of taxable income the rate will be reduced from one and one-half per cent to one-half of one per cent; on the second \$4,000, from three per cent to two per cent; and on the balance, the present five per cent rate will be reduced to four per cent. The corporation tax rate will be reduced from twelve per cent to eleven per cent. The total reduction of taxes to be collected during the calendar year 1930 will amount, it is estimated, to approximately \$160,000,000.

The reduction, it is hoped, will take the form of a Joint Resolution of Congress, thus permitting prompt action by both Houses by avoiding a general revision of the revenue law.

The proposal has been discussed with the Republican and Democratic leaders of both Houses of Congress, who have tentatively approved the proposed recommendation.

Treasury Department

For release, morning papers,
November 27, 1929.

Remarks of
Honorable A. W. Mellon
Secretary of the Treasury
on the Occasion of the Presentation
of a Medal to Honorable Elihu Root
by the National Academy of Design
in the Fine Arts Building
New York
November 26, 1929.

Note:

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

TREASURY DEPARTMENT.

IMMEDIATE RELEASE,
NOVEMBER 27, 1929.

The Secretary of the Treasury announces the selection of a site for the new Assay Office in New York City located on the east side of Old Slip and extending from Front Street to South Street.

The site consists of 7 parcels, 5 of which are being acquired by voluntary conveyance. It has been necessary to institute condemnation proceedings for the acquisition of the other 2 parcels, because of excessive prices demanded by the owners. It is estimated that the entire site will cost approximately \$1,500,000.

Statement of Undersecretary of the Treasury

Mills before the Ways and Means Committee

Wednesday morning, December 4th.

The revenue bill introduced by Chairman Hawley and now before this Committee for consideration has the approval of the Treasury Department.

Its terms are so simple as to require no explanation. It provides that the normal tax on the taxable incomes of individuals for the calendar year 1929 shall be reduced from $1\frac{1}{2}$ per cent to one-half of 1 per cent on the first \$4,000 of taxable income; from 3 per cent to 2 per cent on the second \$4,000 of taxable income; and from 5 per cent to 4 per cent on the balance of taxable income; and that the tax on the taxable incomes of corporations for the calendar year 1929 shall be reduced from 12 per cent to 11 per cent.

The outstanding features of this measure are, first, that it limits the new rates to the calendar year in question, which is a novelty in the history of income tax legislation in this country; and in the second place, that it gives some measure of relief to the maximum number of income taxpayers, with relatively larger benefits to those with the smaller incomes.

The reasons for the limited revision are not far to seek: The estimated surplus for the fiscal year 1930 is approximately \$226,000,000, and the estimated surplus for the fiscal year 1931 approximately \$123,000,000. These figures, to be sure, do not indicate a very large

margin of safety in budgets of over \$4,000,000,000, but the tax reduction of \$160,000,000 which will result from the enactment of this bill is divided approximately equally between the two fiscal years. Looked at from this standpoint, the margin of safety is reasonably adequate. The Treasury Department feels, therefore, that the taxpayers should receive the benefit of these prospective surpluses in the form of tax reduction. This is all the more desirable since both budgets make ample provision for retirement of our national debt in accordance with our well-established policy. The estimated expenditures for 1930 and 1931 include, respectively, \$630,000,000 and \$635,000,000 for debt retirement chargeable against ordinary receipts.

A surplus may be recurring or temporary. In the one case, either through expanding revenue or reduced expenditures, assured receipts may have reached the point where they so exceed normal expenditures as to create recurring surpluses. Such a situation justifies a more or less permanent revision of our tax laws with a view to modifying tax rates downward.

In the second case, the surplus may be of temporary character, arising from an unusual increase in receipts or decrease in expenditures, or from conditions not extraordinary which may not have existed for a sufficient period of time to permit a definite conclusion as to their permanency. Such surpluses obviously call for different treatment. This is particularly true of a revenue system which places its chief reliance on one form of taxation, as we now do on the income tax, which

is subject to sweeping variations depending on a variety of circumstances but principally on the upward and downward fluctuations of business. Under these circumstances, while a surplus justifies some measure of tax relief and while the taxpayer should receive the fullest possible benefits from the prosperous condition of the Treasury during the given fiscal year, it is impossible to assure the permanency of the reduced rates.

The estimated surpluses for the fiscal years 1930 and 1931 seem to fall into the second class.

Moreover, the problem of estimating future revenue is attended by extraordinary difficulties at the present time due to the existence of a number of factors the effect of which it is almost impossible to foresee. The surplus of the fiscal year ending June 30 last and the current year's probable surplus was and will be due, to a very large extent, to the unusual increase in taxable incomes reported by individuals, although corporations enjoyed a very prosperous year in 1928, and all reports indicate that their 1929 income will exceed that of 1928. The income tax returned by individuals for the calendar year 1927 was \$830,000,000, and for the calendar year 1928 approximately \$1,150,000,000. While wages, salaries, dividends, etc., showed a substantial increase, the outstanding item in the increased income returned was a gain of approximately \$2,000,000,000 in profits from the sale of capital assets, both within and without the 2-year period. It is the unusual increase in this one item and the impossibility of determining under existing circumstances what income will be returned from this source for the calendar

years 1929 and 1930, that make estimating at this time so uncertain a proposition.

We are not only faced with the usual problem of determining the business trend during the current calendar year and of forecasting the business trend during the coming calendar year, but we are confronted with the difficult problem of determining what effect the precipitous decline of security values recently witnessed will have on the profits from security transactions, which unquestionably yielded a very large income in 1928 and for the first eight months of the calendar year 1929.

The pending measure solves the problem of giving to the taxpayer the benefit of the surplus which seems reasonably certain in the fiscal year 1930 without running too great a risk of incurring a deficit during the fiscal year 1931.

It is estimated that the reduced rates will result in reducing income taxes to be collected during the calendar year 1930 by \$160,000,000, of which approximately \$90,000,000 represents the reduction in corporation taxes, and approximately \$70,000,000 the reduction in individual income taxes.

Since all individual income taxpayers pay the normal tax, with the exception of those whose entire taxable income is derived from dividends, and since millions of stockholders in our corporations indirectly contribute to the corporation tax, a reduction in the normal rate applicable to individual incomes and a reduction of the

corporate tax rate are the means of giving relief to the maximum number of income taxbearers. In this connection, it should be noted that in the fiscal year 1929 out of a total tax revenue of \$3,540,000,000, including customs duties, income taxpayers contributed no less than \$2,331,000,000.

I have stated that the second outstanding feature of the proposed measure is the relatively larger benefits which it brings to the people with small, or relatively small, taxable incomes. This must, of course, be so under a system of graduated surtaxes when the relief is limited to a flat reduction of the normal rate. And since incomes in the lower brackets are in the main earned income derived from wages or salaries, it is a fair conclusion that the chief beneficiaries of this measure will be the wage-earning and salaried taxpayers.

The following table illustrates the reduction in taxes to be accorded the taxpayers falling in different income classes:

Comparison of the total tax payable under the present law, and under the rates suggested for 1929, upon a single person, and upon a married person without dependents.

It is assumed that all income not in excess of \$10,000 is earned income, and in addition that one-fourth of the income in excess of \$10,000, until the limit of \$30,000 earned income is reached, is also earned.

The total net income is assumed to be all the income received, and the comparison does not include income in part consisting of dividends, or capital gains, or interest upon Government bonds.

The comparison covers the total tax, normal and surtax. The normal tax rates suggested are one-half of one per cent. on the first \$4,000 taxable, 2% on the next \$4,000, and 4% on the remainder of the taxable net income.

Total net income	Single person				Married man, no dependents									
	Normal tax, present law	Normal tax, proposed for 1929	Surtax	Total tax, present law	Total tax, proposed for 1929	Reduction in tax, Amount	%	Normal tax, present law	Normal tax, proposed for 1929	Surtax	Total tax, present law	Total tax, proposed for 1929	Reduction in tax, Amount	%
\$ 4,000	\$ 28.13	\$ 9.38	- - -	\$ 28.13	\$ 9.38	\$ 18.75	66.66	\$ 5.63	1.88	- - -	\$ 5.63	1.88	\$ 3.75	66.61
5,000	39.38	13.13	- - -	39.38	13.13	26.25	66.66	16.88	5.63	- - -	16.88	5.63	11.25	66.65
6,000	56.25	22.50	- - -	56.25	22.50	33.75	60.00	28.13	9.38	- - -	28.13	9.38	18.75	66.65
7,000	78.75	37.50	- - -	78.75	37.50	41.25	52.38	39.38	13.13	- - -	39.38	13.13	26.25	66.66
8,000	101.25	52.50	- - -	101.25	52.50	48.75	48.15	56.25	22.50	- - -	56.25	22.50	33.75	60.00
9,000	123.75	67.50	- - -	123.75	67.50	56.25	45.45	78.75	37.50	- - -	78.75	37.50	41.25	52.38
10,000	153.75	90.00	- - -	153.75	90.00	63.75	41.46	101.25	52.50	- - -	101.25	52.50	48.75	48.15
15,000	388.12	277.50	\$ 56.88	445.00	334.38	110.62	24.86	311.88	216.25	\$ 56.88	368.76	273.13	95.63	25.93
20,000	622.50	465.00	213.75	836.25	678.75	157.50	18.83	547.50	405.00	213.75	761.25	618.75	142.50	18.72
25,000	856.87	652.50	500.63	1,357.50	1,153.13	204.37	15.05	781.88	592.50	500.63	1,282.51	1,093.13	189.38	14.77
30,000	1,091.25	840.00	865.00	1,956.25	1,705.00	251.25	12.84	1,016.25	780.00	865.00	1,881.25	1,645.00	236.25	12.56
40,000	1,560.00	1,215.00	1,768.75	3,328.75	2,983.75	345.00	10.36	1,485.00	1,155.00	1,768.75	3,253.75	2,923.75	330.00	10.14
50,000	2,028.75	1,590.00	2,925.00	4,953.75	4,515.00	438.75	8.86	1,953.75	1,530.00	2,925.00	4,878.75	4,455.00	423.75	8.69
60,000	2,497.50	1,965.00	4,312.50	6,810.00	6,277.50	532.50	7.82	2,422.50	1,905.00	4,312.50	6,735.00	6,217.50	517.50	7.68
70,000	2,966.25	2,340.00	5,932.50	8,898.75	8,272.50	626.25	7.04	2,891.25	2,280.00	5,932.50	8,823.75	8,212.50	611.25	6.93
80,000	3,435.00	2,715.00	7,688.75	11,123.75	10,403.75	720.00	6.47	3,360.00	2,655.00	7,688.75	11,048.75	10,343.75	705.00	6.38
90,000	3,903.75	3,090.00	9,540.00	13,443.75	12,630.00	813.75	6.05	3,828.75	3,030.00	9,540.00	13,368.75	12,570.00	798.75	5.97
100,000	4,403.75	3,490.00	11,440.00	15,843.75	14,930.00	913.75	5.77	4,328.75	3,430.00	11,440.00	15,768.75	14,870.00	898.75	5.70
250,000	11,903.75	9,490.00	41,440.00	53,343.75	50,930.00	2,413.75	4.52	11,828.75	9,430.00	41,440.00	53,268.75	50,870.00	2,398.75	4.50
500,000	24,403.75	19,490.00	91,440.00	115,843.75	110,930.00	4,913.75	4.24	24,328.75	19,430.00	91,440.00	115,768.75	110,870.00	4,898.75	4.23
1,000,000	49,403.75	39,490.00	191,440.00	240,843.75	230,930.00	9,913.75	4.12	49,328.75	39,430.00	191,440.00	240,768.75	230,870.00	9,898.75	4.11

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In so far as corporations are concerned, as pointed out in the 1927 Report of the Secretary of the Treasury, they are, relatively speaking, overtaxed, and whichever theory be adopted as to the incidence of the corporation income tax, it can hardly be denied that the way to give the greatest Federal tax relief to the greatest number is through a reduction of the corporation rate. The number of individuals contributing directly to the support of the Federal Government through the Federal income tax has been strictly limited, and, of those contributing, the vast majority pay but an insignificant amount and at a very low rate. Of 2,434,000 individual returns showing taxable income, 2,059,000 returned but \$32,861,000 of income tax, while 375,000 returned a tax of \$1,109,000,000. The average rate of tax on the net incomes of the 2,059,000 individuals was 0.42 per cent, whereas these and other millions of individuals owning stock in corporations are virtually paying taxes through the corporations at 12 per cent on that portion of their income arising from the profits of the business enterprises in which they were shareholders.

For the calendar year 1927, when the tax rate was $13\frac{1}{2}$ per cent, all corporations reporting net income reported a net income (including tax-exempt interest) before all taxes, of \$10,934,031,563. They paid in taxes other than income tax \$1,543,516,930, and reported income tax of \$1,131,000,000, making a total of \$2,674,000,000. In other words, 24.46 per cent of their net income was taken by taxes. In the same year these corporations paid about \$5,786,000,000 in cash dividends, which was 52.92 per cent of their net income. For every dollar paid

in dividends, 46 cents were paid in taxes. If all corporations be included - that is to say, corporations reporting a deficit as well as those reporting net income - the percentage of net income paid in taxes is 34.84 per cent.

I am submitting herewith a table showing the receipts and expenditures for the fiscal year 1929, and estimated receipts and expenditures for the fiscal years 1930 and 1931.

Receipts and expenditures for the fiscal year 1929, on the basis of daily Treasury statements (unrevised), and estimated receipts and expenditures for the fiscal years 1930 and 1931

	1929	1930	1931
RECEIPTS			
Ordinary			
Customs.....	\$602,262,786.17	a \$602,000,000.00	a \$602,000,000.00
Internal revenue:			
Income tax.....	2,330,711,822.66	2,480,000,000.00	2,460,000,000.00
Miscellaneous internal revenue.....	607,307,548.98	635,000,000.00	640,000,000.00
	<u>2,938,019,371.64</u>	<u>3,115,000,000.00</u>	<u>3,100,000,000.00</u>
Miscellaneous receipts:			
Proceeds of Government-owned securities --			
Foreign obligations --			
Principal.....	38,790,660.67	97,614,913.00	51,579,059.00
Interest.....	160,340,908.23	141,935,095.00	184,564,540.00
Railroad securities...	15,473,795.82	4,708,600.00	11,213,350.00
All other securities..	7,031,516.21	6,699,275.00	6,985,540.00
Trust fund receipts (re-appropriated for investment).....	53,641,113.08	46,750,000.00	39,570,000.00
Proceeds sale of surplus property.....	9,398,732.44	7,139,800.00	4,604,300.00
Panama Canal tolls, etc. .	28,046,704.23	28,218,660.00	28,060,600.00
Other miscellaneous	180,244,636.56	199,197,091.00	197,150,277.00
	<u>492,968,067.24</u>	<u>532,263,434.00</u>	<u>523,727,666.00</u>
Total ordinary receipts ..	<u>4,033,250,225.05</u>	<u>4,249,263,434.00</u>	<u>4,225,727,666.00</u>
EXPENDITURES			
Ordinary (checks and warrants paid, etc.)			
General expenditures:			
Legislative establishment	17,546,655.67	21,702,000.00	28,879,500.00
Executive proper.....	487,250.03	476,100.00	410,700.00
State Department.....	13,284,510.33	13,411,400.00	15,821,300
Treasury Department.....	200,447,224.41	239,340,900.00	209,301,500
War Department.....	416,901,546.42	443,153,000.00	439,215,900
Department of Justice....	28,891,620.32	29,014,500.00	31,752,000
Post Office Department....	b 43,090,870.27		
Navy Department.....	364,561,543.99	384,900,000.00	385,000,000

	1929	1930	1931
EXPENDITURES(Con'd.) Ordinary (Con'd.)			
General expenditures(Con'd.)			
Interior Department.....	\$301,122,596.27	\$288,759,700.00	\$285,810,000.00
Depart.of Agriculture.....	171,147,262.58	173,796,300.00	167,068,600.00
Depart.of Commerce.....	39,987,346.45	58,478,600.00	51,184,000.00
Depart.of Labor	11,311,190.36	11,269,300.00	11,997,400.00
U.S.Veterans' Bureau.....	417,280,404.40	434,451,500.00	445,325,000.00
Other independent offices and commissions.....	40,308,719.63	51,856,400.00	45,581,300.00
District of Columbia.....	40,116,586.38	43,811,200.00	45,415,000.00
Total.....	2,106,485,327.51	2,194,420,900.00	2,162,752,200.00
Add unclassified items....	17,803.40	-----	-----
Total.....	2,106,503,130.91	2,194,420,900.00	2,162,752,200.00
Interest on public debt.....	c 678,330,399.50	656,000,000.00	619,000,000.00
Refunds of receipts:			
Customs.....	21,826,435.69	21,009,500.00	21,009,500.00
Internal revenue.....	190,727,887.12	151,541,000.00	141,511,000.00
Postal deficiency.....	b 94,699,744.06	84,000,000.00	78,500,000.00
Panama Canal.....	9,045,647.29	10,111,000.00	11,845,000.00
Operations in special accts.:			
Railroads.....	d 1,857,633.06	d 7,925,800.00	1,790,000.00
War Finance Corporation...	d 611,414.95	d 50,000.00	d 50,000.00
Shipping Board.....	15,889,059.12	30,447,700.00	59,417,000.00
Agricultural marketing, loan fund.....	-----	75,000,000.00	200,000,000.00
Alien property funds.....	d 1,345,327.26	d 500,000.00	d 500,000.00
Adjusted service certifi- cate fund e	111,772,809.62	111,775,000.00	111,775,000.00
Civil Service retirement and disability fund.....	19,955,190.64	20,500,000.00	20,850,000.00
Investment of trust funds:			
Government life insurance fund.....	52,160,111.83	45,110,000.00	37,830,000.00
District of Columbia teachers' retirement fund	503,158.37	585,000.00	585,000.00
Foreign service retirement fund.....	282,444.12	292,000.00	290,000.00
General railroad contingent fund.....	977,842.88	1,000,000.00	1,000,000.00
Total ordinary expenditures..	3,298,859,485.88	3,393,316,300.00	3,467,614,700.00

	1929	1930	1931
EXPENDITURES(Con'd.)			
Public debt retirements chargeable against ordinary receipts:			
Sinking fund.....	370,277,100.00	389,191,500.00	395,624,000.00
Purchases from foreign repayments.....	571,150.00	20,050,000.00	1,800,000.00
Received from foreign governments under debt settlements.....	175,642,350.00	214,700,000.00	231,500,000.00
Received from estate taxes	20,000.00	54,100.00	-----
Purchases from franchise tax receipts (Federal reserve banks and Federal intermediate credit banks)	2,933,400.00	6,210,000.00	6,200,000.00
Forfeitures, gifts, etc. . .	159,703.75	160,000.00	200,000.00
Total.....	549,603,703.75	630,365,600.00	635,324,000.00
Total expenditures chargeable against ordinary receipts.....	3,848,463,189.63	4,023,681,900.00	4,102,938,700.00
Excess of ordinary receipts over total expenditures chargeable against ordinary receipts.....	184,787,035.42	225,581,534.00	122,788,966.00

- a Includes \$2,000,000 estimated by Department of Commerce for tonnage tax, receipts on account of which are covered into the Treasury as customs revenue.
- b Included in expenditures of the Post Office Department and also on account of postal deficiency for the fiscal year 1929 (month of June, 1929) are \$42,997,089.50 and \$8,999,996, respectively, representing payment of so-called back railway mail pay to inland carriers under authority of joint resolution approved June 6, 1929.
- c Includes \$774,912.65 accrued discount on war-savings securities of matured series.
- d Excess of credits (deduct).
- e For details of this account see p.100. The difference between amounts of above charges and the amounts appropriated for investment is due to working balance required for use of Veterans' Bureau in making authorized payments from the fund.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
DECEMBER 5, 1929, OR
WHEN DELIVERY HAS BEGUN

RADIO ADDRESS OF
SECRETARY A. W. MELLON
FROM STATION WRC, WASHINGTON
AND A NET-WORK OF THE
NATIONAL BROADCASTING COMPANY
DECEMBER 4, 1929.

222

Each year at the beginning of a new session of Congress, members of the President's Cabinet are required to make a report of the work of their departments during the preceding year. Tonight, for the first time, the radio has made it possible for the Treasury to give a condensed version of its report direct to the country.

Before entering upon the Report itself, I would like to say a word of the circumstances under which it has been made each year. When the Treasury was established by the Act of the first Congress, meeting in New York in 1789, it was provided that, among other specified duties, the Secretary of the Treasury should make reports to Congress on matters pertaining to his department. Such reports were made at irregular intervals but no annual report was made until it was provided in the Act of May 10, 1800, that a report should be made to Congress at the commencement of every session, "containing estimates of the public revenue and public expenditures and plans for improving or increasing the revenues".

In accordance with this Act, we find Secretary Gallatin in December 1801, submitting the first Annual Report. In it he estimates that for the ensuing year the revenues will amount to $10\frac{1}{2}$ million dollars, of which $3\frac{1}{2}$ millions will be required for ordinary expenditures of the Government and that the remainder can be applied in payment of interest and principal of the public debt.

Today these amounts appear very small as compared with the amounts now required to operate the Government. As the country has grown in size and wealth, the volume of the public business has increased, so that the Treasury Report for 1929 is obliged to deal with billions where the Report of 1801 was concerned with only a very few millions.

But in its essentials, the last report is much like the first. Both have to do chiefly with such matters as receipts and expenditures, debts and taxes; and, in so far as the Treasury itself is concerned, it still conforms, both in its organization and in its method of operation, to its early traditions and in most important respects can show a continuity in policy from the time when it was first established.

This is particularly true as regards its fundamental policy of keeping expenditures always within receipts, and applying the surplus either to tax reduction or in payment of the public debt. The last fiscal year has been no exception to this rule.

For that year, which ended June 30, 1929, total ordinary receipts were \$4,033,000,000 and expenditures chargeable against ordinary receipts were \$3,848,000,000, giving a surplus for the year of \$185,000,000. This surplus has been applied to retirement of the public debt.

During the year the gross debt was reduced from \$17,604,000,000 to \$16,931,000,000, or a total reduction of \$673,000,000. This latter amount was brought about by the application of the Sinking Fund expenditures and other receipts ear-marked for debt retirement and by the surplus which I have just referred to.

I might add that the war debt, which reached a peak of \$26,594,000,000 on August 31, 1919, has been reduced in the ten years ending August 31, 1929, to \$16,805,000,000, or an average of nearly a billion dollars a year for the ten-year period. The amount of interest saved, due both to reduction of the principal of the debt and lowering of the average interest rate over this period, is about two billion dollars.

Coming now to the question of taxes: the Treasury estimates that for the next fiscal year, that is, for the twelve months ending June 30th next, there will be a surplus of \$226,000,000 of receipts above expenditures, and for the fiscal year 1931 a surplus of \$123,000,000. A surplus may be recurring

or temporary. In the one case, either through expanding revenue or reduced expenditures, assured receipts may have reached the point where they so exceed normal expenditures as to create recurring surpluses. Such a situation justifies a revision, more or less permanently, of our tax laws with a view to modifying tax rates downward.

In the second case, the surplus may be of temporary character, arising from an unusual increase in receipts or decrease in expenditures; or the conditions, while not extraordinary, may not have existed for a sufficient period of time to permit a definite conclusion as to their permanency. Such a surplus obviously calls for different treatment. This is particularly true of a revenue system which places its chief reliance on one form of taxation, as we do on the income tax, which is subject to sweeping variations depending on a variety of circumstances but principally on the upward and downward fluctuations of business. Under these circumstances, while a surplus justifies some measure of tax relief and while the taxpayer should receive the fullest possible benefits from the prosperous condition of the Treasury during the given fiscal year, it is impossible to assure the permanency of the reduced rates.

The estimated surpluses for the fiscal years 1930 and 1931 seem to fall into the second class. Having in mind all of these considerations, the Treasury has recommended: first, that the normal tax rates on the income of individuals for the calendar year 1929, payable in 1930, shall be $\frac{1}{2}$ per cent, 2 per cent and 4 per cent, instead of the existing rates of $1\frac{1}{2}$ per cent, 3 per cent and 5 per cent; and second, that the tax rate on the income of corporations for the calendar year 1929, payable in 1930, shall be 11 per cent instead of the existing 12 per cent.

This should result in a decrease of income tax collections during the calendar year 1930 of approximately \$160,000,000. This reduction, it is

hoped, will take the form of a Joint Resolution of Congress, thus permitting prompt action by both Houses by avoiding a general revision of the revenue law. The proposal has already been discussed with the Republican and Democratic leaders of both Houses of Congress, who have tentatively approved the proposed recommendations; and it is confidently expected that, early in the present session, Congress will take action to give the taxpayers the relief indicated.

This will be the fifth reduction in taxes which the Federal Government has made within less than nine years. While the aggregate amount of this last reduction may not be so great as formerly, the reduction proposed should be of very real benefit to the taxpayers, especially to those with earned incomes in the lower brackets. It is estimated that a married man with no dependents, who at present pays a yearly tax of \$5.63 on a taxable income of \$4000, will have his tax reduced to \$1.88; with a taxable income of \$10,000, he will pay \$52.50, instead of, as now, \$101.25; and on \$15,000 he will pay \$273.13 instead of his present tax of \$368.76.

In so far as the reduction of the income tax on the incomes of individuals is concerned, under our system of graduated surtaxes the reduction of the normal rate is of greater benefit to those with small or moderate incomes than to those with larger incomes. Income from dividends would receive no benefit, since dividends are not subject to the normal tax; but those who receive dividends will, of course, benefit indirectly from the reduction of the corporation tax rate.

Turning now to other matters: during the last year the Treasury, in connection with its plans for financing the quarterly maturities of the public debt and in addition to the usual certificate offerings, has arranged for issuing a new type of security, to be known as Treasury bills; and under legislation of Congress, approved by the President, it is preparing to issue

them from time to time on a discount basis with maturities not exceeding twelve months, to be sold for cash under competitive conditions at the lowest discount rates or highest prices bid by prospective purchasers. This provides a new type of short-term Government security for banks and other investors, while offering many advantages to the Government in its financing operations.

In July the French Government ratified the agreement for funding its war debt to this country; and this agreement will shortly come before Congress for ratification. Settlement of the Austrian debt has been authorized and the Greek debt has been settled, so that the long negotiations for the settlement of the war debts have now been concluded. The total amount funded is \$11,579,000,000. During the fiscal year 1929, the Treasury received from the various foreign governments on account of their indebtedness to the United States the sum of \$199,000,000, of which \$39,000,000 was for account of principal and \$160,000,000 for account of interest.

Taking up now the question of banking policy: a review of the policy of the Federal Reserve Board during the past year shows that it has endeavored to guard against an undue extension of credit through speculative channels and to conserve the country's credit resources for the purpose of meeting future requirements of industry and trade. The strong position in which the Federal Reserve System found itself when the recent sharp decline in security prices took place, and also the prompt action taken by the System, were important factors in relieving the strain incident to this period of readjustment.

In banking, as in other enterprises of this country, there is increasing evidence of a movement toward larger operating units. The number of branches of banks in operation has increased and more recently there has been a growth also in the number of groups in which several independent banks are operated more or less as a single system. Both of these developments reflect changes in the underlying economic situation. The time has

come when it would seem wise to undertake a thorough study of the situation with a view to determining the soundness of the present-day tendencies, and more particularly the limits of the economic areas within which branch banking may be advantageously permitted. Hasty legislation, either to liberalize or to constrict limitations now in effect, should be avoided, for our banking structure is the product of many years of dearly-bought experience and is part of an intricate economic fabric whose parts are closely adjusted to one another. A too rapid reorganization would be likely to create serious and costly disturbances that would affect the entire country.

The Treasury contains many activities of which only the briefest mention can be made. During the last year, the Bureau of Engraving and Printing completed the revision of the paper currency designs, with a reduction in the size of the currency. The enforcement of the Federal narcotic laws has continued and has resulted in over five thousand arrests for violations of these laws during the year. The Bureau of Customs, which collects a large part of our revenue, reports a substantial increase in customs during the year. The Public Health Service has done effective work in conserving health and cooperating with the various States. The Coast Guard reports a total of 4,375 lives saved or persons rescued from peril during 1929 and, in addition to its other activities, gave valuable aid in the disastrous Mississippi floods during the spring of the year.

During the past year the reorganization of the Bureau of Prohibition has been completed in accordance with the Act of March 3, 1927. The operations of the Treasury Department in the enforcement of prohibition are becoming stable and more effective. The activity and cooperation of the several bureaus engaged in these operations are making the business of violating prohibition laws more difficult and hazardous.

There remains one more important Treasury activity of which mention must be made. The Office of the Supervising Architect, which has charge of the erection of public buildings, has proceeded with the work of remodeling and erecting buildings within Washington and throughout the country under the Federal Building program which has been authorized by Congress. To date 334 projects have been authorized for the country at large with a total authorization of \$189,000,000. In the District of Columbia 9 projects have been authorized and work on some of the buildings, such as the new Department of Commerce and the Bureau of Internal Revenue, is now under way. These buildings will form part of the monumental group of buildings on Pennsylvania Avenue and the Mall, extending from the Capitol to the Treasury, and with other plans now being made will add greatly to the beauty and dignity of the Nation's Capital.

In so far as circumstances permit, the work on these buildings, both in Washington and throughout the country, will be pushed as rapidly as possible in order to carry out the President's sound and constructive policy for increasing building activity and so stimulating all other lines of endeavor during the months immediately ahead.

Such, in brief outline, are some of the major activities of the Treasury during the past year. They indicate that the Government's business is in sound condition and that the Government itself is in position to do its part in helping the country to tackle and solve the problems which are ahead - problems which, after all, offer no insuperable difficulties to a people so well-equipped with all the essentials of materials, organization, energy and determination to carry the nation forward to a development whose vast proportions we are beginning only dimly to perceive.

TREASURY DEPARTMENT

227
FOR RELEASE, MORNING PAPERS,
Friday, December 6, 1929.

STATEMENT BY SECRETARY MELLON

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of nine month 3-1/8 per cent Treasury certificates of indebtedness of Series TS-1930, dated and bearing interest from December 16, 1929, and maturing September 15, 1930. The amount of the offering is \$325,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TD-1929 and TD2-1929, both maturing December 15, 1929. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing December 15, 1929, will be given preferred allotment up to \$200,000,000.

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, 1930, and September 15, 1930.

In addition to the offering of certificates of indebtedness, the Treasury will on December 10 offer about \$100,000,000 of ninety-day Treasury bills, to be sold on a discount basis to the highest bidders. Details as to this offering will be made public on the morning of December 10.

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About \$700,000,000 of Treasury certificates of indebtedness and nearly \$97,000,000 in interest payments on the public debt, become due and payable on December 15, 1929.

The text of the official circular giving the terms of the offering of certificates of indebtedness 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-1930, dated and bearing interest from December 16, 1929, payable September 15, 1930, with interest at the rate of three and one-eighth 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, 1930, and September 15, 1930.

The certificates of said series shall be ~~exempt~~, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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. 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 16, 1929, 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-1929 and TD2-1929, both maturing December 15, 1929, 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

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FOR RELEASE MORNING PAPERS
MONDAY, DECEMBER 9, 1929.

Secretary Mellon announced that he has authorized the Federal Reserve Banks, beginning on Tuesday, December 10, 1929, and until further notice, to redeem in cash before maturity, at the holders' option, at par and accrued interest to date of such optional redemption, Treasury $4\frac{1}{4}\%$ certificates of indebtedness of Series TD-1929; and Treasury $4\frac{3}{4}\%$ certificates of indebtedness of Series TD-2-1929, both maturing December 15, 1929.

TREASURY DEPARTMENT

FOR MORNING PAPERS,
MONDAY, DECEMBER 9, 1929.

Secretary Mellon announced that subscriptions for the issue of 3 1/8 per cent Treasury Certificates of Indebtedness, dated December 16, 1929, Series TS-1930, maturing September 15, 1930, closed at the close of business on Saturday, December 7, 1929. Subscriptions received through the mails up to 10:00 o'clock Monday morning, December 9th, will be considered as having been received before the close of the subscription books.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated December 16, 1929, Series TS-1930, 3-1/8 per cent, maturing September 15, 1930, closed at the close of business on Saturday, December 7, 1929. The reports from the twelve Federal Reserve Banks show that for the offering, which was for \$325,000,000, or thereabouts, total subscriptions aggregate some \$722,000,000. Of these subscriptions, \$185,381,500 represent subscriptions for which Treasury certificates of indebtedness of Series TD-1929 and TD2-1929, both maturing December 15, 1929, were tendered in payment, all of which were allotted in full.

Allotments on other subscriptions were made as follows: 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 \$50,000 were allotted 70 per cent, but not less than \$1,000 on any one subscription; cash subscriptions in amounts over \$50,000 but not exceeding \$100,000 were allotted 60 per cent, but not less than \$35,000 on any one subscription; cash subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 40 per cent, but not less than \$60,000 on any one subscription; cash subscriptions in amounts over \$1,000,000 but not exceeding \$25,000,000 were allotted 20 per cent, but not less than \$400,000 on any one subscription; and cash subscriptions in amounts over \$25,000,000 were allotted 10 per cent, but not less than \$5,000,000 on any one subscription.

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

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$100,000,000, or thereabouts. The Treasury bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P.M., Eastern Standard time, on Friday, December 13, 1929. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated December 17, 1929, and will mature on March 17, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$10,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guarantee of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on December 13, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on or before December 17, 1929.

The Treasury bills will be exempt, both as to principal and interest (discount), from all taxation, except estate and inheritance taxes. The amount of discount at which the Treasury bills are originally sold by the United States shall be considered as interest for tax exemption purposes.

Department Circular No. 418, dated November 22, 1929, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

This offering will constitute the first issue of Treasury bills, which are a new form of Government security authorized by a law enacted by the last Congress. While the law authorizes the issuance of Treasury bills with a twelve months' maturity, generally speaking they will be issued, as in the case of this offering, with a ninety-day maturity or with a maturity not in excess of three months. Issued from time to time as the current financial needs of the Government may dictate and with frequent and convenient maturities, they should furnish an attractive medium for short-term investment. They are intended to supplement rather than to supplant Treasury certificates of

indebtedness, which with maturities usually ranging from six to twelve months, have up to the present time constituted the principal medium of short-term Government financing.

