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TREASURY DEPARTMENT

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Friday, July 1, 1932.

Secretary Mills made the following announcement:

The Greek Government has advised the Treasury that because of recent developments in that country, it has taken advantage of the option granted in paragraph 2 of part I of the debt funding agreement of May 10, 1929, by postponing for a period of two and one-half years from July 1, 1932 the payment of the bond in the principal amount of \$130,000 due that day. In accordance with the terms of the agreement, the amount of the payment so postponed will bear interest at the rate of $4\frac{1}{4}$ per cent per annum, payable semiannually.

The following announcement is made today by Secretary Mills:

The Federal finances for the fiscal year just closed reflect the effect of the unprecedented depression upon both the revenues and the outlays of the Government. A reduction in Federal revenues during the fiscal year 1932 and an increase in expenditures due to emergency measures, resulted in a deficit of \$2,885,000,000, as compared with a deficit of \$903,000,000 for 1931. Retirements of United States obligations to meet sinking fund requirements chargeable against ordinary receipts totaled \$412,000,000, so that the deficit, exclusive of debt retirement, amounted to \$2,473,000,000. The total gross debt outstanding was increased by \$2,686,000,000.

Total receipts amounted to \$2,121,000,000 which represents a decline of \$1,196,000,000 from 1931. Expenditures chargeable against ordinary receipts aggregated \$5,006,000,000 and were \$786,000,000 larger than for the previous year. The increase may be accounted for by the following items: expanded governmental construction activities and payments under the settlement of war claims act, the postal deficiency, and payment for the capital stock of the Reconstruction Finance Corporation and the Federal Land Banks.

The deficit for the fiscal year 1932 was \$762,000,000 larger than the estimate of \$2,123,000,000 which was presented in the annual report of the Secretary. Expenditures exceeded the estimate of \$4,482,000,000 by \$524,000,000 as a result of subsequent authorizations by Congress for the purchase of capital stock of the Reconstruction Finance Corporation and Federal Land Banks, together aggregating \$625,000,000. Expenditures exclusive of these items were \$101,000,000 less than estimated. Total ordinary receipts were \$238,000,000 less than estimated due to the fact that business did not maintain the anticipated level of activity.

RECEIPTS

The aggregate amount of customs and internal revenue receipts during the year was \$1,888,000,000 or \$919,000,000 less than for 1931.

Income tax receipts totaled \$1,057,000,000 which was \$803,000,000 less than during the fiscal year 1931, and \$83,000,000 less than the estimate of \$1,140,000,000.

Receipts from customs duties were \$328,000,000 as compared with \$378,000,000 in 1931, a decline of \$50,000,000. The decline is to be accounted for primarily by a further reduction in the volume and value of imports. For the ten months ended April, 1932, the value of dutiable imports fell off 19 per cent, and of nondutiable, 30 per cent as compared with a like period in the fiscal year 1931. The estimate indicated receipts of \$410,000,000 from this source.

Miscellaneous internal revenue receipts totaled \$503,000,000 or \$66,000,000 less than for 1931 and \$41,000,000 less than estimated. Reports through May indicate that tobacco tax receipts, which account for over 79 per cent of the total, were \$42,000,000 smaller than in 1931; documentary stamp taxes declined about \$14,000,000 primarily as a result of smaller receipts from taxes on capital stock transfers and on capital issues.

Miscellaneous receipts other than internal revenue amounted to \$233,000,000 and were \$276,000,000 less than in 1931. This decline was due chiefly to the postponement of the payments due from foreign governments during the fiscal year 1932 in the amount of about \$252,000,000. The numerous smaller items included under this head yielded a diminished revenue.

EXPENDITURES

Total expenditures chargeable against ordinary receipts were \$5,006,000,000 as compared with \$4,220,000,000 for 1931, an increase of \$786,000,000.

The preliminary information now available concerning the details of expenditures for 1932 shows the following principal items of increase: For the Reconstruction Finance Corporation, \$500,000,000 for capital stock; for the Federal Land Banks, \$125,000,000 for additional capital stock; for the Treasury Department, an increase of \$83,000,000 representing payments on account of the awards of the War Claims Arbiter under the Settlement of War Claims Act of 1928 and construction activities in connection with the public building program; for the Department of Agriculture an increase of \$22,000,000 reflecting largely additional outlays for Federal aid highway construction; an increase of \$57,000,000 in the postal deficiency in consequence of reduced postal revenues; an increase of \$79,000,000 in the Veterans' Administration as a result largely of liberalized provisions for military and naval compensation and insurance to war veterans; an increase of \$20,000,000 for Interior Department principally on account of the Boulder Dam project, an increase of \$18,000,000 for the Shipping Board on account of construction loans; an increase in tax refunds of \$10,000,000^{and} an increase of \$8,000,000 for Department of Justice on account of penal institutions.

The more important reductions in expenditures for 1932 as compared with the previous fiscal year include a decrease of \$9,000,000 for the Commerce Department due to the fact that the census was practically completed in 1931; a decrease of \$54,000,000 in the net advances under the Agricultural Marketing Act; a decrease of \$10,000,000 for the War Department; a decrease of \$12,000,000 of interest on the public debt; and a reduction in debt retirements chargeable against ordinary receipts due to the fact that there were no foreign repayments to apply to debt retirement.

Leaving out the extraordinary items above mentioned such as Reconstruction Finance Corporation and Federal Land Banks, ordinary expenditures were \$101,000,000 less than estimated.

Exclusive of expenditures resulting from legislation enacted after the submission of the budget, the deficit is thus \$137,000,000 more than was estimated.

PUBLIC DEBT

The fiscal year 1932 closed with the total gross public debt at \$19,487,000,000 as compared with \$16,801,000,000 on June 30, 1931, or an increase of \$2,686,000,000. The net balance in the general fund was \$417,000,000 on June 30, 1932, or \$55,000,000 less than at the end of the preceding fiscal year.

Public debt retirements of \$412,000,000 were made from the sinking fund as required by law. This reduction was more than offset by new borrowings.

The average annual rate of interest on the outstanding interest-bearing debt on June 30, 1932, was 3.50 per cent as compared with an average rate of 3.56 per cent on June 30, 1931. Total interest payments during the year were \$599,000,000 as compared with \$611,000,000 for the year 1931.

GENERAL

In considering the record of the fiscal year just closed, and more particularly the heavy deficits of the last two years, it must not be forgotten that while these combined deficits aggregate \$3,788,000,000, the aggregate surplus from the preceding years applied to the reduction of our national debt was \$3,460,000,000. We have, in effect, been drawing on what might fairly be termed a reserve previously set up.

Moreover, the expenditures of the last two years include items such as advances to the Federal Farm Board, payments for the stock of the Federal Land Banks and for the stock of the Reconstruction Finance Corporation. These will in large measure be repaid into the general fund to be available either for current expenditures or debt retirement.

And finally the considerable reductions in expenditures and the enactment of so sweeping a tax measure as the Revenue Act of 1932 constitute real achievements in putting our financial house in order. While much remains to be done in reducing the cost of Government, under the pressure of an enlightened and aroused public opinion, I am confident this movement will go forward.

Important progress has been made, but there is need for continued prudence and self-restraint in the conduct of our public finances.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, or thereabouts. They will be 90-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 Monday, July 11, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated July 13, 1932, and will mature on October 11, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 July 11, 1932, 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 13, 1932.

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, and this notice 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 of Acting Secretary of the Treasury
Ballantine Before the Rules Committee of the
House of Representatives.

The Treasury Department makes no objection whatever to a Congressional investigation of the administration of the tax laws. What is presented by the Resolution before you seems to us wholly a question of Congressional policy. I wish merely to state a few facts which may bear upon your determination.

Obviously, a Congressional investigation now will do much to tie up the Bureau of Internal Revenue at the very time when its resources and energy are demanded for putting into effect the new revenue law. The Bureau has the immediate burden of familiarizing the public and its own force with a new tax measure planned to raise about \$1,100,000,000 of additional revenue. The act changes existing laws and imposes many new taxes, each presenting a variety of new and important questions. While dealing with the new act the Bureau must continue to dispose of the multitude of cases already in hand, a task of especial importance under existing conditions.

Because of the imperative need for economy the Department is trying to handle the new law without adding to its force. Indeed, the force has been held at a minimum without provision of additional personnel for new duties. The furlough system which of course must

now be observed, does not make operating conditions any easier.

Meeting the requirements of a Congressional investigation will involve a very substantial diversion of the activities of the Bureau from its present tasks. Many of the personnel will be occupied with compiling facts and reports. A considerable portion of the time of officials will necessarily be withheld from their normal activities. This will be bound to be reflected in handling the new law in a manner less satisfactory to the public who have been called upon by Congress to submit to that law. It would also slow down both the securing of additional back taxes which the Treasury needs and the closing up of old cases which the taxpayers regard as especially important in their effort to find a basis today for business operations.

Since 1927 the standing Joint Committee on Internal Revenue Taxation, composed of 5 members of the House and 5 members of the Senate, aided by a permanent staff, clothed with ample powers, has continuously investigated the administration and development of the tax law. Pursuant to the requirements of law, in the case of every refund or credit of \$75,000 or more, the action determined upon by the Treasury, with a statement of facts and the reasons, has been submitted to the Joint Committee not less than 30 days before the action is taken.

There are always suspicious or disgruntled individuals who propose investigation of Government officials, particularly those

having to do with financial matters, without regard to what such investigations impose upon officials or upon the public. Any real demand for an investigation of the Bureau of Internal Revenue at this time appears to arise from considerations having no connection whatever with the orderly administration of the tax laws in the general public interest. No facts have been submitted suggesting any warrant for an investigation.

If the Speaker in his new role determines upon an investigation at this time, the Treasury stands ready to cooperate, even though this action does not seem particularly in line with the purpose of eliminating commissions and investigations. But those who decree this investigation and not the Treasury must account to the public for the additional burden which the investigation will impose upon the already harassed taxpayer. The taxpayer may feel that he is entitled for the time to have the attention of tax officials concentrated on the adjustment of his new burdens so that they will rest as easily as possible.

If there is anything to investigate it could equally well be investigated in December when Congress reconvenes, at which time the atmosphere will be clearer, and the new law will have become established.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary of the Treasury Ballantine announced to-day that the tenders for \$75,000,000, or thereabouts, of 90-day Treasury Bills, dated July 13, 1932, and maturing October 11, 1932, which were offered on July 7th, were opened at the Federal Reserve Banks on July 11th.

The total amount applied for was \$273,658,000. Except for three bids aggregating \$15,000, at prices averaging 99.955, the highest bid made was 99.915, equivalent to an interest rate of about 0.34 per cent on an annual basis. The lowest bid accepted was 99.901, equivalent to an interest rate of about 0.40 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$75,278,000. The average price of Treasury Bills to be issued is 99.904. The average rate on a bank discount basis is about 0.39 per cent.

S.R.G. 15
FOR RELEASE MORNING PAPERS,
TUESDAY, JULY 12, 1932.

SPEECH TO BE DELIVERED BY HON. OGDEN L. MILLS
SECRETARY OF THE TREASURY
AT FANEUIL HALL,
BOSTON, MASS.,
AT NINE O'CLOCK P.M., E.S.T., MONDAY, JULY 11, 1932.

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My time being limited, I propose to confine my remarks this evening to a discussion of some of the economic questions presented in the speech of acceptance of the candidate and in the platform of the Democratic party. Later I hope to discuss Republican principles and policies. To-night we are just taking off some of the trimmings and tin foil to get at the facts.

The basis of the Democratic appeal is now clearly outlined. They propose to place the blame for the depression on the present Administration; they promise, if returned to power, that, as the Candidate exclaimed, "Happy days will come again." They lay claim to being the party of liberalism and progress.

Now, the depression began shortly after President Hoover had taken office. Even before that time, it was already under way in many countries. Resulting, as it did, from the combined effects of many economic forces so deep-seated and so violent as to defy arrest anywhere and everywhere, it eventually swept the world.

While making all allowance for the temptation to a party out of power to make full use of such an argument, to charge any government anywhere with the responsibility for such a world disaster is sheer nonsense.

In so far as the past is concerned, the real question for the American people to decide is: Has the Administration, in the face of this world-wide

calamity, conducted the affairs of government with that judgment and skill which would mitigate the effects of the depression and lay a foundation for recovery? It can be demonstrated beyond question that it has. I challenge Governor Roosevelt, instead of indulging in vague and unsupported attacks, to state specifically what the present Administration has failed to do or has done in this emergency that is open to fair criticism, and what steps he would have taken that have not been taken to meet the successive forces that have threatened to undermine and to destroy our economic structure and to bring complete disaster to our people.

What his party, if in power, would have done and would do, is unmistakably indicated by the record of the Democratic House of Representatives under the leadership of the Democratic candidate for the Vice-Presidency.

Before discussing economic questions, may I devote a minute or two to the much-abused term "liberalism?" What justifies the application of the term "liberal" to either a candidate or a party? Certainly not mere breast-beating and loud claim to the title. There must be a moral quality in true liberalism, without which it becomes an empty name. There must be real convictions and a definite program, unless it is to melt away into mere words.

I cannot detect evidence of true liberalism in either the Democratic candidate or in the Democratic party. Appeal to discontent and a program designed to catch votes cannot be confused with a bold leadership that stakes its all in a battle for the triumph of deep-seated principles. In the face of the shocking system of government existing in New York City, which the great Democratic paper, the New York Times, describes as one which "thrives at the expense of justice to the poor and fair-dealing to the millions that cannot

boast the acquaintance of a district leader"--and, remember, I am not talking about mere individual delinquencies and failures, but of a system--Governor Roosevelt's failure for three years to use the power of his great office to clean up his own party, and his failure to assert his moral leadership, bar him definitely--honest, amiable and attractive gentleman that he is--from spiritual kinship with such liberal statesmen as Woodrow Wilson or Theodore Roosevelt, or that independent and rugged Democrat, Grover Cleveland.

All parties claim to be liberal and progressive, and, in so far as their aspirations are concerned, honestly are, for the right-thinking men and women that compose them desire to see a correction of existing evils and a steady improvement in opportunities to all men for advancement. It is not too much to say that all Americans, Democrats and Republicans alike, share a common ideal in their conception of what American life holds in the way of promise.

The difference, then, is not one of purpose, but of method. The sharp line of demarcation is that under the stress and pressure of existing conditions the Democrats seem willing to try anything, whereas the Republicans are firm in their belief that a violation of well-established, sound, economic principles will not only defeat the purpose of the remedial measures proposed, but will, in fact, result in even greater disaster.

The consistent, comprehensive program carried out by the Administration has been lacking in neither boldness nor originality, but it presents a complete contrast to the program of legislation passed by a Democratic House of Representatives under the leadership of Speaker Garner, candidate for the Vice-Presidency.

Measures actually passed by the Democratic House of Representatives provide for: The printing and issuance of fiat currency; the immediate payment of the bonus; an appropriation of over a billion dollars for post offices, rivers and harbors, roads, etc., these two items alone aggregating over three billion dollars; the guarantee of bank deposits; instructions to the Secretary of the Treasury and Federal Reserve Board to manipulate commodity prices; the unbalancing of a budget balanced by great effort; and putting the Government into the general commercial banking business on a huge scale.

All were doubtless well-meaning remedial efforts. Yet they would bring ruin and disaster, running counter as they do to sound economic and financial principles, and being destructive as they are of the confidence so badly needed throughout the country.

Governor Roosevelt takes exception to this very Republican insistence on adherence to sound economic principles. He said sarcastically in his speech of acceptance: "Our Republican leaders tell us economic laws--sacred, inviolable, unchangeable--that these laws cause panics which no one could prevent. But while they prate of economic laws, men and women are starving. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings."

If by the words "made by human beings", the Governor means to express the belief that economic laws are the result of a conscious, deliberate purpose, he is entirely mistaken. They are, however, based in large measure on human nature, of which, if I may quote Burke, "reason is but a part, and by no means a preponderant one." From which it follows that we cannot run counter to them without running counter to human nature itself.

Why do we resist the printing of fiat currency? Not simply because it offers no solution, or because a limited amount would necessarily be harmful, but because all experience demonstrates that once the printing presses are started, human nature being what it is, there is no stopping them short of disaster.

Why did we fight for many long months to establish the principle of a balanced budget? Not because denial of that principle means necessarily the immediate impairment, but, human nature being what it is, the ultimate destruction of the public credit.

Here then is the first great line of cleavage between the Democratic and Republican parties. The Democratic House of Representatives, speaking with greater authority for the Democratic Party than any party convention can, has demonstrated its willingness to disregard economic law and sound financial principles. The Democratic candidate scoffs at them. By what compass or chart, I wonder, do they propose to direct the economic life of the Nation in these perilous times?