Treasury bills offer certain advantages as compared with Treasury certificates. Their issue can be timed to coincide almost exactly with the needs for funds as compared with the existing practice of borrowing four times a year on fixed dates through certificate offerings; they will not be sold at par with an interest rate fixed by the Treasury but at a discount rate fixed by the subscribers through competitive bidding; their maturities can be timed to correspond closely to the actual collection of income taxes instead of falling on the nominal date of tax payment; and, finally, the Treasury should be able to take advantage of periods of seasonal ease for short-term borrowing instead of being compelled to offer a large issue of securities during a temporary stringency and high money rates.

The Treasury Department believes that Treasury bills will prove to be an efficient and economical additional medium through which the short-term financing of the Government may be conducted and hopes that they will receive a favorable reception on the part of the public.

Statement by Undersecretary Mills before the Ways and Means Committee, Tuesday, December 10, 1929, in connection with H. R. 6585 providing for the settlement of the indebtedness of the French Government to the United States.

The bill now before you for consideration provides for the approval of the agreement for the settlement of the indebtedness of the French Government to the United States arising during the World War and the years immediately succeeding its termination, made by the duly authorized representatives of the French Republic, on the one hand, and by the World War Foreign Debt Commission, on the other, and approved by the President of the United States. The agreement was signed on April 29, 1926, and is set forth in Senate Document No. 102, 69th Congress, First Session. The bill was reported by the Ways and Means Committee on May 29, 1926, and passed the House of Representatives on June 2, 1926. It was not acted on by the Senate of the United States.

Under date of July 27, 1929, the French Ambassador officially notified the Secretary of State that the debt funding agreement with the United States had been ratified by France. It remains, therefore, but for the Congress of the United States to give its approval for this agreement to become effective.

Under the authority of the Liberty Bond Acts and the Act of July 9, 1918, the Government of the United States extended loans and credits to the Government of the French Republic, the principal amount of which, together with the accrued and unpaid interest thereon, totaled approximately \$4,230,000,000 as of June 15, 1925, the date as of which the debt is to be funded under the terms of the

agreement signed April 29, 1926. Of this total \$2,933,000,000 represents the principal of the obligations acquired for cash advanced, less any repayments made on account; \$890,000,000 represents accrued and unpaid interest at 5 per cent, the rate borne by the obligations prior to funding, up to June 15, 1925; and \$407,000,000 represents the principal amount of obligations acquired in connection with the sale on credit of surplus war material. On this last mentioned principal amount interest has been paid currently up to the present time.

The basis of the proposed settlement is as follows: All unpaid and accrued interest on obligations other than those given for the war supplies purchase, was figured at $4\frac{1}{4}$ per cent up to December 15, 1922, and at 3 per cent from that date until June 15, 1925. The $4\frac{1}{4}$ per cent rate is the rate applied in our settlement with Great Britain to the indebtedness of Great Britain up to the date of settlement. The 3 per cent rate is the rate applied to the indebtedness of the Belgian Government from December 15, 1922 (up to which point in that case likewise a $4\frac{1}{4}$ per cent rate had been applied) to the date of settlement. It may be added that the 3 per cent rate is the rate paid by the British on its funded debt for the first 10 years, which furnishes an additional reason for fixing this rate on the unfunded indebtedness of other countries during this interim period.

In so far as the obligations given for surplus war supplies are concerned, it is provided that interest thereon shall be fixed at the rate of 3 per cent from December 15, 1922, to June 15, 1925, with the proviso, however, that any interest actually paid during that period in excess of the 3 per cent rate should be applied on account of the total sum owed, principal and interest, as of June 15, 1925.

The above-described terms of settlement result in fixing the net indebtedness as of June 15, 1925, at \$4,025,386,686.89, made up as follows:

Principal of obligations held for cash advanced under Liberty bond acts.....	\$2,933,405,070.15	
Accrued and unpaid interest at 4 1/4 per centum to December 15, 1922.....	445,066,027.49	
		\$3,378,471,097.64
Principal of obligations given for surplus war supplies purchased on credit...	407,341,145.01	
Interest at 4 1/4 per centum from the last interest payment date prior to December 15, 1922, to December 15, 1922.....	6,324,940.79	
		413,666,085.80
Total indebtedness as of December 15, 1922.....		3,792,137,183.44
Accrued and unpaid interest at 3 per centum per annum on this amount from December 15, 1922, to June 15, 1925.....		284,410,288.75
Total indebtedness as of June 15, 1925.....		4,076,547,472.19

Credits

Payments received on account of interest between December 15, 1922, and June 15, 1925.....	\$50,917,643.13	
Payments on account of principal since December 15, 1922	230,171.44	
Interest on principal payments at 3 per centum per annum from date of payment to June 15, 1925.....	12,970.73	
		51,160,785.30
Net indebtedness as of June 15, 1925.....		4,025,386,686.89
Paid in cash upon execution of agreement.....		386,686.89
Total indebtedness to be funded into bonds.....		4,025,000,000.00

The agreement provides that there is to be paid in cash upon its execution the sum of \$386,686.89, which was actually paid, leaving a total indebtedness to be funded of \$4,025,000,000, which will be funded into bonds under the terms of this agreement.

There is attached to this statement a schedule showing the total annual payments to be made by France. Generally speaking, France pays \$30,000,000 a year the first 2 years; \$32,500,000 a year the third and fourth years, and \$35,000,000 the fifth year. The annuities increase each year, reaching \$125,000,000 in the seventeenth year, thereafter continuing at that figure,

except for the sixty-second year when the payment is approximately \$118,000,000. Thus under the agreement the total principal of the funded debt (including \$685,000,000 accrued interest) will be repaid in full, with interest on the funded principal, as follows: After the first 5 years and for the next 10 years, 1 per cent per annum; for the succeeding 10 years, 2 per cent per annum; for the succeeding 8 years, $2\frac{1}{2}$ per cent per annum; for the succeeding 7 years, 3 per cent per annum; and for the remaining 22 years, $3\frac{1}{2}$ per cent per annum.

The total payments to be received from France on account of the \$3,340,000,000 originally loaned are \$6,847,674,104.17. The present-day value of these payments on a $4\frac{1}{4}$ per cent basis is \$1,996,509,000, or practically 50 per cent of the debt funded and something over 47 per cent of the total amount due as of June 15, 1925.

During the four-year period from June 15, 1925, to June 15, 1929, the French Government has paid us \$102,748,536.74, as compared with the sum of \$125,000,000 which would have been payable under the terms of the funding agreement. The sum paid is largely accounted for by payments of approximately \$20,000,000 a year due in interest on the war supplies obligations, but in the fiscal years 1927 and 1928 the French Government paid us additional sums which bring the total amount paid during these fiscal years up to approximately the amount due for those years under the terms of the settlement. Such a procedure would unquestionably, I believe, have been followed last June had it not been for the fact that the proposed agreement was coming up in the French Parliament for final disposition one way or the other in July. The payments so made since June 15, 1925 are to be applied towards the annuities first due under the funding agreement when ratified.

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Since June 15th the French Government has paid us \$10,183,528.63, leaving \$12,067,934.63 still due under the terms of the agreement, which will become immediately payable as soon as the Congress has given its approval to the agreement. I mention this fact so that the Congress will appreciate that if the agreement is to receive its approval, and if other public business permits, prompt action is desirable with a view to saving the interest on the sum of \$12,000,000.

This Committee has devoted so much thought and study to this particular problem and is so thoroughly familiar with all of its phases, and with the protracted negotiations that finally led to an agreement and ultimately to ratification by the representatives of the French people by a narrow margin, that I deem it unnecessary to enter upon a discussion of the reasons which led the members of the World War Debt Commission to fix these terms of settlement, and two Presidents of the United States and the House of Representatives to give them their approval other than to say that the terms, in my judgment, while generous to the French people, give due consideration to the rights of our own citizens. The Treasury Department endorses the pending bill and recommends its adoption.

Statement of amounts payable to the United States on account of the proposed Refunding Bonds to be issued by France.

Principal	Annual interest payments	Annual principal payments	Total annual payments	Fiscal years
\$ 4,025,000,000.00	- - - - -	\$30,000,000.00	\$30,000,000.	1926
3,995,000,000.00	- - - - -	30,000,000.00	30,000,000.	1927
3,965,000,000.00	- - - - -	32,500,000.00	32,500,000.	1928
3,932,500,000.00	- - - - -	32,500,000.00	32,500,000.	1929
3,900,000,000.00	- - - - -	35,000,000.00	35,000,000.	1930
3,865,000,000.00	(\$38,650,000.00	1,350,000.00	40,000,000.	1931
3,863,650,000.00	(38,636,500.00	11,363,500.00	50,000,000.	1932
3,852,286,500.00	(38,522,865.00	21,477,135.00	60,000,000.	1933
3,830,809,365.00	(38,308,093.65	36,691,906.35	75,000,000.	1934
3,794,117,458.65	1% (37,941,174.59	42,058,825.41	80,000,000.	1935
3,752,058,633.24	(37,520,586.33	52,479,413.67	90,000,000.	1936
3,699,579,219.57	(36,995,792.20	63,004,207.80	100,000,000.	1937
3,636,575,011.77	(36,365,750.12	68,634,249.88	105,000,000.	1938
3,567,940,761.89	(35,679,407.62	74,320,592.38	110,000,000.	1939
3,493,620,169.51	(34,936,201.70	80,063,798.30	115,000,000.	1940
3,413,556,371.21	(68,271,127.42	51,728,872.58	120,000,000.	1941
3,361,827,498.63	(67,236,549.98	57,763,450.02	125,000,000.	1942
3,304,064,048.61	(66,081,280.97	58,918,719.03	125,000,000.	1943
3,245,145,329.58	(64,902,906.59	60,097,093.41	125,000,000.	1944
3,185,048,236.17	2% (63,700,964.72	61,299,035.28	125,000,000.	1945
3,123,749,200.89	(62,474,984.02	62,525,015.98	125,000,000.	1946
3,061,224,184.91	(61,224,483.70	63,775,516.30	125,000,000.	1947
2,997,448,668.61	(59,948,973.37	65,051,026.63	125,000,000.	1948
2,932,397,641.98	(58,647,952.84	66,352,047.16	125,000,000.	1949
2,866,045,594.82	(57,320,911.90	67,679,088.10	125,000,000.	1950
2,798,366,506.72	(69,959,162.67	55,040,837.33	125,000,000.	1951
2,743,325,669.39	(68,583,141.73	56,416,858.27	125,000,000.	1952
2,686,908,811.12	(67,172,720.29	57,827,279.71	125,000,000.	1953
2,629,081,531.41	2 1/2% (65,727,038.29	59,272,961.71	125,000,000.	1954
2,569,808,569.70	(64,245,214.24	60,754,785.76	125,000,000.	1955
2,509,053,783.94	(62,726,344.60	62,273,655.40	125,000,000.	1956
2,446,780,128.54	(61,169,503.21	63,830,496.79	125,000,000.	1957
2,382,949,631.75	(59,573,740.79	65,426,259.21	125,000,000.	1958
2,317,523,372.54	(69,525,701.18	55,474,298.82	125,000,000.	1959
2,262,049,073.72	(67,861,472.21	57,138,527.79	125,000,000.	1960
2,204,910,545.93	(66,147,316.38	58,852,683.62	125,000,000.	1961
2,146,057,862.31	3% (64,381,735.87	60,618,264.13	125,000,000.	1962
2,085,439,598.18	(62,563,187.95	62,436,812.05	125,000,000.	1963
2,023,002,786.13	(60,690,083.58	64,309,916.42	125,000,000.	1964
1,958,692,869.71	(58,760,786.09	66,239,213.91	125,000,000.	1965

\$1,892,453,655.80	(\$ 66,235,877.95	\$ 58,764,122.05	\$125,000,000.00	1966
1,833,689,533.75	(64,179,133.68	60,820,866.32	125,000,000.00	1967
1,772,868,667.43	(62,050,403.36	62,949,596.64	125,000,000.00	1968
1,709,919,070.79	(59,847,167.48	65,152,832.52	125,000,000.00	1969
1,644,766,238.27	(57,566,818.34	67,433,181.66	125,000,000.00	1970
1,577,333,056.61	(55,206,656.98	69,793,343.02	125,000,000.00	1971
1,507,539,713.59	(52,763,889.98	72,236,110.02	125,000,000.00	1972
1,435,303,603.57	(50,235,626.12	74,764,373.88	125,000,000.00	1973
1,360,539,229.69	(47,618,873.04	77,381,126.96	125,000,000.00	1974
1,283,158,102.73	(44,910,533.60	80,089,466.40	125,000,000.00	1975
1,203,068,636.33	3 1/2% (42,107,402.27	82,892,597.73	125,000,000.00	1976
1,120,176,038.60	(39,206,161.35	85,793,838.65	125,000,000.00	1977
1,034,382,199.95	(36,203,377.00	88,796,623.00	125,000,000.00	1978
945,585,576.95	(33,095,495.19	91,904,504.81	125,000,000.00	1979
853,631,072.14	(29,878,837.52	95,121,162.48	125,000,000.00	1980
758,559,909.66	(26,549,596.84	98,450,403.16	125,000,000.00	1981
660,109,506.50	(23,103,832.73	101,896,167.27	125,000,000.00	1982
558,213,339.23	(19,537,466.87	105,462,533.13	125,000,000.00	1983
452,750,806.10	(15,846,278.21	109,153,721.79	125,000,000.00	1984
343,597,084.31	(12,025,897.95	112,974,102.05	125,000,000.00	1985
230,622,982.26	(8,071,804.38	116,928,195.62	125,000,000.00	1986
113,694,786.64	(3,979,317.53	113,694,786.64	117,674,104.17	1987
	<u>\$2,832,674,104.17</u>	<u>\$4,025,000,000.</u>	<u>\$6,847,674,104.17</u>	

Secretary Mellon today announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series TS-1930, 3-1/8 per cent, dated December 16, 1929, maturing September 15, 1930, was \$722,552,500. The total amount of subscriptions allotted was \$351,640,500, of which \$185,381,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TD-1929 and TD2-1929, 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>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 19,290,000	\$ 7,028,000
New York	309,386,500	189,531,500
Philadelphia	42,122,000	16,500,000
Cleveland	25,930,500	11,891,000
Richmond	24,839,000	13,659,000
Atlanta	27,876,000	14,284,500
Chicago	66,685,000	45,141,000
St. Louis	7,096,500	5,176,000
Minneapolis	3,396,000	1,953,000
Kansas City	10,208,500	6,097,000
Dallas	28,452,000	14,009,500
San Francisco	157,012,500	26,174,000
Treasury	258,000	196,000
Total	\$722,552,500	\$351,640,500

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
Thursday, December 12, 1929.

In view of the many inquiries received at the Treasury with respect to the 2 per cent Consols of 1930 which, by their terms, are redeemable at the pleasure of the United States after April 1, 1930, Secretary Mellon today announced that these bonds would not be called for redemption on April 2, 1930, which is the earliest date the option reserved to the United States may be exercised.

Statement by Secretary Mellon.

The Secretary of the Treasury announced to-day that the tenders for \$100,000,000, or thereabouts, of Treasury Bills which were offered on December 10, 1929, were opened at the Federal Reserve Banks on December 13, 1929. The total amount applied for was \$223,901,000. The highest bid made was 99.310, equivalent to an interest rate of about $2\frac{3}{4}\%$ on an annual basis. The lowest bid accepted was 99.152, equivalent to an interest rate of about $3\frac{3}{8}\%$ on an annual basis. In order to avoid exceeding the total required, only about 80% of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$100,000,000. The average price of Treasury Bills to be issued is 99.181. The Treasury is informed that these securities in so far as rate of discount is concerned will be dealt in on the same basis as bankers bills. The average annual rate on a bank discount basis is about $3\frac{1}{4}\%$.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Saturday, December 14, 1929.

The Director of the Mint has announced that on December 12, 1929, the Philadelphia Mint executed a coinage of 1,866,800 pieces of coin, made up of quarter dollars, dimes, nickels and cents. To accomplish this enormous coinage it was necessary to operate the Mint on a twelve hour basis. This is the largest single day's output in the history of the Mint service, and did not take into account the coinage made at the San Francisco Mint and the Denver Mint.

It is usual for the mints to be on an overtime basis at this period of the year to meet the seasonal demand. However, this extraordinary acceleration of coinage indicates the more than usual demand of the banks for a volume of coinage to meet the requirements of business.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE
December 16, 1929.

The Treasury today received payments amounting to \$98,657,973.52 from the following foreign governments on account of their funded indebtedness to the United States, of which \$97,819,750 was in obligations of the United States, accrued interest thereon of \$671,880.28, and \$166,343.24 in cash.

GREAT BRITAIN:

The fourteenth semiannual payment of interest and the seventh 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 \$93,795,000 of which \$66,795,000 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 \$500,000 face amount 3-1/2% First Liberty Loan bonds due in 1947; \$18,282,500 face amount 3-1/2% Treasury Notes Series C 1930-32, maturing December 15, 1932; \$74,358,250 face amount 3-1/2% Treasury Notes Series B 1930-32, maturing September 15, 1932; accrued interest thereon, \$654,229.33, and cash adjustment of \$20.67.

BELGIUM:

The ninth semiannual 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 \$1,375,000, 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 \$891,000 face amount of 3-1/2% Treasury Notes, Series B 1930-32, maturing September 15, 1932; \$467,000 face amount 3-1/2% Treasury Notes Series C 1930-32, maturing December 15, 1932; accrued interest thereon, \$16,011.82, and cash adjustment of \$988.18.

CZECHOSLOVAKIA:

The ninth semiannual 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 \$1,500,000, as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par. The obligations were \$1,500,000 face amount First Liberty Loan Bonds due 1947.

ESTONIA:

The eighth semiannual 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 \$125,000 and 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 fourteenth semiannual payment of interest and the seventh 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 \$183,680, of which \$130,680 was for interest and \$53,000 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 \$182,000 face amount 3-1/2% Treasury Notes Series B 1930-32, maturing September 15, 1932; accrued

interest thereon of \$1,601.30, and cash adjustment of \$78.70.

HUNGARY:

The twelfth semiannual payment of interest and the sixth 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 \$40,218.40, of which \$28,973.40 was for interest and \$11,245 was for principal. The payment was made in cash.

LATVIA:

The eighth semiannual 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 \$45,000, and as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par. The obligations were \$45,000 face amount of 3-1/2% First Liberty Loan bonds due in 1947. The balance will be funded in accordance with the option given the Government of Latvia in the debt settlement agreement.

LITHUANIA:

The eleventh semiannual payment of interest 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 payment amounted to \$94,075.12, and as authorized by the terms of the settlement, was made in obligations of the United States which were accepted at par. The obligations were \$94,050 face amount of 3-1/2% First Liberty Loan bonds due in 1947, and a cash adjustment of \$25.12.

POLAND:

The tenth semiannual 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 \$1,500,000, 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. The obligations were \$1,495,650 face amount of 3-1/2% First Liberty Loan bonds due in 1947, \$4,300 face amount of 3-1/2% Treasury Notes Series B 1930-32, maturing September 15, 1932, \$37.83 accrued interest on Treasury Notes, and a cash adjustment of \$12.17. 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 \$97,819,750 accepted in connection with the payments, have been canceled and retired and the public debt reduced accordingly.

Statement by Commissioner of Prohibition,
Dr. Boran.

My attention has been called to a statement by Senator Borah, in which he says that the prohibition law, in his opinion, will never be enforced by the present personnel. With all due respect to the Senator, it seems to me that such a sweeping condemnation of a group of public servants who are honestly and conscientiously endeavoring to perform their duty, is most unfortunate and bound to have a disheartening effect upon the morale of the service. This is not to say that in a large organization such as that of the Prohibition Bureau there are not weak spots. It is not to say that administration is not susceptible to improvement, but to say that prohibition cannot be enforced with the present personnel comes perilously near to saying that it cannot be enforced at all. Based on my 22 years of experience in the Government service, I can affirm that on the whole we are not likely to find a more loyal and conscientious group of men than are now serving under me. In this connection, it should not be forgotten that they are now chosen from Civil Service lists, based on open competitive examinations in accordance with the reorganization act recently passed by the Congress, and it is hard to believe that in the future the Congress will authorize looking elsewhere for new recruits.

Moreover such a sweeping statement overlooks the very marked progress which has been made in this particular field of law enforcement which is set forth in detail in my report to the Congress and which is amply supported by facts.

Important as is the problem of personnel, it is not the only problem. As I see it, aside from the cooperation of private citizens, there are other factors involved in the enforcement of the prohibition laws. First, there must be the will to enforce. No one, I think, will deny that under the present Administration there has existed a whole-hearted determination to enforce the law. This has been evidenced by the clean-cut declarations of the Chief Executive, which in my judgment have not only had an inspiring effect on the morale of public servants but have met with a very genuine response on the part of private citizens. No one in my Bureau has any doubt as to the position of this Administration on this point.

But given the will to enforce, given a suitable personnel taken from Civil Service lists, there still remains the problem of the most effective kind of an administrative set-up, and this relates not only to the enforcement of the law within our borders but to the shutting off of the supply of illicit liquor from without our borders. Acting under instructions from the President, in the course of the last few months an exhaustive study has been made, not only of the best means to improve the administration of the law, but of the proper relation between Federal and State enforcement forces. As a result of these studies, there has been prepared and will be submitted to the Congress a plan of reorganization, which in my judgment will promote the better enforcement of the law.

Moreover, the Treasury Department is prepared to submit to the Congress a program looking to the more effective prevention of smuggling on our land borders by establishing a limited number of points of entry and providing for the guarding of the area between those points by a unified border patrol under the Coast Guard. In so far as our water frontiers are concerned, I

understand that Admiral Billard has submitted a program looking to the strengthening of our Coast Guard fleet not only on the ocean but on our inland waters, which has met with the approval of the Treasury Department.

In conclusion, I affirm that genuine progress is being made in the enforcement of the prohibition laws, that the personnel in the Federal Prohibition Service is steadily improving in morale and efficiency, that my observation leads me to believe that under the leadership of the President there has been a much more helpful attitude on the part of the public, and finally in so far as administration is concerned, a program is ready for submission to the Congress.

The Treasury Department received yesterday from the Government of France the sum of \$12,067,934.63, being the balance due on account of the annuities under the funding agreement of April 29, 1926. As authorized by the terms of the agreement, the payment was made in obligations of the United States which were accepted at par and accrued interest to date. The obligations tendered in payment of the amount due were \$10,572,500 face amount 3-1/2% Treasury Notes; \$1,398,600 face amount First Liberty Loan 3-1/2% bonds due in 1947; \$96,820.96 accrued interest on the obligations; and a cash adjustment of \$13.67.

Under date of December 18, 1929, the President approved the bill authorizing the settlement of the indebtedness of the Government of France to the United States. The French Government having ratified the settlement in July of this year, the Mellon-Berenger Agreement of April 29, 1926, has now been approved by both governments.

The Government of France since June 15, 1925, the date as of which the debt is funded under the funding agreement, has paid on account of the principal of the obligations given for cash advances and on account of interest due on the obligations given for surplus war material purchased on credit, the sum of \$112,932,065.37. It has been understood that upon ratification of the debt-funding agreement by both governments, any sums paid by France since June 15, 1925, would be applied on account of the annuities first due under the funding agreement. The annuities due up to June 15, 1929, aggregated \$125,000,000, thus leaving a balance due of \$12,067,934.63. The amount which the Treasury has received ^{yesterday} ~~today~~, therefore, places the annuities on a current basis. The next annuity, amounting to \$35,000,000, will be due and payable on June 15, 1930.

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

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Sunday, December 29, 1929.

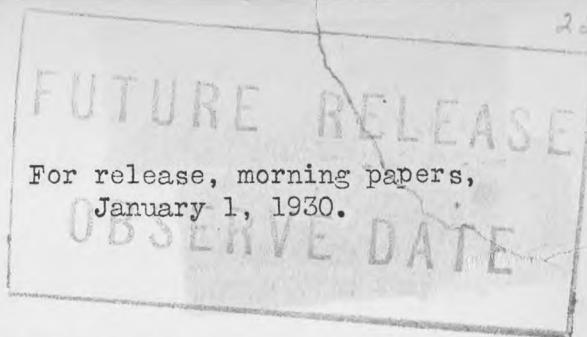
Statement by Acting Secretary of the Treasury Mills.

The State Department and the Treasury Department have for some weeks past conducted conversations with the German Government with a view to drafting a proposed agreement covering payments by Germany to the United States on account of Army Costs and Mixed Claims in the annual amounts recommended by the Young Committee of Experts. The two Governments are in accord as to the form and terms of such an agreement, but it cannot be definitely concluded until the Executive Branch of the Government has been so authorized by the Congress. The purpose of the negotiations was to enable the Executive Branch of the Government to submit to the Congress in definite form an agreement acceptable to the German Government so that the Congress before granting the necessary authority would have before it the form of the agreement.

The schedule of payments conforms to the annuities proposed by the Young Committee for the United States. ^{From each of} the annuities to be received, 40,800,000 reich-marks are to be allocated to the satisfaction of Mixed Claims and the balance to the satisfaction of our Government's claims on account of Army Costs. This is substantially in accord with the program outlined at the White House conference of May 19, 1929, which was attended by a number of the leaders of both Houses of Congress.

The form of the agreement and the provisions in respect of postponement, generally speaking, follow the agreements heretofore negotiated for the settlement of the debts owed the United States by foreign governments. The execution of this agreement is contingent, of course, upon the coming into effect of the Young Plan. In the meanwhile the United States retains all of its existing rights.

TREASURY DEPARTMENT



Statement by Secretary Mellon

Washington, December 31, 1929.

Forecasting the future course of business can never be done with any certainty that it will be borne out by subsequent events. No one can fully appraise the complex forces which are always at work and it is hazardous to attempt doing so.

I see nothing, however, in the present situation that is either menacing or warrants pessimism. During the winter months there may be some slackness or unemployment, but hardly more than is usual at this season each year. I have every confidence that there will be a revival of activity in the spring and that during the coming year the country will make steady progress.

In the credit situation the trend of money rates is downward. There is plenty of credit available and we have reason to expect that the rates for new capital in building construction and expansion will be such as to facilitate the promotion and accomplishment of new undertakings. Statements from the executives of railroad, public utility and industrial concerns during the President's recent Conference were, almost without exception, to the effect that their expenditures for new construction and expansion in 1930 will be as much or more than in 1929. The Government's finances are in a sound condition which warrants the cut in taxes, and the Government, itself, is in a position to do its part in helping the country to meet and solve the problems which are ahead.

FUTURE RELEASE

FOR RELEASE UPON APPEARANCE OF THE SECRETARY BEFORE THE COMMITTEE.

TREASURY DEPARTMENT.

Statement by Secretary Mellon before the Committee on Expenditures in the Executive Departments of the House of Representatives, Wednesday, January 22nd.

The provisions of H. R. 8574 now before your Committee for consideration may be briefly summarized as follows:

The bill provides for the creation of a Bureau of Prohibition in the Department of Justice and for the transfer to that department of the so-called enforcement functions of the present Bureau of Prohibition in the Treasury Department, and the personnel, records, documents, and available appropriations of the enforcement division. The Bureau of Prohibition in the Treasury Department is to be known hereafter as the Bureau of Narcotics and Industrial Alcohol and is to be charged with the so-called regulatory functions under the Revenue and Prohibition laws.

The bill meets with the approval of the Treasury Department.

The duty of enforcing the Prohibition laws was vested originally in the Commissioner of Internal Revenue who, prior to the adoption of the Eighteenth Amendment, was charged with the duty of collecting the excise taxes levied on alcoholic liquors sold for beverage purposes, and administering the provisions of the Denatured Alcohol Act of 1906 providing for the withdrawal of alcohol free of tax after denaturation for use in the arts and industries. Presumably

this was the reason for placing prohibition enforcement in the Bureau of Internal Revenue. It was an illogical choice. There is no connection between the assessment and collection of taxes on beverages which it is legal to sell, and the enforcement of laws intended to prohibit their manufacture, transportation and sale. When the Congress created the Bureau of Prohibition it formally recognized that there is no such relationship. If this be so, Prohibition is unrelated to the duties of the Treasury Department and to the purposes for which that department was created. The Treasury, generally speaking, is responsible primarily for managing the finances of the nation, collecting the revenues, and protecting the integrity of the revenue laws and of the currency, with all incidental duties relating thereto. I know of no reason, therefore, why the Treasury Department should be charged with the duty of enforcing an unrelated penal statute. On the other hand, there is a very sound basis for charging the law-enforcement Department of the Government with this task. It is the duty of the Department of Justice, acting through United States District Attorneys, to prosecute violators of this and other Federal statutes, and it seems to me that better results may be obtained if those who are to try the cases are in a position to control and direct investigations of violations of the law and the gathering of evidence necessary for their prosecution. As the Wickersham Commission well said:

"It is an anomaly that the cases are investigated and prepared by agencies entirely disconnected with and not answerable to those which are to prosecute them. All experience of administration shows the importance of concentration rather than diffusion of responsibility. If prosecution, the legal side of enforcement, is partitioned between two distinct agencies, the diffused, ill-defined, nonlocated responsibility is sure in the long run to be an obstacle to efficiency. No doubt in certain special situations, where technical knowledge of a special type is involved and where the number of prosecutions each year is very small, it is consistent with a high degree of efficiency to have these few cases investigated and prepared by some body of experienced men in some other department and turned over to the Department of Justice for trial. But where the volume is so enormous and the circumstances are so varied as in liquor prosecutions, this is not expedient."

In so far as the so-called regulatory functions are concerned, it can be argued with considerable force that there is no reason why the Treasury Department should issue permits for the manufacture of industrial alcohol and for the sale of such alcoholic spirits as can be legally sold for certain specified purposes. At the same time it is equally clear that these functions do not fall within the jurisdiction and duties of the Department of Justice. In fact, they can fairly be said to be entirely foreign to these duties and functions. And since they are now being performed by the Treasury Department there is no adequate reason for removing them

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unless it can be shown that they logically belong elsewhere. Moreover, there are certain occupational taxes applicable to such permittees, as wholesale and retail druggists, which it is the duty of the Treasury Department to collect, as well as on certain of the commodities covered by permits which can legally be sold, such as medicinal liquor or alcohol in a pure state when sold for commercial purposes permitted by law. I do not say the Treasury Department would not be in a position to collect these taxes were the permit system administered by another Department, but the fact that it is administered by the Treasury Department makes the collection of taxes somewhat easier from an administrative standpoint.

It may be urged that industrial alcohol and medicinal spirits constitute a potential source of supply for illegal beverages and that as such should be within the control of the law-enforcement agency. The bill, I think, meets that objection by vesting in the Department of Justice a full measure of joint control over the issuance of permits and the making of regulations.

I recommend the enactment of the proposed legislation.

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$50,000,000, or thereabouts. The Treasury bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P. M., Eastern Standard time, on February 14, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated February 18, 1930, and will mature on May 19, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers

in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guarantee of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on February 14th, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on February 18, 1930.

The Treasury bills will be exempt, both as to principal and interest (discount), from all taxation, except estate and inheritance taxes. The amount of discount at which the Treasury bills are originally sold by the United States shall be considered as interest for tax exemption purposes.

Department Circular No. 418, dated November 22, 1929, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

TREASURY DEPARTMENT

FOR RELEASE WHEN DELIVERED

Address of Welcome of Undersecretary of the Treasury Mills
 in opening the Conference on International Double Tax-
 ation held at the U. S. Chamber of Commerce, Friday,
 February 14, 1930, at 10:30 a. m.

On behalf of the Secretary of the Treasury, I take pleasure in welcoming you to this informal conference on the prevention of international double taxation. I think we all realize the fundamental objections to double taxation in the domestic field, - objections that are based on our conception of what is equitably and economically sound. With the growth of world trade and commerce, the expansion of business of an international character, and the flow of capital for investment purposes over international boundaries, these objections apply with equal force, and sometimes greater force, to the taxation of the same property or income by several countries. Not only is such a practice inequitable, but subjection to taxation in two or more jurisdictions constitutes a real barrier to the expansion of international trade and investments with a consequent retarding of world production and growth of purchasing power.

In his Annual Report to the Congress the Secretary of the Treasury called attention to the importance of this question under existing world conditions and of its vital interest to the United States, and stated that the Treasury Department proposed to submit its conclusions and recommendations to the Congress during the present session.

The purpose of our meeting to-day is to discuss the general features of the proposed legislation and to get the benefit of your advice as to the solution of some of the important technical problems.

Realizing the heavy burdens double taxation imposes on commerce and the barriers it raises to the flow of investments into foreign countries with high tax rates, our Government has already, beginning with the 1918 Revenue Act, taken a liberal attitude with respect to the income from trading or investments abroad. American industry after the war was everywhere seeking outlets in foreign markets. The high post-war tax rates in many countries, coupled with the heavy rates in the United States, raised serious barriers to the sought-for expansion. In recognition of these conditions the United States took the step of foregoing all or part of its tax in respect of income taxed abroad. Thus double taxation was prevented and the expansion of trade appreciably facilitated. Again, in the Revenue Act of 1921, Congress provided that the shipping profits derived in this country by foreign enterprises be exempted, provided an equivalent exemption was accorded to the shipping profits derived abroad by American enterprises. Other countries soon enacted corresponding provisions, with the result that the shipping profits of American companies are to-day exempt from tax in practically all important maritime countries and taxable only in the United States.

In the meantime other countries, recognizing that the cumulation of high income tax rates often consumed most of the profits of international commerce and that estates spread over several countries almost vanished after payment of their respective duties, took measures to alleviate this double charge on their taxpayers. Somewhat like 18 agreements between European countries regarding direct taxes came into being, and during the

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course of the last few years there have been a number of important international meetings attended by experts from a number of countries, who have devoted much thought and study to this extremely important problem. Three model conventions have been prepared. The American section of the International Chamber of Commerce has drafted a uniform code of principles for eliminating the double imposition of income, property, and estate taxes, and this code was subsequently adopted by the Congress of the International Chamber of Commerce at Amsterdam in July, 1929.

The Treasury Department has taken as a basis for legislation this uniform code, which is the fruit of studies carried on over a number of years. One of its principal underlying purposes is to facilitate the flow of capital to the countries needing it for development purposes by exempting the yield of this investment capital from taxation in the country of investment and taxing it only in the country of residence of the investor. This result is to be brought about by applying the principle of reciprocal exemption, as exemplified in the case of shipping profits, to income from capital received in the form of dividends and interest. In so far as the United States is concerned, any loss in revenue which might result from this reciprocal exemption would be more than compensated for by the partial elimination of the credit for foreign taxes provided for under existing statutes.

The program further contemplates a more equitable system of taxation of international business by imposing taxes on the foreign enterprise only if it has a permanent establishment within the taxing country, thus exempting income from casual transactions or from sales effected through a bona fide broker or commission agent.

In so far as those businesses having permanent establishments are concerned, it is hoped that ultimately all income will be subject to only one tax, the tax to be allocated on the basis of the profits realized within the taxing country. But in the meanwhile, since the treatment by a country of its own nationals or of corporations organized under its laws is not properly the subject of international agreement, the proposal is limited to restricting foreign countries from taxing profits other than those earned within their borders under some fair and well-defined rule of allocation. The establishment of a fair rule of allocation or apportionment is a difficult and technical question. For instance, when a corporation manufactures in one country and sells in another through a permanent establishment, how are its profits to be allocated? If it produces its raw material in one country, processes in a second, turns it into manufactured articles in a third, and sells them in a fourth, how much profit is to be allocated to each country? There has recently been launched in practically all important countries with an income tax a study of methods of allocating or apportioning business profits with a view to devising uniform rules or principles susceptible to general application. This is work of an exceedingly difficult nature. It is of primary interest to such enterprises as those which you represent, and on the basis of your broad experience it is hoped that you may render valuable assistance in the finding of a solution. One of the main purposes in inviting you here to-day was not only to obtain the benefit of your advice on the general problem, but more specifically to obtain your collaboration in finding a suitable and proper answer to this and other problems of a highly technical character.

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The Treasury Department appreciates exceedingly your willingness to come here and to participate in this discussion. We are hopeful that the labors and studies of the last ten years are about to produce results and that our country will take the lead in eliminating the tax barriers that stand in the way of the growth of world trade and industry, accompanied as they would be by an acceleration of productive energies and the attainment of higher economic standards. No other country in the world is more directly interested in the successful completion of such a program.

Statement by Secretary Mellon.

The Secretary of the Treasury announced to-day that the tenders for \$50,000,000, or thereabouts, of Treasury Bills which were offered on February 11th, were opened at the Federal Reserve Banks on February 14th, 1930.

The total amount applied for was \$186,183,000. The highest bid made was 99.250, equivalent to an interest rate of about 3 per cent on an annual basis. The lowest bid accepted was 99.125, equivalent to an interest rate of about $3\frac{1}{2}$ per cent on an annual basis. The total amount of bids accepted was \$56,108,000. The average price of Treasury Bills to be issued is 99.174. The average annual rate on a bank discount basis is about 3.30 per cent.

TREASURY DEPARTMENT

TO BE RELEASED UPON APPEARANCE OF THE
SECRETARY BEFORE THE COMMITTEE ON WAYS
AND MEANS, PROBABLY ABOUT 10:30 a. m.

Statement of Secretary of the Treasury Mellon at the Hearing
on the Bill to Reduce International Double Taxation before
the Ways and Means Committee, Friday, February 28, 1930.

In my Annual Report on the State of the Finances for the fiscal year ended June 30, 1929, I outlined the general movement to prevent international double taxation and proposed to submit to you, during the present session of Congress, recommendations as to the manner in which this Government could participate in the world-wide effort to remove this barrier to the expansion of foreign trade and investments. These recommendations have been incorporated in the bill introduced by your Chairman, Mr. Hawley.

The movement to mitigate the evils and burdens that arise from the taxation of the same income, profits, or property by two or more countries, has in recent years gathered considerable momentum, due to the high post-war tax rates and to the growing realization that double taxation of this character is unscientific and unsound. Since 1921 most of the European countries have entered into two-party agreements under which they preclude the double taxation of all kinds of income. These agreements embody reciprocal concessions. Instead of one state bearing the entire burden of relief, as is done in the credit provisions of the United States Revenue Act, each party to the European type of agreement shoulders its share. Unfortunately, these agreements differ widely in form and content.

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While governments have been entering into various arrangements, international committees of experts--for the most part high government officials--have been endeavoring to evolve a uniform scheme of relief from double taxation. Dr. T. S. Adams has been the American member of these committees.

The outcome of these efforts was the adoption, by the Congress of the International Chamber of Commerce at Amsterdam, July, 1929, of a uniform code of principles for eliminating double taxation. This code was prepared by the double taxation committee, of the American section of the International Chamber of Commerce, and embodies those principles of taxation which are considered the most favorable not only for American interests but also for world commerce in general. It represents a consolidation, in so far as possible, of the model conventions for eliminating double taxation at the Geneva Conference on Double Taxation, October, 1928, and embodies the substance of the model convention proposed by Dr. Adams at that Conference. The principles contained in this code have been followed in the proposed legislation.

As you gentlemen know, our revenue laws make partial provision against the evils of double taxation by crediting, against our Federal income tax, taxes paid in foreign countries, and in the case of shipping profits, by offering to exempt the profits derived in the United States by foreign companies if the country under the laws of which their ships were documented grants an equivalent exemption in respect of the shipping profits derived by American companies in its territory. Argentina, Canada, Denmark, France, Germany, Great Britain and Northern Ireland, Italy, Japan, The Netherlands, Norway, and Sweden are among the countries which meet the requirements for reciprocal exemption. Thus, American ships to-day are exempt from tax in many countries in which they embark passengers or freight, and are, therefore, liable only to the income tax of this country. The benefits assured the shipping industry by this legislation are of very great value indeed. In so far as

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the credits for foreign taxes are concerned, at the time the legislation was first enacted the sacrifice involved was relatively unimportant, but as our foreign trade and investments expand the credits claimed for foreign taxes correspondingly increase, and in 1927 American citizens and corporations credited \$26,534,807 in respect of the taxes imposed by other countries. Even so, full relief is not afforded to American enterprises abroad. Our credit for foreign taxes is limited. It permits the foreign tax to be credited, in effect, only up to the amount of the American tax. Because foreign tax rates are in general higher than our rates, Americans still pay, despite the relief afforded by our credit, a considerable tax to the foreign countries in which they do business.

There are, generally speaking, two lines of approach to the solution of the double taxation problem:

The first is by treaty with one or more countries, which involves mutual concessions in respect of the taxation of the nationals of the treaty-making countries. The objections to this method appear to me to be that the concessions are more likely to be based on bargaining than on sound principles of taxation, and that this method results in the taxation by the United States of the nationals of different countries on dissimilar bases.

The second basis on which avoidance of international double taxation may rest is exemplified by our present law covering the taxation of shipping profits, which as I have already stated, authorizes the exemption of foreign shipping profits providing the shipping profits of American companies are exempt from taxation in foreign countries. This plan permits the adoption of sound principles in respect of the taxation of income or profits taxable in different jurisdictions, and the offer to all countries to apply these principles uniformly to the taxation of their nationals providing they will apply the same principles to the taxation of American citizens in their respective jurisdictions.

While there are some obvious advantages in the treaty method, the Treasury Department believes that what I may call the reciprocal exemption method is the sounder of the two and more in accordance with traditional American policy.

Broadly speaking, the measure now before you for consideration divides income into two classes: (a) certain items which are to be exclusively taxed at the residence of the taxpayer and exempted at source; and (b) other items which are subjected to the full tax of the country of source. The items of income taxable at residence include interest, dividends, patent and copyright royalties, and a few other items of minor importance which can be conveniently taxed only at the residence of the taxpayer. Interest and dividends are made taxable at the residence of the taxpayer primarily because that is the only place where interest and dividends can be successfully subjected to progressive income tax. Our withholding provisions and our collection at source (despite unusually good administration of these provisions of our tax laws) do not work effectively as regards interest and dividends paid to foreign taxpayers. Under the proposed bill, we should give up a tax which we do not collect successfully, for a tax which we know we can collect. In addition, taxation at residence represents the sound principle of taxing interest. Where a tax on interest is collected at source, it frequently must be borne by the debtor.

To accomplish this end, it is proposed to secure the exemption in other countries of such income derived by American investors through offering a reciprocal exemption from the American tax.

The reciprocal exemption of the items of income mentioned should not mean a sacrifice of tax revenues by the United States but should afford a

gain in the course of time. Under our present law we collect no tax on dividends flowing to foreign corporations and no normal tax on dividends derived by nonresident aliens. It is true that nonresident aliens are liable to American surtax on dividends and other income in excess of \$10,000 but it is impracticable to collect surtax from them because the collection of surtax is dependent upon the filing of a return, and as the alien is beyond the jurisdiction of the United States, it is almost impossible to enforce any penalties for failure to file the return. At the present time we know from information returns that \$5,426,420 have been paid in dividends to nonresident aliens who have filed no surtax returns.

With regard to interest, in 1928 only \$1,175,777.63 in tax were withheld from interest paid to nonresident aliens. As you know the nonresident alien on filing a return is entitled to a \$1,500 personal exemption, which means that the Bureau of Internal Revenue after sorting out all the ownership certificates filed by the nonresident alien and checking his tax liability must refund the tax on \$1,500 in a considerable number of cases. Again in respect of interest the nonresident alien is liable to surtax if his total net income from American sources exceeds \$10,000 but the difficulties in collecting surtax from them are almost as great as in the case of dividends.

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As only \$590,515.13 were withheld from copyright and patent royalties in 1928, the exemption of this type of income would be well worth while if in return we obtain for American owners of patents and copyrights the exemption by other countries of such income from licenses in their territory.

The items of income subject to full tax at source include:

(1) income from a business, trade, or profession carried on within the country through a permanent establishment; (2) compensation for personal services performed within the country; and (3) income from real estate, including rentals and royalties therefrom, gains from the sale thereof, and interest on ordinary loans secured by such property. If a foreign enterprise has a permanent establishment in the United States, such as a factory, sales office, warehouse, or any other fixed place of business, the United States levies its full tax thereon at the corporation rate if the foreign enterprise is incorporated, at the combined normal and surtax rates if the foreign enterprise belongs to an individual or partnership. It is proposed to tax business income at source primarily because we cannot permit foreign business concerns to compete with American concerns in our market without subjecting the foreign concern to the same tax which the American concern must pay. Similarly, compensation for services rendered in the United States by an alien individual, and income from real estate situated in the United States are to be taxed at the usual rates.

If an American resident in the United States or a corporation organized in the United States derives any of these types of income from a foreign country, that country will levy its full tax thereon but such tax may be credited against the American tax in accordance with the credit provisions authorized by Section 131 of the Revenue Act of 1928. Consequently, under the proposed regime, residents, American citizens and domestic corporations, will still have the benefits of the credit provisions in respect of income taxable abroad, and have the additional advantage of receiving their interest, dividends, and royalties from abroad without deduction of any tax in the country assuring the reciprocal exemption.

As a consequence of the exemption in foreign countries, there will be no occasion to credit taxes in respect of dividends, interest, patent and copyright royalties, and the other minor items of income thus exempted, against the American tax, which means that the United States will collect full tax thereon. This should result in an increase in revenues. It is impossible to compute exactly the amount of taxes on the above-mentioned items of income which have been credited against the American tax, but one may deduce from the ratio of income derived by Americans from foreign sources to the amount derived by foreigners from American sources that the proposed enactment should not reduce our revenues, but rather increase them in the long run.

The machinery for bringing the proposed regime into effect is very simple. It consists in extending the application of the principle of reciprocal exemption, now observed in the case of

shipping profits, under Sections 212(b) and 231(b) of the Revenue Act, to dividends, interest and other relatively unimportant items of income previously mentioned. It is hoped that other countries may meet this offer of reciprocal exemption by means of corresponding enactments, just as has been done in the case of shipping profits.

The opportuneness of the proposed bill is shown by the fact that in the course of the last year this Government has received informal advices from Canada, Great Britain, The Netherlands and Switzerland that they would welcome the possibility of entering into reciprocal understandings with the United States. A telegram has just been received from the American Embassy at Paris stating that the French Government wishes to conclude a double taxation arrangement. It is not improbable that this Government may in due time have occasion to effectuate reciprocal arrangements with Germany, Denmark, Sweden and other countries. The proposed bill offers a uniform and simple basis for preventing double taxation as between the United States and such interested countries.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Friday, March 7, 1930.

STATEMENT BY SECRETARY MELLON

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of nine months 3-1/4 per cent Treasury certificates of indebtedness of Series TD-1930, dated and bearing interest from March 15, 1930, and maturing December 15, 1930. The amount of the offering is \$450,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TM-1930, maturing March 15, 1930. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing March 15, 1930, will be given preferred allotment up to \$150,000,000.

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 June 15, 1930, and December 15, 1930.

About \$404,000,000 of Treasury certificates of indebtedness and nearly \$47,000,000 in interest payments on the public debt become due and payable on March 15, 1930, and \$100,000,000 of Treasury Bills become due and payable on March 17, 1930.

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 TD-1930, dated and bearing interest from March 15, 1930, payable December 15, 1930, with interest at the rate of three and one-quarter 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 June 15, 1930, and December 15, 1930.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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. 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, 1930, 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-1930, maturing March 15, 1930, 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.

FOR MORNING PAPERS,
MONDAY, MARCH 10, 1930.

TREASURY DEPARTMENT.

Secretary Mellon announced that subscriptions for the issue of 3 1/4 per cent Treasury Certificates of Indebtedness, dated March 15, 1930, Series TD-1930, maturing December 15, 1930, closed at the close of business on Saturday, March 8, 1930. Subscriptions received through the mails up to 10 o'clock Monday morning, March 10th, will be considered as having been received before the close of the subscription books.

FUTURE RELEASE
OBSERVE DATE

TREASURY DEPARTMENT

FOR RELEASE MONDAY, MARCH 10, 1930,
WHEN DELIVERED BEFORE THE WAYS AND
MEANS COMMITTEE, PROBABLY ABOUT 10:30 A.M.

OBSERVE DATE

Statement of Undersecretary of the Treasury Mills before the Ways and Means Committee relating to H. R. 10480, a bill to authorize the settlement of the indebtedness of the German Reich to the United States on account of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States Army of Occupation.

The bill now before you for consideration authorizes the Secretary of the Treasury, with the approval of the President, to enter into an agreement with Germany as set out in general terms in the bill, providing for the complete and final discharge of the obligations of Germany to the United States in respect of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States Army of Occupation.

Under the terms of the Armistice Convention signed November 11, 1918, and of the Treaty Restoring Friendly Relations signed at Berlin August 25, 1921, which incorporated by reference certain provisions of the Versailles Treaty, Germany is obligated to pay to the United States the costs of the United States Army of Occupation and to satisfy claims of the American Government or its nationals who have suffered loss, damage or injury to their persons or property, directly or indirectly, since July 31, 1914, through the acts of the Imperial German Government or its agents.

Army Costs

The total costs of the United States Army of Occupation amount to \$292,663,435.79. Except for cash requisitions on the German Government for the use of the Army of Occupation aggregating \$37,509,605.97 and certain other items, such as provost fines, abandoned enemy war material, etc., amounting to \$7,288,184.33, the United States Government received no payments

on account of army costs up to May 25, 1923. On that date the United States and the principal Allied Powers signed the so-called Wadsworth Agreement which provided that our army costs should be divided into twelve annual instalments, and should be, during the first four of the twelve years, a first charge on cash payments received from Germany after the expenses of the Reparation Commission and the current expenses of the Allied Armies of Occupation, but during the last eight years should be an absolute prior charge on all cash payments, except for the costs of the Reparation Commission. Ratifications of the Wadsworth Agreement were never exchanged but we received a payment under it of \$14,725,154.40 in January 1925. The Agreement was superseded by the so-called Paris Agreement of January 14, 1925, which also covered awards of the Mixed Claims Commission. This latter Agreement was concluded at a meeting of representatives of the creditor powers, including the United States, called for the purpose of making distribution of the annuities provided for under the terms of the Dawes Plan, which had been adopted in 1924. Under the provisions of the Paris Agreement the United States was to receive on account of its army costs, beginning September 1, 1926, the sum of 55,000,000 gold marks, or about \$13,100,000 per annum, which payments were to constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes annuities after the provision of the sums necessary for the service of the 800,000,000 gold mark German external loan of 1924 and for the costs of the Reparation and other Commissions. Under the provisions of the Wadsworth Agreement our army costs should have been liquidated by the end of 1935.

Under the Paris Agreement the payments would extend over a period of about 18 years, beginning September 1, 1926.

Up to the first of September, 1929, the United States had received on Army Cost Account \$39,203,725.89 under the Paris agreement.

As of September 1, 1929, there was still due on account of army costs \$193,936,765.20.

Mixed Claims

By virtue of an agreement entered into on August 10, 1922, by the United States and Germany, there was set up a Mixed Claims Commission charged with the duty of passing upon the claims of American citizens arising since July 31, 1914, in respect of damage to or seizure of their property, rights and interests, and upon any other claims for loss or damage to which the United States or its nationals have been subject with respect to injuries to persons or to property, rights and interests since July 31, 1914, as a consequence of the war, and including debts owing to American citizens by the German Government or by German nationals.

The first meeting of the Commission was held on October 9, 1922. Up to August 31, 1929, awards had been certified to the Treasury for payment which with interest to August 31, 1929, aggregated \$172,703,083.71. It is estimated as of August 31, 1929 that the principal amount of awards yet to be entered and certified together with interest to that date, amount to \$53,000,000, and in addition awards to the United States Government with interest to August 31, 1929, amount to \$64,934,794.41. In other words, as of August 31, 1929, it is estimated that the total awards of the Mixed Claims Commission made and to be made aggregated with interest \$290,637,878.12.

No provision for the payment of the awards of the Mixed Claims Commission

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was made until the Paris agreement of January 14, 1925. The Paris agreement provided that the United States should receive 2 $\frac{1}{2}$ % of all receipts from Germany on account of the Dawes annuities available for distribution as reparations, provided that the annuity resulting from this percentage should not in any year exceed the sum of 45,000,000 gold marks. Up to September 1, 1929, the United States had received from Germany under the Paris agreement for account of mixed claims, \$31,831,472.03, which with earnings and profits on investments amounting to \$2,149,692.70, made available for distribution \$33,981,164.73, and left \$256,656,713.39 still to be provided for. It must be understood in this connection that the figures relating to the total amount finally awarded by the Mixed Claims Commission is necessarily only an estimate, since all of the awards have not as yet been made.

In the meanwhile, the Congress in March, 1928, enacted what is known as the "Settlement of War Claims Act of 1928". You gentlemen are too familiar with that act to make it necessary for me to describe it in detail. Suffice it to say that it made provision for the order of priority in which mixed claims should be paid, for the retention of part of the German property held by the Alien Property Custodian and part of the funds to be received on account of awards made by the arbiter to German nationals until a certain percentage of the American claims had been paid, and then for the ultimate return of the German property and funds to their owners. The act also covered the rate of interest to accrue on claims until their final liquidation. Any estimate of the total amount due from Germany on account of mixed claims must depend, therefore, not only on the awards of the Mixed Claims Commission but on the terms of the Settlement of War Claims Act.

It will be observed that the amounts received up to the present time,

both on account of army costs and mixed claims, have been paid, not by virtue of any agreement with Germany looking to the liquidation of its Treaty obligations, but by virtue of an agreement with the creditor powers, under the terms of which they undertook to assign to the satisfaction of our claims a portion of the payments received through the Agent General for Reparation Payments. This is an anomalous situation. In view of the fact that the other creditor powers have now reached an agreement with Germany for the final liquidation of their claims, the time has come for the United States to do likewise. Two courses were open to us. We could either join with the other creditors in a general settlement, or rely on a separate agreement with Germany for the satisfaction of our claims. The course of events which led to the necessity for such a decision on our part was as follows.

The Young Plan

In 1928 the principal creditor powers agreed to set up a committee of independent financial experts to be entrusted with the task of drawing up proposals for the complete and final settlement of the reparation problem. The so-called Young Plan is the report which this committee rendered under date of June 7, 1929. As a result of the Young committee's reappraisal of Germany's capacity to pay, it recommended annuities smaller than the standard annuity of 2,500,000,000 gold marks (\$595,000,000) in force under the Dawes Plan. Beginning with 742,000,000 reichsmarks (\$176,000,000) in the 7 months ending March 31, 1930, which are considered as the first Young Plan year, the annuity is 1,707,900,000 reichsmarks (\$406,000,000) in the year ending March 31, 1931, and increases gradually to the maximum of 2,428,800,000 reichsmarks (\$578,000,000) in the year ending March 31, 1966, or an average of 1,988,800,000 reichsmarks (\$473,000,000) for 37 years, and continues at about 1,600,000,000 reichsmarks (\$381,000,000) to 1,700,000,000 reichsmarks (\$405,000,000) for an additional 22 years.

It is obvious that the reduction in the annuities to be paid by Germany necessitated a scaling-down of the amounts allocated to each of the creditor powers under the Dawes Plan and the Paris Agreement. The Young Plan undertakes not only to fix the annuities to be paid by Germany but to allocate those annuities among the several creditor powers. The United States was allocated annuities averaging 66,100,000 reichsmarks (\$15,700,000) for the first 37 years and a fixed annuity of 40,800,000 reichsmarks (\$9,700,000) for 15 years thereafter.

The Young Plan, with some modifications, which do not affect our position, was formally adopted by representatives of all the interested powers, with the exception of the United States, at The Hague in January, 1930, and the settlement there reached is now awaiting ratification by the governments and the enactment of certain necessary legislation by the German parliament.

Two questions present themselves for decision: first, are the annuities provided for the United States acceptable to us, and, in the second place, should we become parties to the Young Plan agreement and receive payments through the machinery provided therein, or should we rely on a direct agreement with Germany for the satisfaction of our claims?

While it is true that under the so-called Dawes Plan and the Paris Agreement we were to receive on both accounts an annuity of 100,000,000 gold marks (\$23,800,000) as contrasted with an average of 66,100,000 reichsmarks (\$15,700,000) suggested under the Young Plan, it should be pointed out that the so-called Dawes Plan was a temporary measure and that no period was fixed during which the aforesaid annuities were to be paid. In other words, there was no assurance that we would continue to receive 100,000,000 gold marks a year until the claims on account of army costs and mixed claims had been completely discharged. Perhaps a better method of approach to the

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problem is to ascertain whether the proposed annuity involves any essential sacrifice in the satisfaction of our outstanding claims against Germany. In so far as mixed claims are concerned, if, as is provided in the bill now before you, 40,800,000 reichsmarks per annum are assigned to their payment, it is estimated that that amount will be adequate to discharge the Mixed Claims obligation in full over the period of years provided for, with interest at 5% on unpaid amounts including the United States Government's claim. Whatever sacrifice is involved as compared with the Dawes annuity is in the time element. In other words, it is estimated that it will require 52 years to pay all claims - about 35 years to pay all of the private claims awarded to American citizens, including the return of the unallocated interest fund belonging to the German claimants, and about 17 years additional to liquidate the claims allowed the Government of the United States. On the basis of the 45,000,000 gold marks received under the Paris Agreement, it was estimated that it would have required 30 years to pay off private claims and 14 years additional to pay off the Government claims.

(\$6,000,000)

If an average annuity of 25,300,000 reichsmarks/for 30 years be allocated to army costs, as the proposed agreement provides, it will liquidate that claim in 37 years, after reducing the amount originally due on this account by 10%, a sacrifice similar to that being made by France and Great Britain under the Young Plan. The 55,000,000 marks received under the Paris Agreement would have discharged our army costs claim in about 15 years from September 1, 1929, whereas the annuities proposed under the Young Plan will liquidate the balance due after deducting the 10% in 37 years and allow interest on all deferred payments at a rate of about 3-5/8%. It can fairly be said, therefore, that except for the time element, which is not of vital importance in view of the fact that interest is to be paid, no sacrifice is demanded of us other than a

10% reduction in our original claim for army costs, that is as compared with the situation existing under the Paris Agreement, which carried with it no assurance as to continuing payments.

The Treasury Department is of the opinion that the annuities proposed are acceptable. In urging their acceptance, I think I should point out to you that as a practical matter our refusal to accept them would almost inevitably involve a readjustment of the shares to be received by all other creditors, since the report of the Young committee, which has now been formally accepted, definitely fixed the limits of the total amounts to be paid by Germany and any claim on our part to increase our share must occasion a readjustment of the shares to be received by others.

This brings me to the second question of whether, as a matter of policy, we should have joined the other creditor powers by becoming parties to the Young Plan and availing ourselves of its provisions and machinery for the satisfaction of our claims. The Executive branch of the Government believed that it was wiser and more consistent with our established policy for us to refrain from such a course and to look to Germany directly for the payment of the amounts due us.

The United States has not participated in the determination of the total reparations payable by Germany under the Treaty of Versailles or in the collection or distribution of reparation payments heretofore received. There appears to be no justification at this late date for involving our country in the responsibilities for collecting, mobilizing, and distributing reparation payments which the adoption of the Young Plan and participation in the organization and management of the agency created under that plan would necessitate. Very obviously we could not properly avail ourselves of the

machinery provided for by the Young Plan and at the same time refuse to accept any of the responsibilities. The course which we advocate is logical, consistent, and sound, even apart from the question of linking reparation and debt payments, which, as we have consistently maintained, have no relation in origin, principle, or in fact.

Moreover, without even suggesting the probability of such an event taking place, suppose at some future date Germany finds itself unable to continue the conditional payments. If at that time we are officially represented on the board of the Bank for International Settlements, or upon the so-called Advisory Committee to be appointed by the Governors of central banks of issue of the principal countries concerned, we, because of our comparatively small interest in the general settlement, might find ourselves in the position of an arbiter called upon to settle and decide a controversial and difficult European question.

It may be urged that our failure to become parties to the Young Plan involves an element of sacrifice on our part, since we thereby forego the claim for a share in the so-called unconditional annuities which we could very justly have advanced in view of the priority enjoyed by army cost payments under the terms of the Paris Agreement. But aside from the fact that the Young Plan did not allocate to the United States any share of the unconditional annuities and that, judging by events, they could not have been obtained without the most serious kind of controversy, it seems to me that the terms of the agreement which we have submitted to you for approval amply protect the interests of the United States and of its nationals. Under its terms Germany makes an unqualified and unconditional promise to pay. The only proviso which in any way limits that obligation is the one which is found in all of our debt settlement agreements and which permits the debtor to postpone payments for a limited period of time, with interest on the postponed payments.

The Treasury Department, therefore, recommends the passage of the bill under consideration granting to the Secretary of the Treasury, with the approval of the President, the authority to enter into the agreement the terms of which are set forth in Senate Document No. 95, 71st Congress, Second Session.

In brief, the agreement provides that Germany agrees to pay 40,800,000 reichsmarks per annum for the period September 1, 1929, to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1, 1930 to March 31, 1981, in satisfaction of Mixed Claims, and beginning September 1, 1929, an average annuity of 25,300,000 reichsmarks for 37 years in full liquidation of our army costs. As evidence of this indebtedness Germany is to issue to the United States, at par, bonds maturing semi-annually. Germany, at its option, upon not less than 90 days' advance notice, may postpone any payment on account of principal falling due to any subsequent September 30th and March 31st not more than 2½ years distant from its due date, but only on condition that if this option is exercised the two payments falling due in the next succeeding 12 months cannot be postponed more than 2 years, and the two payments falling due in the second succeeding 12 months cannot be postponed more than 1 year unless the payments previously postponed have actually been made. All postponed payments on account of mixed claims are to bear interest, at 5%, the rate provided in the Settlement of War Claims Act, and all payments postponed on account of army costs are to bear interest at the rate of 3-5/8%. While the annuities are stated in terms of reichsmarks, payments are to be made in dollars, either at the Treasury or at the Federal Reserve Bank of New York. The exchange value of the mark in relation to the dollar shall be calculated at the average of the middle rates prevailing on the Berlin bourse during the half monthly period preceding the date of payment. The German

Government undertakes that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in the present Reichsbank law and that the reichsmark shall retain the mint parity defined in the German coinage law of August 30, 1924. This provision corresponds to the provision in the Young Plan settlement accepted by all of the other creditor powers. It was not felt that the United States was justified in demanding preferential treatment in this respect.

The Secretary of the Treasury will not, of course, execute any such agreement until the Young Plan has formally come into effect, thus giving assurance that the whole reparations question is, in all human probability, finally liquidated. What the proposed agreement does in so far as the United States is concerned is to provide for a final liquidation of her claims against Germany. I feel confident that it will commend itself to your judgment.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
TUESDAY, MARCH 11, 1930.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, Series TD-1930, 3 $\frac{1}{4}$ per cent, dated March 15, 1930, maturing December 15, 1930, closed at the close of business on March 8, 1930.

Reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$450,000,000, or thereabouts, total subscriptions aggregate some \$1,291,000,000. Of these subscriptions, \$66,629,500 represent subscriptions for which Treasury certificates of indebtedness of Series TM-1930, maturing March 15, 1930, were tendered in payment, all of which were allotted in full. Allotments on cash subscriptions 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 \$50,000 for any one subscriber were allotted 80 per cent, but not less than \$1,000 for any one subscriber; subscriptions in amounts over \$50,000 but not exceeding \$500,000 for any one subscriber were allotted 60 per cent, but not less than \$40,000 for any one subscriber; 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 \$300,000 for any one subscriber; and subscriptions in amounts over \$1,000,000 for any one subscriber were allotted 20 per cent, but not less than \$500,000 for any one subscriber.

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, March 13, 1930.

Secretary Mellon to-day announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series TD-1930, 3½ per cent, dated March 15, 1930, maturing December 15, 1930, was \$1,290,990,000. The total amount of subscriptions allotted was \$483,841,000, of which \$66,481,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TM-1930 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>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 80,588,500	\$ 27,427,500
New York	613,192,500	184,840,500
Philadelphia	88,843,500	35,520,000
Cleveland	54,626,500	25,313,000
Richmond	58,278,000	35,067,500
Atlanta	57,478,000	34,693,500
Chicago	98,116,500	55,976,500
St. Louis	14,116,000	9,523,500
Minneapolis	6,850,500	4,634,500
Kansas City	17,849,000	7,656,500
Dallas	39,295,500	22,893,000
San Francisco	161,670,000	40,225,000
Treasury	<u>85,500</u>	<u>82,000</u>
Total	\$ 1,290,990,000	\$ 483,841,000

TREASURY DEPARTMENT

For immediate release,
March 13, 1930.

Secretary Mellon announced today that the Committee composed of the Attorney General, the Secretary of the Treasury, and the Secretary of War, which was designated by Congress to recommend a location for the first narcotic farm, would recommend a site near Lexington, Ky., for this purpose.

Necessary steps will be taken to submit an estimate for appropriation to the present Congress looking to the purchase of the site recommended.

FUTURE RELEASE
OBSERVE DATE

Secretary Mellon yesterday made the following statement with reference to the final settlement for the years 1918, 1919, and 1920, of the tax liabilities of the United States Steel Corporation.

The Treasury is closing out finally the tax liabilities of the United States Steel Corporation for the years 1918, 1919, and 1920. This is a final settlement of all the war taxes of the Steel Corporation.

The case has been handled by a special committee of the best experts in the Treasury and most carefully examined and reviewed. After the Treasury had reached its decision, the case was forwarded to the Joint Committee on Internal Revenue Taxation of the Congress and has been explained in detail to it. In addition, a thorough study and consideration has been given the case by the Staff of tax experts of the Congressional Joint Committee. Neither that Committee nor its Staff of experts has any criticism to make of the proposed settlement.

In considering the case, we should not permit its size to affect our judgment. The only question to be determined is what did the Steel Corporation owe the Government on account of taxes under the laws enacted by Congress. This the Bureau of Internal Revenue has determined after the most painstaking and thorough consideration. The amounts involved are necessarily large since the Steel Corporation paid about 8% of all the taxes paid by corporations during the war years, and for the year 1918, paid 56% of its income to the Federal Government in taxes.

Under the final determination, the Federal Government is actually retaining about \$8,000,000 in addition to the taxes originally paid by the corporation. As a result of intervening additional payments, however, the final adjustment now shows an actual overpayment for the three years of approximately \$21,000,000 in

principal and \$11,200,000 in interest. The taxpayer had brought suit in court for the recovery of about \$130,000,000 (including principal and interest). As a result of the final settlement, in an amount of less than \$33,000,000, this suit is being dismissed.

It has been suggested that the case should be tried out in court. As I have repeatedly stated, if we should insist upon a trial in court of controversial issues in tax cases, we would merely be transferring the administration of the tax laws from the Treasury to the courts. An income tax system susceptible of administration only by the courts must necessarily break down. Furthermore, litigation in this particular case will merely result in adding tremendously to the interest charges and in the recovery of a much larger principal amount by the corporation. The amount of the present settlement represents the very minimum to which the corporation is legally entitled. Were it not for its desire to close the case without prolonged litigation, and for its very fair and open-minded attitude toward the Government, the case would not now be closed upon as favorable a basis to the Government.

I fail to see any basis for criticizing the proposed action of the Treasury. The case has been handled by the best experts in the Treasury. It has been examined carefully by the Staff of the Congressional Joint Committee and reviewed by the Joint Committee itself. The overpayment is admitted. Sound business judgment and good administration demand that we return the amount promptly. A tax settlement cannot be understood by a consideration only of misleading and inaccurate statements made for partisan purposes. We should not permit politics to become injected into the administration of our tax laws.