Taking up now the few definite suggestions to be found in this long speech, the Governor points out that credits "issued in the form of bonds and mortgages, Government bonds, bonds of all kinds" are all interrelated. He then asks "Why has Washington failed to understand that all of these groups * * * * must be considered together; that each and every one of them is dependent on every other; each and every one of them affecting the whole financial fabric?" "Statesmanship and vision," he says, "require relief to all at the same time."

Does the Governor think he is making an original discovery? Where has he been these many months? Doesn't he know that at the President's suggestion the Congress has provided additional capital for the Federal Land Banks, and made provision through the Reconstruction Corporation for additional credit to Joint Stock Land Banks, Intermediate Credit Banks, and livestock loan companies, all in the interest of strengthening agricultural credit? Doesn't he know that the Reconstruction Finance Corporation has been created with two billion dollars of available funds to underpin the whole credit structure of the Nation by providing necessary credit for banks, for insurance companies, for mortgage companies, for building and loan associations, and for the railroads, whose securities are held by the billion by the great fiduciary institutions of the country, to whom are entrusted the savings of the Nation? Doesn't he know that the President has recommended the creation of home loan discount banks to take care of the credit needs of home builders and home owners?

Of all the credit groups that he mentions the only ones that haven't been provided for by the Federal Government are the States and municipalities. Are we to understand from his criticism that he would make the credit of the United States Government available to 16,000 municipalities? If so, I say to him that if he ever gets the opportunity to carry out that purpose he will undermine the credit of the United States Government itself.

Governor Roosevelt states that Republican tariff legislation has erected an impregnable barbed-wire entanglement around our borders, and that he accepts the admirable tariff statement in the platform, adding that

"it would protect American business and American labor." The Democratic platform promises "a competitive tariff for revenue," which, if we add the Governor's words, would read: "A competitive tariff for revenue to protect American business and American labor." If anyone can tell me what sort of a tariff this means, I shall heartily welcome an explanation.

During the Democratic Convention they decried ad infinitum iniquities of the Smoot-Hawley tariff, and the Democratic Keynoter, Senator Barkley, fairly spread himself on this subject. But not once was there mention of the Tariff of 1932, which imposed specific rates equivalent to anywhere from 16 to 61 per cent ad valorem duties on crude petroleum, fuel and gas oil, gasoline, paraffin, coal, and lumber and copper. A tariff which, by the way, the distinguished Keynoter from Kentucky worked and voted for, as did the Permanent Chairman, Senator Walsh. When Governor Roosevelt goes to Texas, Kansas and Oklahoma and condemns the protective tariff on oil; when he goes to Kentucky and condemns the tariff on coal; when he goes to Arizona, Utah and Montana and condemns the 61 per cent tariff on copper; when he goes to Oregon and Washington and condemns the protective tariff on lumber, I will believe in the sincerity of his criticisms of barbed-wire entanglements.

I don't know any subject in American political life that is responsible for more buncombe than the tariff controversy. Let this be said in favor of the Republican Party. It has stood steadfastly and still stands by the protective principle, and can without violation of policy apply this principle to natural resources, whereas our Democratic brethren, of whom Senator Barkley is a typical example, attack the principle of protection, but inevitably logroll and vote for the protection of every article produced in their States. This may be the reason

why they are so strongly opposed to placing in an independent board the authority to make adjustments in the light of ascertained facts without Congressional interference. They don't want scientific tariff-making. They want log-rolling.

Governor Roosevelt, in spite of past experiences, would abandon our well-established policy of treating all nations alike under the most-favored nation clause, and enter into a series of bargaining tariffs according to the European practice. He would invite representatives of foreign nations to sit around a table as friends and discuss these problems, we on one side of the table, and the rest of the world, hungry for the American market, on the other. The American people will want to know whether he proposes to consult foreigners as to what the rates of an American tariff law are to be. If so, we take definite issue with him, for the Republican Party holds that the rates in our tariff laws are a purely domestic question to be determined by the Congress of the United States without consultation with foreign governments.

In any event, is this the time to make our reduced purchasing power fully available to foreign manufacturers, rather than to preserve it in the interest of our own unemployed?

In so far as the farmer is concerned, the Governor makes the original discovery that the prosperity of this country is dependent upon a prosperous agricultural population. I had supposed that this was a self-evident, universally recognized economic fact. Other than his suggestion that interest rates on farm mortgages should be reduced, without saying how it is to be done, I find nothing in his program which does not constitute a mere endorsement in principle of what has and is now being done, and nothing to indicate how he would proceed to carry out these principles.

Both Governor Roosevelt and the Democratic platform pledge themselves to drastic economy and an immediate program to abolish useless offices and to consolidate bureaus and subdivisions of government. If the American people have any sense of humor left, they must have had a laugh out of this. What does the record show? Under Governor Roosevelt, the already swollen expenditures of the State of New York increased from 1929 to 1931 by more than one-third. The Democrats of the House voted 194 to 10 for Speaker Ganner's pork barrel measure with its 60 closely printed pages of specifically named post offices. They whittled an economy bill from \$150,000,000 to a bare \$30,000,000. They then proceeded to pass two measures that would have involved an expenditure of over \$3,000,000,000. They declined to give the President the necessary authority to abolish useless bureaus and consolidate others. In the face of this record, what is their economy promise worth?

The Democratic platform and the Governor declare themselves in favor "of a sound currency to be preserved at all hazards." Yet the Democrats in the House of Representatives within the last two months voted 152 to 50 to start the printing presses going and to issue fiat currency, and voted 172 to 3 to instruct the Federal Reserve System and the Secretary of the Treasury to manipulate commodity prices.

The Democratic platform and the Democratic candidate pledge themselves to the maintenance of the National credit by a Federal budget annually balanced. Yet the Democratic House of Representatives has already voted to unbalance it by over three billion dollars this fiscal year, and within the last four days the House has passed a bill providing for \$322,000,000 of expenditures with no revenue to cover them.

Such promises must be made on the assumption that the American people either have no memory or no humor.

Finally, we come to relief, as to which we would have thought the Democratic candidate had definite ideas and definite remedies. But we find that, aside from the fact that he would plant trees where his running-mate would plant post offices, all Governor Roosevelt has to say is that he favors the use of certain types of public works and the issuance of bonds. But he is not very sure, for the works are, "in so far as possible, (whatever that may mean) to be self-sustaining if they are to be financed by the issuing of bonds", and no economic end is served "if we merely build without building for a necessary purpose".

The Governor favors shortening the working day and the working week, thus indirectly--though, of course, without giving him any credit--endorsing the lead taken by the President in urging furloughs rather than pay cuts in the Federal service.

It is apparent that in so far as relief is concerned the Governor has no program at all. And yet when he spoke there were three definite programs before the Congress, any one of which he might have accepted as his own. Here is one of the great problems of the day,--a problem running deep into our very structure of Government,--and involving not only immediate difficulties, but having far-reaching effect on the future policies of our country; a problem in which it might be supposed a true liberal would have been more intensely interested than any other. And yet in this, the most important speech, which he will make, for it is one in which he outlined his creed, with all of the space which he found for the

criticism and abuse of his opponents, he found none for a program of unemployment and destitution relief.

To the casual listener, the program and speech were appealing, but when we subject them to the acid test of careful analysis, except for that part of the program which is indistinguishable from ours they dissolve into vague aspirations, commonplace generalities, and a few promises that had already been broken by his party in Congress even before they were made.

I do not happen to be one of those who believe that Government, whoever may control it, is the possessor of a magic wand, the mere waving of which will bring back normal times. But it is undeniable that under the present critical conditions the part played by Government is more vital than ever, and that the wise management of public affairs, not only in the meeting of emergencies but in the protection of fundamental principles of Government and of those conditions essential to recovery, is of supreme importance to the Nation. What I mean is exemplified by the actions taken by the President to meet from time to time new problems arising out of the various phases of the depression, such as the cushioning of the earlier stages of the depression by securing an agreement between industry and labor for the maintenance of wages and by the stimulation of construction programs; the nation-wide organization to relieve the distress that was brought into being; the suspension of inter-governmental debts for one year with a view to preventing the economic collapse of Central Europe; the creation of the National Credit Corporation; the bringing into being of the Reconstruction Finance Corporation; the mobilizing of the resources of the Federal Reserve System so as to make them more effective; and above all, the maintenance of the national credit in an impregnable position through sound public financial policy; and his unyielding resistance to those measures prompted by expediency that would have undermined American traditions

and principles of government. These are but illustrations, yet they serve to emphasize the overwhelming necessity of assuring wise and experienced leadership during a period when we may be faced with events that are literally unforeseeable.

In my opinion, no man living has the qualifications for the task equal to the qualifications of President Hoover. Himself a veteran in Government service, he is the leader of a seasoned organization, which for three years has been waging on many fronts the battle against depression. Say what you will about us, we are an experienced force, and while under the irresistible pressure of circumstances we have had to give ground, we have preserved intact the essential integrity of the economic fabric of the country and maintained the principles upon which the American form of government rests. Is this the time, at the very peak of the struggle, to order the veterans to the rear and to put raw recruits in charge? I think not.

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The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Monday, July 18, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated July 20, 1932, and will mature on October 19, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 July 18, 1932, 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 20, 1932.

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, and this notice 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 BALLANTINE

Acting Secretary of the Treasury Ballantine announced to-day that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated July 20, 1932, and maturing October 19, 1932, which were offered on July 14th, were opened at the Federal Reserve Banks on July 18th.

The total amount applied for was \$241,256,000. The highest bid made was 99.917, equivalent to an interest rate of about 0.33 per cent on an annual basis. The lowest bid accepted was 99.887, equivalent to an interest rate of about 0.45 per cent on an annual basis. The total amount of bids accepted was \$75,923,000. The average price of Treasury Bills to be issued is 99.899. The average rate on a bank discount basis is about 0.40 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, July 21, 1932.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$80,000,000, 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 Monday, July 25, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated July 27, 1932, and will mature on October 26, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 July 25, 1932, 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 27, 1932.

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, and this notice 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 MILLS

The Treasury is today offering for subscription, at par and accrued interest, through the Federal Reserve Banks, \$650,000,000, or thereabouts, Treasury notes in two series, both dated and bearing interest from August 1, 1932. One series, offered in the amount of \$325,000,000, or thereabouts, is for two years, with interest at the rate of 2-1/8 per cent, and matures on August 1, 1934. The other series also offered in the amount of \$325,000,000, or thereabouts, is for four years, with interest at the rate of 3-1/4 per cent, and matures on August 1, 1936. The notes will not be subject to call for redemption prior to maturity.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

The notes will be exempt, both as to principal and interest, from all taxation (except estate or 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.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new Treasury notes, at par, Treasury certificates of indebtedness of Series A-1932, maturing August 1, 1932, and subscriptions in payment of which such Treasury certificates of indebtedness are tendered will be given preferred allotment.

The Treasury notes will be issued in bearer form only, in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The interest on the notes will be payable semiannually on February 1 and August 1, in each year.

Outstanding certificates of indebtedness in the amount of \$227,631,000 are due on August 1, 1932. The new offering will provide funds for this maturity, and also to meet current financial requirements, principally for the Reconstruction Finance Corporation.

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, \$650,000,000, or thereabouts, Treasury notes, in two series.

DESCRIPTION OF NOTES

The notes of Series B-1934 will be dated August 1, 1932, and will bear interest from that date at the rate of two and one-eighth per cent per annum, payable semiannually on February 1 and August 1 in each year. They will mature August 1, 1934, and will not be subject to call for redemption prior to maturity. The amount of the offering of this series is \$325,000,000, or thereabouts.

The notes of Series A-1936 will be dated August 1, 1932, and will bear interest from that date at the rate of three and one-quarter per cent per annum, payable semiannually on February 1 and August 1 in each year. They will mature August 1, 1936, and will not be subject to call for redemption prior to maturity. The amount of the offering of this series is \$325,000,000, or thereabouts.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The notes will not be issued in registered form.

The notes shall be exempt, both as to principal and interest, from all taxation (except estate or 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 notes will not be acceptable in payment of taxes.

The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury certificates of indebtedness of Series A-1932, maturing August 1, 1932, will be given preferred allotment.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to allot less than the amount of notes 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for notes allotted must be made on or before August 1, 1932, or on later allotment. Any qualified depository will be permitted to make payment by credit for notes 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 A-1932, maturing August 1, 1932, will be accepted at par in payment

for any notes of the series now offered which shall be subscribed for and allotted, with an adjustment of the interest accrued, if any, on the notes of the series so paid for.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive notes.

STATEMENT BY ACTING SECRETARY LOWMAN

Acting Secretary of the Treasury Lowman announced to-day that the tenders for \$80,000,000, or thereabouts, of 91-day Treasury Bills, dated July 27, 1932, and maturing October 26, 1932, which were offered on July 21st, were opened at the Federal Reserve Banks on July 25th.

The total amount applied for was \$191,613,000. The highest bid made was 99.930, equivalent to an interest rate of about 0.28 per cent on an annual basis. The lowest bid accepted was 99.877, equivalent to an interest rate of about 0.49 per cent on an annual basis. The total amount of bids accepted was \$83,317,000. The average price of Treasury Bills to be issued is 99.882. The average rate on a bank discount basis is about 0.47 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Tuesday, July 26, 1932.

STATEMENT BY SECRETARY MILLS

Secretary Mills to-day announced that the subscription books for the current offering of two-year $2\frac{1}{8}$ per cent Treasury Notes of Series B-1934, maturing August 1, 1934, and four-year $3\frac{1}{4}$ per cent Treasury Notes of Series A-1936, maturing August 1, 1936, closed at the close of business to-day, Monday, July 25, 1932.

Subscriptions placed in the mail before 12:00 o'clock midnight, Monday, July 25, 1932, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will be made on or about Thursday, July 28th.

STATEMENT BY SECRETARY MILLS

Secretary Mills to-day announced the subscription figures and the basis of allotment for the August 1st offering of two-year Treasury Notes of Series B-1934, 2-1/8 per cent, maturing August 1, 1934, and of four-year Treasury Notes of Series A-1936, 3-1/4 per cent, maturing August 1, 1936.

2-1/8 PER CENT TREASURY NOTES, SERIES B-1934

Reports received from the Federal Reserve Banks show that for the offering of 2-1/8 per cent Treasury Notes of Series B-1934, maturing August 1, 1934, which was for \$325,000,000, or thereabouts, total subscriptions aggregate over \$1,703,000,000. Of these subscriptions, \$34,995,000 represent exchange subscriptions, in payment for which Treasury Certificates of Indebtedness, maturing August 1, 1932, were tendered. Such exchange subscriptions were allotted in full. Allotments on cash subscriptions for 2-1/8 per cent Treasury Notes of Series B-1934 were made as follows: Subscriptions in amounts not exceeding \$10,000 were allotted 60 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$10,000, but not exceeding \$100,000, were allotted 40 per cent, but not less than \$6,000 on any one subscription; subscriptions in amounts over \$100,000, but not exceeding \$500,000, were allotted 30 per cent, but not less than \$40,000 on any one subscription; subscriptions in amounts over \$500,000, but not exceeding \$1,000,000, were allotted 20 per cent

but not less than \$150,000 on any one subscription; subscriptions in amounts over \$1,000,000, but not exceeding \$25,000,000, were allotted 15 per cent, but not less than \$200,000 on any one subscription; subscriptions in amounts over \$25,000,000 but not exceeding \$100,000,000, were allotted 10 per cent, but not less than \$3,750,000 on any one subscription; and subscriptions in amounts over \$100,000,000 were allotted 5 per cent, but not less than \$10,000,000 on any one subscription.

3-1/4 PER CENT TREASURY NOTES OF SERIES A-1936

For the offering of 3-1/4 per cent Treasury Notes of Series A-1936, maturing August 1, 1936, which was for \$325,000,000, or thereabouts, total subscriptions aggregate over \$3,803,000,000. Of these subscriptions \$139,467,500 represent exchange subscriptions in payment for which Treasury Certificates, maturing August 1, 1932, were tendered. Such exchange subscriptions were allotted in full. Allotments on cash subscriptions for the 3-1/4 per cent Treasury Notes of Series A-1936 were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted 50 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$1,000, but not exceeding \$10,000, were allotted 25 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$10,000, but not exceeding \$100,000, were allotted 10 per cent, but not less than \$2,500 on any one subscription; subscriptions in amounts over \$100,000, but not exceeding \$1,000,000, were allotted 8 per cent, but not less than \$10,000 on any one subscription; subscriptions in amounts over

\$1,000,000, but not exceeding \$10,000,000, were allotted 5 per cent, but not less than \$80,000 on any one subscription; subscriptions in amounts over \$10,000,000, but not exceeding \$100,000,000, were allotted 3 per cent, but not less than \$500,000 on any one subscription; and subscriptions in amounts over \$100,000,000 were allotted 2 per cent, but not less than \$3,000,000 on any one subscription.

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

Statement by Secretary of the Treasury Mills.