The making of refunds is but a necessary part of the administration of our tax laws. Our revenue collecting system is based upon the fundamental principle

that the taxpayer must pay prior to an audit. An audit almost inevitably, in a complicated case, shows that he has paid too little or too much. If he owes an additional amount, steps are promptly taken to compel him to pay. If he has overpaid, the amount of the overpayment should be refunded promptly. We ask for only the amount of taxes legally due the Government. In this case the entire refund is based upon and is strictly allowable under final decisions of the courts and the Board of Tax Appeals.

TREASURY DEPARTMENT

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FOR RELEASE, SUNDAY MORNING PAPERS,
MARCH 23, 1930.

STATEMENT BY SECRETARY MELLON REGARDING THE PRESENT
STATUS OF THE GOVERNMENTAL BUILDING PROGRAM.

Accelerating its activities in line with President Hoover's policy of increased construction as a means of relieving unemployment, the Treasury Department has mapped out a program for putting under way this year \$92,000,000 worth of public buildings in addition to the \$40,000,000 now under construction.

Prompt passage of the Keyes-Elliott public building bill by the Senate would enable the Department to speed up its plans much more rapidly than at present besides making available for this and other years an increased sum of money.

The contracts that have been or are to be awarded this year cover every section of the country with the structures ranging in size from village postoffices to the enormous \$14,000,000 building to be erected in Chicago. This will be the largest postoffice building in the World. This program will afford employment not only for many thousands of men in the actual building construction but for many other thousands in the quarries and factories.

Besides the Chicago building, other mammoth structures, the contracts for which will be let this year, include a six-and-one-half million dollar structure in Pittsburgh; a 21-story six-million dollar structure in Boston, and a \$3,300,000 building which is to rise on the present site of the federal building in Baltimore.

Leaving out of the equation the \$40,000,000 expenditure which will be expedited by the passage of the Keyes-Elliott bill for this calendar

year, \$10,000,000 worth of projects are to go on the market by June, and approximately \$35,000,000 worth between that time and October 1st.

All of this projected work is outside the District of Columbia, where nearly \$30,000,000 in federal construction is under way with an additional \$10,000,000 to be put under way this year under the Keyes-Elliott Bill, beginning construction on the Interstate Commerce and Public Health Service buildings, and the remodeling of the State, War and Navy Building to make it conform to the architecture of the Treasury Department Building so that the White House will be flanked by two similar structures as Congress originally intended.

Buildings for which contracts have been awarded this year include a \$1,147,338 Marine Hospital in San Francisco; a million dollar federal building in Scranton, Pa.; a \$900,000 federal building at Memphis, Tenn.; a \$585,000 Immigration Station at Seattle; an \$830,000 building at Denver, and smaller structures at Honolulu, McMinnville, Tenn., Rushville, Ind., and Waynesburg and Tyrone, Pa.

Bids are now in for buildings in East Chicago, Ind., Pullman, Wash., and Sterling, Colo., and tenders have been asked for structures in Milwaukee, Ottawa, Ill., Price, Utah, and Scottsbluff, Nebraska.

Treasury Department plans as now outlined call for the award of contracts during this year for other new federal building projects as follows:

- Massachusetts.....Boston, 2 buildings - Federal office building and Immigration Station.
Worcester; Lowell; Fall River and Framingham.
- Kansas.....Wichita and Junction City.
- Ohio.....Toledo, and Marine Hospital at Cleveland.
- New York.....Assay Office; Parcel Post and Government Warehouse in Manhattan. Brooklyn, superstructure. Peekskill and White Plains.

New Jersey.....Red Bank and Passaic.
Wisconsin.....Racine and Marshfield.
Louisiana.....New Orleans, 2 buildings - Marine Hospital
and a Quarantine Station.
Bogalusa.
Virginia.....Lynchburg; Roanoke; Alexandria and Buena Vista.
North Carolina.....Greensboro and Lenoir.
West Virginia.....Morgantown and Parkersburg.
Oklahoma.....Oklahoma City and Tulsa.
Georgia.....Savannah.
Alabama.....Sheffield and Union Springs.
Missouri.....Kansas City and Sedalia.
Arizona.....Prescott and San Luis.
Washington.....Seattle, Federal Office Building.
Blaine, Inspection Station.
Michigan.....Benton Harbor and Flint.
Connecticut.....New London, Coast Guard Academy.
Indiana.....Lafayette.
Tennessee.....Kingsport.
Iowa.....Iowa City.
New Hampshire.....Hanover.
Vermont.....Highgate Springs, Inspection Station.
Bellows Falls.
Oregon.....Klamath Falls.
Texas.....Galveston, Marine Hospital.
Minnesota.....South St. Paul.
South Dakota.....Vermillion.
North Dakota.....St. Johns, Inspection Station.
Utah.....Ogden.
Wyoming.....Casper.

- New Mexico.....Albuquerque.
- Idaho.....Nampa.
- Montana.....Havre.
- Rhode Island.....Pawtucket.
- California.....San Bernardino.
- South Carolina.....Spartansburg.
- Colorado.....Canon City.
- Arkansas.....Eldorado.
- Mississippi.....Greenwood.
- Maine.....Houlton, Inspection Station.

This list of buildings does not include projects that may be selected under the authorization of \$115,000,000 for the country at large included in the Keyes-Elliott Bill, and after the passage of that bill it will be possible to expedite the construction of the federal buildings at Chicago, San Francisco, Pittsburgh, Portland, Ore., Hartford, and Springfield, Ill., involving a total of approximately \$30,000,000; besides ten (10) other projects yet to be determined.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
TUESDAY, MARCH 25, 1930.

REMARKS OF
A. W. MELLON
SECRETARY OF THE TREASURY
at a dinner at
the PITTSBURGH GOLF CLUB
PITTSBURGH,
MARCH 24, 1930.

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

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$50,000,000, or thereabouts. The Treasury bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P. M., Eastern Standard time, on April 11, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated April 15, 1930, and will mature on July 14, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guarantee of payment by an incorporated bank or trust company.

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Immediately after the closing hour for receipt of tenders on April 11, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on April 15, 1930.

The Treasury bills will be exempt, both as to principal and interest (discount), from all taxation, except estate and inheritance taxes. The amount of discount at which the Treasury bills are originally sold by the United States shall be considered as interest for tax exemption purposes.

Department Circular 418, dated November 22, 1929, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

FUTURE RELEASE
FOR RELEASE, AFTERNOON PAPERS,
WEDNESDAY, APRIL 9, 1930.

TREASURY DEPARTMENT

STATEMENT OF SECRETARY MELLON

The examination of passengers' baggage at the docks in Greater New York has at all times given the Treasury Department considerable concern and has been the object of criticism for many years.

The Commissioner of Customs, with my complete endorsement, is earnestly endeavoring to improve the service. In furtherance of his efforts, I have secured the formation of a Committee of twenty-five representative New Yorkers to act in an advisory capacity, in conjunction with the steamship companies, the Collector of the Port and the Surveyor of the Port. Colonel Arthur Woods has consented to act as Chairman of this Committee. With the exception of a few who are unavoidably absent, the members of this Committee are meeting with me today at the Bankers Club ^{New York} for lunch and for the initial meeting which will follow.

At this meeting the Committee will be informed concerning the problems which face the Customs authorities and the steamship companies. The Committee will be asked to study and analyse the whole situation and the officials of the Treasury will be prepared to give information and assistance in order to facilitate the work. I am confident that the advice thus secured will be of great assistance to the Treasury in its endeavor to render better service to the public.

Citizens arriving home from travel abroad on account of business, health or pleasure have a right to courteous treatment at the hands of Customs officials while undergoing the necessary formalities of passing through the

Customs. At the same time Customs officials are, of course, entitled to an equal degree of consideration on the part of the traveling public; and furthermore, we must see that strangers entering our country shall receive an impression of both efficiency and good manners.

In recent years the difficulties of the situation have been aggravated as a result of great increase in travel, without corresponding reorganization of procedure. These matters can be better adjusted with the advice and assistance of public-spirited citizens, all of whom have entered this port many times; and so, in order to secure their help, I have asked the members of the Committee to meet today and discuss these questions.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
SATURDAY, APRIL 12, 1930.

Statement by Secretary Mellon.

The Secretary of the Treasury announced to-day that the tenders for \$50,000,000, or thereabouts, of ninety-day Treasury Bills which were offered on April 7th, were opened at the Federal Reserve Banks on April 11th.

The total amount applied for was \$132,377,000. The highest bid made was 99.315, equivalent to an interest rate of about $2\frac{3}{4}$ per cent on an annual basis. The lowest bid accepted was 99.250, equivalent to an interest rate of 3 per cent on an annual basis. The total amount of bids accepted was \$51,316,000. The average price of Treasury Bills to be issued is 99.267. The average annual rate on a bank discount basis is about 2.93 per cent.

The Secretary of the Treasury made the following announcement:

Final steps were taken today in connection with the funding of the indebtedness of the French Republic to the United States. Mr. Paul Claudel, Ambassador Extraordinary and Plenipotentiary of France at Washington, and Mr. Robert Lacour-Gayet, Financial Attache to the French Embassy in Washington, delivered to the Treasury gold bonds of the Government of the French Republic in the principal amount of \$4,025,000,000, receiving in exchange the original obligations given by their government in connection with cash advances made by the Secretary of the Treasury and surplus war material sold on credit by the United States Liquidation Commission (War Department) in the aggregate principal amount of \$3,340,129,356.83. Of the gold bonds delivered to the Treasury, Nos. 1 to 4 in the aggregate principal amount of \$125,000,000, having been paid by the French Government, were marked "Paid" and returned to the French Ambassador.

The Act approving the French settlement was signed by the President on December 18, 1929. The debt settlement has likewise been approved by the French Government.

TO BE RELEASED UPON APPEARANCE BEFORE THE
COMMITTEE ON INTERSTATE AND FOREIGN
COMMERCE OF THE HOUSE OF REPRESENTATIVES
ABOUT 10 A.M. *Apr. 24, 1930*

STATEMENT BY OGDEN L. MILLS, UNDERSECRETARY OF THE TREASURY ON
THE BILL (H. R. 11204) TO REGULATE THE ENTRY OF PERSONS INTO
THE UNITED STATES, TO ESTABLISH A BORDER PATROL IN THE COAST
GUARD, AND FOR OTHER PURPOSES.

Mr. Chairman and Gentlemen of the Committee:

The Bill (H.R. 11204) which you now have under consideration carries out, in the opinion of the Treasury, the recommendations submitted in the letter of the Secretary of the Treasury to the President, which was transmitted in the President's Message to the Congress on January 14th of this year (House Document 252, 71st Congress, 2nd Session). The Secretary's letter states briefly and succinctly the basis of its recommendations for the creation of a Unified Border Patrol. It is as follows:

"Mr. President: The Treasury has been considering for some time the creation of a unified border patrol, in order that the execution of the customs, immigration, prohibition, and other laws regulating or prohibiting the entry into the United States of persons and merchandise may be made more effective. The following recommendations are submitted for your consideration and transmission to the Congress if you approve:

(1) The entry into the United States of all persons should be prohibited except at points of entry designated by the President.

(2) The present number of points of entry should be increased sufficiently to permit uninterrupted and unhampered intercourse with our neighboring countries over established and customary routes.

(3) A unified border patrol should be created to patrol the border and prevent illegal entry.

(4) The unified border patrol should be part of the Coast Guard.

A specific statutory prohibition of entry into the United States, of either aliens or citizens, in any manner and with or without merchandise, except at designated points, is essential as a basis if the border patrol is to function efficiently, since it will give the patrol a plain and simple rule to enforce, and relieve them of any necessity of interpreting and applying the customs, immigration, and other laws. Customs, immigration, quarantine, and other officers will be stationed at the designated points of entry, and the administration of the laws at these points should remain, of course, under the jurisdiction of the present services.

The points of entry should be designated by the President, just as ports of entry are now designated. They should be established at the boundary intersection of all established and customary routes and wherever intercourse with our neighboring countries justifies. Flexibility is essential in order to permit an increase in the points of entry conformably with the growth of commerce and travel and in order to meet seasonal necessities and constantly changing conditions. There should be a substantial increase, rather than a decrease, in the present number of customs and immigration stations.

It is believed that the proposed plan will promote materially the convenience of the traveling public, as well as relieve those traveling on inland highways from inspection. To-day, generally speaking, travelers may enter the United States anywhere but must report at a customhouse, which may well be entirely out of their line of travel, and declare and enter their merchandise. Moreover, our present patrol must necessarily be maintained on interior roads and not along the border, with the consequent necessity of stopping

vehicles and pedestrians who may never have left the country. Adequate provision should, of course, be made by regulation so as to meet the needs of farmers and others whose property extends across the border or who are living along the border.

The unified border patrol should be charged with the enforcement of the statutory prohibition - that is, it should be charged with the duty of guarding the border between the designated points and preventing entry of all persons and merchandise, over land and water borders, except at the points of entry specified, where the usual customs, immigration, quarantine, and other officers will be stationed. The proposed unified border patrol will replace the patrols now maintained by both the Customs Service and the Immigration Service on our Mexican and Canadian boundaries, and will cover the same territory as those patrols, thus complementing the work of the Coast Guard on the maritime boundaries, eliminating duplication of effort, concentrating responsibility for the protection of all our borders, and bringing about a more effective coordination of the work.

Preliminary surveys have established the practicability of the plan. An actual physical examination of our entire border, however, will be necessary prior to the final designation of points of entry or the closing of trails and untraveled roads. The work must be done in harmonious cooperation with our neighboring countries and their consent obtained as a matter of courtesy. It is believed that at least six months will be required before the new border patrol can be organized and the preliminary work completed.

The cost of maintaining the unified border patrol will exceed the present cost of maintaining our customs and immigration patrols, and

additional immigration and customs stations will be required. Surveys upon which estimates of the increased cost can be based are under way and should soon be completed.

Very sincerely,

A. W. Mellon,
Secretary of the Treasury.

The President,
The White House, January 13, 1930."

The proposed legislation is not strictly a prohibition measure. Rather, it is proper primarily to improve the enforcement of the customs, immigration, and other laws regulating the entry of persons and property into the United States. At present, there are two separate border patrols, one in the Immigration Service and one in the Customs Service. Their activities are not coordinated. The functions of each are directed, and properly so at the present time, in the interests of its particular service. Each patrol is engaged in enforcing a very complicated body of laws. The pending bill proposes to create a Unified Border Patrol, which will enforce a very simple rule of law -- "you cannot enter the United States except at one of the designated points of entry."

Under the existing law a citizen of the United States may cross the boundary anywhere, and need not report his entry unless he has merchandise. An alien coming into the country, except at an immigration station in accordance with regulations, is subject to arrest and deportation. A vehicle may cross the boundary anywhere, but, whether or not it carries merchandise, must report to the nearest custom house. Merchandise brought in by pedestrians must also be reported. The present regulations governing entry of persons and merchandise by aircraft will not be affected by the bill.

The new plan will not be a nuisance to travelers and a burden on legitimate international intercourse. Quite the contrary, it should prove a convenience to the traveling public by giving them service at the actual point of entry. An adequate number of points of entry will be maintained, at which will be stationed customs, immigration, public health, agriculture, and other officers to administer the various laws applicable to entry into the country. Supervision and inspection of vehicles, pedestrians, and

merchandise will begin and end at the border, which is the logical place. There will no longer be the liability to interruption of travel on interior roads by the patrol now maintained there. At the present time persons and vehicles that are several miles from the boundary and may never have been out of the country are subjected to this annoyance in the belief that they may have entered the United States without compliance with the law. The concentration of attention on the border will also have the result of eliminating the evils which have arisen out of the attempts to detect smuggling on interior roads. Examination of persons and property at the designated border crossings can be careful, thorough, and certain. In the very nature of things the accomplishment of this end by scattered interior patrols is almost an impossible task, and it is not surprising that errors and misjudgments of those officers have occasionally had unfortunate consequences, and that there have been many protests against the working of such a difficult and uncertain method of regulating entry into the country.

One of the essentials of an effective Border Patrol is that it be organized upon a military basis, with an enlisted and commissioned personnel, and with military training and discipline. It may be admitted that it is difficult to place a Unified Border Patrol logically and properly in any one of the Executive Departments or Establishments. After very thorough consideration, the Treasury is of the opinion that a Unified Border Patrol may best be established as a unit of the Coast Guard. Nevertheless, it should be organized and maintained as a distinctly separate organization. The Coast Guard has other duties even more important than the prevention of smuggling on our land borders. In the performance of these functions, the Coast Guard has established an enviable reputation.

Patrolling our land borders is essentially a police function. The Coast Guard proper is a naval organization charged with the duty of protecting life at sea and enforcing on our ocean boundaries the laws of the United States. We do not propose to make policemen of our sailors. But we do want to avail ourselves of their central organization.

The proposed plan will cost the government more than the present system in two ways -- increased appropriations will be required for the customs and immigration stations, and the cost of the new patrol will be greater than the combined cost of the present patrols. But we should obtain infinitely greater efficiency, and an administrative system adequate to meet present day conditions on our land borders.

Surveys by the Bureau of Customs and the Bureau of Immigration indicate that there will be required 203 new customs stations and 9 new immigration stations at points along the Mexican and Canadian borders where the present stations are too far apart for convenient entry. The estimate of the Customs Bureau represents the maximum number of necessary stations. While it will in practice be necessary to provide for the entry of both persons and merchandise at most of these points, it does not follow that both services must maintain an establishment at each. To do so at unimportant border crossings would be a useless duplication of expenditure. Most of the new customs stations can serve as immigration stations under the present practice of having the customs inspector hold the office (without pay) of immigrant inspector, or vice versa. The establishment of these stations will involve an initial expenditure for the erection of buildings of \$2,520,000 by the Customs Service. No estimate for new buildings has been furnished us by the Immigration Bureau; however, the same building could house both services and the Customs estimate

is probably roughly sufficient to cover the needs of both.

The annual expenditures of the two services would be increased, of course, by the amount necessary to maintain and operate these stations. In the customs service this would amount annually to \$936,600 for salaries of 446 new inspectors and \$105,000 for heat, light, and maintenance of buildings, or an annual total of \$1,041,600. The Immigration Bureau estimates that the cost of maintaining and operating its nine new stations would be \$22,500 a year. The total increase in the annual expenditures of both services would thus be \$1,064,100.

A comparison of the cost of the present immigration and customs border patrols with the estimated cost of the proposed patrol will show the increase in annual appropriations necessary for that purpose. The present customs patrol expends for salaries and other expenses \$2,045,946 annually. The annual appropriations for the immigration patrol are \$1,868,440. The total for both patrols is thus \$3,914,386. After the two-year period necessary to complete the establishment of the proposed unified patrol the annual appropriation necessary for it is estimated at \$7,328,882. This is an increase over expenditures of the present patrols of \$3,414,496.

Initial expenditures in the establishment of the border patrol for barracks, training stations, airplanes, automobiles, horses, and other original equipment, are estimated at \$3,177,679. Two-thirds of this will be required the first year and one-third the second. Since the cost of maintenance and operation may be cut in half for the first year, the actual appropriations necessary will be:

First year	\$5,782,896
Second year	\$8,388,108
Annually thereafter	\$7,328,882

as compared with \$3,914,386 for both the present patrols.

Combining these increased costs, we find that the total increase for all services after the plan is in operation will be an annual sum of \$4,241,779. The total of the initial costs of establishing the new plan, will be \$5,697,679, to be required during the first two years.

The increase in personnel of the proposed border patrol over that of the present patrols should not be given exaggerated weight. It is not proposed to set up a standing army on the borders. Considering the stricter control which will be accomplished, only a reasonable increase of personnel over the existing organizations is required. The customs patrol now employs 722 men, and the immigration patrol 847 men, a total of 1569. The number of men to be on border duty in the proposed unified patrol is estimated at 2495, an increase of 924. In addition to the men on duty at the border, 230 officers and men will be required for general courts, supervision and training, and headquarters, as well as 51 civilian employees.

In considering this increase, it should be remembered that the proposed patrol is to maintain a continuous patrol of the border by operation in 8-hour shifts. The present organizations are compelled by their small numbers to confine their efforts largely to captures of smugglers of whose operations knowledge is obtained.

The increase in men and money is moderate, to obtain the advantages of a continuous preventive patrol, as compared with a system of coping with smugglers which does not effectively shut out contraband persons and property, which involves needless trouble and bloodshed, and which has given rise to widespread dissatisfaction.

TREASURY DEPARTMENT

321
FOR IMMEDIATE RELEASE
Thursday, May 8, 1930.

The Secretary of the Treasury made today the following announcement:

An agreement for the settlement of the Relief indebtedness of the Government of Austria to the United States was executed today by the Austrian Minister to the United States on behalf of his Government and by the Secretary of the Treasury with the approval of the President on behalf of the United States.

The United States holds an obligation of the Government of Austria designated as Bond No. 1, Relief Series B of 1920, in the principal amount of \$24,055,708.92. The agreement provides that Austria will pay to the United States in liquidation of this indebtedness the sum of \$33,428,500 in twenty-five equal annual installments of \$1,337,140 each, beginning on the first day of January in each of the years 1943 to 1967 inclusive. The date of the initial payment is explained by the fact that the time of payment of the principal and interest of the original obligation of Austria was extended to 1943 under the authority of the Lodge Resolution of April 6, 1922, in order to provide for our cooperation with the other relief creditor governments in permitting the flotation of the Austrian Reconstruction Loan of 1923. Subject to the right of the trustees of the Reconstruction Loan to object, Austria is given the option of liquidating her relief indebtedness by the following payments beginning January 1, 1929: five installments of \$287,556 each; ten installments of \$460,093 each; and twenty-five installments of \$743,047 each, or a total over the

- 2 -

forty years of \$24,614,885. The present value on a basis of 5% per annum of the twenty-five payments of \$1,337,140 each, beginning January 1, 1943, is practically the same as the present value on the same basis of the payments provided for under the option. Austria has advised the United States that it intends to exercise the option and has already made payments due under the agreement for January 1, 1929 and January 1, 1930, of \$287,556 each.

The settlement compares favorably with the settlements made by the United States with the Governments of Greece, Italy and Yugoslavia.

The terms of settlement agreed upon with the United States are the same as those offered by Austria and accepted by all of its other relief creditors, viz: Denmark, France, Great Britain, Italy, The Netherlands, Norway, Sweden and Switzerland.

THE AUSTRIAN LEGATION

FOR IMMEDIATE RELEASE
Thursday, May 8, 1930.

Upon the execution today of the debt funding agreement between Austria and the United States, the Austrian Minister on behalf of his Government expressed to the United States through the Secretary of the Treasury the sincere appreciation of Austria for the friendly spirit of helpfulness shown by the United States in concluding this arrangement which will make a most favorable impression upon the public opinion of Austria. The Austrian Minister further said,

"It is one of the most important steps in the long process of my country's financial and economic reconstruction. Without the sympathetic understanding of Austria's intricate problems and the readiness to assist, which were found in the United States, our efforts in rebuilding our heavily damaged country would have been futile. The agreement just signed paves the way for my Government to proceed towards its goal of full rehabilitation and the reestablishment of normal conditions in our country's national life.

"Austria sincerely appreciates the helping hand stretched out by its sister republic over the sea and this feeling of gratitude cannot fail to strengthen the most friendly relations happily existing between our two countries."

TREASURY DEPARTMENT

327
FOR RELEASE, MORNING PAPERS,
Monday, May 12, 1930.

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury Bills to the amount of \$100,000,000, or thereabouts. The Treasury Bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P. M., Eastern Standard time, on May 15, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury Bills will be dated May 19, 1930, and will mature on August 18, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e.g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers

in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury Bills applied for, unless the tenders are accompanied by an express guarantee of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on May 15, 1930, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury Bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on May 19, 1930.

The Treasury Bills will be exempt, both as to principal and interest (discount), from all taxation, except estate and inheritance taxes. The amount of discount at which the Treasury Bills are originally sold by the United States shall be considered as interest for tax exemption purposes.

Department Circular No. 418, dated November 22, 1929, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury Bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

SPEECH TO BE DELIVERED BY
UNDERSECRETARY OF THE TREASURY MILLS
AT THE ANNUAL DINNER MEETING
OF THE
AMERICAN ASSOCIATION OF ADVERTISING AGENCIES
IN WASHINGTON, D. C., MAY 15, 1930.

When a public official is invited to address a meeting of business men at this particular time, he is expected to discuss the business outlook. This is embarrassing, but natural, since every business man is vitally interested in hearing what course events are likely to take in the immediate future, and those in public positions are presumed to speak with authority. Let me, therefore, state at the outset that I am not a prophet and that when I accepted your courteous invitation I did so with the distinct understanding that I should not indulge in any forecasting. Once a year, at least, I am obliged to do so in connection with the estimates of future revenues of the Government. I have no desire to go beyond my official obligation in this respect and to enter the general field of prophesying. Estimating the revenue is quite enough to satisfy my ambitions along these lines.

At the present time we are unquestionably passing through one of those depressions which, in spite of all our advances in business and economic science, seem to recur periodically. We are all

the more impressed and depressed because the yesterday was so extraordinarily prosperous, and the sharpness of the contrast is accentuated by the rapidity with which the change has come. Being human, we are inclined to pick the best year as the standard year and to compare existing business activity with record rather than with average figures. Moreover, each business man in his own individual line of business must, from business necessity, attempt to determine the likely course of his business during the next few months. His interest is in the immediate future, and his natural basis of comparison is the immediate past. There is thus a tendency to shorten the perspective, whereas a more correct appraisal of the situation as a whole can only be obtained from a longer view.

It is from this more detached standpoint that I would like to talk this evening of the economic prospects of the people of the United States. Our present experience, and for that matter, all past experience in the modern world, indicates that the machine cannot be made to function at full speed all the time. Periodically a lack of balance develops somewhere along the line. The whole fabric is so closely knit and interdependent that a general slowing up inevitably occurs until a readjustment has been effected and the balance restored. It is discouraging that this should be so, and the day may come when we shall have so mastered our economic machine as to have it under better control. But in the meanwhile it is well to remember that these

downswings do not wipe out the progress achieved during the forward movements, and that when the onward march is resumed once more we start, not from the old mark, but from the new.

This is an infinitely important fact to us, who have progressed at such a remarkably rapid rate during recent years. It is difficult to believe that the progress achieved will not be consolidated and resumed, for the basic factors which made it possible are still there.

I take it that a nation may be said to be prosperous when the people, generally speaking, are fully employed at a relatively high rate of remuneration which brings within the purchasing range of the average man or woman a constantly increasing list of goods and services. Such a condition presupposes on the one hand a high level of purchasing power, and on the other, high productivity with increased efficiency in production and distribution, reflected in relatively low prices for a broad list of articles, which includes not only necessities, but the luxuries demanded by the almost unlimited desires of human beings constantly aspiring to a higher standard of living.

During the period which has recently witnessed such a remarkable quickening of our economic life and the attainment of a standard in the satisfaction of human wants hitherto unheard of, these factors have been present. Estimates by the National Bureau of Economic Research for 1928 place our total realized income at about \$90,000,000,000, as compared with about \$30,000,000,000 in 1909. This represents an increase in

per capita income from \$327 to \$749, or in income per individual gainfully employed from \$864 to \$1920. Although adjustment for price changes over the period would reduce the increases, it would by no means eliminate them. It is interesting to note that the remuneration of employees, that is, salaries, wages, etc., are estimated to-day at about 57 per cent of this total, as compared with about 51 per cent twenty years ago. Treasury statistics derived from corporation and individual income tax returns reflect the growth in national income which has taken place in recent years. For example, between 1922 and 1928, a period during which important tax reductions were effected, the net income tabulated from individual returns increased from \$21,000,000,000 to nearly \$25,000,000,000, in spite of Revenue Act revisions which eliminated more than three million of the smaller taxpayers; while net income of all reporting corporations increased from \$4,800,000,000 to about \$7,400,000,000.

Here, then, we have the factor of growing purchasing power, which is vastly important not only from the standpoint of what has been accomplished, but as pointing to possibilities in the way of future development.

In the second place, we have enormously expanded our national plant as expressed in terms of estimated national wealth. Our national wealth to-day may be considered as well in excess of the \$320,000,000,000 estimated by the Bureau of the Census for 1922, which compares with the figure of \$186,000,000,000 in 1912. This figure includes the value of land, structures and other improvements thereon, the equipment of industrial enterprises and farms, livestock, railroad and public utilities, pipe lines, shipping, irrigation enterprises, etc.

What I have described as plant expansion has been accompanied by a sharp increase in the volume of production, principally of manufactured goods. Thus, taking the physical volume of manufactured output in 1909 at 100, production increased to about 175 in 1927 and to 197 in 1929. In the latter part of this period the increased efficiency in production resulted in increased per capita output of those engaged in industry. Comparing 1919 and 1927 there was an increase of more than 40 per cent in the output per individual in manufacturing enterprises, and of 35 per cent in manufacturing, mining, agricultural and railway transportation combined. Comparisons for individual industries are even more striking: The individual output per hour increased nearly 100 per cent in the automobile industry, about 163 per cent in the tire industry, and about 52 per cent in steel works and rolling mills, lines which have been conspicuously capable of adapting mechanical refinements and organization improvements in their processes.

Here, then, we have a rapid increase in the already large purchasing power of 120 million people; an improved and expanded plant; greater efficiency in production and distribution, and as a result an ever widening market for all manner of goods and services. Here is a real basis for prosperity. It is well to remember that these basic factors are still present and there is no reason why they should not contribute to our progress in the future as they have in the past. We are the possessors of a vast territory, rich in natural resources and populated with an energetic and intelligent people, constituting a tremendous economic unit, free from trade restrictions, and with a market in which mass production and a demand for commodities sustained by a means to satisfy it have gone hand in hand.

Although the standards of equipment of the average man, whether for his labor, his comfort, his cultural development, or his recreation, are admittedly high, yet vast numbers in this country enjoy incompletely many even of the necessities of life. This is a fact which at the same time offers an opportunity and a challenge to the business man to-day. Certainly one of the opportunities that confronts him is the opportunity by increased efficiency, lower costs, and studied adaptation of his products to market needs, so to diminish the price of his products as to render possible a wider distribution **for** them. This is not inconsistent with an expanding ~~pu~~rchasing power in the domestic market; for increased productivity and increased effective demand, experience has demonstrated, can go hand in hand.

Given such a fundamentally favorable situation as exists in this country, it is irritating and puzzling to be confronted with periodic depressions. They seem somehow unnecessary. And yet to me the progress we have achieved in this country, the marvel of the present economic order, with the almost unlimited promise which it seems to hold out to the average man in the way of material betterment, are infinitely more impressive than any temporary recession. With the economic world in balance, increased production and increased purchasing power seem to supplement each other so naturally that we accept the two phenomena as a matter of course. But let any considerable group of people produce what isn't wanted, or more than is wanted, let their goods fail to find a market, and their impaired

purchasing power immediately affects the market for goods produced by other groups. A nicely adjusted balance is disturbed, the movement spreads and almost before we know it we are confronted with the phenomenon known as a business depression and the most baffling of problems. It is only in times like these that we realize the intricacies of the system and how necessary it is to analyze and determine what are the controlling and determining forces.

When one considers what it means to have a freely competitive economic order, such as prevails throughout most of the world to-day, in which men engage freely in a wide variety of specialized activities for a money income, which is spent by them also quite freely upon a wide variety of commodities, and in response to frequently unstable preferences, and when one appreciates the importance of the psychological factor and the tendency of human beings to move all together in one direction or the other at the same time, it is easy to understand how complicated and susceptible is our whole economic structure. It explains why periodic depressions and readjustments seem almost to be inevitable. Whether they can be entirely eliminated is certainly questionable, but that they can be further mitigated is not too much to expect. After all, there was a time when we were satisfied with a banking and credit system subject only to corrective checks and balances that automatically became operative only when unsound developments had carried us to periods of costly and painful crises. With the organization of the Federal Reserve System and the consequent centralization of responsibility for the supervision of credit developments, we made a great step forward. The Federal Reserve Act

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has not only given added strength to our credit structure, but has provided us with a group of officials whose duty it is to study changing business and credit conditions in order that business and commerce may benefit from an enlightened supervision of banking and credit developments. We have not yet reached perfection in the use of this instrument, but I believe that all will admit that its creation was a step in the right direction and that it has functioned, even in these early years of its existence, with untold benefit to the country.

The Federal Reserve System did not come into existence until after many years of intensive study and work. The analogy is perhaps not quite legitimate, but if a proper solution of one of the great economic problems has been found and suitable machinery has been evolved for dealing with one of the important business factors, namely, that of credit, is it too much to hope that intensive study of all of the other complicated and intricate factors may yield similarly fruitful results? The President has recently proposed that "The whole range of our experience from this boom and slump should be placed under accurate examination with a view to determination of what can be done to achieve greater stability for the future, both in prevention and in remedy." To me this is a most constructive suggestion. Certainly, if there is any hope of maintaining balanced conditions in industry and trade as against haphazard adjustments on which we have in the main relied in the past, that hope lies in the gathering of accurate information, its careful analysis, the establishment of fundamental principles, and a wide understanding of those principles

and facts on the part of individuals engaged in many lines of business activity. We have made such enormous strides in the gathering of current business statistics, information can be so readily, rapidly, and widely diffused, that it is not too much to hope that the business course of the future may be charted by the light of adequate information and knowledge and in accordance with recognized rules of conduct, resulting in greater safety to individual industries, and in more assured stability in our economic life. What has been accomplished in the course of the last few months by collective efforts in a comparatively limited field, with very real effect in taking up the severity of the present downswing, is a pretty fair sample of the greater results that can be accomplished if the concerted efforts of the nation can be intelligently directed to the maintenance of economic stability. We might as well understand, however, that no such goal is to be attained until there is not only intelligent direction but a very definite sense of responsibility on the part of all. Then, as now, there will be no escape from the consequences of ill-advised actions.

Let me conclude as I began: I am not here to tell you whether business is going to be good, bad, or indifferent in the next three or four months. But it is not inappropriate at this time to remind you how far we in the United States have travelled along the economic highway in the last few years; that certain definite factors contributed to our progress; that they are still available; and that while the road may temporarily run through a valley, it still stretches out before us holding infinite promise.