I listened with interest to Senator Harrison's heralded answer to my Boston speech. The answer was no answer at all, unless an attack on the President's policies and on my position as to estimates and economies may be said to constitute an answer to an analysis of the Democratic record. Perhaps there is no answer.

The Senator charges that from December to June the Treasury revised its estimates of anticipated revenues. Of course it did. It had to. The unpardonable delay in enactment of needed tax legislation and the fantastic economic proposals emanating from the Democratic House of Representatives kept the business world and the country in such a state of uncertainty and apprehension that instead of the business resumption upon which the Treasury had counted, and which at one time seemed in sight, we witnessed further decline in business and were compelled to revise our estimates downward.

The Senator accuses me of having opposed economies in general, a reduction in appropriations for my Department, and more particularly curtailment of building construction. The exact opposite is true. I vigorously supported the President's economy program before both the House and Senate Committees. With one exception of \$50,000, every reduction effected in the Treasury Appropriation Bill by the Senate Appropriations Committee was suggested by me item by item. In so far as public buildings are concerned, far from opposing the slowing up of public building expenditures, I actually recommended it. In my letter to the

Chairman of the sub-committee in charge of the Treasury Appropriation Bill I stated:

"I recommend that for the year 1933 the contracts covering certain building projects be not let, as indicated in my letter of March 29."

I then went on to say:

"It is pertinent to observe that if towns and cities throughout the country have gotten along with their existing post office facilities up to the present time, they surely can during these trying days wait a year or two longer for a new building of a monumental character. What is sacred about a new post office in times like these?"

There can then be no question as to my position. It was the Senate that specifically excluded the Treasury building program from any reduction. It was the Democratic House of Representatives, backed by the Democratic Senators, that insisted on unbalancing the budget by increasing the public works program.

After listening to Senator Harrison I repeat what I said in Boston that if the American people have any sense of humor left they will get a good laugh out of the Democratic promise of economy.

Let us stick to the facts. Let us be candid, even to the extent that, when Senator Harrison next makes the kind of an attack on the protective tariff that he did last night, he will at the same time tell the American people of the gallant and successful fight he made to impose high duties on long staple cotton. I had hoped that we might get through the Campaign without the usual tariff humbug. Certainly such Democratic leaders as Senator Pat Harrison with his long staple cotton, Senator Barkley with his coal, Senator Connally with his oil, and Senator Walsh of Montana with his copper, when it comes to protecting the products of their own States, see eye to eye with former Senator Grundy of Pennsylvania. They at least are foreclosed by their official acts from complaining about tariff interference with foreign trade.

Statement by Secretary of the Treasury Mills.

I have read with amazement Governor Roosevelt's remarks in respect of fiscal policies. The Governor complains:

1. That during the decade preceding the depression the National debt was not drastically reduced;
2. That adequate steps were not taken to meet the deficits;
3. That the Administration has resorted to inflation.

As to the first statement. Doesn't the Governor know that the public debt for ten years was reduced at an average rate of about \$900,000,000 a year, in spite of the repeated and constant opposition of the Democratic Senators and Representatives who complained bitterly of the large surplusses and demanded further tax reduction? Doesn't he know that the reduced tax rate he complains of did not diminish the revenue, but served constantly to increase it? The Governor may be ignorant of the facts, but the record stands.

As to his second point with reference to continuing deficits. Doesn't he know that the Administration led and won the fight for the establishment of the principle of a balanced budget, in spite of a Democratic House of Representatives that passed measures at the last session which would have entailed additional expenditures amounting to over three and one half billion dollars, and that it was the

insistence of the Democrats in both Houses of Congress on a three hundred million dollar public building program, and their failure to adopt the President's economy program that finally threw this year's budget somewhat out of balance?

In retrospect it may be that action might have been taken a year earlier, but it must not be forgotten that no one foresaw the full extent and depth of this depression until the second shock came in the spring of 1931 with the European collapse, and that the increased expenditures referred to were all of relief and remedial character.

Finally as to inflation. Doesn't the Governor know that this country has been undergoing the most drastic and devastating deflation ever witnessed? A deflation that has closed banks, destroyed credit, stifled industry, wiped out values, and reduced commodity prices, more particularly agricultural prices, to a point which is bringing ruin to millions of our people? Does the Governor really believe that deflation has not gone far enough? As I view it, our greatest single economic problem today is to arrest deflation and expand credit. Unless this can be done, then indeed is the outlook dark. How anyone in the face of this picture can talk of the Administration being guilty of inflation passes comprehension. As far as I am concerned, as long as I am head of the Treasury Department I shall use all sound means, and urge others to do likewise, to expand credit as long as the present circumstances exist.

The Governor expresses concern over the lack of confidence both here and abroad in our National credit. He needn't. Thanks to the Administration's insistence on adherence to sound financial principles, in spite of the immense problems that confront us, the Government credit never stood higher at home and abroad. In proof of this statement, I refer the Governor to the great success of the last offering of Treasury notes, the prices at which all Government securities are now selling, and to the foreign exchange quotations which show the dollar in an unassailable position.

If there were any doubts abroad during the course of the last winter, they were aroused by the actions of the Democratic House, such as their fiat money bill, which did threaten both the national credit and the soundness of our currency, and which were as incomprehensible abroad as they were at home.

What makes the Governor's statement even more amazing is that the whole record of the Democratic House shows that they were determined to force uncontrolled inflation on the country.

The Governor knows not whereof he speaks.

TREASURY DEPARTMENT

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FOR RELEASE
5:00 P. M., August 1, 1932.

Address of
HONORABLE ARTHUR A. BALLANTINE,
Under Secretary of the Treasury,
At the Symposium on Taxation
at Columbia University,
New York City,
August 1, 1932.

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FEDERAL INCOME TAX PROCEDURE

Remarks of Arthur A. Ballantine,
Under Secretary of the Treasury,
At the Symposium on Taxation
At Columbia University,
August 1, 1932.

The high rates imposed by the new Revenue Act bring out the importance of Federal income tax procedure. Determination with reasonable promptness of the precise amount which settles the tax account with the Government is particularly important to the business man. The technique and personnel which the Treasury has developed under past laws will help in minimizing uncertainties and delay under the new law.

A distinctive feature of Federal income tax procedure is what may be referred to as self-assessment. Under our system, designed to accomplish prompt payment for the convenience of the Government, the amount of the original payments by taxpayers is computed by the taxpayers themselves upon their returns. Subsequent check by the Treasury is, of course, required by law and in any case may result in an additional assessment or in a refund. The war tax measures contained many novel provisions which it took years to work out. Income tax provisions cannot be made entirely simple; facts in particular cases are frequently complicated, and adjustments from amounts originally paid in must be a normal incident of the application of the Federal income tax law. Failure to understand

the nature of Federal income tax procedure has been the cause of criticism of tax administration which is entirely unwarranted.

The process of determination upon additional assessments and refunds called for by the law is conducted by the Treasury with every safeguard and check to insure sound results. In every case the procedure calls for field examinations or field office audits by trained auditors acting in groups or under group supervision. A physical examination of the books of the taxpayers is required in all cases involving any doubt. The field examination is followed by determination in Washington in which especially trained officers deal with special questions. There is a large engineering force for questions of valuation and a large legal staff for legal questions. The determination of the audit or audit review in Washington is re-examined by the Commissioner of Internal Revenue, who has immediately about him a corps of trained technical advisers.

Reaching a decision in a case where any considerable amount is involved requires the participation of many individuals trained for their work and fully aware of their responsibilities. Most of these trained employees occupy their positions under Civil Service requirements. Under this procedure a result in a particular case dictated by the desire on the part of some officials either to harm or to benefit a taxpayer is out of the question.

In the case of any refund of the amount of \$20,000 or over a public decision is made setting forth the fact of the refund and the ground of the decision. In the case of every refund or credit to the amount of \$75,000 or over, there must be a special review by the

General Counsel and his staff, and the proposed refund or credit must also be submitted to the Joint Committee on Internal Revenue Taxation, composed of five members of the Senate and five members of the House, operating with a permanent staff. Submission to this Committee of Congress must be made thirty days before the refund or credit is made, accompanied by a statement of the facts and of the reasons for the proposed action. The Treasury annually submits to Congress a list of all refunds of \$500.00 and over, and the Joint Committee annually publishes a report on refunds of \$75,000.00 or over, with its comments. The Joint Committee of Congress has never attacked the motive of the Treasury in making any refund.

The checking of taxpayers' liabilities by the Treasury has resulted in very large net additional payments to the Government. During the period beginning with the fiscal year 1917 and including the first nine months of the fiscal year 1932, the Bureau of Internal Revenue has been called upon to administer collections of \$47,696,120,436.97 in taxes and to deal with 119,098,969 returns. During this period, in dealing with this mass of returns, the Treasury has assessed additional taxes to the amount of \$5,981,632,503.00; has made refunds totaling \$1,384,352,575.09, and has credited or abated tax in the amount of \$2,661,509,775.01. The total of additional tax assessed during this period has thus exceeded the total of the amounts refunded and the amounts credited or abated by \$1,935,770,152.90.

In the case of the proposed assessments of additional taxes, the taxpayer has the right before payment is made to secure a determination by the United States Board of Tax Appeals. This body,

entirely independent of the Treasury, is substantially a court and proceeds as such. Through further intensive consideration cases pending before the Board may, however, be disposed of without actual trial, and for that purpose the Treasury maintains a body of experienced officials known as the Special Advisory Committee. It is the position of the Treasury that the tax law should be enforced by administration rather than by litigation, and that in any ordinary case it should be possible for the taxpayer and the Treasury to arrive at a determination of the tax liabilities.

Finality in tax determinations has been promoted by the provisions of the law authorizing final agreements with the taxpayer settling tax questions, and these provisions of law have been widely used.

A prompt and fair disposition of tax cases depends on the taxpayer as well as upon the tax officials. The Treasury, through publishing and keeping up to date its Regulations interpreting the law and otherwise, takes pains to advise the taxpayers as fully as possible as to their rights and obligations. The task of publishing Regulations and issuing requested rulings under the new Revenue Act has been an arduous one, particularly as only fifteen days intervened between the signing of the new law and the effective date of most of the new taxes imposed. The importance of certainty and clarity as to meaning and operation of the new law is realized by the Treasury with a view to minimizing the confusion and uncertainties in business transactions affected by the new taxes. To this end the Department is making every effort to act promptly on all requests for rulings arising under the new Revenue Act.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Tuesday, August 2, 1932.

Secretary Mills to-day announced the final subscription and allotment figures on the August 1st offering of 2-1/8 per cent Treasury Notes of Series B-1934, maturing August 1, 1934, and 3-1/4 per cent Treasury Notes of Series A-1936, maturing August 1, 1936.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

2-1/8% TREASURY NOTES OF SERIES B-1934.

Federal Reserve District	Total Cash Subscriptions Received	Total Exchange Subscriptions Received	Total Subscriptions Received	Total Subscriptions Allotted
Boston	\$ 62,101,500	\$ 458,000	\$ 62,559,500	\$ 17,911,700
New York	865,812,200	27,722,000	893,534,200	189,141,400
Philadelphia	92,020,000		92,020,000	23,200,000
Cleveland	79,455,500	270,000	79,725,500	19,214,900
Richmond	36,657,500	125,000	36,782,500	12,024,900
Atlanta	51,106,000		51,106,000	16,818,400
Chicago	71,560,700	7,528,000	79,088,700	23,051,000
St. Louis	8,527,500	24,000	8,551,500	2,387,500
Minneapolis	9,683,800		9,683,800	2,320,300
Kansas City	15,564,000	1,000	15,565,000	3,634,400
Dallas	25,022,100	12,000	25,034,100	8,660,500
San Francisco	351,376,000	1,600,000	352,976,000	26,927,600
Treasury				
Total	\$1,668,886,800	\$ 37,740,000	\$1,706,626,800	*\$ 345,292,600

*Includes \$37,740,000 exchange subscriptions, which were allotted in full.

3-1/4% TREASURY NOTES OF SERIES A-1936.

Federal Reserve District	Total Cash Subscriptions Received	Total Exchange Subscriptions Received	Total Subscriptions Received	Total Subscriptions Allotted
Boston	\$ 191,419,000	\$ 15,933,500	\$ 207,352,500	\$ 32,715,700
New York	1,845,959,000	101,219,500	1,947,178,500	207,837,500
Philadelphia	359,216,400	1,251,500	360,467,900	22,920,000
Cleveland	195,431,900	854,500	196,286,400	14,866,900
Richmond	71,984,200	275,000	72,259,200	6,961,800
Atlanta	122,547,100	230,000	122,777,100	12,308,700
Chicago	298,782,200	11,807,500	310,589,700	30,718,100
St. Louis	46,941,500	1,864,000	48,805,500	5,576,100
Minneapolis	18,073,400	186,000	18,259,400	1,883,800
Kansas City	33,128,200	593,000	33,721,200	3,405,500
Dallas	64,860,400	44,000	64,904,400	6,672,200
San Francisco	416,893,200	5,118,000	422,011,200	19,175,000
Treasury	19,700	90,000	109,700	96,700
Total	\$3,665,256,200	\$ 139,466,500	\$3,804,722,700	*\$365,138,000

*Includes \$139,466,500 exchange subscriptions, which were allotted in full.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, August 4, 1932.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Monday, August 8, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated August 10, 1932, and will mature on November 9, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 8, 1932, 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 10, 1932.

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, and this notice 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 MILLS

Secretary of the Treasury Mills announced to-day that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated August 10, 1932, and maturing November 9, 1932, which were offered on August 4th, were opened at the Federal Reserve Banks on August 8th.

The total amount applied for was \$333,468,000. The highest bid made was 99.899, equivalent to an interest rate of about 0.40 per cent on an annual basis. The lowest bid accepted was 99.853, equivalent to an interest rate of about 0.58 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$75,217,000. The average price of Treasury Bills to be issued is 99.866. The average rate on a bank discount basis is about 0.53 per cent.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Monday, August 15, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated August 17, 1932, and will mature on November 16, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 15, 1932, 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 17, 1932.

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, and this notice 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 MILLS.

Secretary Mills today made public the following
correspondence:

"June 23, 1932.

The Secretary of the Treasury,
Mr. Mellon.

On account of my illness which I contracted during the world war, I may be called from this world any time. But before I will have to depart, I intend to fulfill the promise I gave to a soldier of the American Army, who saved my life in 1918. I therefore lay in your hands a bracelet made out of old German Coins as a sign of appreciation for a Nation whose soldiers even in war treated their enemies with great consideration, as the soldier who saved my life without giving his name and address.

I respectfully ask you to accept this little gift in his name.

With sincerest thanks I remain

August Ullrich,
Dittersbach, Kreis,
Waldenburg,
Hauptstrasse No. 20,
Schlesien, Germany.

Large Coin: King William & Queen of Prussia 1861.
Small Coins: 20 Pfennig pieces from the 70's."

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"August 11, 1932.

My dear Mr. Ullrich:

Your letter of June 23, 1932, together with a bracelet made of old German coins which you present to the United States, has been received.

It is a most gracious act on your part in sending this bracelet as a token of appreciation for the consideration shown you by an American soldier, in saving your life during the World War.

The bracelet has been turned over to the military establishment of the United States, and will be placed in the museum at the United States Military Academy at West Point. There it will remain as a lasting symbol in recognition of a worthy deed by an unknown American soldier, and a generous act on your part in so nobly expressing your appreciation in the matter.

Very sincerely yours,

OGDEN L. MILLS,

Secretary of the Treasury.

Mr. August Ullrich,
Dittersbach, Kreis,
Waldenburg,
Hauptstrasse No. 20,
Schlesien, Germany."

The Secretary of the Treasury to-day made public the following opinion of the Attorney General relating to the circulation privilege granted certain United States bonds under Section 29 of the Federal Home Loan Bank Act of July 22, 1932:

"August 12, 1932.

My dear Mr. Secretary:

I have the honor to refer to your letter of July 28, 1932, requesting my opinion (1) as to whether the Treasurer of the United States shall collect one-half of one per centum or one-fourth of one per centum each half year upon the circulating notes issued under Section 29 of the Federal Home Loan Bank Act of July 22, 1932 (Public No. 304, 72d Congress, 1st Sess.), and (2) whether Section 29 requires bonds deposited with the Treasurer of the United States thereunder as security for the issuance of circulating notes to be withdrawn as such security at the expiration of three years from the date of the Act.

Section 29, supra, provides:

That notwithstanding any provisions of law prohibiting bonds of the United States from bearing the circulation privilege, for a period of three years from the date of enactment of this Act all outstanding bonds of the United States heretofore issued or issued during such period, bearing interest at a rate not exceeding $3 \frac{3}{8}$ per centum per annum, shall be receivable by the Treasurer of the United States as security for the issuance of circulating notes to national banking

associations, and upon the deposit with the Treasurer of the United States by a national banking association of any such bonds, such association shall be entitled to receive circulating notes in the same manner and to the same extent and subject to the same conditions and limitations now provided by law in the case of 2 per centum gold bonds of the United States bearing the circulation privilege; except that the limitation contained in section 9 of the Act of July 12, 1882, as amended, with respect to the amount of lawful money which may be deposited with the Treasurer of the United States by national banking associations for the purpose of withdrawing bonds held as security for their circulating notes, shall not apply to the bonds of the United States to which the circulation privilege is extended by this section and which are held as security for such notes. Nothing contained in this section shall be construed to modify, amend, or repeal any law relating to bonds of the United States which now bear the circulation privilege.

This statute provides for the issuance of circulating notes to national banking associations, and, with an exception not material to your first question, requires that such notes shall be issued in accordance with and subject to the conditions under which are issued circulating notes secured by 2 per centum gold bonds of the United States. One of the conditions under which the latter notes are issued is that prescribed by Section 13 of the Act of March 14, 1900, c. 41, 31 Stat. 45, 49 (U.S.C., Title 12, Sec. 542), as follows:

That every national banking association having on deposit, as provided by law, bonds of the United States bearing interest at the rate of two per centum per annum, issued under the provisions of this Act, to secure its circulating notes, shall pay to the Treasurer of the United States, in the

months of January and July, a tax of one-fourth of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of said two per centum bonds; and such taxes shall be in lieu of existing taxes on its notes in circulation imposed by section fifty-two hundred and fourteen of the Revised Statutes.

Section 13 of the Act of March 14, 1900, just quoted, reduced the tax imposed by Section 5214 of the Revised Statutes on the average amount of notes which each national banking association has in circulation secured by 2 per centum gold bonds of the United States from one-half of 1 per centum to one-fourth of 1 per centum semi-annually. Since Section 29 of the Federal Home Loan Bank Act provides that, with an exception not material here, the notes issued pursuant to that statute are to be issued upon the same conditions as are provided by law in the case of 2 per centum gold bonds of the United States bearing the circulation privilege, and since it is clear that the tax upon notes based upon the deposit of said 2 per centum bonds is now one-fourth of 1 per centum semi-annually, it seems entirely clear that this is the rate of tax applicable to notes issued pursuant to the provisions of the Federal Home Loan Bank Act. While the provisions of Section 29 which bear upon this question are so clear that resort to the legislative history as an aid to construc-

tion seems to be unnecessary, I have examined the legislative history, and while there is very little material which bears upon this particular question, such as there is clearly supports my construction of the statute. (See Congressional Record, Vol. 75, No. 169, p. 15380, 72d Cong., 1st Sess.)

Your second question involves particularly the construction of the following portion of Section 29 of the Federal Home Loan Bank Act:

* * * for a period of three years from the date of enactment of this Act all outstanding Bonds of the United States heretofore issued or issued during such period, bearing interest at a rate not exceeding $3 \frac{3}{8}$ per centum per annum, shall be receivable by the Treasurer of the United States as security for the issuance of circulating notes to national banking associations, and upon the deposit with the Treasurer of the United States by a national banking association of any of such bonds, such association shall be entitled to receive circulating notes * * *.

The provision which excepts the bonds of the United States 'to which the circulation privilege is extended by this section and which are held as security for such notes' from the limitations contained in Section 9 of the Act of July 12, 1882, as amended, with respect to the amount of lawful money which may be deposited with the Treasurer for the purpose of withdrawing bonds held

- 5 -

as security for their circulating notes must also be considered in connection with your second question.

The problem presented appears to me to be whether the provisions of Section 29 require that the circulation privilege of bonds deposited pursuant to that section shall cease three years after the date of the enactment of the Act or whether the Act merely means that after three years no more of such bonds may be deposited and accorded the circulation privilege without, however, affecting the circulating privilege of bonds deposited within the three-year period, leaving such circulation privilege outstanding during the entire remaining life of the bonds deposited. The effect of the first construction is, of course, to permit a temporary expansion of the currency which is to terminate at the end of three years, while the effect of the latter construction would be to effect an expansion of the currency which would be permanent during the life of the bonds to which the circulation privilege was accorded.

It must be admitted that the language of the statute is not entirely free from ambiguity, and, in order to determine the intent of Congress and construe the language of the statute so as to effectuate that

intent, it seems to me proper and necessary to resort to the legislative history of this provision. The only committee report which deals with the section is the Report of the Conference Committee, in which the following statement is made by the managers on the part of the House with respect to the provisions of Section 29 (H. Rep. No. 1775, 72d Cong., 1st Sess.):

Amendment No. 46: This amendment authorizes United States bonds bearing interest at a rate not in excess of 3 3/8 per cent to bear the circulating privilege for a period of three years after the enactment of this act.* * *

A careful examination of the debates in the Senate and House dealing with this provision has also been made. Several statements in the course of such debates by those who may be regarded as sponsors of this legislation and others throw light on the intention of Congress. The provision for the extension of the circulation privilege to the bonds mentioned in Section 29 is referred to as not a 'permanent proposition', as 'a temporary expedient', as 'a sound way of expanding the currency to meet the exigencies of this particular time', as 'a temporary arrangement'. It is said that the provision 'expires by limitation of law'. It is also said that 'The whole thing terminates at the end

of five years * * *. [Changed later to three years in the provision as passed.] (For the foregoing, see Congressional Record, Vol. 75, No. 168, p. 15301, 72d Cong., 1st Sess.)

Reference is also made to the three-year provision by a member of the House Banking and Currency Committee, who was also one of the House conferees on the Bill, as follows (Congressional Record, Vol. 75, No. 175, p. 16113, 72d Cong., 1st Sess.):

* * * Suppose they issue \$900,000,000 of national bank notes under this provision. It is for three years. At the end of three years what will happen? You will find an inflation up to that time, and at the end of three years it has got to end, and they have got to be called in, and the contraction of a billion dollars, in round numbers, in the currency in this country in 1935 will be upon us, * * *.

A member of the House, speaking against the Bill, and referring to the circulation privilege afforded to certain bonds by its provisions, said (Congressional Record, Vol. 75, No. 175, p. 16111, 72d Cong., 1st Sess.):

* * * they would lose their circulation privilege automatically in three years, and thus all circulation would be retired * * *.

I find nothing in the legislative history which indicates that it was the purpose of Congress in adding Section 29

to the Federal Home Loan Bank Act to provide for a permanent expansion of the currency beyond the three-year period.

Reading the provisions of Section 29 in an effort to carry out the intent of Congress as disclosed by the legislative history of the measure, it is my opinion that the three-year period prescribed by Section 29 means that the bonds referred to in said section lose the circulation privilege at the end of the three-year period and the notes issued upon the deposit of such bonds must be retired in an appropriate manner.

Respectfully,

(Signed) WILLIAM D. MITCHELL,
Attorney General.

The Honorable

The Secretary of the Treasury "



TREASURY DEPARTMENT

OFFICE OF COMPTROLLER OF THE CURRENCY

Address reply to
COMPTROLLER OF THE CURRENCY

WASHINGTON

Section 29 of the Federal Home Loan Bank Act, approved July 22, 1932, provides as follows:

"That notwithstanding any provisions of law prohibiting bonds of the United States from bearing the circulation privilege, for a period of three years from the date of enactment of this Act all outstanding bonds of the United States heretofore issued or issued during such period, bearing interest at a rate not exceeding 3-3/8 per centum per annum, shall be receivable by the Treasurer of the United States as security for the issuance of circulating notes to national banking associations, and upon the deposit with the Treasurer of the United States by a national banking association of any such bonds, such association shall be entitled to receive circulating notes in the same manner and to the same extent and subject to the same conditions and limitations now provided by law in the case of 2 per centum gold bonds of the United States bearing the circulation privilege; except that the limitation contained in section 9 of the Act of July 12, 1882, as amended, with respect to the amount of lawful money which may be deposited with the Treasurer of the United States by national banking associations for the purpose of withdrawing bonds held as security for their circulating notes, shall not apply to the bonds of the United States to which the circulation privilege is extended by this section and which are held as security for such notes. Nothing contained in this section shall be construed to modify, amend, or repeal any law relating to bonds of the United States which now bear the circulation privilege. As used in this section, the word "bonds" shall not include notes, certificates, or bills issued by the United States. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section."

You are informed that if the bank is not already a bank of issue but intends to avail itself of the circulation privilege, it will be necessary that it order a plate bearing the signature of the president and the cashier, to be used in printing its currency. A form upon which to furnish the required signatures is enclosed. Three autograph signatures of each officer whose name is to appear upon the bank's circulating notes must be furnished and each signature must in its entirety be confined to the spaces provided in the form by impressed lines.

It will require from fifteen to thirty days to prepare the plate and print the notes. If a bank does not have a plate an order for currency can not be acted upon until a draft in payment of the cost of the plate is received. The cost of

the original plate is \$46.00 and your draft for that sum should accompany your application. If a bank already has a plate and wishes to increase its circulation, an order for currency will be given upon receipt of additional bonds or receipt of advice of the amount of new bonds to be deposited. No Special blanks upon which to announce an intention to deposit bonds are either required or furnished by this office. A letter addressed to the Comptroller explaining the plans will be all that is necessary.

National bank notes are printed in denominations of \$5, \$10, \$20, \$50, and \$100, but since all surface printing is done with the same plate only one plate is necessary for each bank. Bonds to be deposited as security for circulation should be assigned to the Treasurer of the United States in trust for the bank and sent to the Comptroller of the Currency. Only the following bonds, all obligations of the United States, are now eligible as security for national bank note circulation:

2% Consols 1930	3% Treasury Bonds of 1951-55
2% Panama Canal Loan of 1916-36	3 1/8% " " " 1946-49
2% " " " " 1918-38	3 3/8% " " " 1943-47
2 1/2% Postal Savings Bonds	3 3/8% " " " 1940-43
3% Panama Canal Loan of 1961	3 3/8% " " " 1941-43
3% Conversion Bonds of 1946-47	

Should additional bonds bearing interest at 3-3/8% or less per annum be issued by the United States prior to July 22, 1935, they in addition to those listed above will also be eligible as security for circulating notes. Until July 22, 1935, any bonds, including 2% Panamas and the 2% Consols, deposited as security for circulation may be withdrawn if a bank desires and in their place any bonds eligible as security at the moment of withdrawal may be substituted.

Registered bonds of the descriptions eligible as security for circulation may be forwarded to the Comptroller of the Currency, properly assigned to the Treasurer of the United States in trust for the depositing bank. Coupon bonds should be forwarded with proper instructions to the Division of Loans and Currency of the Treasury Department, where they will be reissued in registered form, payable to the Treasurer of the United States in trust for the depositing bank. After having been reissued in registered form the bonds will be delivered by the Division of Loans and Currency to the Comptroller of the Currency, who will then deposit them with the Treasurer of the United States.

The Comptroller is frequently asked as to his policy with reference to requiring additional security should the market price of bonds deposited to secure circulation decline below par. It has never been the policy of the Comptroller's office to require additional security in such cases and no change is anticipated. It will be recognized, however, that no binding statement as to future policy is possible. In any emergency that might arise, consideration would, no doubt, be given to the additional security afforded by the 5% redemption funds maintained by issuing banks and to the further fact that to reimburse it for amounts expended in paying their circulating notes the United States under Section 5230 U.S.R.S. has a paramount lien upon the assets of the issuing banks.

An "original issue" is an issue of currency against a new deposit of bonds. Such an issue when shipped is sent by mail direct to the issuing bank with postage, registration and insurance prepaid. A bill for the charges is forwarded at the end of each month. In those cases where the amount of bonds deposited is so large that all the currency to be issued against them cannot be promptly printed and shipped at one time, various shipments are made as the currency is printed. Each shipment is an original issue and a separate bill for each is forwarded at the end of the month.

New notes for replacement of unfit notes redeemed and destroyed as well as notes fit for circulation redeemed and not destroyed, are also forwarded by registered mail direct to the issuing banks with postage, registration and insurance prepaid. The amount expended for postage, registration and insurance on such notes is not billed to the banks at the end of each month but is included in the annual assessments for expenses incident to redemptions made by the Treasurer of the United States upon all national banks of issue at the close of each fiscal year. No new currency, constituting either an original issue or that replacing notes destroyed, and no redeemed notes fit for circulation, will be delivered to agents of issuing banks.

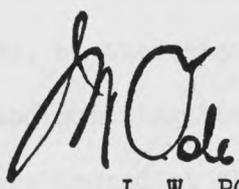
The law requires that a bank shall verify annually the bonds held by the Treasurer of the United States to secure payments of its notes but the bank may appoint an agent to verify them. The law requires also that the bank designate an agent to witness the destruction of its unfit notes.

Circulation issued against all United States bonds, including those bearing a rate of interest higher than 2% will be subject to a semi-annual tax of 1/4 of 1 per cent. The Attorney General has also rendered an opinion, the substance of which is contained in the following paragraph:

"Reading the provisions of Section 29 in an effort to carry out the intent of Congress as disclosed by the legislative history of the measure, it is my opinion that the three-year period prescribed by Section 29 means that the bonds referred to in said section lose the circulation privilege at the end of the three-year period and the notes issued upon the deposit of such bonds must be retired in an appropriate manner."

All national banks issuing circulation are required to keep a complete and generally uniform record of their transactions with this bureau and of their transactions with the office of the Treasurer of the United States relating to their circulating notes and to their 5% redemption funds. Accordingly there is enclosed a copy of a form showing in detail the several items that enter into these accounts. You are requested to install these forms as a part of your records immediately after you receive new notes from this bureau. The form is particularly desirable for banks taking out circulation for the first time as it enables them to record every transaction from the date of receipt of an original issue of circulating notes. The difficulty of tracing notes reported as missing is greatly increased when such a record is not kept by the bank. This office has no supply of this form for distribution.

Immediately after new notes have been received from this bureau, the contents of the package should be counted and any discrepancy in the amount, or hiatus in the bank numbers of the notes, should be reported at once to this office. The bank numbers are printed on the lower left-hand and upper right-hand corners of the notes and it is essential that a complete record be kept of these numbers.



J. W. POLE,
Comptroller.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary of the Treasury Ballantine announced to-day that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated August 17, 1932, and maturing November 16, 1932, which were offered on August 11th, were opened at the Federal Reserve Banks on August 15th.

The total amount applied for was \$333,747,000. The highest bid made was 99.881, equivalent to an interest rate of about 0.47 per cent on an annual basis. The lowest bid accepted was 99.869, equivalent to an interest rate of about 0.52 per cent on an annual basis. The total amount of bids accepted was \$75,016,000. The average price of Treasury Bills to be issued is 99.878. The average rate on a bank discount basis is about 0.48 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, August 18, 1932.

STATEMENT BY ACTING SECRETARY OF THE TREASURY BALLANTINE

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$60,000,000, 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 Monday, August 22, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated August 24, 1932, and will mature on November 23, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 22, 1932, 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 24, 1932.

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, and this notice 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.

ADDRESS TO BE DELIVERED BY HON. OGDEN L. MILLS,
SECRETARY OF THE TREASURY,
AT THE COMMENCEMENT EXERCISES OF BRYANT-STRATTON COLLEGE
OF BUSINESS ADMINISTRATION,
AT THE ALBEE THEATRE, PROVIDENCE, R. I.,
FRIDAY MORNING, AUGUST 19, 1932.

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THE FINANCIAL CRISIS AND THE RECONSTRUCTION FINANCE CORPORATION.

I appreciate the honor you have conferred upon me to-day, and am gratified at the opportunity of participating in the Commencement exercises of this College, which for almost a quarter of a century has fitted men to make their contribution to the solution of our economic problems. It is of some of these problems that I wish to speak to-day.

By virtue of an Act of Congress, based upon the recommendations of the President, there came into being on January 22, 1932, the Reconstruction Finance Corporation, one of the most powerful and well-conceived instrumentalities ever devised to meet the greatest financial crisis that ever confronted this Nation. This institution, directly and indirectly, has been of greater benefit to more individuals in the United States than any institution I can name.

In order to understand the nature of the organization, the character of its service and the magnitude of its task, it is necessary to review briefly the series of events that led to its creation, and the background against which it has operated. This depression divides itself into two rather well-defined phases. With the first we are not concerned this morning. During the second, financial and credit elements thrust themselves violently into the

picture and have until very recently wholly dominated it.

Curiously enough, just as in the case of the Great War, the initial incident occurred in Austria. It gave rise to a series of dramatic events which followed each other with extraordinary rapidity, and which eventually circled the globe. A critical situation developed in that country following the disclosure in May, 1931, of the insolvent condition of its largest bank. It soon spread to Germany. Already serious and increasing apprehension regarding the economic and budgetary situation in Germany had led to a steady outward movement of funds. What, up to that time, had been a gradual seepage became so severe a drain upon that country's banking resources as to threaten the entire German banking and credit structure. Within a comparatively short period the gold and the foreign exchange of the Reichsbank had been reduced by \$250,000,000, bringing the reserves close to the minimum required by law.