FUTURE RELEASE
FOR RELEASE, AFTERNOON PAPERS,
THURSDAY, MAY 15, 1930.
OBSERVE DATE

TREASURY DEPARTMENT

Address of
Secretary A. W. Mellon
to the
Graduating Class
of the
United States Coast Guard Academy
New London, Connecticut
May 15, 1930

I congratulate the members of the Graduating Class on becoming officers of the United States Coast Guard. It is a long and difficult course of training which you have successfully completed. But such a course is necessary if a man is to be thoroughly tested and trained for the responsibilities which he must face in carrying on the work of the Coast Guard.

That Service does not offer an easy life. But that, I know, is one of its advantages in your eyes, for no man worth while wants an easy life when there is real work to be done in the world. The Coast Guard imposes a great variety of duties on its members. Nearly all of these duties are difficult and some, such as patrolling the coast to prevent smuggling, are far from pleasant. But the Coast Guard never fails to carry out any duty imposed upon it and prides itself on its readiness to face any emergency that may arise. The manner in which the Coast Guard has always performed these duties makes of it a Service of which we may all be proud.

Its traditions go back to the very first days of our history as a nation. It is the oldest of all our sea-going forces. It was 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; and subsequently, when the Life-Saving Service was created, these two services were combined 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.

In time of peace the Coast Guard's duties are no less dangerous than in time of war and each year are growing more difficult of performance. One of its functions is to patrol the coasts during stormy weather in order to rescue ships and persons in distress at sea. The performance of this duty, as all of us know, is hazardous in the extreme, involving 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 sometimes 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.

This is no indication, however, that the country does not appreciate the great service which the Coast Guard is rendering. One recent evidence of such appreciation is the generous appropriation which Congress has made in providing new and better buildings for the Academy here at New London. The present quarters are inadequate, but this is a defect which will soon be remedied. The architects' drawings for the new buildings are now nearing completion and it is expected that at some time

during the summer bids will be asked for constructing these buildings. When completed, they will provide improved facilities for the training which the future officers of the Coast Guard will receive here, and they will also serve to emphasize the importance which this branch of our national defense has assumed in the daily life of the nation.

It seems superfluous to comment on the value of such a Service as the Coast Guard, 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 when an enemy threatens and will kill and destroy when necessary in time of war. But it will also fight equally 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 the Coast Guard exemplifies the qualities of courage, loyalty and belief that nothing must interfere with the performance of duty. I know that the new officers who are today entering the Service can be counted on to uphold the best traditions of the Coast Guard. We are glad to have you as a part of that old and famous organization and on behalf of the Treasury I wish to extend to you a most cordial welcome and to wish all of you happy and useful careers in the service of your Government and the country.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Friday, May 16, 1930.

Statement by Acting Secretary Mills

Acting Secretary of the Treasury Mills announced to-day that the tenders for \$100,000,000, or thereabouts, of Treasury Bills dated May 19th and maturing August 18th, which were offered on May 12th, were opened at the Federal Reserve Banks on May 15th.

The total amount applied for was \$275,674,000. The highest bid made was 99.400, equivalent to an interest rate of about 2 3/8 per cent on an annual basis. The lowest bid accepted was 99.331, equivalent to an interest rate of about 2 5/8 per cent on an annual basis. The total amount of bids accepted was \$104,600,000. The average price of Treasury Bills to be issued is 99.356. The average rate on a bank discount basis is about 2.54 per cent.

STATEMENT BY SECRETARY MELLON

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, an issue of twelve month 2-7/8 per cent Treasury certificates of indebtedness of Series TJ-1931, dated and bearing interest from June 16, 1930, and maturing June 15, 1931. The amount of the offering is \$400,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TJ-1930, maturing June 16, 1930. Subscriptions for which payment is to be tendered in certificates of indebtedness maturing June 16, 1930, will be given preferred allotment up to \$150,000,000.

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 December 15, 1930, and June 15, 1931.

These certificates will be exempt, both as to principal and interest, from all taxation, except estate and inheritance taxes.

About \$550,000,000 of Treasury certificates of indebtedness and about \$95,000,000 in interest payments on the public debt become due and payable on June 16, 1930.

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-1931, dated and bearing interest from June 16, 1930, payable June 15, 1931, with interest at the rate of two 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 will have two interest coupons attached, payable December 15, 1930, and June 15, 1931.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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. 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 16, 1930, 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-1930, maturing June 16, 1930, 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.

FOR RELEASE, AFTERNOON PAPERS,
WEDNESDAY, JUNE 11, 1930.

REMARKS BY

HON. FERRY K. HEATH,

Assistant Secretary of the Treasury,

Preliminary to the showing

of the film

"THE NATION'S CAPITAL"

MICHIGAN BANKERS ASSOCIATION,

GRAND RAPIDS, MICHIGAN,

June 11, 1930.

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Mr. President and members of the Michigan Bankers Association, and guests:

A clause in the Constitution of the United States authorized the location and the building of a Capital for the nation. Leningrad and Canberra, Australia, are the only other capitals which were founded for this express purpose. The first building commenced under the first public building program of the Government was the Capitol at Washington. Since then there have been buildings constructed in all states of the Union, until now there are some 1400 Government-owned buildings. Most of these have been built haphazard, both as to architecture and public convenience, and have been built under separate bills passed by Congress under the old log-rolling method.

Public building ceased in this country in 1917 and in 1926 it was appreciated that owing to the enormous growth of the country and the pressing needs then evident, that a building program conducted under the old scheme of things would prove entirely futile. It was then that Congress wisely adopted the present method of building our public buildings and, in the law approved May 25, 1926, directed that the Secretary of the Treasury and the Postmaster General should make a nationwide survey and report back to Congress as to the public necessity.

In February, 1927, this report was sent to Congress, allocating distribution of \$100,000,000 that had been authorized at the time the May Bill was passed, and indicating that it would require \$361,000,000 at least to provide for all the needs of the country outside of the District of Columbia as of that date.

There were additional authorizations made amounting to another \$100,000,000 and to include also the proceeds of the sale of the old buildings and grounds and it was estimated that the total amount available would be \$248,000,000. A report was sent to Congress in February, 1929, indicating the allocation of the entire \$248,000,000. About this same time \$50,000,000 was authorized to be expended for departmental buildings in Washington and \$25,000,000 for the acquisition of land for the purpose. These building acts provided that expenditure of this huge sum should be under the direction of the Secretary of the Treasury and consequently the Supervising Architect's Office of the Treasury Department is in charge of the work and it becomes an integral part of Treasury activity.

While Secretary of Commerce, President Hoover took a great interest in the development of the building plans of the Government and, after he became President, he inaugurated legislation that would allow the expansion of the building program to more nearly comply with the needs of the country, not only outside the District of Columbia, but within the District, and there has recently been passed what is known as the Keyes-Elliott Bill which provides \$115,000,000 additional for the Government program in the District of Columbia, and a like amount for the country at large.

It is not possible to list the names of those in public life who have been responsible for the sentiment in Congress which culminated in this legislation. Thirty years ago McKinley, Root, Roosevelt and Taft, assisted by the constructive genius of Senator McMillan of Michigan, were very largely responsible for the inauguration of the

work. Of later years the President, Secretary Mellon, Senator Fernald, Senator Smoot, Congressman Elliott and Congressman Cramton of our own State, have carried on the work.

We therefore now have a building program authorized by Congress which contemplates the expenditure of \$363,000,000 outside the District, and \$190,000,000 in the City of Washington. The program is carried on through what is known as the Interdepartmental Committee, which is composed of an Assistant Secretary of the Treasury, an Assistant Postmaster General, the Supervising Architect of the Treasury, and a Secretary to the Committee. All projects throughout the country in which postal activities are housed, are passed on by this Committee. In the case of custom houses, quarantine stations, assay offices, appraisers' stores, etc., as well as courthouses, where there are no postal activities, the Secretary of the Treasury is in entire charge.

On January 1st of this year we had \$40,000,000 of contracts on hand. Due to the extended program and the desire of the administration to place as much work as possible on the market this year, we expect to have \$80,000,000 of contracts in force by the 1st of next January. To carry on this enormous amount of work, the Supervising Architect's Office has a force of over 200 men working on sketches and designs, plans and contracts, and we are expanding this force by one-third as rapidly as is possible under the Civil Service rules.

Before an individual project is authorized by Congress, an estimate is made of the requirements and limits of cost are set by the Secretary of the Treasury. These projects are listed by installments and sent to Congress for specific authorization and appropriation. As soon as the appropriations are made, the sites are purchased in case the

Government does not own the site and, as soon as title has been passed to the Government and approved by the Attorney General, plans are made for the building, specifications are written, bids are asked for and the contract awarded. This process takes very much longer than sometimes seems necessary, because of innumerable delays which cannot be obviated. To name a few, I might mention site location disagreements in the various communities, flaws in the title when sites have been decided, difficulty in pleasing the various departments whose approval has to be obtained before plans can be completed, importunities of various producers and fabricators of materials through their Congressional delegation, and interferences of various kinds which are bound to occur in a governmental project.

Of course the greatest single project under the direction of the Secretary of the Treasury is the rebuilding of Washington. As you know, the First Congress delegated the authority for the selection of a site for the federal city to George Washington and, assisted by Jefferson and Madison, he decided upon the present location of the Capitol. This first commission chose a young French engineer, Major Pierre Charles L'Enfant, a friend of Washington in the Continental Army, who set to work with enthusiasm and evolved the now famous L'Enfant plan for the federal city. L'Enfant was familiar with the work/^{of} LeNotre as his youth had been spent at Versailles, and you will observe the influence of this greatest of landscape architects in the plan being followed today.

The Capitol was commenced in 1793 and soon afterwards work began on the White House. In later years several notable public buildings were constructed - the Treasury, the Patent Office, and the District

Courthouse - as examples. A half century ago the authorities seemed to have been affected by a sort of architectural gitters, and some of the monstrosities still standing in Washington show what lack of standards of taste can do in blighting a beautiful plan.

The World's Fair at Chicago seems to have brought about an architectural renaissance in this country and, in 1900, Burnham, McKim, St. Gaudens and Olmstead were called together by President McKinley to discuss the Washington situation, and the so-called McMillan plan of 1901 was evolved. From that time on Congress has gradually been educated to a sense of the possibilities in Washington, as well as the necessities, and, under the new building Act, the L'Enfant Plan is being developed by the Secretary of the Treasury, advised by a Board of Consultants composed of some of the leading architects of the country.

Briefly, the projects now in various stages of development include a grand development of the Mall which stretches from the Capitol to the Lincoln Memorial. As adjuncts to this great government park, bordered as it will be by magnificent departmental buildings, will be the expansion of the Capitol grounds to the Union Station, the additions to the Senate and House Office buildings, the new building for the Supreme Court, the great Arlington Memorial Bridge, the new highway to Mount Vernon, and the drive from the Lincoln Memorial to the Great Falls of the Potomac.

The Cranton Park Bill just passed which has been sponsored by Congressman Cranton of this state, provides the means for a great development of the drives along the Potomac. The highway to Mount Vernon will soon be completed and, in a few years, there will be a beautiful drive extending from Fort Washington to the Great Falls of the Potomac, where

a bridge is to be built and another highway extending from there all the way to Mount Vernon. In addition to this the legislation provides for the extension of Rock Creek Park into Maryland, so that all the very lovely country and great natural beauties of the scenery in and around Washington will be saved to the people for all time.

The development of this program will run over a period of possibly eight or ten years, but within three or four years most of it will have been accomplished, or will be well on the way.

In a few years visitors to Washington will leave the Union Station which, as you know, is a magnificent gateway to the city, step out into the station plaza, drive past the great buildings of the Capitol group down a federal avenue lined with the most magnificent architectural composition to be found anywhere in the World; the outlines of classical buildings reflected in pools and cascades, beautiful gardens on every side and shaded drives, until they pass the Washington Monument and arrive at the Lincoln Memorial. Its beauty seems to grow with the years. From the Memorial the great Arlington bridge leads you to the Tomb of the Unknown Soldier and the last resting place of thousands of the defenders of the land.

The people of the country will have a capital expressing and fulfilling their needs, which will become the great shrine of the Republic. To paraphrase two presidents, Washington will express the soul of America and stand as the symbol of the nation.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Wednesday, June 11, 1930.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated June 16, 1930, Series TJ-1931, 2-7/8 per cent, maturing June 15, 1931, closed at the close of business on June 9, 1930. The reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$400,000,000, or thereabouts, total subscriptions aggregate some \$2,397,000,000. Of these subscriptions, about \$265,000,000 represent subscriptions for which 4-7/8% Treasury certificates of indebtedness of Series TJ-1930, maturing June 16, 1930, were tendered in payment, of which about \$150,000,000 were accepted.

Allotments on other subscriptions were made as follows: All cash 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; cash subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 40 per cent, but not less than \$5,000 on any one subscription; cash subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 20 per cent, but not less than \$40,000 on any one subscription; cash subscriptions in amounts over \$1,000,000 but not exceeding \$25,000,000 were allotted 10 per cent, but not less than \$200,000 on any one subscription; and cash subscriptions in amounts over \$25,000,000 were allotted 5 per cent, but not less than \$2,500,000 on any one subscription.

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

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Friday, June 13, 1930.

Secretary Mellon to-day announced that the total amount of subscriptions received for the issue of Treasury certificates of indebtedness, Series TJ-1931, 2-7/8 per cent, dated June 16, 1930, maturing June 15, 1931, was \$2,398,792,000. The total amount of subscriptions allotted was \$429,373,000, of which \$148,938,000 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TJ-1930 were tendered in payment. Such exchange subscriptions were allotted 56 per cent, 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:

Federal Reserve District:	Total Subscriptions Received:	Total Exchange Subscriptions Allotted:	Total Cash Subscriptions Allotted:	Total Subscriptions allotted:
Boston	\$ 188,935,000	\$ 806,500	\$ 23,408,000	\$ 24,214,500
New York	1,310,951,000	129,255,000	107,038,500	236,293,500
Philadelphia	149,359,500	262,500	29,837,500	30,100,000
Cleveland	99,049,500	880,000	19,162,500	20,042,500
Richmond	74,155,500	286,500	20,562,500	20,849,000
Atlanta	74,703,000	165,500	20,738,500	20,904,000
Chicago	128,275,500	13,506,000	16,573,500	30,079,500
St. Louis	32,285,500	1,172,500	6,118,000	7,290,500
Minneapolis	6,318,000	304,500	1,515,500	1,820,000
Kansas City	17,613,500	647,500	2,940,000	3,587,500
Dallas	47,273,500	267,500	12,557,000	12,824,500
San Francisco	269,826,000	1,362,000	19,977,500	21,339,500
Treasury	46,500	22,000	6,000	28,000
Total	\$2,398,792,000	\$148,938,000	\$280,435,000	\$429,373,000

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE
June 16, 1930

The Treasury has received payments amounting to \$117,141,598.24, due June 15, 1930, from the following foreign governments on account of their funded indebtedness to the United States, of which \$45,786,467.50 was for account of principal and \$71,355,130.74 for account of interest. All payments were received in cash.

	<u>Principal</u>	<u>Interest</u>
Belgium	\$ 3,450,000.00	\$ 1,375,000.00
Czechoslovakia	1,500,000.00	---
Estonia	---	150,000.00
Finland	---	129,885.00
France	35,000,000.00	---
Great Britain	---	66,390,000.00
Hungary	---	28,804.73
Italy	5,000,000.00	---
Latvia	---	50,000.00
Lithuania	36,467.50	94,075.12
Poland	---	3,137,365.89
Rumania	600,000.00	---
Yugoslavia	<u>200,000.00</u>	<u>---</u>
	<u>\$45,786,467.50</u>	<u>\$71,355,130.74</u>

It will be noted that all payments were made in cash, as compared with the practice which has prevailed for a number of years of making

payment of a greater part of the amount due in United States securities, as permitted by the debt funding agreements. In so far as foreign interest payments are concerned, their payment on June 16th in cash rather than in United States securities will have the effect of increasing the surplus for the current fiscal year. When the Budget figures were made up, it was thought that June foreign interest payments would be made in securities thus automatically reducing the national debt by that amount. However as surplus funds in any given fiscal year are applied to debt retirement in accordance with the well-established practice of the Treasury, the payment of interest in cash rather than in securities will not affect the total reduction of the national debt as contemplated for the current fiscal year.

In so far as payments of principal are concerned, their payment in cash or securities does not substantially affect our budgetary position, since under the terms of the Liberty Bond Acts all cash payments on account of principal of obligations originally acquired under those acts must be applied to debt retirement. On this occasion that portion of the principal payments on account of such obligations (which represents approximately 90 per cent of the total principal payments received) has already been applied to the retirement of Treasury certificates maturing today.

In answer to the question of whether the enactment of the Smoot-Hawley Tariff Law would in his opinion adversely affect the business interests of the United States and retard a business recovery, Secretary Mellon said:

"I do not believe that it will. It seems to me that fears and criticisms have been greatly exaggerated. Whenever a new protective tariff law has been enacted gloomy prophecies have been made. They have failed to materialize as far back as I can remember, and my memory goes back many years. The rates in the bill as it passed the House a year ago were higher than in the bill recently signed by the President. Yet business at that time did not take alarm. There seems to be no reason why it should now. I know of no industry that is seriously hurt, while those industries which needed additional protection and received it are benefited.

I have canvassed the situation with the Secretary of Commerce, and the notion that this law is going to destroy our foreign trade, expressed in some quarters, is certainly without foundation. The United States will continue to buy a vast quantity of foreign products and to sell the products of its farms, mines, and factories all over the world. In so far as imports are concerned, foreign nations that do business with us would do well to remember that the all-important factor is the maintenance of the high purchasing power and standard of living of the American people.

The enactment of this measure brings to an end 15 months of uncertainty. American industries know now where they stand and will, I am confident, adjust themselves without difficulty to new conditions. There seems to be an

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impression that the new bill makes a sweeping revision upward of existing rates. While it is true that there is a sharp increase in rates applicable to the agricultural schedule, generally speaking other rates cannot be said to have been advanced sufficiently to alter substantially our existing economic position. In fact, only a comparatively few of the major items have been changed. I do not mean to imply that the bill is free from defects. No tariff bill is. But this measure at least by its own terms provides the means whereby inequalities and errors may be adjusted. I look upon the flexible provisions as highly important. I believe that they offer the opportunity not only to correct errors and to adjust rates to meet new and changing conditions, but that they lay a foundation for a businesslike method of tariff revision, free from the pull of sectional and political interests that seem to make a scientific and well-balanced revision by the legislative body almost impossible. If these provisions are intelligently and courageously applied, they should go a long way toward making another legislative revision of the tariff unnecessary for many years to come. This of itself is of inestimable benefit to business, for there is nothing more unfavorable to prosperity than uncertainty and frequent necessity to adjust economic conditions to legislative enactments. In short, it seems to me that the final enactment of the Tariff Law, far from placing a new obstacle in the way of business recovery, removes one by eliminating the uncertainty of the last 15 months, and by its promise of more businesslike revision in the future makes a definite contribution to business stability."

TREASURY DEPARTMENT

352
FOR IMMEDIATE RELEASE,
MONDAY, JUNE 23, 1930.

The Secretary of the Treasury announced the signing today of the Agreement authorized by Act of Congress approved June 5, 1930, providing for the complete and final discharge of the obligations of Germany to the United States in respect of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States Army of Occupation.

In brief, the Agreement provides that Germany agrees to pay 40,800,000 reichsmarks (\$9,700,000) for the period September 1, 1929 to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1, 1930 to March 31, 1981, in satisfaction of Mixed Claims, and for the period from September 1, 1929 to March 31, 1966 an average annuity of 25,300,000 reichsmarks (\$6,000,000) in full liquidation of our Army Costs. As evidence of this indebtedness Germany is to issue to the United States, at par, bonds maturing semi-annually. Under the Agreement the United States will receive on account of Army Costs over a period of 37 years approximately \$250,000,000 and on account of Mixed Claims Awards over a period of 52 years, approximately \$505,000,000. The payments to be received on account of Army Costs include interest at the rate of about 3-5/8 per cent per annum on all payments deferred over a period longer than would have been necessary to liquidate the Army Costs under the Paris Agreement. The Mixed Claims Awards bear interest at the rates specified in such awards up to January 1, 1928 and the Settlement of War Claims Act specifies a rate of 5 per cent from that date until paid.

The payments to be received on this account include, therefore, interest which will be paid on the awards. While the annuities are stated in terms of reichsmarks, payments are to be made in dollars, either at the Treasury or at the Federal Reserve Bank of New York. The exchange value of the mark in relation to the dollar shall be calculated at the average of the middle rates prevailing on the Berlin bourse during the half monthly period preceding the date of payment. The German Government undertakes that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in the present Reichsbank law and that the reichsmark shall retain the mint parity defined in the German coinage law of August 30, 1924.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
TUESDAY, JUNE 24, 1930.

The Secretary of the Treasury announces that a tentative agreement has been reached with the city officials of New York City providing for the acquisition of a new site for a Federal building to accommodate the post office activities now located at City Hall Park and other governmental offices now in rented quarters; the transfer to the City of New York of the Federal property located in City Hall Park and for the purchase of a suitable site in the Civic Center for a separate building for the Federal Courts.

It will be necessary to obtain amendatory legislation to carry out the agreement with the City of New York and the Department will take immediate action looking toward the securing of the legislation at this present session of Congress.

The assistance rendered the Department by the Merchants' Association of New York City in its negotiations with the city officials of New York is appreciated.

STATEMENT BY SECRETARY OF THE TREASURY MELLON BEFORE THE
COMMITTEE ON BANKING AND CURRENCY, HOUSE OF REPRESENTATIVES,
IN CONNECTION WITH H. J. RES. 364.

Mr. Chairman and Gentlemen of the Committee:

This resolution is designed to prohibit Federal Reserve Banks, national banks and State member banks of the Federal Reserve System from purchasing German Reparation Bonds or other certificates of indebtedness issued pursuant to the new plan for the settlement of the financial questions resulting from the World War, as outlined in the agreement reached between certain signatory nations at The Hague on the 20th of January, 1930.

Under present law Federal Reserve Banks have no authority to purchase bonds of this character. Consequently, the resolution is meaningless in so far as they are concerned.

National banks under the provisions of Section 5136 of the Revised Statutes as amended by the McFadden Act of February 25, 1927, are limited to buying marketable obligations in the form of bonds, notes and/or debentures, commonly known as investment securities, under such further definition of that term as may, by regulation, be prescribed by the Comptroller of the Currency.

The regulations issued by the Comptroller define the term "marketable" as meaning that the security has such a market as to render sales at intrinsic values readily possible. The principal provisions of the regulations being:

1. that the issue be of a sufficiently large total to make marketability possible; and
2. such a public distribution of the security must have been provided for or made in a manner to protect or insure the marketability of the issue.

The securities which may be purchased by State member banks are, of course, governed by State law.

I believe both Congress and the Comptroller of the Currency showed sound judgment and wisdom in dealing with such legislation. They recognize that while national banks are instrumentalities of the Federal Government, they are operated by private capital and by their officers and directors elected by their stockholders. The Government does not undertake to manage the banks, and the wisdom of placing upon them the responsibility for their investments, with proper safeguards, cannot be questioned. There is, in my opinion, no more reason for Congress to say that a national bank should not purchase a reparation bond than to say that it should not purchase a specific railroad or industrial bond. To do so would place our Government directly in the banks' management. It is unsound and unnecessary.

To go further and tell a State member bank that regardless of State law, it may not purchase a particular security is not consistent with my conception of our principles of government as established by the Constitution.

It is not apparent to me that any good purpose would be served by the adoption of this resolution. In fact, I see no justification for it whatsoever. The statement in the preamble that purchases of these bonds by investors who are citizens of the United States, or by banks of the United States, would result in the intermingling of reparation payments with war debts, is based, evidently, on a complete misconception of the situation. The settlements effected by the United States Government with its debtors are entirely independent of the settlement effected by Germany with its debtors. The United States Government is not a party to the Young Plan. Neither in the past has it been, nor will it in the future, be responsible for the collection or distribution of reparation payments. The purchase by an

American citizen or an American bank of a reparation bond, cannot alter in any way our situation or policy in this respect. It is not apparent to me how the sale of a portion of this particular bond issue in the American market can affect our debt settlement policy any more than when a portion of the German external loan of 1924 was floated in this market.

I am very definitely of the opinion that for the reasons above stated there is no occasion for the adoption of this resolution and that it would be against public policy to do so.

I may add for the sake of accuracy that I know of no provision providing for the annual sale of German Reparation Bonds in the United States.

The following announcement was made today by Secretary Mellon in connection with the close of the fiscal year of the Government on June 30:

Figures now available in the daily Treasury statement for June 30 reveal that the finances of the Government for the fiscal year just closed made a satisfactory showing. Receipts again exceeded expenditures, and a further reduction was effected in the public debt. The total ordinary receipts amounted to \$4,178,000,000 as compared with \$4,033,000,000 in 1929. Expenditures chargeable against the ordinary receipts were \$3,994,000,000 as compared with \$3,848,000,000 in 1929. The surplus, therefore, was \$184,000,000 but included in this amount is the abnormal sum of \$76,000,000 paid by foreign governments in June in cash instead of in obligations of this government in accordance with the prevailing practice for a number of years and the abnormal customs receipts due to anticipation of tariff legislation.

RECEIPTS

The aggregate of customs and internal revenue receipts was \$3,626,000,000 or \$86,000,000 greater than receipts from these sources in 1929 and \$11,000,000 below the Treasury's aggregate estimate after allowance for tax reduction.

Income tax aggregated \$2,411,000,000 as against \$2,331,000,000 in 1929, or an increase of \$80,000,000. Based on preliminary reports from Collectors, the receipts from the current corporation income tax were higher than during the previous fiscal year due to the fact that growth in corporate income more than offset the 1 per cent reduction effective on collections made during the second half of the fiscal year 1930. Back tax collections were \$6,000,000 greater than anticipated. The current individual income

tax receipts were also higher than during the previous fiscal year. In this connection it will be recalled that there was a substantial aggregate increase in individual income in the calendar year 1928 due to realization on sales of capital assets in the security market.

As above indicated, the total income tax receipts during the fiscal year 1930 were \$2,411,000,000. The Treasury's estimate last fall before tax reduction was \$2,480,000,000. After taking into consideration the effect of the tax reduction applicable to collections made during only half of the fiscal year, the estimate became \$2,400,000,000, or \$11,000,000 below actual collections. Obviously, the advance estimate, in view of the amounts involved, showed a remarkable degree of accuracy.

Receipts from customs duties, including the tonnage tax, were \$587,000,000 as compared with \$602,000,000 in 1929, and the Treasury estimate of the same amount for 1930. For the first quarter of the fiscal year 1930 customs receipts were about \$13,000,000 greater than for the same period in 1929. Subsequently, there was a steady decline until the month of May, which was slightly over May, 1929. In June, 1930, however, the collections were substantially greater than in the same month a year ago, due to the large receipts during the period of a few days prior to the effective date of the new tariff law.

Miscellaneous internal revenue receipts were \$628,000,000 as compared with \$607,000,000 in 1929, an increase of \$21,000,000 and a decrease below the estimate of \$7,000,000. More than 90% of the Miscellaneous Internal Revenue receipts is derived from the tobacco tax, the stamp tax, and the estate tax. On the basis of collections received during the first 11 months of the fiscal year and estimates for

the month of June, 1930, the receipts from tobacco were about \$450,000,000, an increase of about \$16,000,000 over 1929, as compared with an increase for 1929 of \$38,000,000 over 1928. Stamp tax receipts were about \$77,000,000, as compared with the high figure of \$64,000,000 during 1929, and \$49,000,000 in 1928. Estate tax yielded about the same as last year, when the receipts were \$62,000,000. The remainder of the difference between 1930 and 1929 collections is largely accounted for by decrease in collections under repealed laws.

EXPENDITURES

The total expenditures chargeable against ordinary receipts were \$3,994,000,000 as compared with \$3,848,000,000 in 1929, or an increase of \$146,000,000. There are a number of items of increases and decreases comprising this difference but the principal items of increases are \$37,000,000 on account of the War Department, \$10,000,000 for the Navy, \$29,000,000 for the Veterans' Bureau, \$14,000,000 for Department of Commerce (due principally to cost of the Census) \$16,000,000 for the Shipping Board, and \$150,000,000 for the revolving fund provided in the Agricultural Marketing Act. The main items of decrease are \$19,000,000 reduction in interest payments, \$57,000,000 decrease in internal revenue refunds, and \$52,000,000 paid in the previous year to railroads under a Supreme Court decision on account of back railway mail pay.

Estimated expenditures in the Budget were \$4,023,000,000 or \$29,000,000 greater than the actual expenditures. This difference is the net amount of a number of increases and decreases, the most important of which are increased expenditures under the Agricultural Marketing Act and the Veterans' Bureau, and decreases under the Treasury Department on account of postponement to the fiscal year 1931 of estimated expenditures under the Settlement of War Claims Act and for public buildings, and payments made in cash in June by foreign governments under debt settlements.

SURPLUS

The original estimate of the surplus made in advance of the fiscal year was \$225,000,000. The 1 per cent tax reduction of last fall, estimated as amounting to \$80,000,000 for this fiscal year, reduced this figure to \$145,000,000. The actual surplus for the year just closed is \$184,000,000. As above indicated, however, there is included in this amount the sum of \$76,000,000 on account of payments by foreign governments in cash rather than in securities as heretofore under debt settlement agreements in accordance with the procedure followed for a number of years past, which change in method of payment was not anticipated at the time the estimate was made.

PUBLIC DEBT

At the close of the fiscal year 1930, the total gross debt was \$16,185,000,000 as compared with \$16,931,000,000 on June 30, 1929, or a reduction of \$746,000,000. Of this amount \$554,000,000 is to be attributed to the sinking fund and other retirements chargeable against ordinary receipts. The net balance in the general fund at the close of the fiscal year was \$318,000,000 as compared with \$326,000,000 on June 30, 1929.

The annual rate of interest on the interest-bearing debt on June 30, 1930, was 3.80+ per cent as compared with 3.94+ per cent on June 30, 1929. The decrease was due to lowering of the borrowing rates on short-term securities. Total interest payments in the fiscal year were \$659,000,000 as compared with \$678,000,000 in the fiscal year 1929, or a saving of \$19,000,000.

TREASURY DEPARTMENT
WASHINGTON

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FOR IMMEDIATE RELEASE,
JULY 3, 1930.

Secretary Mellon today issued the following statement:

The Treasury deems it advisable to correct certain inaccurate statements and quotations appearing in various newspaper articles with reference to proposed or purported agreements with Great Britain and France with respect to double taxation.

No negotiations are pending with Great Britain, nor are any negotiations contemplated by the Treasury at the present time.

Informal and preliminary negotiations have been carried on between our representatives and representatives of the French Government with reference to the tax situation existing in France. Mr. Ellsworth C. Alvord, Special Assistant to the Secretary of the Treasury, returned from Paris about a week ago and has gone over in detail with the Treasury officials the results of the preliminary negotiations. However, no agreement has been entered into and no action by the Treasury has been taken with respect thereto. Inasmuch as the Treasury is not empowered to enter into agreements of this nature, it can take no definite action until after legislative authority has been granted, which obviously cannot be obtained prior to the next session of the Congress. Any agreement by the Treasury must, of course, conform to legislative authority. It is impossible, therefore, at this time to make any definite statement either as to the possibility of a final agreement or as to any of its terms.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
Monday, July 7, 1930.

STATEMENT BY ACTING SECRETARY OF THE TREASURY HOPE

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$50,000,000, or thereabouts. The Treasury bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P.M., Eastern Standard time, on July 10, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated July 14, 1930, and will mature on September 15, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

Particular attention is invited to the fact that by the Act of Congress approved June 17, 1930, Treasury bills were given an additional tax exemption feature. That Act provides that any gain from the sale or other disposition of Treasury bills issued after June 17, 1930, shall be exempt from all taxation, except estate or inheritance taxes, and that no loss from the sale or other disposition thereof shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions. Accordingly, these Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other

disposition thereof will also be exempt, from all taxation, except estate or inheritance taxes.

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on July 10, 1930, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment

at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on July 14, 1930.

Treasury Department Circular No. 418, as amended, dated June 25, 1930, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

Statement by Acting Secretary Hope

Acting Secretary of the Treasury Hope announced to-day that the tenders for \$50,000,000, or thereabouts, of Treasury Bills dated July 14, 1930 and maturing September 15, 1930, which were offered on July 7, 1930, were opened at the Federal Reserve Banks on July 10, 1930.

The total amount applied for was \$328,968,000. The highest bid made was 99.720, equivalent to an interest rate of about 1.60 per cent on an annual basis. The lowest bid accepted was 99.660, equivalent to an interest rate of about 1.94 per cent on an annual basis. The total amount of bids accepted was \$50,920,000. The average price of Treasury Bills to be issued is 99.672. The average rate on a bank discount basis is about $1-7/8$ per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
JULY 15, 1930.

Some Recent Accomplishments of the Treasury .

Address of
Honorable Walter E. Hope,
Assistant Secretary of the Treasury,
Over Network of National Broadcasting Company,

July 14, 1930.

I suspect there is a general disposition to regard any description of the activities of the United States Treasury as rather complicated, somewhat formidable and therefore difficult to understand. The repetition of statistics, particularly when they deal in the billions, is apt to have a numbing effect on the human mind and the average person is soon content to leave it to the experts and turn to something with more human interest.

And yet the subject is one which is of vital interest to every citizen of the country, in greater or less degree, and to the welfare of his family and there is no reason why the essential facts cannot be placed before him in clear and simple fashion so that he may readily understand and appreciate them. It is not a question, for example, whether he actually pays income tax or not. It is a matter of direct concern to him how the finances of the Government are conducted, what are its revenues, receipts and expenditures, and what efforts are being made for the improvement of the service.

In government, as in business, it is well to stop occasionally and take stock of what has been accomplished. The present moment, following the adjournment of Congress, seems the logical time to review what has been done, not only as regards legislation enacted by Congress but also in respect to administrative achievements in improving the machinery of government and in meeting and solving new problems that have arisen.

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Until we review that record as a whole, it is impossible to assess properly the value of what has been accomplished or the extent of the progress that has been made during the last sixteen months. For this reason, it may be worth while to review briefly the Treasury's part in the making of that record and in the conduct of the public business since the present Administration came into power.

The Treasury has just closed its fiscal year on June 30, 1930. For that year, its records show a surplus of \$184,000,000, curiously enough almost exactly the same as the surplus of the preceding year. This surplus was brought about, notwithstanding the reduction in income tax rates, to which I will refer again later.

During this period a further substantial reduction was effected in the public debt. When the present Administration began on March 4, 1929, the gross public debt of the United States Government amounted to \$17,345,000,000. On June 30, 1930, at the end of the fiscal year, the debt has been reduced to \$16,185,000,000, or a reduction during the period of \$1,160,000,000. At the present rate of interest, this means a saving in interest payments of over \$40,000,000 per year. It means also that the Government has adhered strictly to the sound and well-established policy of paying off the public debt as rapidly as the revenues permit. You will no doubt recall that on August 1, 1919, the debt amounted to \$26,500,000,000. To-day it is \$16,185,000,000, which represents a reduction of \$10,000,000,000 in a little over 10 years, an achievement of which any nation might be proud. It represents a saving

in interest of approximately \$350,000,000 per year. To-day the debt has been reduced to manageable proportions; and eventually, as the debt is further cut down this drain on our revenues will continue to be reduced, and we should be able to look forward to a corresponding reduction in our taxes.

During the period since March 4, 1929, Congress has authorized three debt settlements with foreign debtor nations. Settlements were concluded with Austria, Greece and France, thus completing the funding of the indebtedness owed to us by foreign governments, with the exceptions of Armenia and Russia, with which, for obvious reasons, no settlements can be made at present. The total amount funded is \$11,577,000,000, on account of which the United States will receive in payment of principal and interest, over the periods specified in the agreements, the sum of \$22,000,000,000. In addition to this, a settlement was concluded with Germany on June 23, 1930, for the indebtedness of that country to the United States on account of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States Army of Occupation. Under this agreement, the United States will collect from Germany over a period of years \$250,000,000 on account of Army costs and \$500,000,000 on account of the awards of the Mixed Claims Commission to be distributed to American nationals receiving such awards.

Now as regards taxes: on December 16, 1929, President Hoover approved a joint resolution of Congress, reducing rates of income tax for the calendar year 1929. The effect of this reduction was to lower the normal tax on the taxable incomes of individuals by one per cent and similarly to reduce the tax on the taxable incomes of corporations

for the calendar year 1929 from 12 per cent to 11 per cent. An outstanding feature of this reduction was the relatively large benefit afforded to taxpayers with relatively small taxable incomes, chiefly those with earned incomes derived from salaries and wages. It was the fifth reduction in taxes which the Federal Government has made within less than nine years. Its effects have been far-reaching and have benefited all those paying income taxes to the Federal Government.

In the collection of these taxes, the Bureau of Internal Revenue has effected many improvements during the last sixteen months, while at the same time bringing about a reduction both in the number of employees and in the cost of collection. During this period substantial progress has been made in establishing the work of the Income Tax Unit upon a current basis. For example, on Jun. 30, 1928, there were pending in the Income Tax Unit, 221,533 cases covering the years 1917 to 1927 inclusive. In June, 1930, the number of cases on hand for these years requiring investigation in the field had been reduced to 29,743. Its efficiency will be further increased by the transfer during the past month of the Bureau of Internal Revenue to the new building which has been erected to house all its scattered activities, which have hitherto been quartered in separate buildings at some distance from one another. The bringing of all divisions under one roof should make possible better coordination and further economies of time and expense.

In addition to its accomplishments in the way of reducing expense and at the same time speeding up its work, the Bureau has continued its efforts to build up a better relationship with the tax-paying public.

It is at present engaged upon an endeavor to simplify the income tax return with a view to reducing the difficulties and complications, particularly of the smaller taxpayer. It has proceeded further upon its policy of endeavoring to arrive at a just and equitable determination of disputes without resorting to litigation, with a result that is fair to both parties. While in a business of such magnitude controversies are inevitable, it is the belief of the Department that the conduct of a tax system should be primarily an administrative problem, with resort to the Courts only when the taxpayer and the Government cannot agree upon a fair disposition. It is of course essential that certain fundamental principles be determined by the Courts, but as these are decided from time to time, the necessity of resorting to litigation, with all its attendant delay and expense, should steadily decrease. In this connection, the Bureau has so advanced its work that it expects at the end of this calendar year to dispense entirely with the practice of requesting from any taxpayer a waiver extending the time of expiration of the statute of limitations. As a matter of fact, in the great majority of cases this practice has been for the benefit of the taxpayer, but it has been the subject of some criticism in the past, and in order to avoid any possible ground of complaint, the Bureau proposes that after December 31, 1930, no waivers will be requested by the Department and that waivers will thereafter be executed only upon the request of the taxpayer.

Turning now to other matters: in the fiscal operations of the Treasury certain improvements have been made as the result of recent

legislation. One of these is the issuing of a new form of short-term public debt security known as Treasury bills, under authority of the Act of Congress, approved June 17, 1929. These bills greatly simplify the management of the public debt. They permit a new and more flexible type of security; they supplement or add to the system established for short-term financing; they enable the Treasury, by competitive bidding, to borrow for short periods at the lowest rates consistent with current market conditions; and they provide the banks and the investing public with a new instrument, having frequent and convenient maturities, for the investment of temporary surplus funds. Only last Thursday, the Treasury sold its most recent issue of Treasury bills consisting of \$50,000,000, at an interest rate averaging 1-7/8 per cent per annum. This constituted a record, being the lowest rate at which the Government has ever been able to borrow.

Another improvement which has been put into effect is the reduction in the size of the currency. The actual issue of the new currency was commenced on July 10, 1929. The reduction in size has resulted in substantial savings in the cost of manufacture, as well as in the handling of currency. Notwithstanding the innovation, the new currency was accorded a favorable reception from the start and it is remarkable how rapidly the old size bills have disappeared from ordinary circulation.

An important change in the Treasury organization has been the transfer to the Department of Justice of certain functions in the administration of the National Prohibition Act, as provided in the Act approved May 27, 1930. Under this Act a Bureau of Prohibition is created in the Department of Justice and the Bureau of Industrial Alcohol is retained in the Treasury, with provision for close co-operation between the two departments. Another change in organization has been made by the creation in the Treasury Department of a Bureau of Narcotics under the Act of June 14, 1930.

There are a number of other important activities which many people are unaware are conducted under the supervision of the Treasury. Included among these are the Public Health Service, the Coast Guard and the construction of Public Buildings.

The facilities of the Public Health Service have been extended and its work in the study, prevention and cure of disease has been made more effective. The bill for the establishment of a National Institute of Health, which was signed by the President on May 26, 1930, provides for the gradual building up of a large research institute, of which the Hygienic Laboratory will serve as the nucleus. The bill authorizes the Secretary of the Treasury to accept private donations for use in research work at the Institute. It further provides for the increase in the research staff by the establishment of fellowships permitting individual scientists to contribute the benefits of their research to the United States.

In the period since March 4, 1929, the Coast Guard has been enlarged and has greatly increased in efficiency. During the fiscal year ended June 30, 1929, the number of lives saved or persons rescued from peril by the Coast Guard was 4,375 and the value of vessels assisted, including their cargoes, was \$49,128,375. Plans are being prepared and are nearing completion for the erection of a new Coast Guard Academy at New London, Connecticut. Funds have been provided which will greatly improve the aviation facilities of the Service.

Few people appreciate the magnitude of the public building program which is being carried on under the supervision of the Treasury. In order to conduct this program expeditiously, the Office of the Supervising Architect is being strengthened in its personnel; and in addition the Treasury is employing private architects for some of the large projects and will employ more in the near future under the enlarged authority recently granted by Congress. During the period since March 4, 1929, the Keyes-Elliott Bill has been passed by Congress, adding \$230,000,000

to the previous authorizations and making the total amount now authorized for public building \$520,000,000.

In the District of Columbia, the Internal Revenue Building, involving nearly \$10,000,000, and the Administrative Building for the Department of Agriculture, involving approximately \$2,000,000, have been completed and are now occupied. The extension to the Government Printing Office, involving \$2,225,000, is nearing completion. The Department of Commerce Building, involving \$17,500,000, is about half completed; and it is expected that the central portion will be finished and ready for occupancy by the end of this calendar year. Other buildings which it is expected will be started during the fiscal year beginning July 1, 1930, are: the Post Office Department Building, involving slightly over \$10,000,000; the building for the Department of Justice, \$10,000,000; the General Accounting Office, \$4,500,000, refacing and remodeling the State Department Building, involving \$3,000,000; and the Administration Building for the Public Health Service at an approximate cost of \$865,000. With the inauguration of these important projects the long-awaited plan for the beautifying of Washington and the restoration of the L'Enfant plan will be well started on its way to accomplishment.

In the country at large there are now under construction fifty-two buildings, aggregating \$26,000,000, and, of these, five exceed in cost \$1,000,000 each. Twenty buildings are being advertised for bids, aggregating \$11,000,000. In so far as circumstances permit, work on these buildings in Washington and throughout the country is being pushed as rapidly as possible in order to carry out President Hoover's sound and constructive policy for increasing building activity and so stimulating all other lines of endeavor during the months immediately ahead.

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The Bureau of Customs has been completely reorganized during the past year, its personnel strengthened, and a course of instruction instituted for representatives going abroad and others engaged in the collection of duties on imports. Much study has been given to the handling of passengers' baggage as a means of aiding American travelers returning from foreign countries. A committee of twenty-five prominent citizens has been appointed who will advise and recommend, particularly with respect to conditions at the Port of New York. A new form of baggage declaration greatly simplified has been issued as an aid to incoming passengers and a booklet of instructions clearly outlining the necessary formalities is in course of preparation. Provision has been made by the Congress for the acquisition of 37 sites on the Canadian and Mexican borders for the erection of Customs-Immigration inspection stations. These stations, when completed, will greatly expedite inspection of highway traffic, affording proper facilities for the inspection of baggage and protecting the traveling public from the elements during such inspection.

The Treasury has entire confidence in the financial stability both of the Government and of the country. Even this brief and incomplete outline of the Treasury's activities indicates that the finances of the Government are in sound condition and that the Government itself, under the leadership of President Hoover, is in a position to furnish the steadying influence necessary in any situation that may arise. The unusual conditions through which we have been passing are world wide in their application and are limited to no one country. No country of any size or importance is immune from their effects. Great economic changes are in process of taking place. Many of these conditions are new and call for a different treatment than in the past. We are fortunate in

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having at the head of the Government at this time a man who by training and experience is equipped to meet such a situation, a man of outstanding and demonstrated ability, tireless industry, unquestioned integrity, and unselfish devotion to duty and the public interest. He brings to his task a thorough understanding of the economic forces with which we must deal. The problems which confront us are admittedly not easy of solution but we have faced worse in the past and emerged with success, and I am confident that with a leadership characterized by brains, integrity and public spirit backed by the natural resourcefulness and strength of our people, we will again find the solution and presently press forward to even greater achievements.

Statement by Secretary Mellon.

The statement of Congressman Byrns in the morning press confuses the matter of appropriations with actual expenditures and leaves an erroneous impression. As a matter of fact, the figures presented by the President to the press were furnished by the Budget Bureau and are the July 1 working figures of the Treasury Department. As previously stated, including the estimated postal deficit, the total budget estimates of expenditures for the present fiscal year are \$4,203,354,457, as compared with actual expenditures for the last fiscal year of \$3,994,152,487, or an increase of \$209,101,970, being an increase of 5%. Naturally these figures do not include amounts appropriated for future years which will not be expended during the present fiscal year.

TREASURY DEPARTMENT

FUTURE RELEASE
FOR RELEASE, MORNING PAPERS,
MONDAY, AUGUST 11, 1930.
OBSERVE DATE

STATEMENT BY ACTING SECRETARY OF THE TREASURY HOPE

Acting Secretary of the Treasury Hope gives notice that tenders are invited for Treasury bills to the amount of \$120,000,000, or thereabouts. The Treasury bills will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P. M., Eastern Standard time, on August 14, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated August 18, 1930, and will mature on November 17, 1930, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on August 14, 1930, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on August 18, 1930.

The Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other disposition thereof will also be exempt, from all taxation, except estate and inheritance taxes. No loss from the sale or other disposition of the Treasury bills shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions.

Treasury Department Circular No. 418, as amended, dated June 25, 1930, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
FRIDAY, AUGUST 15, 1930.

STATEMENT BY SECRETARY OF THE TREASURY MELLON

Secretary of the Treasury Mellon announced today that the tenders for \$120,000,000, or thereabouts, of Treasury Bills dated August 18, 1930 and maturing November 17, 1930, which were offered on August 11, 1930, were opened at the Federal Reserve Banks on August 14, 1930.

The total amount applied for was \$397,162,000. The highest bid made was 99.59 $\frac{3}{4}$ equivalent to an interest rate of about 1.61 per cent on an annual basis. The lowest bid accepted was 99.47 $\frac{3}{4}$ equivalent to an interest rate of about 2.08 per cent on an annual basis. The total amount of bids accepted was \$120,000,000. The average price of Treasury Bills to be issued is 99.504 $\frac{1}{2}$. The average rate on a bank discount basis is about 1.96 per cent.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Friday, August 22, 1930.

Statement by Secretary Mellon.

The stories appearing in the morning papers relating to the revenue prospects for the current fiscal year overemphasize the unfavorable factors. It is altogether too early to make any definite statements. The final estimates need not be prepared until just prior to the meeting of the Congress in December, at which time the Department will be in a much better position to determine the budgetary situation. The revenue during the fiscal year 1931 will be reduced as compared with that of the fiscal year 1930, but it should not be forgotten that we closed the latter year with a substantial surplus. While no one could definitely promise at this time that the one per cent tax reduction granted at the last session of Congress can be maintained during the calendar year 1931, I can say that after a careful review of such figures as are available at this time I have a very real hope that we may be able to make such a recommendation to the Congress in December.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
WEDNESDAY, AUGUST 27, 1930.

August 27, 1930.

My dear Governor Young:

I regret extremely, not only from the standpoint of the Federal Reserve System, but from a personal one, that you feel compelled to tender your resignation as Governor of the Federal Reserve Board. You have conducted the very responsible duties of your office with a high degree of skill, sometimes under extremely difficult circumstances, and your three years of service have been of very distinct benefit to the Federal Reserve System. Our personal relations have been the pleasantest possible, and you will carry away with you from Washington not only the respect but the affection of your associates on the Board.

Wishing you all success in the future, believe me,

Very sincerely yours,

A. W. MELLON
Secretary of the Treasury.

Hon. Roy A. Young,
Federal Reserve Board,
Treasury Department,
Washington, D. C.

TREASURY DEPARTMENT

FUTURE RELEASE
FOR RELEASE, MORNING PAPERS,
Monday, September 8, 1930.
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 twelve month 2-3/8 per cent Treasury certificates of indebtedness of Series TS-1931, dated and bearing interest from September 15, 1930, and maturing September 15, 1931. The amount of the offering is \$325,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TS-1930 and Treasury bills dated July 14, 1930, both maturing September 15, 1930, but such subscriptions will not be given preferred allotment.

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, 1931, and September 15, 1931.

These certificates will be exempt, both as to principal and interest, from all taxation, except estate and inheritance taxes.

About \$350,000,000 of Treasury certificates of indebtedness, about \$51,000,000 in Treasury bills, and about \$35,000,000 in interest payments on the public debt become due and payable on September 15, 1930.

The text of the official circular follows:

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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-1931, dated and bearing interest from September 15, 1930, payable September 15, 1931, with interest at the rate of two and three-eighths per cent per annum, payable semi-annually.

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, 1931, and September 15, 1931.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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. 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, 1930, 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 TS-1930 and Treasury bills dated July 14, 1930, both maturing September 15, 1930, will be accepted, at par in the case of the certificates and at maturity value in the case of the Treasury bills, 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

FOR MORNING PAPERS,
Wednesday, September 10, 1930.

Secretary Mellon announced that subscriptions for the issue of 2-3/8 per cent Treasury certificates of Indebtedness, Series TS-1931, dated September 15, 1930, maturing September 15, 1931, closed at the close of business on Tuesday, September 9, 1930.

Subscriptions received through the mails up to ten o'clock Wednesday morning, September 10th, will be considered as having been received before the close of the subscription books.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Wednesday, September 10, 1930.



STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury announces that all 3-1/2 per cent Treasury notes of Series A-1930-32 and Series B-1930-32 have been called for redemption on March 15, 1931, on which date the principal of any such notes then outstanding will be payable, together with interest then accrued thereon. Accordingly, interest on all 3-1/2 per cent Treasury notes of Series A-1930-32 and Series B-1930-32 will cease on said redemption date, March 15, 1931.

The Series A-1930-32 3-1/2 per cent notes were issued on March 15, 1927, and were made redeemable on six months' notice on any interest payment date on and after March 15, 1930. Of the \$1,360,456,450 originally issued, there were outstanding as of September 1st \$649,076,350. The Series B-1930-32 notes were issued on September 15, 1927, and were made redeemable on six months' notice on any interest payment date on and after September 15, 1930. Of the \$619,495,700 originally issued, there were outstanding as of September 1st \$500,303,700.

Particular attention is invited to the fact that the 3-1/2 per cent Treasury notes of Series C-1930-32 are not included in this call for redemption and to the further fact that the notes which have been called for redemption should not be presented for redemption until March 15, 1931, or shortly prior thereto.

The text of the official circular calling the notes for redemption follows:

To Holders of $3\frac{1}{2}\%$ Treasury Notes of Series A-1930-32 and B-1930-32:

1. Call for Redemption. - Public notice is hereby given that, in accordance with the terms of their issue and pursuant to the provisions of Treasury Department Circulars Nos. 379 and 387, dated March 8, 1927, and September 6, 1927, respectively, all of the $3\frac{1}{2}\%$ Treasury notes of Series A-1930-32, which by their terms were made redeemable on and after March 15, 1930, and all of the $3\frac{1}{2}\%$ Treasury notes of Series B-1930-32, which by their terms were made redeemable on and after September 15, 1930, are called for redemption on March 15, 1931, on which date the principal of any such notes then outstanding will be payable, together with the interest then accrued thereon. Interest on all $3\frac{1}{2}\%$ Treasury notes of Series A-1930-32 and Series B-1930-32 will cease on said redemption date, March 15, 1931.

2. Presentation for Redemption At or After March 15, 1931. - All $3\frac{1}{2}\%$ Treasury notes of Series A-1930-32 and Series B-1930-32 should be presented and surrendered for redemption to any Federal Reserve Bank or branch, or to the Treasurer of the United States at Washington, D. C. The notes must be delivered in every case at the expense and risk of the holder, and should be accompanied by appropriate written advice.

Facilities for transportation of the notes 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 own agents. Incorporated banks and trust companies are not agents of the United States under this circular.

3. Interest coupons. - Interest coupons dated March 15, 1931, should be detached and collected in regular course when due. Coupons dated September 15, 1931, and all coupons bearing dates subsequent

thereto, must be attached to the notes when presented. In the event that any notes are presented for redemption with the September 15, 1931, or any subsequently dated coupons detached, the notes will nevertheless be redeemed, but the full face amount of any such missing coupons will be deducted.

4. Any further information which may be desired as to redemption of Treasury notes of Series A-1930-32 and B-1930-32 may be obtained from the Treasury Department, Division of Loans and Currency, Washington, D. C., or from any Federal Reserve Bank or branch. The Secretary of the Treasury may at any time or from time to time prescribe supplemental or amendatory rules and regulations governing the matters covered by this circular.

Statement by Secretary Mellon.

Secretary Mellon announced that subscriptions for the issue of Treasury certificates of indebtedness, dated September 15, 1930, Series TS-1931, 2-3/8 per cent, maturing September 15, 1931, closed at the close of business on September 9, 1930. The reports received from the twelve Federal Reserve Banks show that for the offering, which was for \$325,000,000, or thereabouts, total subscriptions aggregate some \$1,237,000,000. As previously announced, subscriptions in payment for which Treasury certificates and Treasury bills maturing September 15, 1930, were tendered were treated as cash subscriptions.

Allotments on subscriptions 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 \$50,000 were allotted 70 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$50,000 but not exceeding \$100,000 were allotted 60 per cent, but not less than \$35,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$500,000 were allotted 40 per cent, but not less than \$60,000 on any one subscription; and subscriptions in amounts over \$500,000 but not exceeding \$1,000,000 were allotted 30 per cent, but not less than \$200,000 on any one subscription; subscriptions in amounts over \$1,000,000 were allotted 15 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 IMMEDIATE RELEASE,
FRIDAY, SEPTEMBER 12, 1930.

Secretary Mellon today announced that the total amount of subscriptions received for the offering of 2-3/8 per cent Treasury certificates of indebtedness of Series TS-1931, dated September 15, 1930, maturing September 15, 1931, was \$1,237,502,500, and that the total of subscriptions allotted was \$334,211,000. As previously announced, subscriptions in payment for which Treasury certificates and Treasury bills maturing September 15, 1930, were tendered were not given preferred allotment but were treated as cash subscriptions.

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

<u>Federal reserve district</u>	<u>Total subscrip- tions received:</u>	<u>Total subscrip- tions allotted:</u>
Boston	\$ 56,950,000	\$ 24,502,000
New York	574,087,000	108,557,000
Philadelphia	107,711,500	25,939,500
Cleveland	61,028,000	23,531,000
Richmond	52,321,000	26,137,000
Atlanta	60,320,500	29,753,000
Chicago	160,184,500	44,409,000
St. Louis	18,779,000	8,447,000
Minneapolis	4,137,000	2,244,500
Kansas City	20,662,000	5,873,000
Dallas	50,072,000	21,200,000
San Francisco	71,233,500	13,605,500
Treasury	16,500	12,500
Total	\$1,237,502,500	\$334,211,000

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Tuesday, October 7, 1930.

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$100,000,000, or thereabouts. They will be 63-day bills; and will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P. M., Eastern Standard time, on October 10, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be issued in two series, \$50,000,000, or thereabouts, to be dated October 15, 1930, and maturing on December 16, 1930, and \$50,000,000, or thereabouts, to be dated October 16, 1930, and maturing December 17, 1930. Bidders will not be required or permitted to bid for a particular series, but the Treasury will apportion each accepted bid equally between the two series in so far as the minimum denomination of \$1,000 will permit. At maturity the face amount of the bills will be payable without interest. The bills will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on October 10, 1930, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. With respect to bidders whose tenders have been accepted, such advice will state the amount of each series allotted. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on October 15, 1930, for the bills allotted

bearing that date of issue, and on October 16, 1930, for bills allotted bearing the latter date of issue.

The Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other disposition thereof will also be exempt, from all taxation, except estate and inheritance taxes. No loss from the sale or other disposition of the Treasury bills shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions.

Treasury Department Circular No. 418, as amended, dated June 25, 1930, and this notice as issued by the Secretary of the Treasury, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

Statement by Secretary Mellon

The statement of Representative Byrns, of Tennessee, appearing in this morning's press, has been called to my attention. Representative Byrns charges that the Treasury Daily Statement for September 30th, which showed a surplus for the first quarter of the fiscal year, is "a political campaign document," rather than "an honest, straightforward, unbiased business statement." Mr. Byrns goes on to say that the Treasury is "attempting to create a fictitious surplus by withdrawing from the sinking fund sums legally required for the reduction of the public debt."

These are serious accusations. They are due, however, to a complete misunderstanding of the situation, which is rather surprising in so experienced and intelligent a member of the House of Representatives, who would hardly at any time other than the month preceding election display such a convenient ignorance of Treasury finances. Mr. Byrns' charges are evidently based on the fact that only \$65,000,000 were applied to debt retirement on account of the sinking fund during the first quarter of the fiscal year 1931, as compared with \$236,⁸⁶⁴~~848~~,000 during the first quarter of the fiscal year 1930. The explanation is simple enough. During the first three months of the fiscal year 1930 United States Government bonds and Treasury notes were selling at a discount. It was, therefore, good business for the Treasury to take advantage of this situation and to retire them at that time. Accordingly, some \$226,000,000 of 3 $\frac{1}{2}$ % Treasury notes were purchased at prices varying from 96 20/32 to 98 30/32. The prevailing price was 98, and over \$198,000,000 were purchased at that figure, thus effecting a saving of almost \$4,000,000. During the first three months of the present fiscal year United States Government bonds and Treasury notes have sold consistently at a premium. By applying the sinking fund appropriation to the retirement of the Treasury notes which have been called on March 15th, next, and which will be retired at par, the Treasury avoids the payment of a premium. Accordingly, the

sinking fund purchases during the first quarter of this fiscal year have been limited to the minimum amount made advisable by the established program of financing.

Just a word as to the charge that funds are being "withdrawn from the sinking fund" to meet the ordinary expenses of the Government, with its implication that we are drawing on a trust fund set up for a specific purpose. It is difficult to understand how the ranking Democratic member of the Committee on Appropriations could fall into such an error. Mr. Byrns must know that debt retirements on account of the sinking fund are made by virtue of a continuing appropriation, available throughout the fiscal year, and, as in the case of every other appropriation, constitute a charge on the general revenues of the Government, and that no special fund in the nature of a trust fund is ever set up for this purpose. Moreover, he is utterly mistaken in his assumption that the amount of debt retirement on account of the sinking fund during the present first quarter is unusually low. Omitting the fiscal year 1929, in the first quarter of which the Third Liberty Loan matured, and the fiscal year 1930, as to which the explanation is given above, sinking fund retirements during the first quarter of this fiscal year are not out of line with the sinking fund retirements made during the first quarter of any year from 1921 to 1931. For instance, in 1922 the figure was \$81,000,000; in 1923, \$52,000,000; in 1924, \$77,000,000; in 1925, \$118,000,000; in 1926, \$82,000,000; in 1927, \$134,000,000; and in 1928, \$74,000,000.

In the light of these facts, I leave it to the public to decide which statement can fairly be described as "a political campaign document", the Treasury statement of September 30th or Representative Byrns' statement of October 9th.

STATEMENT BY ACTING SECRETARY MILLS

Acting Secretary Mills announced today that the tenders for \$100,000,000, or thereabouts, of 62-day Treasury Bills which were offered on October 7, 1930, were opened at the Federal Reserve Banks on October 10, 1930. The Treasury's earlier announcement provided that the bills would be issued in two series, \$50,000,000, or thereabouts, dated October 15, 1930, and maturing December 16, 1930, and \$50,000,000, or thereabouts, dated October 16, 1930, and maturing December 17, 1930, the accepted bids to be apportioned by the Treasury equally between the two series, in so far as the minimum denomination of \$1,000 will permit.

The total amount applied for was \$360,964,000. The highest bid made was 99.736, equivalent to an interest rate of about 1.53 per cent on an annual basis. The lowest bid accepted was 99.671, equivalent to an interest rate of about 1.91 per cent on an annual basis. The total amount of bids accepted was \$102,525,000, of which \$51,262,000 have been apportioned to the series dated October 15, 1930, maturing December 16, 1930, and \$51,263,000 have been apportioned to the series dated October 16, 1930, maturing December 17, 1930. The average price of Treasury Bills to be issued is about 99.680. The average rate on a bank discount basis is about 1.85 per cent.

THE SECRETARY OF THE TREASURY

Washington

October 16, 1930.

Dear Mr. Alvord:

I have received your letter of October 16th tendering your resignation as Special Assistant to the Secretary of the Treasury and asking to be relieved of your duties on November 1st.

It is with great regret that I accept your resignation and see you end your service at the Treasury. In your work you have shown ability, energy, resourcefulness and untiring devotion to duty, which have been of great value to the Treasury and to me. You have been particularly helpful in presenting the Treasury's viewpoint to committees of Congress in connection with revenue, tariff, and other legislation; and you have also had much of the responsibility in the preparation of rules and regulations governing the Treasury's administration of these and other laws. In addition to this you rendered valuable service in developing the Treasury program for the avoidance of international double taxation.

For all these and other services which you have rendered to the Treasury and for the assistance which you have given to me personally, I wish to thank you and to wish for you the greatest success and happiness in the new work to which you are going.

Sincerely yours,

(Signed) A. W. MELLON
Secretary of the Treasury.

E. C. Alvord, Esq.,
Special Assistant to the
Secretary of the Treasury,
Treasury Department.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
SATURDAY, OCTOBER 25, 1930.

SPEECH TO BE DELIVERED BY
HONORABLE OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY,
IN MECHANICS BUILDING, BOSTON, MASS.,
ON FRIDAY EVENING, OCTOBER 24, 1930.

Note:

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

FOR RELEASE, MORNING PAPERS,
THURSDAY, OCTOBER 30, 1930.

Address of
A. W. Mellon
Secretary of the Treasury
from Station WMAL, Washington
at 10 o'clock P. M., Eastern Standard Time,
October 29, 1930.

FUTURE RELEASE
OBSERVE DATE

We are in the midst of a campaign involving the election of one-third of the United States Senate, the entire membership of the House of Representatives, and a vast number of State, county and municipal officers.

Such a biennial election, in an off year when the Presidency is not involved, rarely turns on a single, clear cut issue. The situation is usually too confused for that; and it is too confused today. In the coming election candidates will be chosen in some States because of their views on prohibition; in others because of the tariff or farm-relief or some other measure; and, in practically all cases, the personality of the candidates themselves will largely affect the final result. On top of all this, the situation will be further confused by the efforts of the Democratic candidates to make an issue of the present commercial and industrial depression and to charge the Republican Party with responsibility for matters beyond its control.

It is not unnatural, perhaps, that the opposing Party should seek to capitalize dissatisfaction with existing conditions. Political parties have always been prone to do this. But any one whose memory goes back even a few years knows that depressions have always followed periods of over-expansion, regardless of what political party is in power. Furthermore, such depressions have been, almost without exception, the result of world conditions and consequently have not been confined to any one country but have been world-wide in extent.

My own memory goes back to 1873 when, during the Administration of President Grant, there was a complete collapse of credit and commodity prices, both in this country and in Europe, due to over-expansion and excessive speculation.

The same thing happened in 1893 under President Cleveland and was due, as before, to world conditions. Again, in 1920, a major crisis arose, this time becoming acute under the last Democratic Administration and extending into the first year of the incoming Republican Administration.

That crisis, as all of us remember, extended to practically every country in the world, and was due primarily to the liquidation of commodity values which had become unduly inflated during the war.

Now we are in the midst of another business and industrial depression. Like the earlier ones, it is world-wide in extent and has resulted from much the same causes. It was not caused by speculation in stocks, though that was a factor, of course, in the situation. Its underlying causes were deeper than that and may be traced primarily to over-production of certain commodities, especially raw materials, both in this country and abroad.

Production processes in agriculture and industry had been enlarged throughout the world to supply the needs created by four years of almost universal war. Those needs having been supplied in the ten years that had elapsed since the war ended, there developed a lack of balance between production and consumption in certain commodities, resulting in a falling off in prices of these commodities and a consequent collapse in the buying power of many countries, accentuated in some cases by political upheavals as well as dislocation of trade.

We are now going through the process of readjustment. I do not underestimate its seriousness or the suffering it must cause to many innocent people whose savings or jobs have been swept away through no fault of their own.

We must all do what we can to help the man who is in difficulties but, meanwhile, it is well to get a clear conception, if we can, of those unseen forces in the grip of which we find ourselves, and of how we can best work together as a nation in combating them.

We have found by experience that what affects one country adversely, in time affects the other countries also. No one nation, among the closely-knit nations of the world, can long expect to escape a world condition.

But we in this country were fortunate in being so well prepared to cope with the emergency when it came. We were particularly fortunate in having in the White House a man who had the knowledge and the experience that peculiarly fitted him to deal with the situation.

Throughout his career, both during the war and afterwards, President Hoover has exhibited a genius for organization and for quick and decisive action. These were the qualities that made him so effective in dealing with the situation last autumn; and I feel that too much credit can not be given him for his very real and constructive contribution in mobilizing the business forces of the nation at a critical moment in its history.

In so far as the internal organization of this country is concerned, we enjoy one advantage over most other nations. America is more nearly self-contained, as regards both production and consumption, than any other country in the world. Not only do we produce most of the goods which we require, but we have a domestic market of tremendous purchasing power, capable of consuming not less than nine-tenths of all that we produce.

Any study of consumption in this country shows what America's enormous purchasing power means, not only to industry and agriculture here but to the rest of the world also. It proves conclusively that our well-being as a nation rests on a solid foundation and that our prosperity in the future, as in the past, will be based primarily on our own domestic purchasing power - a purchasing power to which no limits can be set so long as we continue to maintain the wage scale and standard of living which in the past have created an ever expanding market for goods and services.

No one can make any predictions as to how long it will take for our country to make the readjustment necessary in a time like this. But of one thing we can be certain; with our great internal organization, our vast resources, our unparalleled domestic buying power and the

indomitable spirit of our people, we shall be among the first of all the nations to recover and to resume the onward march of progress.

Now as to the part which the Administration can play in hastening that recovery. Except for the exigencies of politics, no thoughtful person, I feel sure, would make the assertion that either this or any other Administration could be held responsible for the conditions now afflicting this country and the world. We have not yet learned how to avoid industrial depressions and certainly no one, who gives any consideration to underlying causes, will charge any political party or group of men or even nations with responsibility for a depression which is world-wide in extent and could not have been prevented, so far as one can humanly see, by any action that might have been taken.

There is only one challenge that, in fairness, can be made, and that is: have those in charge of the Government conducted its affairs with prudence and foresight, so that the Government now finds its own house in order and the financial structure of the country intact and in a position to meet all legitimate demands that may be made upon it? That challenge the present Administration is prepared to meet and welcomes the opportunity to submit its record to the country.

It can be said at once that the Government's finances are in a sound condition. The last fiscal year closed with a satisfactory surplus. Up to June 30th last, \$1,051,000,000 of the public debt had been retired since the beginning of the present Administration.