Recognizing the imminence of a financial crash, which would involve all of Europe, the President attempted to avert this disaster by a one-year suspension of all inter-governmental debt payments. For a time it appeared as if this remedial action would save the situation. But the forces of destruction were too powerful, and eventually the German credit machinery was, for all practical purposes, taken over by the Government. In the meanwhile, the evidence became clearer and clearer that there was widespread apprehension and fear as to the strength of Great Britain's financial situation. Here, as in the case of Germany, fear took the form of a rapid withdrawal of foreign balances held in London. In spite of liberal assistance in the way of outside credits, the drain continued. From the middle of July to September 19th, almost a billion dollars of funds were withdrawn from the

London Market. Finally, Great Britain, no longer able to withstand the strain, suspended the operation of the gold standard, and the world stood aghast. Parenthetically, I may say that by the end of 1931, in eighteen other countries the gold standard had become substantially inoperative.

The destructive wave of fear which had swept Europe next reached our own shores. In our Market, as in the London Market, there were immense balances held for foreign accounts. These began to be withdrawn at a rapidly increasing pace. Between September 21st and the end of October, we lost about \$750,000,000 of gold, representing about 15 per cent of our monetary gold. It was openly stated in the foreign press that we would soon be driven to following the same course as England. Many of our own citizens, actuated by blind fear, began hoarding currency. By November 7th nearly half a billion dollars of currency had gone into hiding. Foreign withdrawals and domestic hoarding threw an unparalleled strain on our banking and credit structure.

There began at that time a forced liquidation and contraction of credit which proceeded for some months with growing intensity and with a most dreadful effect on all values, business, employment and commodity prices,-- a forced contraction and liquidation which was all the more desperately damaging following, as it did, the more gradual liquidation and contraction of credit that had been taking place since the autumn of 1929.

Though it is not directly relevant to this part of our story, the fact is that before these forces had fairly spent themselves, foreign balances, which at one time amounted to as much as three billion dollars, had been

reduced to approximately \$600,000,000. Though at no time did our monetary gold stock fall below \$3,900,000,000, we had lost over a billion dollars in gold which I am glad to say is now steadily returning and the domestic hoarding of currency had reached the peak of approximately a billion and a half dollars.

We have reason to feel proud that we have met in full every demand made on us from abroad, and that our financial strength has been adequate to withstand the shocks coming both from within and without our borders.

But last fall, under the double impact which I have described, many banks, unable to meet unusual cash withdrawals, were forced to close. Bank failures reached the very high figure of 305 in September, and the unprecedented total of 522 in October.

To stem the tide of failures, the banks of the country, under the leadership of the President, created the National Credit Corporation, a voluntary organization empowered to make loans to banks on security, much of which at that time could not be used to obtain funds elsewhere. While this organization performed a splendid service, and succeeded in arresting bank suspensions temporarily, a new wave of bank failures set in in December, and in that month and in January no less than 358 and 342 banks closed.

In the meanwhile, as credit contraction and forced liquidation continued, and business everywhere slackened, the area of the new depression grew in ever-widening circles. Many of our railroads, whose underlying securities had been looked upon as prime investments for all our great fiduciary institutions, ceased to earn even their full fixed charges. As the price of their bonds depreciated from this cause and from the forced sales which were con-

stantly taking place, the secondary reserves of many institutions were threatened. Loans were called, new credit became unavailable, and mortgages were not renewed. Mortgagors in urban and rural communities found it increasingly difficult to meet their obligations as industrial activity became stagnant, unemployment grew, and agricultural prices fell, and the savings of many communities were wiped out or frozen by bank suspensions. It isn't too much to say that every home in the land, in greater or less degree, felt the tremor of these shocks.

There were, of course, many forces at work. But the outstanding fact is that the credit structure of the country, upon which these hammer blows had fallen, was the center of the disturbance.

It was to underpin our credit structure and to save many millions of our people from disaster that the Reconstruction Finance Corporation was created, with total resources of \$2,000,000,000, including capital of \$500,000,000, and authority to make loans on proper security to building and loan associations, insurance companies, mortgage loan companies, credit unions, agricultural credit corporations, live stock credit corporations, Joint Stock Land Banks, Federal Land Banks, Federal Intermediate Credit Banks, railroads, and banks and trust companies. Of the funds available to the Corporation, it was authorized to use not more than \$200,000,000 to aid in the reorganization or liquidation of closed banks, including the payment of dividends to depositors; and it was required to allocate a maximum of \$200,000,000 to the Secretary of Agriculture for loans to farmers in connection with crop production.

The first important fact to be noted is that practically all of the institutions authorized to borrow from the Corporation are either subject to

regulation or supervision by Government. In the second place, all may fairly be said to be closely related to the public interest. In the third place, they are distinctly service institutions, devoted to the essential financial needs of practically our entire population. And, finally, the group is sufficiently inclusive to reach nearly all of our people.

We all know the place that building and loan associations and insurance companies occupy in our national economy. There are approximately 11,500 building and loan associations in the country, having something like 12,000,000 members, and life insurance policy holders alone number nearly 70,000,000; our insurance companies are the largest lenders on farm mortgages. The activities of these institutions, therefore, touch directly a very large percentage of our people. The maintenance of their integrity and adequate functioning is of supreme importance to the Nation. Mortgage loan companies extend loans on real estate and help to finance real estate transactions in other ways, thus reaching millions of home dwellers throughout the land. The Federal Land Banks and the Joint Stock Land Banks, as well as the insurance companies, are the mediums through which our agricultural population obtains its long-term credits, while agricultural credit corporations, live stock credit corporations and Federal Intermediate Credit Banks are of particular importance to-day in meeting the current financial requirements of the farmer.

Again, consider the case of the railroads. Some gentlemen apparently visualize the railroads of the United States as the private property of a limited number of stockholders. Leaving aside the fact that their stocks are widely distributed -- and that I have the greatest sympathy for the stockholder, considering the prices at which equities are selling to-day -- what are the railroads? They are the backbone of the transportation system of the

country. They are among the largest employers of labor. They are one of the largest purchasers of raw and fabricated materials of all kinds. Their underlying securities, to the extent of many billions of dollars, are held by the great fiduciary institutions such as insurance companies and savings banks, which means that indirectly there is invested in them a large part of the savings of the American people. In the face of these facts, can anyone question the national necessity of maintaining the credit of the railroads, not only in the interest of our commerce and industry, but for the sake of the thousands of men whom they employ and the millions of individuals whose savings are deposited in savings banks or invested in that most sacred form of family investment, the life insurance policy? When a railroad goes into receivership, men are discharged, capital improvements are suspended, purchases decline, the value of its underlying securities is severely depreciated, and service to the public is curtailed. These are the fundamental reasons why railroads were included in reconstruction legislation intended to strengthen and protect our national economy.

Finally, we come to banks. In this connection, I trust you will bear with me while I make a few elementary observations which seem necessary owing to the fact that some people seem unaware that the saving of banks frequently means the saving of communities. Banks, in the first instance, are institutions which receive for safe-keeping the funds of others, and in turn employ those funds in satisfying the credit needs of the community. The farmer goes to the bank to obtain the funds necessary to plant, harvest and carry his crop until, through the sale of his products, he can reimburse the bank and satisfy his own requirements. The merchant borrows from the bank to finance the goods

which he carries on his shelves; the manufacturer, to finance himself until raw materials can become finished products; the home builder obtains through mortgage the funds which enable him to erect his home; and the depositor has in the bank an institution in which he can deposit his savings, on which he can receive a moderate return, and which are withdrawable to meet his current and emergency needs.

I have caused to be examined the records of three typical banks in cities of less than 50,000,--and it is the banks in cities of less than 50,000 that constitute the overwhelmingly large majority of borrowers from the Reconstruction Finance Corporation. I find that in one there were 200 industrial loans, aggregating \$1,350,000; in another, 83 agricultural loans, aggregating \$80,000; in another, 135 real estate loans, aggregating \$493,000, and 1,527 loans to other borrowers, covering presumably commercial and collateral loans, aggregating \$2,368,000. The deposits in these banks averaged approximately \$5,000,000. There you have the picture, farmers, manufacturers, merchants, home owners, as borrowers, and as depositors these and many others all with a vital stake in the banks.

When a bank such as these closes, approaching it, first, from the standpoint of the depositor, it means that the wage earner may be unable to meet his bills or even to provide for such emergencies as sickness; that the housewife cannot secure cash for daily necessities, or the householder for taxes; that instalment payments fall far behind; that the merchant cannot collect, and consequently cannot meet his obligations to the middle-man and the manufacturer; and that these, in turn, who may be located in entirely different communities, find their operations hampered. It means that the farmer, if he be a borrower,

has no place to turn to finance his crop, and if he be a depositor, may find himself deprived of the funds set aside to pay interest or taxes. It means that the manufacturer is unable to buy and carry his necessary materials unless he can obtain credit in some other community. It may well mean, if he be a depositor, that he cannot meet his payroll. It means, in short, that unless help comes from outside, the normal economic activities of that community may well be paralyzed and terrible hardships suffered by the individuals that compose it.

The services which one or two banks perform for a given community are typical of the services which our entire banking system performs for the Nation. If that credit system ceases to function adequately, industry, business and commerce stagnate, unemployment increases, suffering comes to millions of people, and many of the effects which I have described in the small community take place on a larger and national scale, though perhaps not in a form so clearly defined and readily distinguishable.

There are 20,000 banks in the United States, and no less than 40,000,000 depositors. Leaving aside the functioning of our entire economic machine, which would be dead and inert unless credit flowed through its cylinders, the 40,000,000 depositors in the United States have a direct and vital interest in the history and activities of the Reconstruction Finance Corporation.

With the signing of the Act on January 22, the directors were confronted with the gigantic task of quickly organizing the central office and setting up various agencies in the field adequate to take care of the needs of the entire country. Competent personnel had to be selected, policies formulated, forms prepared, procedure for making loans established, and all of the multitudinous details involved in launching this immense undertaking worked out. Delay might mean calamity. By Herculean efforts, the Corporation opened for

business on February 2nd. Actual lending operations commenced almost immediately, and the work of the Corporation went forward with unparalleled speed.

I desire to take this occasion to pay tribute to the members of the Board, of which I am an ex officio and of necessity but a part-time member, and to the personnel of the Corporation for their unfailing willingness to work night and day in order promptly to set in motion the task of reconstruction assigned to them, and to carry forward with sureness, precision and judgment their manifold duties.

Some idea of the scope of the Corporation's operations may be gained from the figures covering the first six months of its business. From February 2nd to July 31st, inclusive, the Corporation, under the original Act, authorized 6,345 loans to 4,947 institutions, aggregating \$1,219,000,000. Of this amount, \$736,000,000 was authorized to 4,190 banks and trust companies (including \$30,000,000 to aid in the reorganization or liquidation of 346 closed banks), \$68,000,000 to 541 building and loan associations, \$67,000,000 to 73 insurance companies, \$81,000,000 to 60 mortgage loan companies, \$767,000 to 10 agricultural credit corporations, \$8,000,000 to 14 live stock credit corporations, nearly a million and a half to five Joint Stock Land Banks, \$26,000,000 to eight Federal Land Banks, \$405,000 to three credit unions, and \$230,000,000 to 43 railroads and railroad receivers. Of the \$1,219,000,000 authorized, \$976,000,000 had actually been disbursed on July 30, of which \$110,000,000 had been repaid. In addition to the above, 500,000 individual loans to farmers, aggregating \$65,000,000, have been made by the Secretary of Agriculture out of the \$97,000,000 thus far allocated to him.

It has been said that the Reconstruction Finance Corporation benefits only

the great city bank and other large institutions. The contrary is true. The great majority of banks which have borrowed from the Corporation are located in small towns. Specifically, on July 30, seventy per cent of the banks to which loans had been authorized were in towns of less than 5,000 population; eighty-six per cent were in towns of less than 25,000, and ninety per cent were in towns of less than 50,000. Looking at it from another angle, we find that loans have been authorized to more than twenty per cent of all the banks in the country, these banks having about 15,000,000 of the 40 million bank depositors in the United States. These have been directly affected by the Corporation's loans to banks, while the other 25,000,000 have benefited indirectly by the Corporation's activities in preventing the fire from spreading.

But if we limit our survey solely to what the Corporation has accomplished in the way of prevention and saving, we only get half of the picture. Its very existence and the cumulative effect of its activities, embracing a field as wide as the country itself, have tended more and more to dispel the atmosphere of fear and panic, and to restore confidence in our financial and fiduciary institutions. The shrinkage in bank deposits and bank credits which had been proceeding at a disastrous rate for months has been partially checked, and since the end of March the volume of bank deposits has been maintained. In some Federal Reserve Districts there has been an actual increase in deposits. So that when a short time ago it became clearly evident that the outward movement of funds to foreign countries had of necessity come to an end, that not only was there nothing more to fear from this quarter, but that in all human probability a reverse movement had set in, it is no wonder that the blind fear which has characterized so many of our actions during the last eight or nine months lifted. From June 15th to the middle of August the return flow of gold has amounted to over \$100,000,000. Men may not look to the immediate economic future with complete assurance, but to-day they are at

least facing it unafraid. Our ship has come through a financial hurricane with much suffering, some broken spars, torn sails and wreckage on deck, but the hull is sound, and neither crew nor passengers doubt that we shall come safely to port.

The time would seem to be opportune, then, for carrying out the new activities entrusted to the Reconstruction Finance Corporation by recent legislation, which, outside of the \$300,000,000 made available to States for relief purposes, is intended primarily to stimulate employment and industrial activity. Under the provisions of the Emergency Relief and Construction Act of 1932, the maximum lending capacity of the Corporation is increased by \$1,800,000,000, making \$3,800,000,000 in all. Of this, \$300,000,000 is to be made available to States and territories for relief purposes under the conditions prescribed in the Act. In addition, the Corporation may (1) make loans to, or contracts with States or other political bodies or agencies thereof to aid in financing authorized projects which are self-liquidating in character; (2) make loans to corporations formed wholly for the purpose of providing housing for families of low income, or for reconstruction of slum areas, which are regulated by State or municipal law as to rents, charges, capital structure, rate of return, and areas and methods of operation, to aid in financing housing projects which are self-liquidating in character; (3) make loans to private corporations for the construction, replacement or improvement of bridges, tunnels, docks, viaducts, water works, canals and markets devoted to public use which are self-liquidating; (4) make loans to private limited dividend corporations to aid in financing projects for the protection and development of forests and other renewable natural resources which are self-liquidating; and (5) make loans to aid in financing the construction of publicly owned bridges for railroad, railway and highway uses,

the construction cost of which will be returned in part by means of tolls, fees, rents or other charges, and the remainder by means of taxes imposed by State law enacted before the date of enactment of the Emergency Relief and Construction legislation.

The Corporation is also authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries which cannot be financed in the normal course of commerce; to make loans to bona fide institutions having resources adequate for their undertakings for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States; and to create in any Federal Land Bank district a regional agricultural credit corporation. Such credit corporations may make loans or advances to farmers and stockmen for agricultural or livestock purposes.

Thus, the Corporation is to enter into a new field of constructive assistance which should help in tiding us over the latter phases of the economic depression proper, and perhaps prove immediately effective in bringing about a more prompt recovery. But this is another story, the first chapter of which is only beginning to be written.

The story which I have attempted to relate to you this morning is that of the Reconstruction Finance Corporation as an agency to meet and overcome the perils incident to a financial panic of the first magnitude-- the greatest responsibility ever imposed upon a peace-time organization in the history of the Nation. It is a dramatic story, it is an intensely human story, if time permitted to relate individual incidents. It is the tale of a great undertaking, soundly conceived in an emergency, and well-conducted, which has fully met the expectations of those responsible for its launching and which has been of immeasurable benefit to our people in a great national crisis.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
Tuesday, August 23, 1932.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary of the Treasury Ballantine announced today that the tenders for \$60,000,000, or thereabouts, of 91-day Treasury Bills, dated August 24, 1932, and maturing November 23, 1932, which were offered on August 18th, were opened at the Federal Reserve Banks on August 22nd.

The total amount applied for was \$347,816,000. The highest bid made was 99.897, equivalent to an interest rate of about 0.41 per cent on an annual basis. The lowest bid accepted was 99.894, equivalent to an interest rate of about 0.42 per cent on an annual basis. The total amount of bids accepted was \$62,350,000. The average price of Treasury Bills to be issued is 99.894. The average rate on a bank discount basis is about 0.42 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, August 25, 1932.

STATEMENT BY ACTING SECRETARY OF THE TREASURY BILLLANTINE

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 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 Monday, August 29, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated August 31, 1932, and will mature on November 30, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 29, 1932, 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 31, 1932.

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, and this notice 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 the Secretary of the Treasury made on Behalf of the Conference of the Banking and Industrial Chairmen, held in the Treasury Department on Thursday, August 25, 1932.

A meeting was held today in the Treasury Department, attended by the following gentlemen, and presided over by Mr. Henry M. Robinson:

Secretary Mills,
Secretary Chapin,
Secretary Doak,
Governor Meyer,
Governor Harrison, of the New York
Federal Reserve Bank,
Mr. Atlee Pomerene, Chairman, R. F. C.,
Mr. C. H. Miller, President, R. F. C.,
Mr. Franklin Fort, Chairman Federal Home
Loan Bank Board,
Mr. Carl Williams, of the Federal Farm Board,
Mr. Owen D. Young,
Mr. L. B. Williams, Cleveland,
Mr. G. H. Houston, Philadelphia,
Mr. Sewell Avery, Chicago,
Mr. A. W. Robertson, Pittsburgh,
Mr. J. E. Reynolds, New York,
Mr. C. P. Dennett, Boston,
Mr. E. C. Graham, Washington,
Mr. G. S. Harris, Atlanta,
Mr. R. E. Maddox, Atlanta,
Mr. J. W. Harris, St. Louis,
Mr. G. D. Dayton, Minneapolis,
Mr. J. F. Porter, Kansas City,
Mr. Frank Kell, Dallas,
Mr. K. R. Kingsbury, San Francisco,
Mr. Walter Teagle, New York,
Mr. Daniel Willard, Baltimore,
Mr. T. N. Perkins, Boston.

At that meeting a full report was submitted by each of the twelve Chairmen of the Banking and Industrial Committees of the several Federal Reserve districts as to the work of their Committees,

the problems dealt with and the general conditions existing in their districts.

In addition to these reports statements were made by the President and Chairman of the Reconstruction Finance Corporation, the Governor of the Federal Reserve Board, the Governor of the Federal Reserve Bank of New York, Mr. Willard, Mr. Teagle and Mr. Robertson.

For some weeks past informal meetings have been held, attended by members of the Banking and Industrial Committees and Government officials, at which the possibility of setting up a Central Committee of the Banking and Industrial Committees was discussed, such a committee to act as a central point of contact in those matters regarding cooperation between various public and semi-public agencies and the several Banking and Industrial Committees, and to be of assistance to voluntary committees formed for the purpose of carrying out definite undertakings. Those attending these informal meetings had also considered some definite proposals looking to the stimulation of business activity and of employment. A full report was submitted to the Conference today covering the discussions of and recommendations made by the informal group.

At the conclusion of the session it was the sense of those present that they would recommend to the Conference that is to meet tomorrow the setting up of a Central Committee of the Banking and Industrial Committees to meet the purposes above described and would submit as well a definite program of activities that might be undertaken either through the Banking and Industrial Committees proper, or through sub-committees to be appointed with their cooperation.

Statement by Secretary Mills before the President's Conference of Banking and Industrial Committees, Friday, August 26, 1932.

Some four months ago at a time when the Reconstruction Finance Corporation was already actively engaged in the protection and strengthening of our banking structure and the Federal Reserve System, with its vast resources made fully available by the Glass-Steagall Bill, was, through a vigorous policy, stemming the tide of deflation and credit contraction, but when dark clouds still hung heavily over our financial horizon, there came into being in each of the twelve Federal Reserve districts a banking and industrial committee composed, generally speaking, of six leading bankers and six leading industrialists and business men. The first one of these was created in the New York District under the leadership of Mr. Owen Young. This Committee served as a model for the committees subsequently organized in the other districts. In the words of Mr. Young, the objective of these committees was "to discover ways and means of putting excess banking credit to work affirmatively to stimulate employment and business recovery." Mr. Young is here to tell you in person how the New York Committee has been organized, how it has tackled the problems in the Second Federal Reserve District, and what it has been able to accomplish.

The chairmen of the committees in the other districts are also present, but for the purpose of discussion this morning the story of the New York Committee may be taken as typical of the work and purposes of all of these voluntary and cooperative organizations.

Since the creation of the Banking and Industrial Committees the powers of the Reconstruction Finance Corporation have been vastly increased so that whereas in the first instance its primary duty was to support our general credit structure by loans to certain specified institutions, its new functions so broadened the scope of its activities as to enable the use of its credit facilities to stimulate industrial activity and to promote employment. Both the Chairman, Senator Pomerene, and the President, Mr. Charles Miller, of the Reconstruction Finance Corporation, are here to explain the scope of the task assigned to the Corporation and to make clear to you all in what manner it may be helpful to solve some of the problems of your communities and States.

Since April the authority of the Federal Reserve Banks has been extended so as to include certain emergency powers intended to provide more adequately for credit needs. Governor Meyer will explain to us the character of the legislation extending the powers of the Federal Reserve System, enacted at the last Session of the Congress, and will, I hope, describe in a general way the great part the System has played and is playing today in helping us weather our financial difficulties.

The Congress at the last Session enacted a law providing for the creation of a number of so-called Home Loan Banks, intended to afford to the great agencies that make loans in urban communities, principally for home construction, central reservoirs of credit. Mr. Franklin Fort, Chairman of the Home Loan Bank Board, which is now engaged in the work of organization, is prepared to describe the contemplated organization and functions of these new banking institutions.

We have then available for meeting some of the extraordinary problems arising from this depression two new Government agencies,--one of them with tremendous resources and authorized to carry on its

operations on a very broad front, our great central banking system with new emergency powers, and in each of the twelve Federal reserve districts voluntary organizations of bankers and business men ready to give their time and best efforts to the problems of their communities and to the nation-wide problem of stimulating the revival of industrial activity and increased employment.

That is the picture which, after the adjournment of Congress, presented itself to those of us who have lived with all phases of the manifold difficulties with which we have wrestled these many months. In a sense the picture was complete. In so far as providing the necessary instrumentalities all that was essential seemed to have been made available. Yet one element appeared to be lacking. Though the Reconstruction Finance Corporation has done a magnificent job in setting up country-wide agencies, and though our Federal Reserve Banks are in the several Federal reserve districts the central points through which credit policies can be initiated and coordinated, and though the Banking and Industrial Committees in the several districts are the logical agencies through which contact can be established for the more effective and widespread use of available facilities, the element of coordination and of adequate exchange of information on the entire front was lacking, and this was particularly true of the Banking and Industrial Committees, which, I think, it will be admitted have not been developed hitherto up to the maximum point of usefulness.

It seemed to some of us, a month or so ago that there was a truly useful purpose to be served, - first by promoting a more general understanding throughout the country of what agencies are actually available and the character of service they are prepared to render, and in the second place

by creating a central point of contact which might serve as a means of interchange of ideas, suggestions and experiences.

With that in view an informal conference was held attended by some of the members of the Banking and Industrial Committees, the Governor of the Federal Reserve Board, the Governor of the New York Federal Reserve Bank and the Secretary of the Treasury, at which the above-mentioned objectives were discussed. It was the unanimous opinion of those present that the purposes outlined were not only entirely desirable, but wholly feasible, that the time was opportune for such an effort, and that, in addition to bringing into being a central clearing organization, it might be possible to develop a definite if in the first instance limited program to stimulate employment and possibly to move forward the gradual resumption of business activity for the consideration of the Banking and Industrial Committees and the creation of certain subsidiary committees to carry out on a purely voluntary basis these lines of activity.

As a result of those preliminary discussions a memorandum was prepared which may be said to present the basis for the movement which has been initiated and which has led to the calling of this general conference, composed for the most part of the members of the Banking and Industrial Committees of the twelve Federal reserve districts, together with representative groups from all sections of the country who can render invaluable assistance in strengthening the hand of existing organizations and in the development of such programs as may be undertaken. It will be of interest to you, therefore, to have me summarize the preliminary memorandum prepared under date of July 27, 1932:

"For nearly three years the economic curve has moved precipitously downward; prices have fallen steadily; industrial activity has become more and more restricted; bank deposits and credits have shown the greatest

shrinkage in our history. We have sought through the creation of emergency organizations to protect the key points in our economic structure. We have succeeded in doing so. But for over twenty-four months now we have been in full retreat all along the line.

"More recently, the economic curve has shown a tendency to flatten out. Commodity prices have steadied and shown a moderate advance over the period of the last several weeks. The shrinkage in bank deposits and bank credits which had been proceeding at a rapid rate, has been partially checked and in some districts there has been an actual increase in deposits. The bond market has shown a steady and consistent rise for a period of five weeks. The stock market for a shorter period has shown a tendency to move upward. Perhaps most significant of all, large short-term foreign balances, which were a subject of anxiety and constituted more or less of a threat to confidence in our credit system have been reduced from a high of three billion dollars to less than six hundred million dollars, which is probably a sub-normal average. The huge gold outflow which we have witnessed since September, aggregating over one billion dollars, has ceased, and it appears that from now on the gold movement will be decidedly in our favor. A steady gold inflow, apart from its direct monetary effects, will probably have a psychological effect reflected in a return of currency now hoarded, especially by large hoarders. The Lausanne Agreement seems to have had a profound effect. In spite of the necessity of financing the Reconstruction Finance Corporation, the credit of the Federal Government stands high, as witness the success of the last offering of Government notes. The powers of the Reconstruction Finance Corporation have been extended so as to make it a more potent agency for usefulness, and the authority of the Federal Reserve Banks has been extended so as to permit them to take a more active and direct part in stimulating the use of credit.

"All of these circumstances justify the conclusion that the time has come to make a definite and concerted effort to use the present low plateau upon which we now stand as a base for the beginning of an upward movement that will make for increased employment and the betterment of business.

"The most effective way to bring about this result would seem to be to concentrate our efforts at those points which can be most effectively attacked.

"The agencies immediately available for use are the Reconstruction Finance Corporation, the Federal Reserve System, the Banking and Industrial Committees formed in each Federal Reserve District under the auspices of the Federal Reserve Banks of the respective Districts and the Home Loan Banks. It is essential that the efforts of these organizations in their respective fields should be coordinated with a view to becoming part of a general program, and that in addition our banking and industrial organizations should be appealed to and so organized as to supplement the efforts of the above-mentioned institutions, as well as to make more effective use of the facilities furnished them by these institutions.

"Such a program presupposes the creation of a small central group charged with the preparation of the general program and the creation of sub-groups responsible for the carrying out of specific tasks. The central group should be an informal and voluntary organization built around the Reconstruction Finance Corporation and the Federal Reserve System, for the general purpose of assisting both of these great organizations in making their work more effective.

"The central committee should proceed at once to set up working sub-committees to deal with the various phases of programs agreed upon.

The most practical way to do this is to select one or two men for each sub-committee and ask them to organize their own sub-committee and staff in the field assigned to them for action."

The memorandum then went on to outline a tentative program of possible activities which has since in modified form been considered and approved at the meeting of the Banking and Industrial chairmen held yesterday, and which it is hoped can be fully discussed before the close of this Conference.

This meeting further decided to recommend to you the creation of a Central Committee. The function of this Committee is to act as a central point of contact in those matters regarding cooperation between the various agencies and the committees. In addition, it can be of assistance to voluntary committees formed for the purpose of carrying out definite undertakings. For example, at our first meeting Mr. A. W. Robertson suggested that some of the strong industries of the country as part of a general movement in the interest of increased employment and possible stimulation of business activity might find it advantageous to make capital expenditures postponed up to the present time because of existing financial conditions and including the replacement of worn out equipment, or the substitution of modern equipment for that which had grown obsolescent. He stated that he was prepared to approach other industrial leaders with a view to the development of such a program and the organization of a committee. His idea met with the approval of all of us. He has lost no time in carrying it out and at the meeting yesterday reported real progress. I think that this general group will be glad to hear from him later in the day. What can be accomplished along these lines is indicated by the statement of Mr. Myron Taylor, made on

Wednesday morning on behalf of the United States Steel Corporation.

It must be apparent that in the carrying forward of such a program not only can a Central Committee be helpful in enlisting support, but the chairmen and members of the individual committees can perform a tremendous service in establishing contacts and in promoting the work of organization.

Other lines of endeavor which the Banking and Industrial chairmen had presented to them yesterday, and which it believes are worthy of consideration are as follows:

1. The problem of making available credit affirmatively useful to business;
2. To increase employment by the railroads and stimulation of industry through expansion of maintenance of equipment and purchase of new equipment in cooperation with the Interstate Commerce Commission and the Reconstruction Finance Corporation;
3. Increased employment through the sharing work movement;
4. The stimulation of the repair and improvement of home movement;
5. Assistance to home owners with maturing mortgages;
6. Active cooperation of all Banking and Industrial Committees with Reconstruction Finance Corporation in working out the problems incident to the making of self-liquidating loans for public and semi-public projects, and for slum clearance and housing projects as provided in the Emergency Relief Act; in the aiding of livestock loans by the Reconstruction Finance Corporation and Agricultural Credit Corporations; in assisting the establishment of Agricultural Credit Corporations provided for in the Relief Act, and in facilitating the adequate functioning of the new Home Loan Banks.

Since the initiation of informal discussions real progress has been made, and some of the programs discussed are already well under way. For instance our efforts definitely contributed to the creation of the Commodity Finance Corporation; to the capital expenditure movement which Mr. Robertson has under way; to bringing the question of increased employment and stimulation of industrial activity by the expansion of maintenance work and the purchase of new equipment to the attention of the railroad executives, the Interstate Commerce Commission and Reconstruction Finance Corporation, and to the development of a plan which would make this feasible. Already with the cooperation of the New York Banking and Industrial Committee the American Securities Corporation had come into being which made a real contribution at a time when there was no real market for bonds and where sound securities were being offered at destructive prices.

In order to avoid any possible misconception let me conclude by stating that we are not setting up an economic council to endeavor to direct the economic policies of the country. We are creating a central organization for the purpose of contact and cooperation to assist in the task to be performed by the Reconstruction Finance Corporation, Federal Reserve Banking System, the Home Loan Banks, the Banking and Industrial Committees and such voluntary groups as may associate themselves with the latter with a view to developing helpful steps looking to gradual economic rehabilitation and more immediately an increase in employment. The usefulness of the Central Committee will depend in large measure on the degree to which you gentlemen turn to it for cooperation and for the interchange of ideas.

Aside from the work to be carried on by the Government agencies, the major part of the task and the real field for usefulness of the Banking and Industrial Committees is in developing means and methods for solving the problems arising in their own districts. This meeting will have fulfilled a major purpose if each of you carries away with him a more complete understanding of the agencies that are available for the work of rehabilitation, the fields in which they can cooperate, and the knowledge that you business men have available in your own districts voluntary organizations of cooperation and contact, which, in turn, will now furnish you with a channel through which what may in the first instance be a purely local program can be developed into one national in scope.

TREASURY DEPARTMENT

102.
FOR RELEASE, MORNING PAPERS,
Tuesday, August 30, 1932.

STATEMENT BY SECRETARY MILLS

Secretary of the Treasury Mills announced today that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury Bills, dated August 31, 1932, and maturing November 30, 1932, which were offered on August 25th, were opened at the Federal Reserve Banks on August 29th.

The total amount applied for was \$463,281,000. The highest bid made was 99.922, equivalent to an interest rate of about 0.31 per cent on an annual basis. The lowest bid accepted was 99.915, equivalent to an interest rate of about 0.34 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$100,500,000. The average price of Treasury Bills to be issued is 99.918. The average rate on a bank discount basis is about 0.32 per cent.

TREASURY DEPARTMENT

FOR RELEASE WHEN DELIVERY IS
COMMENCED WHICH WILL BE AT
2:00 P. M., WASHINGTON TIME,
FRIDAY, SEPTEMBER 2, 1932.

Address of

HONORABLE ARTHUR A. BALLANTINE
Under Secretary of the Treasury,

at the Exercises at

Federal Hall, New York,

as a part of the

GEORGE WASHINGTON BICENTENNIAL CELEBRATION
of the One Hundred and Forty-Third Birthday
of the

UNITED STATES TREASURY DEPARTMENT

on Friday, September 2, 1932.

In 1789 the first Congress of the United States, assembled in the City of New York, began the task of building a government under the Constitution which had just been adopted by the thirteen states. The creation of a Treasury Department on September 2, 1789, one hundred and forty-three years ago to-day, was one of the chief initial steps. None has more thoroughly proved the wisdom of the founders of our Government. This anniversary date, commemorated as part of the George Washington Bicentennial celebration, finds the Treasury discharging its historic functions on a scale which the fathers could have hardly conceived, and bearing a vital part in defeating the depression.

One hundred and forty-three years ago the new nation, shortly emerged from the war of independence, was suffering from lack of any adequate central government. Failure had threatened throughout the Revolution because of the difficulty -- almost the impossibility -- of securing financial support, either from the colonies or abroad. The central government had no public credit. The first Congress did not know the amount of the war debt to be paid, if assumed. They did come to the realization that the survival of the Government provided for by the Constitution depended largely on prompt and adequate solution of the Government's financial problems.