This, added to the amounts which have been retired since the Republican Party came into office in 1921, makes a total of nearly 8 billion dollars of public debt which has been paid off. The importance of these debt retirements may be seen in the fact that they, together with refunding operations at lower rates of interest, have resulted in a saving to the Government of interest payments of nearly a million dollars a day.

The tariff has been revised in accordance with the promise of the Administration to extend the benefits of protection to agriculture. The bill is not free from defects. No tariff bill is. But this measure at least, by its own terms, provides the means whereby errors and inequalities may be adjusted. If the flexible provisions are intelligently applied, and I believe they will be by the excellent personnel which the President has secured for the Tariff Commission, they should go far toward making another revision of the tariff by Congress unnecessary for many years to come. This, of itself, is of inestimable benefit to business, for nothing is more unfavorable to prosperity than uncertainty and constant readjusting of economic conditions to legislative enactments. I might add that, most assuredly, it will not be a contribution to business stability if a Democratic majority should be returned to Congress and should begin all over again the long period of

business uncertainty that must of necessity accompany tariff agitation in Congress.

The Administration has made a further effort to find some solution of the difficulties with which agriculture is confronted in this country. Under the authority of the Agricultural Marketing Act, the Federal Farm Board is assisting farmers to set up their own marketing agencies, owned and controlled by the cooperatives that form them, so that these organizations are the marketing agencies of the farmers themselves and are not, in any sense of the word, governmental agencies. It is only a beginning, of course, but it is a step in the right direction; and, when these agencies have been thoroughly organized, it is believed that they will offer a means whereby the farmers' products can be marketed in an orderly manner, while at the same time these associations, because of their relationship to their members, will be in a position to advise against unwise expansion of acreage and over-production of crops.

So much for the manner in which the Government's affairs have been conducted. Not only has the Government kept its own house in order but it has held itself in readiness to meet unexpected emergencies that arise from time to time and call for prompt and decisive action. The Government was faced with such a situation in the current business depression. The scope of governmental activities was necessarily limited, but within those limits the President acted with decision and courage. Accustomed to deal with great emergencies and with a

knowledge born of wide experience, he called together leaders in business, industry and labor, and secured an agreement, on the one hand, to maintain the existing wage scale and keep up employment so far as possible, and on the other hand, to avoid labor disputes and conflicts between employers and employees. That agreement has been kept and has been of inestimable benefit in the present emergency.

It was also agreed that both business and the Government should carry out, as promptly as possible, all needed construction for which funds might be available. As a result, the railroads, public utilities and other great enterprises have pushed construction work during the last eight months. In addition, a vast amount of public improvements are under construction by States and municipalities; and this amount will doubtless be greatly augmented by bond issues to be authorized in the coming elections.

In so far as the Federal Government is concerned, the Treasury and the Post Office Departments have been making every effort to expedite public building construction throughout the country. Since January 1st, 66 building projects have been placed under contract and 21 buildings have been completed in the country at large. Plans are being rushed for \$163,000,000 worth of additional construction and it is estimated that a total of \$75,000,000 will be spent throughout the country in the current fiscal year as compared with a total of \$65,000,000 during all the three preceding years.

The amount to be spent this year will be increased in subsequent years under authorizations already made. But it should be borne in mind that this public building program is not in any respect a wasteful or unnecessary expenditure of the public funds to meet an emergency situation. On the contrary, the buildings now under way or contemplated, in Washington and throughout the country, are essential for the housing and proper functioning of the Government's various activities and will make it unnecessary for the Government to continue paying expensive rentals in many cities, as it does at present. Furthermore, by building now when contracts can be made on a basis of more than 15 per cent lower than even a few years ago, the Government will save money and at the same time provide employment and stimulate activity in many lines which are affected directly or indirectly by the building industry.

This perhaps is one of the most practical measures which the Government can undertake in helping to meet the pressing and all-important question of unemployment. In order to deal with this question directly and to co-ordinate the various agencies existing for this purpose, the President has appointed a national committee which will have behind it all the organization and prestige of the Government.

I have said enough to show that the Administration is doing all it can both to alleviate suffering and to hasten recovery from the present depression. It can not work miracles. The most

that any administration can do is to keep the boat steady and headed in the right direction until the storm blows over; and that the President has shown he is well able to do. He can not be held responsible for the extent or violence of the storm, any more than he can be blamed for the drought which added one more plague to those that beset us last summer.

President Hoover has shown himself a man capable of dealing with great emergencies. I am confident that he will lead the country out of its present difficulties; but if he is to do so with a minimum of friction and loss of time, his hands should not be tied by a Congress controlled by his political opponents. It is not a time for divided authority. It is rather a time for strong and united action and, in asking support for the President and the Administration, I do so in the belief that in this way we shall attain most quickly that full measure of economic recovery which is inevitable in a nation so self-reliant and so justifiably confident of the future.

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FOR RELEASE, MORNING PAPERS,
THURSDAY, OCTOBER 30, 1930.

FUTURE RELEASE
OBSERVE DATE

SPEECH TO BE DELIVERED BY HON. OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY,
AT PERTH AMBOY, N. J.,
ON WEDNESDAY EVENING, OCTOBER 29, 1930.

On Tuesday next, the citizens of the United States will elect a new House of Representatives and one-third of the members of the United States Senate. It lies in their hands to determine whether the President is to have the support and cooperation of the Congress, or, in other words, whether we are to have team-work and unity of effort in Washington or whether, by turning over the legislative branch of the government to the opposition party, we are to have divided authority, resulting, at best, in a stalemate and, at worst, in confusion, futile controversy, and loss of confidence. The decision must not be made lightly, but with a deep sense of responsibility. The times are too serious to justify any other course.

The entire world is in the midst of one of those periods of deep economic depression which bring misery and unhappiness to millions of individuals, and in many regions threaten political and economic stability. Even our own country has not escaped the universal malady and, though less seriously affected, it is undeniable that there is a very definite slackening in our economic activity below the normal level. Neither unjust criticisms nor futile complaints will get us anywhere. What we need is courage, faith in ourselves and in our future, and, above all, a united effort in the overcoming of difficulties which, however severe, can, in the very nature of things, be but temporary. Disorganization in government, through division

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of authority, is clearly not a step in the right direction.

Herbert Hoover is to be the Captain of our ship in any event for the next two and a half years. Are we to enlist a crew that may be relied on to cooperate with the skipper in navigating the ship through stormy seas, or to handicap him with one much more interested in obtaining control of the vessel than in reaching port?

We may approach the problems created by existing conditions from two points of view: first, the immediate and pressing need of mitigating unnecessary hardship, tiding over the existing emergency by all means in our power through cooperative effort; and, secondly, from a long-time standpoint, we may address ourselves to the task of how best to avoid similar depressions in the future. But, whether we look at the present situation with a view to the immediate future, or from the standpoint of our more distant prospects, in either event we are fortunate in having as our Chief Executive a man who, by training, experience, human sympathy and broad knowledge, is supremely well-qualified to deal with either aspect of the problems. Hoping to profit by discontent, our opponents, as Election Day approaches, spare no pains in emphasizing the dark side of the picture. But the greater the distress or threatened distress, the greater the need of giving our whole-hearted support to the President; for he has no equal in the handling of human difficulties in the mass. The children and parents of Belgium, France, Russia, Finland, Germany, Poland, and of our own lower Mississippi States, testify to his skill, his foresight and his humanity in solving the problems of food, shelter and health. Is this the time to deny him our support at the behest of an opposition which, in many months of leather-lunged campaigning, has failed to develop a single policy of its own or to

offer one constructive suggestion? In the meanwhile, the President, from the day it became evident that the tide of prosperity had receded and the bare rocks of adversity were in sight, with the decision and broad vision characteristic of the man, began the work of mobilizing our resources to meet the emergency. You all remember how last fall the leaders of great industrial enterprises, railways, utilities and business houses, and the leaders of labor were called in, how there was an agreement to maintain the rate of wages, to distribute work as evenly as possible, to urge effort in production and to prevent conflict and dispute; how the cooperative efforts resulting from those meetings and from the further movement undertaken under the leadership of the President by the Federal, State and municipal governments, resulted in the carrying out of a vast program of public and other works, effecting an expansion of the expenditures for these purposes exceeding those of even the boom year of 1929. Who can doubt but that for the prompt and vigorous action of the President, and the magnificent cooperation of those who were only too glad to follow his leadership, conditions last winter and today would have been infinitely worse than they are now?

Does anyone in this audience doubt, does any thoughtful man anywhere in the United States doubt but that if we lend the President our whole-hearted support and cooperation, all will be done this winter that can be done to relieve suffering and distress and to move forward step by step to the point where we can once more resume the onward march of American economic prosperity?

It is well to remember, when that time comes, that these down-swings do not wipe out the progress achieved during the forward movements, and that when the on-

ward march is resumed once more, we start not from the old mark, but from the new. This is an infinitely important fact to us who have progressed at such a remarkably rapid rate during recent years, who have witnessed a steady expansion in the already large purchasing power of our hundred and twenty million people, an improved and expanded plant, greater efficiency in production and distribution, and as a result an ever-widening market for all manner of goods and services. Here is a real basis for prosperity, and in these days of pessimism, it is well to remind you that these basic factors are still present.

Given such a fundamentally favorable situation as exists in this country, it is irritating and puzzling to be confronted with periodic depressions. They seem somehow unnecessary. And yet to me the progress we have achieved in this country, the marvel of the present economic order, with the almost unlimited promise which it seems to hold out to the average man in the way of material betterment, are infinitely more impressive than any temporary recession. With the economic world in balance, increased production and increased purchasing power seem to supplement each other so naturally that we accept the two phenomena as a matter of course. But let any considerable group of people produce what isn't wanted, or more than is wanted, let their goods fail to find a market, and their impaired purchasing power immediately affects the market for goods produced by other groups. A nicely adjusted balance is disturbed, the movement spreads and almost before we know it we are confronted with the phenomenon known as a business depression and the most baffling of problems. It is only in times like these that we realize the intricacies of the system and how necessary it is to analyze and determine

what are the controlling and determining forces.

When one considers what it means to have a freely competitive economic order, such as prevails throughout most of the world to-day, in which men engage freely in a wide variety of specialized activities for a money income, which is spent by them also quite freely upon a wide variety of commodities, and in response to frequently unstable preferences, and when one appreciates the importance of the psychological factor and the tendency of human beings to move all together in one direction or the other at the same time, it is easy to understand how complicated and susceptible is our whole economic structure. It explains why periodic depressions and readjustments seem almost to be inevitable. Whether they can be entirely eliminated is certainly questionable, but that they can be further mitigated is not too much to expect. After all, there was a time when we were satisfied with a banking and credit system subject only to corrective checks and balances that automatically became operative only when unsound developments had carried us to periods of costly and painful crises. With the organization of the Federal Reserve System and the consequent centralization of responsibility for the supervision of credit developments, we made a great step forward. The Federal Reserve Act has not only given added strength to our credit structure, but has provided us with a group of officials whose duty it is to study changing business and credit conditions in order that business and commerce may benefit from an enlightened supervision of banking and credit developments. We have not yet reached perfection in the use of this instrument, but I believe that all will admit that its creation was a step in the right direction and that it has functioned, even in these early years of its existence, with untold benefit to the country.

The Federal Reserve System did not come into existence until after many years of intensive study and work. The analogy is perhaps not quite legitimate, but if a proper solution of one of the great economic problems has been found and suitable machinery has been evolved for dealing with one of the important business factors, namely, that of credit, is it too much to hope that intensive study of all of the other complicated and intricate factors may yield similarly fruitful results? The President has proposed that "The whole range of our experience from this boom and slump should be placed under accurate examination with a view to determination of what can be done to achieve greater stability for the future, both in prevention and in remedy." To me this is a most constructive suggestion. We have made such enormous strides in the gathering of current business statistics, information can be so readily, rapidly and widely diffused, that we may look forward to the day when the business course of the future may be charted by the light of adequate information and knowledge and in accordance with recognized rules of conduct, resulting in greater safety to individual industries, and in more assured stability in our economic life.

There is, perhaps, no greater problem that confronts the modern world than the development of means and methods of avoiding the cyclical depressions, or at least of mitigating their severity and duration. I know of no man so well qualified to furnish the leadership in such a movement as the President of the United States.

If we look, then, either to the immediate or to the more distant future, it would seem, that self-interest demands that we should not change our board of directors at this time. When circumstances imperatively call for unity, we must not have division; when cooperation should be the order of the day, we should not enthrone opposition; and, clearly, when the immediate task is construction, we should not turn to those who cannot view a brick except in the light of something to be hurled.

But this administration is entitled to your support not only by virtue of what it can accomplish, but because of what it has already done. In the face of very difficult conditions and the kind of partisan opposition from which it might fairly have claimed exemption, the administration has carried well nigh to completion the program on which it was elected.

We pledged ourselves to such further reduction of the tax burden as the condition of the Treasury might from time to time permit. Taxes have been reduced by no less than \$160,000,000 this year.

We pledged ourselves to continue to reduce our national debt in accordance with a well-established program. From March 4, 1929, to June 30, 1930, the public debt was reduced by a billion and fifty-one million dollars; and after both debt and tax reduction, we closed the fiscal year with a surplus of \$184,000,000.

We pledged ourselves to revise the tariff in accordance with protective principles, and more specifically with a view to adjusting existing discrepancies between agricultural and other industries. It has been done.

We pledged ourselves to adhere to the established foreign debt policy and to make provision for the settlement of the claims of our citizens and of our government against Germany. The last of the war debt settlements has been ratified and signed, and an agreement has been made with Germany providing for the repayment of the costs of our Army of Occupation and of the just claims of our citizens.

We pledged ourselves to build up cordial international understanding that will make world peace a permanent reality. The three-power naval pact, which became finally effective last Monday, is an epoch-making contribution to the cause of world peace by bringing to a halt for the first time in history competitive building.

We pledged ourselves to the enactment of legislation creating a Federal Farm Board, clothed with the necessary powers to promote the establishment of a farm marketing system of farmer-owned and controlled stabilization corporations or associations, and the establishment of a Federal system of organization for cooperative and orderly marketing of farm products. It has been done in spite of the efforts of the opposition to destroy this constructive effort by attaching to it the unsound proposal known as the Export Debenture Plan, which contemplated subsidizing exports from the Federal Treasury and dumping in the world markets.

We pledged ourselves to increased Federal support for improved highways. Appropriations have been increased from the usual \$75,000,000 yearly to \$125,000,000.

We pledged our opposition to government ownership or operation of our Merchant Marine and to the promotion of its development under private ownership and management. Since March 4, 1929, the Shipping Board has sold a total of 189 ships, while new routes established under private auspices since that date require 51 new ships, aggregating 467,500 tons and costing approximately \$200,000,000.

We pledged ourselves to the reorganization of the government supervision of radio facilities. Acting under Congressional authority, the Federal Radio Commission has been reorganized and established upon a permanent basis.

We pledged ourselves to the continued development of our inland and intercoastal waterways, and an enlarged national program for the development of inland railways has been worked out administratively and legislatively by the President and Congress.

We pledged ourselves to fuller and more adequate relief for our disabled veterans. This has been accomplished.

Back in the days when I used to campaign against former-Governor Smith, one of his favorite phrases was, "Let's consult the record." Well, there it is. On that record we go to the Country with complete confidence.

There are two measures which I feel justified in singling out for further discussion--the tariff and the Agricultural Marketing Act.

I do not desire to discuss the tariff either from the standpoint of the protective principle to which this country is committed, or from the standpoint of rates, which, while they lend themselves to all kinds of political misrepresentation and distortion, cannot adequately be discussed in the time at my disposal. But there is one feature which should be called to your particular attention, and that is the so-called flexible provision. One great fault about tariff bills in the past has been their lack of flexibility and our inability to modify rates to meet rapidly changing economic conditions without resorting to the cumbersome and none too satisfactory method of general tariff revision.

The Congress cannot undertake a general tariff revision oftener than once every seven or eight years unless all other public business is to be neglected and we are to suffer at frequent intervals all of the uncertainty, confusion, and costs incident to a complete revision of rates. Nor is it disputed that in the interim the new situations which arise almost from month to month in an economic world in which revolutionary changes are the rule rather than the exception will render many established rates obsolete overnight. Under rapidly changing conditions, it is uneconomic and unjust to freeze tariff rates over long periods of time. Moreover, provision should be made for correcting such errors as are bound to creep into any tariff revision and to enable us to review schedules which experience has demonstrated are out of line with actual conditions.

What, then, is the businesslike solution of this admittedly complicated and difficult economic problem? Let us have a Tariff Commission composed of trained, well-qualified and unbiased men; let them in each instance determine the facts and, based on those facts and the principles and rules laid down by the Congress for their guidance, make their recommendations to the President. Give him the authority to make their recommendations effective by proclamation. This is exactly what the present provision does. In addition, it provides for open hearings and for making public the recommendations of the Commission. Such a plan conforms to the fundamental principles which should govern the administration of a protective tariff law under present-day conditions. The interests of the country will best be served if, after Congress has laid down a policy and enacted a general rate revision, subsequent readjustments are brought about solely on the basis of economic considerations and free from all of the political and partisan controversy which history has demonstrated is inseparable from legislative tariff revision.

The principle that underlies the Agricultural Marketing Act is simple enough. The farmers of the country are to be encouraged and assisted in forming strong organizations through which they, acting collectively, can control the marketing and, ultimately, the production of their products. In other words, the same business principles that govern the conduct of other industries are to be applied to the agricultural industry. The major reason agriculture has failed to keep pace is that it has operated as an individual enterprise, competing with organized efforts in other industries by individual action and planning, as compared with collective thinking and acting.

Left to themselves, the work of organizing six and a half million farmers, scattered over a vast area, would be altogether too slow a process. There is need of assistance, leadership and financial help. These the

Government is furnishing in the interest of the national welfare. But one thing must be borne in mind. The Federal Farm Board is assisting farmers to set up their own cooperative organizations. It isn't doing the job for them. These central associations are owned and controlled by the cooperatives that form them. They are the marketing agencies of the farmers, not in any sense governmental. When thoroughly organized and firmly established, they will offer agencies for the unified marketing of the different products of the farm, on an orderly basis. At the same time, because of their relationship to their members, the cooperative associations are the one agency which can effectively discourage unwise expansion in acreage and over-production.

The program is essentially a long-time program. The goal cannot be achieved in a day. The work of organizing six and a half million farmers so that they can effectively control and manage their own business along modern business lines is not one that lends itself to rapid action or immediate results, but a foundation is being laid, on which to erect a firm and lasting structure. Before many years have passed, it is not unreasonable to hope that the Government will have stepped out of the picture, that the agricultural industry in the United States will be an organized, well managed industry, and that agriculture will attain the standard American level of prosperity.

In New Jersey you are to elect a United States Senator and an entire delegation to the House of Representatives. It would be idle, notwithstanding my admiration for Dwight Morrow, to attempt to praise him before an audience of his fellow-Jerseymen. He will be elected well nigh unanimously. But, in weighing the merits of the candidates for seats in the House, may I suggest to you that you review the legislative history of the last eighteen months, and consider how often you had reason to be thankful for the steadying influence and the sound policies pursued by the Republican House of Repre-

sentatives. To use an ancient formula, the House of Representatives, under the leadership of Speaker Longworth, has deserved well of the country. Two years from now, if it seems wise, we can have an entire change of management. In the meanwhile, our task is to mobilize the resources and efforts of the Nation in meeting and overcoming the conditions created by this world depression. The problem of employment must be solved. The American economic system must and will prove equal to the task of providing for all our people in the days of adversity as it does so abundantly in those of prosperity. We are fortunate in the character of our leadership. Isn't it the part of wisdom to give our leader united support and to put the full weight of the country back of his constructive program for the solution of our common problem? Or do we want the weak and halting policy that results from divided authority and political confusion? That is the one, the only real issue to be settled at the polls on Tuesday.

Statement by Secretary Mellon.

The statement of Congressman Garner on the subject of Tax Refunds in this morning's press has been called to my attention. While the facts have repeatedly been set forth, it is important that it should be clearly understood why refunds are made and by what methods they are determined.

The system prescribed by Congress for the collection of Federal revenues is based upon the proposition that the needs of the Government demand the immediate payment of taxes. Any dispute over the amount to be paid cannot be permitted to postpone payment. Any controversy can be considered and fairly determined thereafter.

Accordingly, under our system of income taxes, each taxpayer prepares his own return and pays whatever tax he estimates to be due. Thereafter, the Bureau of Internal Revenue audits his return and examines the various elements involved. If the return is found to be correct, the matter is closed. If the taxpayer has underestimated his tax, an additional tax is assessed. If he has overestimated his tax, he is entitled to the refund of the amount overpaid. If the taxpayer is dissatisfied with the determination of the Bureau, he is entitled to a full hearing, or, at his option, he may have recourse to the Board of Tax Appeals or to the courts.

Full precautions have been taken to see that the interests of the Government are protected. A system has been set up which provides adequate checks and review in all cases. Let me briefly state the various steps that are taken before any money is paid to a taxpayer by way of tax refund:

First. There is a field examination and audit made by Civil Service employees under the supervision and direction of a Treasury agent, who himself is in the classified Civil Service.

Second. The facts as reported by the agent in the field are submitted to and carefully reviewed by the Audit Review Division of the Bureau of Internal Revenue in Washington, with the assistance of the Valuation Division of the Bureau, composed of technical experts, all of whom are in the classified Civil Service.

Third. If the refund involved is less than \$10,000, they report their recommendation to the Commissioner of Internal Revenue for approval or disapproval.

Fourth. If the amount is over \$10,000, the proposed refund, together with all data, is forwarded to the office of the General Counsel of the Bureau of Internal Revenue. There a complete review is made of each and every item, with the assistance, if necessary, of the technical staff of the Bureau of Internal Revenue.

Fifth. All refunds in excess of \$75,000 are submitted in advance of payment and passed upon by the Congressional Joint Committee on Internal Revenue Taxation, consisting of Senator Smoot, of Utah, Senator Watson, of Indiana, Senator Reed, of Pennsylvania, Senator Harrison, of Mississippi, Congressman Hawley, of Oregon, Congressman Treadway, of Massachusetts, Congressman Bacharach, of New Jersey, Congressman Garner, of Texas, and Congressman Collier, of Mississippi.

The suggestion that under any system such as this refunds for political or any other improper purpose are possible, is simply preposterous.

By far the largest amount of refunds is due to court decisions, or other causes, over which the Treasury has no control. Furthermore, the largest refunds in recent years have almost without exception been attributable to the years of the War. At that time the Government was under the necessity of collecting more than four billion dollars annually. The statute was new and complicated and understood by few. There was no time to determine controversies

and in the emergency taxpayers generally paid large amounts into the public treasury, the legality of which was in dispute. There was always, however, the assurance that ultimately these payments would be analyzed, that correct interpretations would be applied, that justice would be done and excessive payments refunded.

To say that refunds should be made only by virtue of the decision of a court is to delegate to the courts the entire administration of the Income Tax Law. It is evident that what would apply to refunds would be equally applicable to additional assessments. In effect all questions involving disagreement would have to be referred to the courts. This would result in such interminable delay as to break down the administration of our income tax system, and would place an intolerable burden upon our already overworked Federal Courts. The suggestion cannot be intended seriously.

It is significant to note that the Bureau has collected far more in additional taxes than it has paid out in refunds. During the past fourteen years the total amount of additional assessments resulting from office audits and field investigations has been \$5,345,202,277, while the amount paid out in refunds during the same period has been \$1,254,317,890. During that period the total internal revenue receipts have been \$44,032,371,357, so that the amount refunded by the Bureau has been only approximately 2.8% of the amount collected.

In connection with the Public Buildings Program, SecretaryMellon made the following statement:

The Secretary of the Treasury has directed that such repair jobs necessary for the maintenance of Federal buildings be expedited so that as much work as possible within the limits of the appropriations available, will be placed on the market within the next three months. This class of work is generally allocated to the quarters of the fiscal year but in view of the present unemployment situation, this allocation will be disregarded.

The Government has title to approximately 50 building sites for which no appropriations have yet been obtained for the construction of buildings thereon. The Department contemplates securing the necessary appropriations for these projects in the early part of the next session of Congress. As a means toward expediting construction in these cases, the Department has under consideration the immediate use of another appropriation for the making of topographical surveys and test pit borings, which are usually paid for out of the building appropriations. With such data at hand, work on the plans and specifications for the buildings can be advanced to a point where the projects can be placed on the market for construction bids shortly after appropriations have been secured from Congress.

In line with the Department's desire to have local labor employed on Federal building projects to the greatest extent possible, consideration is now being given to the inclusion of a paragraph in the specifications for public building construction which would notify bidders that the Department will look with disfavor upon any departure by the contractor from the well-known policy of the Government to maintain existing rates of wages.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
SATURDAY, NOVEMBER 1, 1930.

Secretary Mellon announced today the appointment of Mr. B. H. Bartholow as Special Assistant to the Secretary of the Treasury in matters of legislation to fill the vacancy occasioned by the resignation of Mr. Ellsworth C. Alvord. Prior to his appointment, Mr. Bartholow was General Assistant to the General Counsel of the Bureau of Internal Revenue, having been on the legal staff of the Bureau for over seven years.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
SUNDAY, NOVEMBER 2, 1930.

SPEECH DELIVERED BY HON. OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY,
AT COOPER UNION, NEW YORK CITY,
SATURDAY EVENING, NOVEMBER 1, 1930.

Note:

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

RADIO TALK DELIVERED IN BEHALF OF REPRESENTATIVE RUTH PRATT
BY HON. OGDEN L. MILLS, UNDERSECRETARY OF THE TREASURY,
OVER STATION WMCA

SATURDAY EVENING, NOVEMBER 1st

It is to me a very pleasant privilege in these closing days of the Campaign to have the opportunity to say a few words to the voters of the Seventeenth District, many of whom I had the honor to represent for many years in the State Senate and in Congress. I trust that I still deserve and enjoy their confidence and that they will give some consideration to these necessarily brief and incomplete observations.

The Country is to elect on Tuesday a new House of Representatives. In our District, our present Representative, Ruth Pratt, is a candidate for re-election. She is entitled to your support not only on grounds of broad public policy but because of high personal merit, a distinguished public career, and faithful representation of your interests and views.

At the present time the business depression, which brings so much suffering and distress to many, overshadows all of those issues that would normally hold our interest. The Democratic Party, naturally enough, seeks to make capital out of the depression by attempting to hold responsible the Party in power. It has been done before, and doubtless will be again; and if the depression were limited to one country, or could be traced to any policy of government, the argument might be legitimate enough. But, in view of the fact that the economic depression is world-wide, that many countries are suffering infinitely more seriously than we, and that admittedly the forces which brought it about are beyond the control of government, I do not believe that you find this argument particularly persuasive or relevant.

The all-important question is, How best to solve the problem of employment, to mitigate the severity of the depression, to avoid hardship and distress, and to take such steps as will bring us quickest to the point where we can resume once more our normal economic progress. Are our votes next Tuesday likely in any way to affect or influence this situation? I believe they will.

You cannot, under any circumstances, effect a complete change of government. We are simply to elect a new board of directors. President Hoover, as Chief Executive, will in any event remain in command of our ship for the next two and a half years. At that time, if it seems desirable, there can be a complete change of management and we can all be swept from office. But, in the meanwhile, leaving aside his extraordinary equipment for dealing with just such situations, and the leadership and initiative which he has displayed, and the constructive efforts he is now engaged in to solve our immediate problems, is it wise at this time to seek the cure of divided authority? We need unity in mobilizing the efforts and resources of the Nation. Do we want, then, to begin by disorganizing the government through the election of a Democratic Congress to oppose a Republican President?

In this connection, it is not amiss to remind you--and if you think back, you will well remember--how often during the course of the last year you had reason to be thankful for the steady influence and sound policies of the Republican House of Representatives as contrasted with those of the Democratic-Insurgent combination. Even Democratic papers have repeatedly stated that the House of Representatives, of which Ruth Pratt was an influential Member, under the leadership of Speaker Longworth, had deserved well of the Country.

Moreover, while I have no desire to be unnecessarily partisan, particularly as I believe Ruth Pratt is entitled to support, irrespective of party, as an ideal type of public servant, it is certainly pertinent to call your attention to the fact that there is nothing in the Democratic record of the last session to inspire the Country with confidence should they, as the result of your votes, find them-

selves in control of the next Congress. Presumably, measures which they fought for so vigorously must inevitably be placed at the head of their legislative program once they find themselves in a position to make such a program effective. What are they? They voted solidly against the flexible provision in the Tariff Law, which, whether you like the present Tariff Law or not, constitutes a definite and constructive step looking to non-political, scientific readjustment of rate schedules. With almost equal unanimity in Senate and House, they supported the so-called Export Debenture Plan for farm relief, which contemplated the subsidizing of exports by a wholesale raid on the Treasury and an attempt to dump them in world markets. Had it not been for the Republican majority in the House of Representatives, there isn't the slightest doubt that they would have succeeded in passing this unsound measure, which not only would have failed to give relief to American agriculture, but have proved to be a costly and dangerous experiment.

It took the combined authority of the President and the Republicans in the House to defeat their Rankin Veterans' Pension Bill, which might well have cost between \$400,000,000 and \$500,000,000 yearly, in addition to the almost \$900,000,000 now being spent for the benefit of veterans of former Wars, and at that have afforded the veterans an unsound and inequitable program of relief. Through the espousal by the Democrats in the Senate of the Norris Muscle Shoals Bill, they voted to put the Federal Government in the power business.

I have no hesitation in saying that such a program constitutes a real menace to business recovery. It won't do to say that its enactment is unthinkable. I know that the Democrats came within measureable distance of carrying it through. Give them enough additional votes in Senate and House, and they can and may well enact these measures into law, all the more so since their success in this Election will almost necessarily carry with it the implied approval by the electorate of their actions and votes.

Finally, may I say a word or two about your Representative? You all know her magnificent record in the Board of Aldermen, where single-handed, in the face,

first, of cynical, and finally respectful, but always overwhelming, opposition, she with amazing knowledge of our complex city government, for two years fought the battle of good government. I think it is fair to say that her services earned the respect and admiration of the entire city. Washington is further off, and you may not have been able to follow her activities so closely. But, from personal observation, I can say that there as here she has continued to show a marked capacity for public service. During her first term she has already made for herself a position of real influence in a body which is indifferent to anything but real merit, and which very quickly appraises the capacity of a new legislator. She is a member of one of the leading committees of the House, the Banking and Currency Committee, one of unusual importance to a world financial center like New York. If you will but keep her in the House of Representatives, she has before her an ever-expanding career of usefulness to our city and country.

The situation in our District is complicated this year by the candidacy of a brilliant and entertaining gentleman running as a Socialist. Why he should have selected the Seventeenth District in which to run on the Socialist ticket, is hard to understand, unless, of course, the candidacy is designed primarily to help the Tammany candidate. In any event, since, under no circumstances, is it conceivable that the Seventeenth District should send a Socialist to Congress, it is well for those attracted by Mr. Broun's cheerful amiability to remember that a vote for him is in effect a vote for Judge Brodsky. Elect him, and you will simply add just one more Member to the colorless Tammany delegation. Elect Ruth Pratt, and you will send to Washington at least one Representative capable of representing ably and adequately the interests of this great city in the Congress of the United States.

The Secretary of the Treasury made the following announcement:

Final steps were taken today in connection with the funding of the indebtedness of the German Reich to the United States on account of the awards of the Mixed Claims Commission and the costs of the American Army of Occupation pursuant to the terms of the agreement executed June 23, 1930. Mr. Rudolph Leitner, First Secretary of the German Embassy at Washington, delivered to the Treasury bonds of the Government of the German Reich in the principal amount of Rm.3,169,700,000, of which Rm.2,121,600,000 was on account of the awards of the Mixed Claims Commission and Rm.1,048,100,000 was on account of the costs of the American Army of Occupation. Of the bonds so delivered to the Treasury, numbers one and two of the Mixed Claims Series in the aggregate principal amount of Rm.61,200,000, and numbers one and two of the Army Costs Series in the aggregate principal amount of Rm.37,850,000, having been paid were returned to the German Government.

The act approving the settlement was signed by the President on June 5, 1930. The settlement has likewise been approved by the German Government.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
Monday, November 10, 1930.

STATEMENT BY SECRETARY MELLON

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$125,000,000, or thereabouts. They will be 91-day bills; and will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock P.M., Eastern Standard time, on November 13, 1930. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated November 17, 1930, and will mature on February 16, 1931, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, and \$100,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e.g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a

deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on November 13, 1930, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on November 17, 1930.

The Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other disposition thereof will also be exempt, from all taxation, except estate and inheritance taxes. No loss from the sale or other disposition of the Treasury bills shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions.

Treasury Department Circular No. 418, as amended, dated June 25, 1930, and this notice as issued by the Secretary of the Treasury,

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prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Thursday, November 13, 1930.

Secretary Mellon has selected Bebb & Gould and John Graham, architects of Seattle, Washington, to be associated in furnishing architectural services in the preparation of drawings and specifications for the proposed Marine Hospital, Seattle.

TREASURY DEPARTMENT

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FUTURE RELEASE
FOR RELEASE WHEN DELIVERED
OBSERVE DATE

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

UNDERSECRETARY OF THE TREASURY,

AT THE ANNUAL MEETING

OF

THE ACADEMY OF POLITICAL SCIENCE,

TO BE HELD AT THE HOTEL ASTOR, NEW YORK CITY,

ON FRIDAY, NOVEMBER 14th, at 2:30 P. M.

AMERICA'S SEPARATE AGREEMENT WITH GERMANY.