The compelling perception of the necessity for sound public finance for the United States was that of Alexander Hamilton, the

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first Secretary of the Treasury. Within three years after the creation of the Department, Hamilton had secured legislation looking to the refunding of the public debt and establishing both at home and abroad confidence in the financial integrity and capacity of the new government, which has ever since been maintained. It was the first Secretary who also secured provision for our sound decimal currency system, replacing the confusion of the English, French and Spanish coins previously in circulation.

Other secretaries, in difficult periods, have carried on the early traditions of the Treasury. The work of Secretary McCulloch after the Civil War is seen in the refunding act of 1870, passed after he had left office, under which the management of the great Civil War debt proceeded in an orderly manner.

The period following the Civil War saw the Treasury struggling with the problem of irredeemable paper currency, the greenbacks, which were issued under the financial stress of the war. In terms of irredeemable paper currency, prices thereafter rose sharply. Many commodities were offered at one price in gold and a much higher price in the paper currency. Thus to buy \$1.00 of gold it took \$2.85 of paper money in 1864 when the gold premium was highest, and \$1.23 of paper money as late as 1870. The postwar depression of the seventies brought suggestions for relief through further increases of the irredeemable paper money. Proposals for making paper currency redeemable in gold met much opposition.

- 3 -

One of the early steps toward restoring the currency was accomplished by President Grant in preventing permanent increase in this fiat money in 1874 when he vetoed a bill passed by Congress and stated, "Paper money is nothing more than promises to pay, and is valuable exactly in proportion to the amount of coin that it can be converted into." The tide was turned, and on January 14, 1875, another important step was taken with the passage of the resumption act providing a program for retirement of paper currency and that redemption in gold should begin January 1, 1879. This disastrous experiment with fiat money should prevent this country from ever resorting again to such a dangerous expedient.

The development of the Treasury saw the addition of many functions which increased the variety and importance of its work. The Coast Guard, one of the oldest services, established in 1790 as the Revenue Cutter Service, patrols the entire coast line day and night, bringing help to vessels in distress and saving life and property at sea, as well as protecting the customs revenues through the prevention of smuggling. Coast Guard seaplanes and radio communications now play an important part in this work. The service is manned by a force of about twelve thousand, -- officers and enlisted men. The high standards of service discipline, on which the splendid record of the Coast Guard has been built, are a long-established tradition, continuously protected by careful selection of applicants for service at recruiting stations, and the training of cadets at the Coast Guard Academy.

The Public Health Service was established in 1798 as the Marine Hospital Service for the maintenance of hospitals to provide medical care for sick and disabled American merchant seamen. This service continues today and includes more than one hundred and fifty hospitals and relief stations at ports of the United States, territories and possessions. Medical assistance is now rendered to other Government agencies as well, such as the Coast Guard, the Lighthouse Establishment and the Immigration Service. The Public Health Service has developed into an organization which protects the health of the nation, not merely by administering the national quarantine laws, but also by its studies for the prevention and cure of diseases, and through its cooperation with the states, in improving local health conditions and in health educational services.

Through the office of the Supervising Architect, the Treasury constructs and operates most of the public buildings of the Federal Government. Over sixteen hundred Federal buildings scattered throughout the United States are in the custody of the Treasury Department; these include courthouses, postoffices, customs houses, marine hospitals and other structures.

Through this office the Treasury is now carrying out the great public building construction program accelerated for the relief of unemployment, involving total expenditures of some \$700,000,000 and eighteen hundred building projects in Washington and throughout the country. Outstanding architectural firms are employed to design some of the larger and more monumental buildings. On August 1st, 216 buildings had been completed, 367 projects were under contract, plans for 134 projects

had been completed, which will shortly be placed under contract, and plans were under way for 80 additional projects which will be placed under contract during this fiscal year. When present building plans for Washington have been completed, the general arrangement of our National Capital will have been carried out according to the plans which were made with such skill and foresight by L'Enfant under the direction of our first President, whose Bicentennial we are celebrating.

Time is too limited for appropriate comment on the activities of all important organizations in the Department. The Bureau of the Mint, which had its beginning in 1792, has general supervision over the assay offices and the mints where the gold, silver and other coins of our currency system are struck. The Office of the Comptroller of the Currency, established in 1864, supervises our national banking system. The Bureau of Engraving and Printing, also established during the Civil War, now designs, engraves and prints money, postage stamps and securities for the Government. More than four billion dollars of paper currency are printed each year, in large part to replace worn out money. A secret service division guards continuously against counterfeiting of money and forgery of checks and securities, and provides special protection for the President of the United States. The Bureau of Customs and the Bureau of Internal Revenue play vital parts in the finances of the Government, one in administering the tariff laws and the other, the internal revenue laws.

Never has intelligent administration of the principal function of the Treasury, the management of the finances, been more important than it is today. In the first years of the new Government, total annual expenditures were about five million dollars and the total funds handled by the Department each year were about twenty millions; today annual Federal expenditures are about four billion dollars and the total funds handled each year by the Treasury Department have grown to the tremendous sum of twenty billion dollars. The Treasury handles the funds of the Government so well and faithfully that we seldom realize that the collecting, disbursing and accounting of billions of dollars each year require the never failing services and attention of a large group of highly trained officers.

Internal revenue collected in each of the sixty-four collection districts by Government officials acting under the Commissioner of Internal Revenue, and customs collected at each of the two hundred and ninety-nine ports of entry under the administration of the Commissioner of Customs, are deposited daily in a Federal reserve bank or other designated depository. Daily these institutions report to the Treasury all receipts and disbursements on Government account and in the office of the Treasurer a highly efficient staff analyzes the reports. The summary of their work is published as the Daily Statement of the United States Treasury, which shows in detail current receipts and expenditures with totals for the fiscal year to date together with specification of the amount and location of the funds on hand. The daily report which the Treasury thus makes available to the public is a unique practice in Government finance.

Collecting the Federal revenues today brings Treasury officials into direct contact with millions of citizens of the country, largely through the administration of the income tax. Prior to the World War when receipts were derived primarily from indirect taxes, that is duties on imports and the internal revenue taxes on distilled spirits, fermented liquors and tobacco, the average citizen was little aware of his contribution to the Federal Government. Today the income tax has become the principal source of our revenues and four millions of individuals and hundreds of thousands of corporations file returns each year. Next year, under the Revenue Act of 1932, no less than eight million income tax returns are expected to be filed.

The magnitude of the task of administering the Federal income tax may be judged by the fact that in the fifteen years from 1917 to 1931, inclusive, the Treasury collected more than thirty-three billion dollars in income and profits taxes; it had to deal with not less than 85,000,000 returns, showing tax liabilities ranging from nothing to hundreds of millions of dollars. All returns had to be checked and those of any size or calling for special attention had to be investigated in the field. All indicated changes in the liabilities reported had to be taken up with the taxpayers and settled. That great task has been faithfully and impartially performed.

Sound management of the finances of the Government according to the traditions established in the early days of its history was never more evidenced than during the eleven years following the World War and prior to the depression, the greater part of the period having been under

the leadership of Secretary of the Treasury Mellon. The Treasury Department recommended prompt action for reduction in expenditures, payment of the great war debt and revision in the emergency tax system. During this eleven-year period expenditures were reduced from the high war level of nearly \$19,000,000,000 for the fiscal year 1919 to an average of less than \$3,700,000,000 for the eight years ended with the fiscal year 1929. Four revenue acts were passed, those in 1921, 1924, 1926 and 1928, through which the elaborate war-time tax system was converted into the comparatively simple and less onerous system adapted to a period of peace and prosperity. The great war debt was reduced from over twenty-five billion on June 30, 1919 to sixteen billion dollars on June 30, 1930, or by about one-third. The reduction in debt and the refunding operations effected during this period brought about a decrease in annual interest charge amounting to \$448,000,000.

One of the functions of the Secretary of the Treasury which calls for the soundest financial judgment is deciding when and on what terms government issues shall be placed. Management of the public debt was very important during the postwar period. Refunding operations which so reduced interest charges, involved the substitution for outstanding obligations of other obligations carrying lower rates of interest. Terms of the new debt thus issued were planned with a view to maintaining a distribution of maturities convenient for the use of funds available for debt retirement and also for the accomplishment of future refunding operations when market conditions were advantageous.

During the depression responsibilities of the Treasury Department have been no less serious than during the days of the World War. With decreasing volume of business, revenues declined while Government expenditures increased in response to the demand for outlays for relief of the depression. Federal finances for the fiscal year 1930 were not affected perceptibly and the year showed a surplus of \$184,000,000. In the latter part of the fiscal year 1931, the finances reflected the depression in marked degree, and the year closed with a deficit of \$903,000,000 and an increase in the public debt of \$616,000,000.

In the eleven-year period ended June 30, 1930, the public debt had been reduced in an amount which exceeded statutory requirements by \$3,460,000,000. This acceleration of the debt retirement program might be considered to have created something in the form of a reserve upon which the Government was justified in drawing during lean years. In the fall of 1931 when it was clear that owing to the continuance and intensification of the depression, continued and larger deficits were in prospect unless decisive steps were taken, the Secretary of the Treasury urged immediate action for regaining a balanced budget and retaining the public credit unimpaired. He declared:

"If the public credit is to be maintained, there are certain basic principles that must be observed in the conduct of national finances. First, the sinking fund assigned to gradual retirement of the public debt must be maintained Second, over a period of years revenues must be equal to expenditures. Deficiency in revenue for a time may be inevitable, owing to operation of the emergency

conditions, but must not be allowed to continue. Observance of these principles in the conduct of our Federal finances requires, in addition to continued effort to reduce expenditures, a very substantial increase in the revenues through taxation."

Definite taxes were proposed to meet this urgent situation.

During the anxious months that followed, the Secretary of the Treasury was continuously engaged in the campaign to secure from Congress and from the people throughout the country support of this fundamental policy, a balanced Federal budget.

During the winter and into the summer of 1932 the Department cooperated continuously with committees and members of Congress on the detailed work which resulted in the revenue act of 1932, signed June 6th. This act, it is estimated, will raise more than \$1,100,000,000 of additional revenue including postal receipts during the fiscal year 1933. The Treasury stressed continuously throughout this period the importance of its fiscal policy with particular reference to reduction in expenditures over which it had no immediate jurisdiction except for its own Department. Important steps for reduced expenditures were taken by Congress in the so-called Economy Act, signed June 30, 1932.

The provisions for additional revenue and steps taken for reduction in Government expenditures have constituted the first major step in the reconstruction program to meet the depression. The public credit, which is the particular charge of the Treasury Department, has been put on an unquestioned basis. It is the keystone of the arch supporting the entire business structure of the country.

In this emergency period it has been necessary to bring the public credit of the United States to the support of the entire credit and financial structure of the country. This has been accomplished

through the Reconstruction Finance Corporation, of which the Secretary of the Treasury is a Director. This organization, with its great reservoir of credit supplied through public issues, was created to combat the depression, and the assistance it has given to institutions, such as banks and railroads, has made secure to millions of our people their savings in the form of bank deposits and insurance policies. Loans made in the first five months of its operation totaled more than one billion dollars and reached over 4,000 financial institutions. Seventy per cent of the 3,600 banks receiving loans were located in towns with less than 5,000 population. Loans thus made have brought relief affecting the savings of many millions of individuals throughout the country. All this has been possible primarily as a result of prompt steps taken to safeguard the public credit.

On its birthday celebration today the Treasury represents a great and vital department of your Federal Government. Established by Hamilton on sound lines, the development of the Department has responded to the changing needs of the country. Through the passing years since the date of its foundation, it has built up a notable tradition and esprit de corps, carried on and maintained by a body of civil servants whose devotion to their work is nowhere surpassed.

STATEMENT BY SECRETARY MILLS

The Treasury is today offering for subscription at par and accrued interest, through the Federal Reserve Banks, \$750,000,000, or thereabouts, 3-1/4 per cent five-year Treasury notes of Series A-1937, and \$400,000,000, or thereabouts, 1-1/4 per cent one-year certificates of indebtedness of Series TS-1933.

The Treasury notes will be dated September 15, 1932, and will bear interest from that date at the rate of 3-1/4 per cent per annum, payable semiannually. They will mature on September 15, 1937, and will not be subject to call for redemption prior to that date.

The certificates of indebtedness will be dated September 15, 1932, and will bear interest from that date at the rate of 1-1/4 per cent per annum, payable semiannually. They will mature on September 15, 1933.

The principal and interest of the Treasury notes and Treasury certificates of indebtedness will be payable in United States gold coin of the present standard of value.

The Treasury notes and Treasury certificates of indebtedness will be exempt, both as to principal and interest, from all taxation (except estate or 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.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new Treasury notes and certificates of indebtedness, at par, Treasury certificates of indebtedness of Series TS-1932 and TS2-1932, both maturing September 15, 1932, and subscriptions in payment of which such Treasury certificates of indebtedness are tendered will be given preferred allotment.

The Treasury notes will be issued in bearer form only, in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000, with interest coupons attached payable semiannually on March 15 and September 15 in each year. The certificates of indebtedness will be issued in bearer form only, in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000, with two interest coupons attached, payable March 15, 1933, and September 15, 1933.

About \$712,504,500 of Treasury certificates of indebtedness and about \$50,000,000 in interest payments on the public debt become due and payable on September 15, 1932.

The texts of the official circulars follow:

TREASURY NOTES, SERIES A-1937

The Secretary of the Treasury offers for subscription, at par and accrued interest, through the Federal Reserve Banks, \$750,000,000, or thereabouts, three and one-quarter per cent Treasury notes of Series A-1937, of an issue of gold notes of the United States authorized by the Act of Congress approved September 24, 1917, as amended.

DESCRIPTION OF NOTES

The notes will be dated September 15, 1932, and will bear interest from that date at the rate of three and one-quarter per cent per annum, payable semiannually on March 15 and September 15 in each year. They will mature September 15, 1937, and will not be subject to call for redemption prior to maturity.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The notes will not be issued in registered form.

The notes shall be exempt, both as to principal and interest, from all taxation (except estate or 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 notes will be accepted at par, during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the notes.

The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury certificates of indebtedness of Series TS-1932 and TS2-1932, both maturing September 15, 1932, will be given preferred allotment.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to allot less than the amount of notes applied for and to close the subscriptions at any time without notice; 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for notes allotted must be made on or before September 15, 1932, or on later allotment. Any qualified depository will be permitted to make payment by credit for notes 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-1932 and TS2-1932, both maturing September 15, 1932, will be accepted at par in payment for any notes of the series now offered which shall be subscribed for and allotted, with

an adjustment of the interest accrued, if any, on the notes of the series so paid for.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive notes.

CERTIFICATES OF INDEBTEDNESS, SERIES TS-1933

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, \$400,000,000, or thereabouts, Treasury certificates of indebtedness of Series TS-1933.

DESCRIPTION OF CERTIFICATES

The certificates of this series will be dated September 15, 1932, and will bear interest from that date at the rate of one and one-quarter per cent per annum, payable semiannually. They will be payable on September 15, 1933.

The principal and interest of the certificates will be payable in United States gold coin of the present standard of value.

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 on March 15, 1933, and September 15, 1933.

The certificates of this 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.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury certificates of indebtedness of Series TS-1932 and TS2-1932, both maturing September 15, 1932, will be given preferred allotment.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for certificates allotted must be made on or before September 15, 1932, or on later allotment. 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-1932 and TS2-1932, both maturing September 15, 1932, 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.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates.

TREASURY DEPARTMENT

122
FOR RELEASE, MORNING PAPERS,
Wednesday, September 7, 1932.

STATEMENT BY SECRETARY MILLS.

Secretary Mills to-day announced that the subscription books for the current offering of one-year 1-1/4 per cent Treasury Certificates of Indebtedness, Series TS-1933, maturing September 15, 1933, and five-year 3-1/4 per cent Treasury Notes of Series A-1937, maturing September 15, 1937, closed at the close of business to-day, Tuesday, September 6, 1932.

Subscriptions placed in the mail before 12:00 o'clock mid-night, Tuesday, September 6, 1932, as shown by Post Office cancellation, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will be made on or about Saturday, September 10th.

TREASURY DEPARTMENT

THE FOLLOWING SPEECH WAS DELIVERED BY
HONORABLE OGDEN L. MILLS, SECRETARY
OF THE TREASURY, AT PORTLAND, MAINE, ON
SATURDAY, SEPTEMBER 10, 1932.

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

STATEMENT BY SECRETARY MILLS

Secretary Mills today announced the subscription figures and the basis of allotment for the September 15th offering of five-year Treasury notes of Series A-1937, 3-1/4 per cent, maturing September 15, 1937, and of one-year Treasury Certificates of Indebtedness of Series TS-1933, 1-1/4 per cent, maturing September 15, 1933.

3-1/4 PER CENT TREASURY NOTES, SERIES A-1937.

Reports received from the Federal Reserve Banks show that for the offering of 3-1/4 per cent Treasury notes of Series A-1937, maturing September 15, 1937, which was for \$750,000,000, or thereabouts, total subscriptions aggregate over \$4,351,000,000. Of these subscriptions, \$408,639,000 represent exchange subscriptions, in payment for which Treasury Certificates of Indebtedness maturing September 15th were tendered. Such exchange subscriptions were allotted in full. Allotments on cash subscriptions for 3-1/4 per cent Treasury notes of Series A-1937 were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted 50 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$1,000 but not exceeding \$10,000 were allotted 30 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 20 per cent, but not less than \$3,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$500,000 were allotted 15 per cent, but not less than \$20,000 on any one subscription; subscriptions in amounts over \$500,000 but not exceeding

\$1,000,000 were allotted 10 per cent, but not less than \$75,000 on any one subscription; subscriptions in amounts over \$1,000,000 but not exceeding \$100,000,000 were allotted 8 per cent, but not less than \$100,000 on any one subscription; and subscriptions in amounts over \$100,000,000 were allotted 4 per cent, but not less than \$8,000,000 on any one subscription.

1-1/4 PER CENT TREASURY CERTIFICATES OF INDEBTEDNESS,
SERIES TS-1933

Reports received from the Federal Reserve Banks show that for the offering of 1-1/4 per cent Treasury Certificates of Indebtedness of Series TS-1933, maturing September 15, 1933, which was for \$400,000,000, or thereabouts, total subscriptions aggregate over \$3,069,000,000. Of these subscriptions, \$195,157,000 represent exchange subscriptions, in payment for which Treasury Certificates of Indebtedness maturing September 15th were tendered. Such exchange subscriptions were allotted in full. Allotments on cash subscriptions for 1-1/4 per cent Treasury Certificates of Indebtedness of Series TS-1933 were made as follows: Subscriptions in amounts not exceeding \$10,000 were allotted 50 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 20 per cent, but not less than \$5,000 on any one subscription; subscriptions in amounts over \$100,000 but not exceeding \$1,000,000 were allotted 10 per cent, but not less than \$20,000 on any one subscription; subscriptions in amounts over \$1,000,000 but not exceeding \$10,000,000 were allotted 7 per cent, but not less than \$100,000 on any one subscription; subscriptions in amounts over \$10,000,000 but not exceeding \$100,000,000 were allotted 5 per cent, but not less than \$700,000 on any one subscription; and subscriptions in

amounts over \$100,000,000 were allotted 3 per cent, but not less than \$5,000,000 on any one subscription.

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

TREASURY DEPARTMENT

127
FOR RELEASE, MORNING PAPERS,
Tuesday, September 13, 1932.

SPEECH DELIVERED BY HON. FERRY K. HEATH,
ASSISTANT SECRETARY OF THE TREASURY ---

In The National Radio Forum, arranged
by the Washington Star and broadcast over
the nation-wide network of the National
Broadcasting Company.

Monday, September 12th,
9:00 P.M., Eastern Standard Time.

SUBJECT:

"UNEMPLOYMENT RELIEF BY PUBLIC BUILDING CONSTRUCTION".

LADIES AND GENTLEMEN OF THE RADIO AUDIENCE:

Last October, through the courtesy of the Washington Star, the Treasury Building Program was described in detail. Time is not available, nor would your patience stand a repetition of that information. Tonight I will attempt to acquaint you with the actual progress of the work and the plans the Department is making to carry out the provisions of the Emergency Construction and Relief Act passed by the last Congress and becoming a law July 21, 1932.

In the days before the great war, federal buildings were the recognized means of exchange in Congress. They were the rewards granted senators and congressmen for services rendered for various forms of cooperative action in other legislation. They were the scalps brought back by the returning senator or congressman to prove to his tribe what a great warrior he was in Washington. The whole system was the opposite of business-like and orderly procedure, and often-times a pure waste of public funds.

Then came the war. Throughout its duration, and for ten years thereafter, no public buildings were built. The business of the country grew enormously and with it the needs for federal housing. It was apparent the old procedure could never produce the required relief and, in 1926, Congress passed the first comprehensive building legislation which authorized an expenditure of \$175,000,000 over a period of ten years and called for a nation-wide survey to disclose just what the situation demanded by way of relief. A report under this Act was submitted in 1927, which indicated that \$175,000,000 would fall far short of requirements. On March 5, 1928, the first installment of the building program was approved by Congress and \$21,390,000 appropriated to begin the acquisition of land and start construction.

As a result of this first and nation-wide survey of Federal building conditions, Congress in 1928 increased the authorization for public buildings by \$125,000,000. A final and more complete survey was made during the years 1929 and 1930 for the purpose of ascertaining the postal needs for the next twenty-five years at all important mail centers. It was at these places that the advent of parcel post had necessitated the rental of space provided by private capital at a time when building costs were at the peak. It was during this rental period between 1913 and 1926 that the Federal government had ceased authorizing the construction of new buildings.

To meet the needs at these larger places, the President strongly recommended to Congress the enlargement of the Public Building Program and Congress, by Acts approved during 1930 and 1931, authorized an additional expenditure of \$330,000,000 to carry out the recommendations of the President.

Millions of dollars will be saved the Government when the construction of these large working post offices is completed and all business interests will shortly appreciate the improved efficiency to be provided at these gateways of mail distribution. Thousands of men are now employed on a number of these large post offices located at Boston, New York, Philadelphia, Cincinnati, Cleveland, Atlanta, Ft. Worth, Jacksonville, Chicago, Albany, Newark, Kansas City, Minneapolis, St. Paul, Detroit, and so on.

While Secretary of Commerce, President Hoover had recognized the great lack of facilities everywhere in the way of adequate housing for federal activities. Always having been an advocate of advanced planning for governmental work, he as President immediately urged the legislation that was finally passed, enlarging the scope of building activities and providing methods for expediting the work. The wisdom of his course is strikingly in evidence today. Without the Acts of 1930 and 1931 the benefits I will describe would have been impossible.

Following the first shock of business depression, the President directed that the public building program be accelerated to the extent possible under the legislation. Immediately this Department availed itself of the legislation permitting the employment of private architects, and contracts have been made since that time with 264 firms for plans for buildings representing over \$200,000,000 in cost - which action increased the progress of the program by more than 100 percent.

As private construction faded, public construction took its place insofar as it could, preventing the complete demoralization of the building trades. It is conceded that construction of much-needed public work during periods of business depression is a wise course of action, assuming that the financial burden is not too great. Building costs are lower, building trades need the business, and the procedure is useful in every way.

During the last ten months 105 federal buildings have been completed, at a total cost of about \$31,000,000. 130 projects have been placed under contract, totaling \$125,000,000. During the next six months 150 additional buildings will be placed under contract, representing in value at least \$75,000,000. For two years the contract obligations under the Public Building Program sponsored by the Administration have averaged \$10,000,000 per month and, for the twelve months ending June 30, 1933, the expenditures will total \$123,000,000. Practically all of this huge expenditure for federal buildings will be applied to construction, which means that labor in all its branches will directly benefit by almost every penny of it. The status of the authorized Public Building Program, and by that I mean everything contemplated

prior to the Emergency Relief Act of July 21, 1932, indicates that 98% of the \$496,000,000 so authorized is represented by projects completed - under contract - on the market for bids, or on drawing boards nearing completion of plans. There are over 390 buildings now under construction with contract lettings averaging two a day. Federal construction activities in all departments have been enlarged wherever possible, and the work expedited.

Including the Treasury building program, the expenditures for public works of the Federal Departments during the fiscal year 1929 approximated \$261,000,000. This total was increased to \$536,000,000 during the fiscal year 1932 and will be further increased to nearly \$600,000,000 during the current fiscal year. In addition to this amount the proposed expenditures under the Relief Act of 1932 will represent the maximum amount to be expended under plans which are well under way in the several departments concerned. The largest classes of construction under the Federal Works Program relate to national defense, hospitals for veterans, road, river and harbor work, flood control and the Hoover Dam.

By the end of the fiscal year 1933, the Government will have under contract practically 90% of all public works coming within the scope of present plans, and the taxpayers of the country may well expect the budget for the fiscal years 1934 and 1935 to show a considerable reduction in the abnormal expenditures required during the present and preceding fiscal years which were brought about to provide better government facilities and aid the unemployment situation during the period of the depression.

Through these trying years, wherever Government could help unemployment without a waste of the taxpayers' money, the Government has helped. Never were such preparations made for stemming the tide of economic reaction.

Never in all the history of organized society have such efforts been put forth to ward off the effects of grim economic adversity. Building public buildings, building roads, dredging rivers and harbors, constructing great public works - none of these activities, even though all the present requirements are met and future requirements anticipated, can cure the unemployment situation as it has developed during the depths of post-war depression. All possible forces in times such as we have been going through must be marshaled. All the reserves must be called up, as they have been. Nothing has been left to chance. The magnificent work of the Reconstruction Finance Corporation is perhaps the greatest example of organizing the resources of a nation, that they may be made available for the assistance of a people as they march through the valley of distress.

The wisdom of the President in providing the agencies which made possible all that has been done and all that is being done is becoming more apparent each day. The employment of 100,000 men on federal buildings, with perhaps 300,000 more employed in fabricating and material plants, will not cure the unemployment in the building trades. But certainly the 2,000 men working today on the huge new post office at Chicago, and the 6,000 men engaged in fabricating materials for that building, and the families of all these men, and the purveyors of food and clothing and other necessities for these people, must be grateful for this federal expenditure. And so in equal proportion are the benefits spread through every state in the Union.

During periods of depression, it is too often the case that the worker suffers through a reduction of wages. Under the Federal Building Program the worker has been protected to the utmost and in every contract let since the Bacon-Davis law, the contractor is required to pay the prevail-

ing rate for wages. This policy has been of inestimable benefit to the worker throughout the country, and it is hoped that the attitude taken by the President and Congress in this respect will be of lasting help in the present situation. Both the manufacturer and his factory help have also benefitted by the policy of the Government which favors the use of local materials wherever possible on the projects to be constructed in that locality.

While this enormous building program has come at a time when labor and industry will derive the most good, we must not overlook the fact that the government will likewise benefit in many ways. Federal building construction, delayed for thirteen years after the World War, will be current within the next few years. Construction will have been accomplished at prices far below normal. Unsatisfactory working conditions will have been considerably improved. New and modern buildings will have been built providing better working facilities for many years to come. The cost of renting commercial space for Government activities will have been reduced to a minimum. Through the construction of large working post offices at the principal railroad terminals throughout the country, thousands of dollars will be saved by the elimination of motor vehicle services between depots and terminals and by improved operating facilities planned by the most expert technicians employed by the Government.

On July 31, 1932, the Emergency Construction and Relief Act became a law. This legislation, building on a foundation already established by some of the activities I have just mentioned, provides among other things that \$100,000,000 is appropriated for the use of the Treasury Department in prosecuting the Federal Building Program. It provides that this \$100,000,000 shall be applied to projects which were recommended under legislation previously mentioned, and places the responsibility for the choice of location of projects on the Secretary of the Treasury and the Postmaster General.

This program should not be confused with the pork barrel legislation proposed in one of the Relief bills which was opposed by the President. The President's action in this case undoubtedly prevented an unjustifiable expenditure of public money.

There has been no delay by the Government in inaugurating the construction program authorized by the Relief Act. I can assure you that since the date of the passage of the Act, Treasury and Postoffice officials have been working night and day analyzing the 900 projects which are eligible for consideration. Every Department in the Government has been called upon to furnish justification for space requests in these buildings. New estimates of cost have been prepared in all of these cases, based upon current prices in order that excessive limits of cost will not be authorized by the Secretary and the Postmaster General. In some cases the Office of the Supervising Architect of the Treasury has already started plans for additions to buildings where land is owned and where space requirements have been fully justified.

Having accomplished all of the preliminary restudy and surveys necessary, the two Departments are now prepared to assign all available experienced site agents to the task of inspecting sites offered in response to advertisements, which action is required by law. These advertisements will be sent out as rapidly as possible, and within 30 days it is expected that proposals for sites at over 300 places will be printed in the respective local papers.

As I have told you what has been accomplished, and is being accomplished under the old program, I will tell you how the additional \$100,000,000 will be utilized. It will build upwards of 400 federal

buildings, comprising postoffices, courthouses, marine hospitals and office buildings. These will be placed where the governmental needs are greatest, or where leases expire prior to July 1, 1934, and the benefits of the expenditure will appear in every part of the United States. With the contracts already in force, and with those about to be let, plus this additional federal expenditure, we are assured of a hopeful beacon for the building trades for the next two years.

The much needed housing of executive departments in the District of Columbia, planned for many years, is fast becoming a reality. The steel for the great structures to house various departments is now being placed, and soon the unsanitary temporary buildings, crowded almost to the point of suffocation, will give way to this beautiful group about to adorn the Nation's Capital. Within two years the rental cost of commercial space in the District of Columbia will be reduced by more than one million dollars per annum. This construction has been done at the most fortunate time for the Government, both because of the cost and because of the assistance to labor scattered throughout the country. As the President has said - "We cannot squander ourselves into prosperity". The Treasury Department is endeavoring in all its building activities to see to it that the taxpayers' money is spent for the benefit of the taxpayer.

None of the buildings which have been erected or are being erected, or will be built, owe their position in the building picture to political pull or partisan politics. Building legislation was passed by Republicans and Democrats. Buildings themselves are erected in every state in the Union. No preference has been shown, North or South, East or West. The need of the Government has been the principal measuring rod and the deciding factor in the whole program. That Congress is convinced of the fairness of the Departments is evidenced by the lack of criticism of the activities under

the federal building legislation.

The example of the man in the White House, indefatigable in his hours of labor, unsparing of himself day after day, month after month, has been an invaluable inspiration to the thousands of governmental employees engaged in these activities. These men and women represent every political faith. They are a cross-section of the United States of America. The buildings they are designing and supervising, as I have said, are scattered everywhere. And these men and women have been working unselfishly to the limit of their endurance for two years, strengthened in the thought that their efforts would provide relief for many of their fellow-citizens in need.

Those listeners who happen to live in communities where the results of these activities are in evidence, will see there a building of architectural beauty carefully planned for the convenience of the activities housed, as well as for the benefit of the owners of the building - the American people. And that building for many years will be the outward and visible sign of the power and strength of the nation - our common country.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
Wednesday, September 14, 1932.

Secretary Mills today announced the final subscription and allotment figures with respect to the September 15th offering of 3-1/4 per cent Treasury Notes of Series A-1937, maturing September 15, 1937, and 1-1/4 per cent Treasury Certificates of Indebtedness of Series TS-1933, maturing September 15, 1933.

Subscriptions and allotments were divided among the several Federal Reserve districts and the Treasury as follows:

3-1/4% TREASURY NOTES OF SERIES A-1937

<u>Federal Reserve District</u>	<u>Total Cash Subscriptions Received</u>	<u>Total Exchange Subscriptions Received</u>	<u>Total Subscriptions Received</u>	<u>Total Subscriptions Allotted</u>
Boston	\$ 241,225,600	\$ 20,473,500	\$ 261,699,100	\$ 57,947,500
New York.....	2,023,551,300	232,108,000	2,255,659,300	426,997,900
Philadelphia...	282,852,400	14,335,000	297,187,400	46,200,000
Cleveland.....	216,797,000	6,139,500	222,936,500	30,719,700
Richmond.....	96,410,100	2,515,000	98,925,100	18,075,200
Atlanta.....	124,260,500	3,130,500	127,391,000	22,787,200
Chicago.....	407,485,800	69,852,500	477,338,300	115,858,400
St. Louis.....	54,367,200	17,674,000	72,041,200	25,343,300
Minneapolis...	26,581,800	4,391,000	30,972,800	7,953,000
Kansas City...	52,091,900	11,652,000	63,743,900	17,828,300
Dallas.....	89,189,500	639,000	89,828,500	15,400,200
San Francisco..	328,463,500	19,569,000	348,032,500	43,319,600
Treasury.....	34,300	5,960,000	5,994,300	5,971,200
Total	\$3,943,310,900	\$408,439,000	\$4,351,749,900	*\$834,401,500

*Includes \$408,439,000 exchange subscriptions, which were allotted in full.

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1-1/4% CERTIFICATES OF INDEBTEDNESS OF SERIES TS-1933

<u>Federal Reserve District</u>	<u>Total Cash Subscriptions Received</u>	<u>Total Exchange Subscriptions Received</u>	<u>Total Subscriptions Received</u>	<u>Total Subscriptions Allotted</u>
Boston.....	\$ 153,577,000	\$ 1,641,000	\$ 155,218,000	\$