On June 23, 1930, the United States and Germany executed an agreement providing for the settlement of the claims of the United States and its citizens against the German Government. The agreement may be briefly summarized as follows:

It provides that Germany is to pay 40,800,000 Reichsmarks for the period September 1, 1929, to March 31, 1930, and the sum of 40,800,000 Reichsmarks per annum from April 1, 1930, to March 31, 1981, in satisfaction of mixed claims, and beginning September 1, 1929, an average annuity of 25,300,000 Reichsmarks for 37 years in full liquidation of our Army Costs. The combined annuities equal the annuity allocated to the United States under the terms of the Young Plan. Germany at its option, upon not less than 90 days' advance notice, may postpone any payment on account of the principal falling due to any subsequent September 30th and March 31st not more than $2\frac{1}{2}$ years distant from its due date, a provision that accords, generally speaking, with provisions relating to postponement to be found in our other

debt settlements. All postponed payments on account of mixed claims are to bear interest at 5 per cent, the rate provided for in the Settlement of War Claims Act of 1928, and all payments postponed on account of Army Costs are to bear interest at the rate of 3 5/8 per cent. While the annuities are stated in terms of Reichsmarks, payments are to be made in dollars, either at the Treasury or at the Federal Reserve Bank of New York.

If we would understand the reasons which led up to the making of a separate agreement with Germany, it is necessary to consider the situation of the United States as compared with that of the other creditor powers. At the time the Young Plan came into existence, the claims of the United States against Germany fell into two limited classes: First, those covering the reimbursement of our Government for the costs of our Army of Occupation; and, secondly, those relating to the compensation of our citizens for damages sustained from acts of war, as adjudicated by a joint tribunal set up by agreement with Germany and popularly known as "mixed claims." On the other hand, our Government had recognized two classes of claims by German citizens against it, the first comprising the return in cash or in kind of property of private persons seized by the Alien Property Custodian; and the second covering compensation for ships, radios and patents seized by the United States Government for its own use.

The history of the Army Costs and Mixed Claims items is as follows:

Army Costs.

The total costs of the United States Army of Occupation amounted to \$292,663,435.79. Except for cash requisitions on the German Government for the use of the Army of Occupation aggregating \$37,509,605.97 and certain other items, such as provost fines, abandoned enemy war material, etc., amounting to \$7,288,184.33, the United States Government received no payments

on account of Army Costs up to May 25, 1923. On that date the United States and the principal Allied Powers signed the so-called Wadsworth Agreement, which provided that our Army Costs should be divided into twelve annual instalments, and should be, during the first four of the twelve years, a first charge on cash payments received from Germany after the expenses of the Reparation Commission and the current expenses of the Allied Armies of Occupation, but during the last eight years should be an absolute prior charge on all cash payments, except for the costs of the Reparation Commission. Ratifications of the Wadsworth Agreement were never exchanged but we received a payment under it of \$14,725,154.40 in January, 1925. The Agreement was superseded by the so-called Paris Agreement of January 14, 1925, which also covered awards of the Mixed Claims Commission. This latter Agreement was concluded at a meeting of representatives of the creditor powers, including the United States, called for the purpose of making distribution of the annuities provided for under the terms of the Dawes Plan, which had been adopted in 1924. Under the provisions of the Paris Agreement, the United States was to receive on account of its Army Costs, beginning September 1, 1926, the sum of 55,000,000 gold marks, or about \$13,100,000 per annum, which payments were to constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes annuities after the provision of the sums necessary for the service of the 800,000,000 gold mark German external loan of 1924 and for the costs of the Reparation and other Commissions. Under the provisions of the Wadsworth Agreement, our Army Costs should have been liquidated by the end of 1935. Under the Paris Agreement, the payments would extend over a period of about 18 years, beginning September 1, 1926.

Up to the first of September, 1929, the United States had received on Army Costs Account, \$39,203,725.89 under the Paris Agreement.

As of September 1, 1929, there was still due on account of Army Costs \$193,936,765.20.

Mixed Claims.

By virtue of an agreement entered into on August 10, 1922, by the United States and Germany, there was set up a Mixed Claims Commission, charged with the duty of passing upon the claims of American citizens arising since July 31, 1914, in respect of damage to or seizure of their property, rights and interests, and upon any other claims for loss or damage to which the United States or its nationals had been subject with respect to injuries to persons or to property, rights and interests since July 31, 1914, as a consequence of the War, and including debts owing to American citizens by the German Government or by German nationals.

The first meeting of the Commission was held on October 9, 1922. Up to August 31, 1929, awards had been certified to the Treasury for payment which, with interest to August 31, 1929, aggregated \$172,703,083.71. It was estimated as of August 31, 1929, that the principal amount of awards yet to be entered and certified, together with interest to that date, amounted to \$53,000,000, and in addition awards to the United States Government, with interest to August 31, 1929, amounted to \$64,934,794.41. In other words, as of August 31, 1929, it was estimated that the total awards of the Mixed Claims Commission, made and to be made, aggregated with interest \$290,637,878.12.

No provision for the payment of the awards of the Mixed Claims Commission was made until the Paris Agreement of January 14, 1925. The Paris Agreement provided that the United States should receive $2\frac{1}{4}\%$ of all receipts from Germany on account of the Dawes annuities available for distribution as reparations, provided that the annuity resulting from this percentage should not in any year exceed the sum of 45,000,000 gold marks. Up to September 1, 1929, the United States had received from Germany under the Paris Agreement for account of mixed claims \$31,831,472.03, which, with earnings and profits on investments amounting to \$2,149,692.70, made available for distribution

\$33,981,164.73, and left \$256,656,713.39 still to be provided for. It must be understood in this connection that the figures relating to the total amount finally awarded by the Mixed Claims Commission were necessarily only an estimate, since all of the awards had not as yet been made.

Turning, now, to Germany's claims against the United States, our Government, in common with other nations engaged in the Great War, had sequestered or seized for its own use the property of German citizens. Once the War was over, it could have elected, as others did, to retain that property and apply it to the satisfaction of its own claims and those of its citizens, leaving the German owners to seek compensation from their own Government. Had the United States followed this course in the first instance, it seems probable that at the time of the adoption of the Young Plan we would have been completely out of the picture, and there would have been no occasion for either a joint or a separate agreement.

However, in accordance with a time-honored tradition and what we conceived to be sound public policy, we elected either to return the property or to compensate the owners, the payments to extend over a number of years, the total period for final liquidation corresponding in a general way to that required to discharge the obligations of our own citizens. This is a noteworthy fact, for it results in the transfer of important sums to Germany during the period of payment to us. And what is even more significant, in the earlier years dollar payments to Germany will exceed mark payments to the United States. During the first three years of the life of the separate agreement, we will receive some 198,000,000 Reichsmarks, or about \$47,000,000; whereas we will place at the disposal of German citizens--I can give you but approximate figures--about \$148,000,000 in cash or property. This, as I understand it, is not true

of other creditor countries.

Moreover, it must be remembered that, in accordance with the policy established by President Wilson, who as early as 1919 had said that in his opinion we should claim nothing under the general reparation clauses, we had never presented a claim for general reparations; we had not participated in the fixing of the sums to be paid by Germany or in the apportioning of those sums among the creditor powers; we had never joined others in the collection of payments, and we had never been represented on the Reparation Commission, which, after all, came into existence to deal with an almost strictly European problem.

It appears, then, that at the time the question arose as to whether we should become parties to the Young Plan, or rely on a separate agreement with Germany, the position of the United States differed in several important particulars from that of the other principal creditors; First, our claims were of a limited character and, compared with the total reparation bill, were comparatively small. We will receive less than three per cent of the total Young payments. Secondly, by reason of our policy of non-confiscation and compensation of German citizens, mark payments to the United States will be offset to some extent throughout the period of payment, and in the earlier years more than offset by dollar payments to Germany, which obviously facilitates bi-lateral transfers; and, thirdly, we had never joined our war associates in the assessment, collection and distribution of general reparation payments.

The adoption of the Young Plan, by our becoming a party to the Hague Conventions, would have involved official approval on our part, not only of the total reparation bill presented to Germany, a question in which we had no primary interest, but of the fairness of the distribution of the amounts to be paid as between European creditors, as to which we had no knowledge and no interest whatsoever. In addition, we would have had to assume in the future a share of the responsibility of collecting and distributing payments, for we

could not have accepted the benefits afforded by the Young Plan machinery and have declined to bear any part of the burdens.

Clearly, our interests were not sufficiently important to justify our plunging headlong into this troublesome European problem, and reversing the policy laid down by President Wilson, and followed since his day, particularly since, had we participated, it is probable, should any difficulties arise in the future, that we, as a comparatively disinterested party, would find ourselves in the position of arbiter, called upon to settle and decide a controversial and difficult European question.

But there is another controlling reason which made it inadvisable and inconsistent for us to accept and become a party to the Young Plan. The Plan apparently seeks to link and merge reparation payments by Germany with allied debt payments to the United States. Here again President Wilson, on the very first occasion that this attempt was made, took the position that the settlement and payment of the obligations to us, incurred by our associates, were entirely independent and unrelated to the reparation claims made against Germany. He said the United States Government "fails to perceive the logic in a suggestion in effect either that the United States shall pay part of Germany's reparation obligation or that it shall make a gratuity to the allied governments to induce them to fix such obligation at an amount within Germany's capacity to pay. This Government has endeavored heretofore in a most friendly spirit to make it clear that it cannot consent to connect the reparation question with that of inter-governmental indebtedness." That policy has been consistently adhered to by our Government.

In short, when the question arose as to whether we should make a separate agreement with Germany for the satisfaction of our relatively modest claims, or decide to pool them with the infinitely larger claims of the European creditors, all of the arguments appeared to be in favor of the first course.

It was simple, direct, entirely adequate to protect American interests, and in accordance with established policy; whereas the alternative involved not only abandonment of the attitude steadfastly maintained toward both war debts and reparation problems, but the assumption of responsibilities on our part wholly disproportionate to the magnitude of our claims and relating to problems almost strictly European in character. While, therefore, we were quite ready to accept the annuities allocated to us by the Young Plan, which involved some sacrifice on our part, it seems to me that we would not have been justified in becoming participants, and that we followed a wise and proper course in providing for the satisfaction of our Claims against Germany in a separate agreement.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
FRIDAY, November 14, 1930.

STATEMENT BY SECRETARY OF THE TREASURY MELLON

Secretary of the Treasury Mellon announced today that the tenders for \$125,000,000, or thereabouts, of 91-day Treasury Bills dated November 17, 1930, and maturing February 16, 1931, which were offered on November 10, 1930 were opened at the Federal Reserve Banks on November 13, 1930.

The total amount applied for was \$568,280,000. The highest bid made was 99.605 equivalent to an interest rate of about 1.56 per cent on ^{an} annual basis. The lowest bid accepted was 99.558 equivalent to an interest rate of about 1.75 per cent on an annual basis. The total amount of bids accepted was \$127,455,000. The average price of Treasury Bills to be issued is 99.564. The average rate on bank discount basis is about 1.72 per cent.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
TUESDAY, NOVEMBER 18, 1930.

Secretary Mellon announces the selection of the following
architects:

Paist & Steward for the federal building at Miami, Florida.

H. J. Klutho, parcel post building at Jacksonville, Florida.

SPEECH TO BE DELIVERED BY HON. OGDEN L. MILLS,
UNDERSECRETARY OF THE TREASURY,
BEFORE THE NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS AND TREASURERS,
AT THE PENNSYLVANIA HOTEL, NEW YORK CITY,
ON THURSDAY MORNING, NOVEMBER 20th.

THE EXECUTIVE BUDGET SYSTEM.

We have, among other problems, a tax problem in the United States, which is, of course, directly related to the high cost of government. We very rightly take pride in our increased industrial efficiency, our low cost of production, our constant striving in the business and commercial field to eliminate waste; and yet we are curiously apathetic toward the problem of efficiency in the field of government, and apparently unmindful that here, too, waste is distinctly uneconomic. The cost of the Federal, State and local governments constitutes in a sense a part of our national overhead expense, and if too heavy must be a drag on our economic progress. When governmental expenditures absorb almost 14 per cent of our national income, is it too much to say that we have a very real interest in seeing to it that a proper system of control is set up? Based on nine years' experience, I think I am safe in affirming that, in so far as the Federal Government is concerned, such control exists through the establishment of a sound budget system.

While I am far from claiming that the results are due more than in part to effective budgetary practices, the following figures are significant in emphasizing where the tax problem of the future lies:

While Federal taxes were reduced from \$4,905,000,000, in 1921, to \$3,364,000,000, in 1928, or a decrease of \$1,541,000,000, State and local increased from \$3,933,000,000 to \$6,095,000,000, or \$2,162,000,000. The increase in State and local taxes not only offset the reduction in Federal taxes, but resulted in an increase of \$621,000,000 in all taxes. Federal taxes amounted per capita to \$28.03, in 1928, as compared with \$45.23, in 1921; while State and local taxes were \$50.79 per capita in 1928 and \$36.27 in 1921.

Turning, now, to public expenditures, the facts are even more significant. Tax receipts are frequently confused with governmental costs. As a matter of fact, they do not by any means correspond. Year in and year out our governments, with the exception of the Federal Government, spend much more than their current revenues, the difference as a rule being made good from the proceeds of borrowing. Total expenditures by Federal, State and local governments amounted to \$12,179,000,000, in 1927, the latest complete figure available, representing an increase of \$1,257,000,000, or 18.3 per cent, as compared with 1924, in the disbursements of all State and local governments, and a net increase of \$1,205,000,000 for all governments. How were these expenditures financed over and above tax revenues? The answer is to be found in the changes in public debt outstanding. The Federal Government is paying off its indebtedness, while the States and municipalities are resorting to bond issues to finance additional expenditures, apparently neglectful of the fact that in the long run borrowing is the most expensive method of public financing. During the seven years, 1922-1928, the net funded or financed indebtedness of ^{State} city and local governments increased from \$7,264,000,000 to \$12,579,000,000, an increase of more than \$5,300,000,000. Meanwhile, the national debt, which by 1922 had already been considerably reduced from the war peak, was further reduced by nearly

\$5,400,000,000 by the end of the fiscal year 1928.

High taxes and the high cost of government do not necessarily imply uneconomic expenditures by the community as a whole, in spite of the very natural resentment which the individual may feel at the increased encroachment by government on his personal resources. Under complex modern conditions, governments must undertake responsibilities which in simpler days could be safely left to private individuals. Furthermore, it is unquestionably true that the people want, and, theoretically at least, are willing to pay for, more and better service from their government. The mere fact, then, that we are expending an increasing amount of money does not necessarily mean that there is extravagance and waste or unjustified expenditures. On the other hand when there is reason to believe that extravagance and waste exist, to plead the worthiness of the objects, as is so frequently done, is utterly beside the point. No one will deny that we must have highways and an adequate educational system, but whether in these fields we are getting a full return on the money spent is the question which must be answered. The real problem, as I see it, is not so much as to whether we shall decrease or increase our governmental activities, but whether we could not get what we are getting to-day from government for a good deal less than we are paying; and, from my experience, that is a very live and real question.

In order to answer it, it is necessary to ascertain in each particular instance whether a system has been set up which will insure a proper control over appropriations and expenditures, and at the same time tend to develop the efficiency necessary to yield a dollar's worth of service for every dollar appropriated and expended. In the commercial and business field, competition insures efficiency and economy; in the field of government, we must look to the

setting up of public accounts in such a way that the public can readily grasp not only what the routine administration of government is costing, but what is involved in the way of expenditures by new policies suggested for their approval. Aside from eternal vigilance on the part of the public, which can only be effective if the books are always open and the accounts in readily understandable form, control of the purse-strings must be exercised in such a manner as to compel the efficient and economical administration of the government machine. What is known as the Executive Budget System, properly organized and applied, meets these fundamental requirements.

Stated from the point of view of our Federal experience, a budget system for government finance involves not only a systematic plan of receipts and expenditures, but also the machinery for putting this plan into operation. In the plan itself, the budget proper, the needs of the government are estimated and balanced against anticipated income for a definite period in advance, and are also compared with the actual expenditures and actual receipts in preceding periods. Such a plan, presented to the Legislature and to the public, permits a careful survey of the needs of the various branches of the government as a basis for legislation covering receipts and expenditures. The budget and accounting system further provides for a thorough and independent audit of the expenditures.

Most important of all, when properly instituted, the budget system is the most effective way of controlling current expenditures and providing for administrative efficiency. I have had first-hand opportunity to study the old system of control through Committees of the Legislature, and control by means of an executive budget system. As a State Senator, I was a member of the Finance Committee, and for the last four years, among other duties, I have

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been the Budget Officer of the Treasury Department. When I was in Albany, the heads of the different Departments and Bureaus would appear before us and present their needs as they saw them, in great detail. We had available past experience and figures of former years, and we had opportunity for cross-examination limited only by the time element. We could check inordinate and apparently unjustified increases, but we had no machinery for ascertaining whether the current needs were determined by more routine and perhaps a wasteful system of administration, or by a high state of administrative efficiency. Moreover, free from any current checking up on the conduct of his office, and of necessity knowing more of his Department's activities than we members of the Legislature could possibly know, each administrative head was in an admirable position to make out the most plausible case in support of his estimates. We did the best we could, and on the whole the system worked fairly well, though I never had the feeling that I had before me all of the information necessary to form a sound business judgment.

Contrast such a system with that now functioning in Washington. There we have a Budget Director who is in complete control of all administrative requests for appropriations, since no estimates can go to Congress except through the President, who acts, of course, upon recommendation of the Budget Director. The latter is supported by an expert staff, the several members of which are assigned to the various Departments and independent establishments of the government. They are expected to become thoroughly familiar with all phases of the latter's respective activities and be prepared to advise the Budget Director as to what funds are actually needed for efficient operation. In addition, each Department and separate establishment has a budget officer, responsible for all estimates submitted, and for the supervision of expenditures. Let us see how the system works in the Treasury Department.

In the early summer each Bureau in the Department is required to prepare an estimate of its needs for the ensuing year, together with sheets justifying every item. These estimates are first examined by the Budget and Improvement Committee of the Treasury Department, composed of men of long experience, and each of whom is thoroughly familiar with one or more Bureaus. They review the estimates and make their recommendation to the Budget Officer of the Department. He then holds hearings, lasting from three weeks to a month, at which the representatives of every Bureau appear and are required to justify their estimates in detail, in the light of the criticism of the Budget and Improvement Committee. Remember that the Budget Officer is not an outsider, unfamiliar with the administration of the Department, but one of the chief administrative officers, in daily contact with all of its activities. After the estimates have received his approval, they are referred to the Budget Director and subjected to the scrutiny of his staff. When there has been ample opportunity to analyze them the Budget Director holds his hearings, and, on the basis of the information thus made available to him, is in a position to make his recommendations to the President for transmission to the Congress. Such a system not only insures the reduction of estimates to a point where they represent the real needs of a Department, but it has the effect of stimulating every Bureau Chief and administrative officer to study the ways and means whereby he can increase the efficiency of his organization and cut the costs; for you can rest assured that the Budget Officer, and the Budget and Improvement Committee working under him, aside from the very real sense of responsibility which comes from the obligation placed on them, in the very nature of things take pride in making a good showing under a system which tends to bring to light the defects

and make clear improvements and economies effected.

There is one further advantage which should be pointed out.

The Budget Director, once his hearings are complete, has before him, on the one hand, the complete picture of the Government needs during the coming fiscal year, and, on the other, has the estimates submitted to him by the Treasury and other Departments of the probable receipts. If the latter are not adequate to cover all of the proposed expenditures, one or two courses are open--either the revenues must be increased by new taxation, or the less necessary of the proposed expenditures can be eliminated. This is a question of policy to be determined by the Chief Executive, but he is enabled to reach his conclusions and make his recommendations to Congress based, not on guesswork or haphazard estimates, but on definitely ascertained figures, founded on a thorough business procedure.

After the Congress has made the necessary appropriations, covering the various activities of government, we in the Treasury, for instance, require each one of our Bureaus to set up reserves out of its appropriations and to allocate the balance to the four quarters. They cannot, generally speaking, exceed the allocation in any quarter or draw on the reserve without the permission of the Budget Officer of the Department, who in turn reports to the Budget Director.

Thus, you see, that from the day the first estimates are set up to the day the last cent is expended, a control is in force designed to protect the public funds from useless, wasteful or extravagant expenditure.

Until about twenty years ago the systematic planning of government expenditures through a budget was practically unknown to this country. Legislatures, Federal, State and local, appropriated money in a haphazard fashion and accordingly the executive departments spent carelessly, in many cases

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without an adequate audit of accounts. As a result of the pressure of increasing governmental expenditures, some form of centralized control was regarded with increasing favor. This was recognized in President Taft's Commission on Economy and Efficiency organized in 1910 to investigate the organization, administration and financial procedure of the Federal Government. One of the most important reports of this Commission was that on "The Need for a National Budget," transmitted to Congress in 1912 by President Taft with a message of approval. Although the work of this Commission did not result in the National Budget until about nine years later, similar investigations were initiated in a number of states. Considerable progress has been made by certain state governments and by certain city governments in instituting budget systems. However, too often in these cases the budget is merely a collection of the figures of proposed expenditures with no machinery for bringing expenditures into balance with receipts, for providing an independent audit of expenditures, or for promoting administrative efficiency and economy. Or, again, an Executive Budget System has been looked upon as an instrument designed to augment the power of the Executive at the expense of the Legislature. It should have no such purpose. As a matter of fact, a properly presented budget, furnishing as it should more adequate and reliable data, puts the Legislative body in a better position to control executive expenditures. Moreover, while legislative bodies are on occasions, to say the least, extravagant, year in and year out in our cities and States the spending agencies are the ones that call for constant supervision, check and control.

Not only do State and local governments need more businesslike methods in planning their entire budgets; they also need more systematic and businesslike planning of the financing of one special group of expenditures,

namely, those which are now paid for from debt issues. In State and local government finance there is altogether too common a practice of labeling each debt issue as an emergency issue for an unusual permanent improvement.

The volume of debt issues and of the debt charges have cumulated in recent years at an alarming rate. Since 1922 the public debt of State and local governments has increased at an average rate of almost \$900,000,000 per year, of which about \$800,000,000 has been indebtedness of local governments. The value of the total bonds issued in 1927 was about 40% greater than the amount expended for interest and debt redemption. In other words, States and localities have made such free use of the borrowing power that the billion and a half of bonds which they sold in 1927 left them a very small margin over the amount they were obliged to pay on account of debt already incurred. This fact alone is significant enough to serve as a warning that the time has come to examine not only the cost of government but also the existing methods of financing that cost.

Comparatively little attention has been given to the fact that expenditures for and the financing of improvements constitute a special budget problem. It is just as feasible to plan for permanent improvements, taking into account a period of years, as it is to plan current expenditures for a budget. Furthermore, if plans were made in a more businesslike way, the costs of improvements could be covered with the minimum tax burden.

It is obvious that State and local governments will continue year after year to make expenditures for improvements. As the scope of activity of these governments grows, increased permanent improvements are inevitably

involved. Furthermore, improvements once made require replacement and extension. For example, each year improved highways are replaced by better ones and each year additions are made to the number of improved miles of highway. In such a situation it is obviously unbusinesslike for governments to regard the expenditure for each new improvement as an extraordinary expense, never to recur.

Whether an improvement should be paid for from current revenue or from the proceeds of debt issues, depends upon the character of the improvement, the length of its life, whether or not the capital expenditure is a recurring one, the state of the public finances and credit, the tax burden and whether or not existing tax rates bring in more revenue than is needed for current purposes. A careful and thorough inquiry is required in each instance. In so far as certain expenditures for improvement occur regularly from year to year, provision should be made to finance these from current revenues. Furthermore, it is infinitely better to finance non-productive investments from current revenue than to incur a burden for future budgets. In this connection, I suggest a study of the policy adopted by the State of Massachusetts, which in recent years has made a truly remarkable record of sound financing.

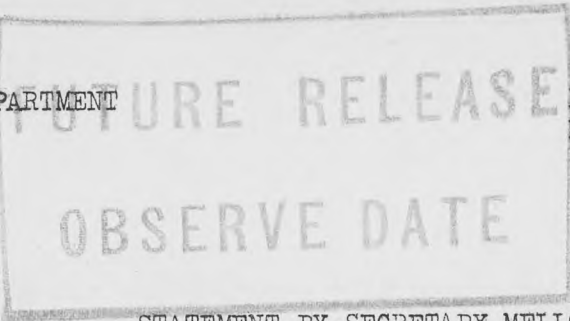
It is obvious that little real benefit is being derived from the present method, even in the way of relief from present tax burdens, and that, if bonds continue to be issued at their present rate, this method of public financing will prove infinitely more expensive in the immediate future than had we financed capital expenditures, more particularly those of a recurring kind, from current revenue.

The conclusions which I draw from all this are that we are confronted with two very definite questions,--first, whether the costs of our State and local governments are excessive, judged from the standpoint of

whether we could not get the present service at lower cost through more scientific budgeting; and, secondly, whether existing methods of financing these costs are sound economically. There is no one answer to these questions. They must be asked separately in every State, and in practically every community. Moreover, they are recurrent questions that have to be asked and answered every year, and their answer, therefore, presupposes the existence of permanent budget machinery.

We must have, on the one hand, a budget system that will permit intelligent planning and effective control, and that will enable the people to get a correct picture of the financial transactions and status of their governments; and, on the other hand, a willingness on the part of the people to give the intelligent consideration and active interest without which in the long run no popular government will function adequately.

TREASURY DEPARTMENT



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FOR RELEASE, MORNING PAPERS,
Monday, December 8, 1930.

STATEMENT BY SECRETARY MELLON

The Treasury is today offering 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, 1930, one series, TJ2-1931, being for 6 months, with interest at the rate of $1\frac{3}{4}$ per cent, and maturing June 15, 1931, and the other series, TD-1931, being for 12 months, with interest at the rate of $1\frac{7}{8}$ per cent, and maturing December 15, 1931. The amount of the six months' offering is \$150,000,000, or thereabouts, and the amount of the twelve months' offering is \$250,000,000, or thereabouts.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new certificates, at par, Treasury certificates of indebtedness of Series TD-1930, maturing December 15, 1930. Subscriptions for the six month $1\frac{3}{4}$ per cent certificates of Series TJ2-1931, in payment of which certificates of indebtedness maturing December 15, 1930, are to be tendered, will be given preferred allotment up to \$30,000,000, while subscriptions for the twelve month $1\frac{7}{8}$ per cent certificates of Series TD-1931, in payment of which certificates maturing December 15, 1930, are to be tendered, will be given preferred allotment up to \$50,000,000.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The certificates of Series TJ2-1931 will have one interest coupon attached, payable June 15, 1931, and the certificates of Series TD-1931, two interest coupons attached, payable June 15, 1931, and December 15, 1931.

These certificates will be exempt, both as to principal and interest, from all taxation, except estate and inheritance taxes.

About \$480,000,000 of Treasury certificates of indebtedness and about \$90,000,000 in interest payments on the public debt become due and payable on December 15, 1930, and about \$51,000,000 in Treasury bills become due and payable on December 16 and \$51,000,000 on December 17.

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, 1930, the certificates of Series TJ2-1931 being payable on June 15, 1931, with interest at the rate of one and three-quarters per cent per annum, payable on a semiannual basis, and the certificates of Series TD-1931 being payable on December 15, 1931, with interest at the rate of one and seven-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 TJ2-1931 will have one interest coupon attached, payable June 15, 1931, and the certificates of Series TD-1931, two interest coupons attached, payable June 15, 1931, and December 15, 1931.

The certificates of said series shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) 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.

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, 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, 1930, 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-1930, maturing December 15, 1930, 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

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FOR RELEASE, MORNING PAPERS,
Thursday, December 11, 1930.

Secretary Mellon announced that subscriptions for the two issues of Treasury certificates of indebtedness, Series TJ2-1931, 1-3/4 per cent, dated December 15, 1930, maturing June 15, 1931, and Series TD-1931, 1-7/8 per cent, dated December 15, 1930, maturing December 15, 1931, closed at the close of business on December 9, 1930.

Reports received from the twelve Federal Reserve Banks show that for the offering of 1-3/4 per cent certificates of Series TJ2-1931, which was for \$150,000,000 or thereabouts, total subscriptions aggregate some \$939,000,000, and that for the offering of 1-7/8 per cent certificates of Series TD-1931, which was for \$250,000,000 or thereabouts, total subscriptions aggregate some \$517,000,000. Of these subscriptions, about \$144,000,000 represent subscriptions for which 3-1/4 per cent Treasury certificates of indebtedness of Series TD-1930, maturing December 15, 1930, were tendered in payment, of which about \$80,000,000 were accepted.

Allotments on the cash subscriptions for 1-3/4 per cent certificates of Series TJ2-1931 were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted 50 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$1,000 but not exceeding \$10,000 were allotted 40 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 30 per cent, but not less than \$4,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 15 per cent, but not less than \$30,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 10 per cent, but not less than \$150,000 on any one subscription.

Allotments on cash subscriptions for 1-7/8 per cent certificates of Series TD-1931 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 \$100,000 were allotted 80 per cent, but not less than \$1,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 60 per cent, but not less than \$80,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 35 per cent, but not less than \$600,000 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 to-day announced that the total amount of subscriptions received for the two issues of Treasury certificates of indebtedness, Series TJ2-1931, 1-3/4 per cent, dated December 15, 1930, maturing June 15, 1931, and Series TD-1931, 1-7/8 per cent, dated December 15, 1930, maturing December 15, 1931, was \$1,457,197,000. The total amount of subscriptions allotted was \$428,322,000, of which \$79,817,500 represents allotments on subscriptions for which Treasury certificates of indebtedness of Series TD-1930, maturing December 15, 1930, were tendered in payment. Such exchange subscriptions tendered for Series TJ2-1931 were allotted 40 per cent, and the exchange subscriptions tendered for Series TD-1931 were allotted 72 per cent. 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:

SERIES TJ2-1931

<u>Federal Reserve District:</u>	<u>Total Subscrip- tions Received:</u>	<u>Total Exchange Subscriptions Allotted:</u>	<u>Total Cash Subscriptions Allotted:</u>	<u>Total Subscrip- tions Allotted:</u>
Boston	\$ 108,211,000	\$ 26,000	\$ 16,667,000	\$ 16,693,000
New York	341,819,500	22,192,500	33,756,500	55,949,000
Philadelphia	86,454,500	1,418,000	11,800,000	13,218,000
Cleveland	53,470,500	19,000	10,328,000	10,347,000
Richmond	32,529,000	223,500	9,443,500	9,667,000
Atlanta	47,274,000	60,000	12,049,500	12,109,500
Chicago	113,247,000	4,599,000	14,483,500	19,082,500
St. Louis	9,612,000	118,500	1,685,000	1,803,500
Minneapolis	6,462,000	417,500	1,195,500	1,613,000
Kansas City	10,724,000	497,000	1,352,500	1,849,500
Dallas	37,387,500	132,000	6,956,500	7,088,500
San Francisco	<u>92,181,000</u>	<u>137,500</u>	<u>10,383,000</u>	<u>10,520,500</u>
Total	\$ 939,372,000	\$29,840,500	\$130,100,500	\$159,941,000

SERIES TD-1931

<u>Federal Reserve District:</u>	<u>Total Subscriptions Received:</u>	<u>Total Exchange Subscriptions Allotted:</u>	<u>Total Cash Subscriptions Allotted</u>	<u>Total Subscriptions Allotted:</u>
Boston	\$ 25,840,000	\$ 126,000	\$ 11,667,500	\$ 11,793,500
New York	178,166,500	32,525,500	54,756,000	87,281,500
Philadelphia	44,559,000	8,000	22,600,000	22,608,000
Cleveland	35,458,500	1,826,500	19,852,500	21,679,000
Richmond	19,372,500	705,000	12,707,500	13,412,500
Atlanta	26,073,000	121,500	18,757,500	18,879,000
Chicago	96,642,500	13,767,000	36,890,500	50,657,500
St. Louis	5,384,000	363,000	3,228,000	3,591,000
Minneapolis	3,555,500	8,500	1,841,500	1,850,000
Kansas City	4,143,500	90,500	2,503,500	2,594,000
Dallas	15,283,500	108,500	9,702,500	9,811,000
San Francisco	62,325,000	310,500	23,897,000	24,207,500
Treasury	21,500	16,500	- - - - -	16,500
Total	\$517,825,000	\$ 49,977,000	\$218,404,000	\$268,381,000

Total Subscriptions Received, both series \$1,457,197,000
 Total Exchange Subscriptions Allotted, both series 79,817,500
 Total Cash Subscriptions Allotted, both series 348,504,500
 Total Subscriptions Allotted, both series 428,322,000

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE
December 15, 1930.

The Treasury has received payments amounting to \$122,989,450.22, due today, from the following foreign governments on account of their funded indebtedness to the United States, of which \$30,854,052.37 was for account of principal, and \$92,135,397.85 for account of interest. All payments were received in cash.

	<u>Principal</u>	<u>Interest</u>
Belgium	-	\$ 1,625,000.00
Czechoslovakia	1,500,000.00	-
Estonia	-	150,000.00
Finland	55,000.00	129,885.00
France	-	19,325,000.00
Great Britain	28,000,000.00	66,390,000.00
Hungary	11,755.00	28,804.73
Italy	-	1,260,625.00
Latvia	-	50,000.00
Lithuania	-	93,528.11
Poland	<u>1,287,297.37</u>	<u>3,082,555.01</u>
	<u>\$30,854,052.37</u>	<u>\$92,135,397.85</u>

Of the principal payments received, the sum of \$28,995,117.64 was for account of the obligations originally acquired for cash advanced under

the authority of the Liberty bond acts. Under the terms of these acts all such cash payments of principal must be applied to debt retirement. The above-mentioned amount has been applied to the Treasury certificates maturing today. The balance of the payments amounting to \$93,994,332.58 is available to meet current expenditures of the Government and was so treated in the estimates submitted in the President's last budget message.

TREASURY DEPARTMENT.

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FOR IMMEDIATE RELEASE,
SATURDAY, DECEMBER 20, 1930.

The Secretary of the Treasury announces the selection of the firm of A. Ten Eyck Brown, Atlanta, Georgia, as architects for the proposed Federal building to be located at Spring, Hunter and Forsyth Streets, Atlanta, Georgia.

Formal contract with the above firm will be entered into as soon as title to the new site is vested in the United States.

A. W. Mellon
Secretary of the Treasury.

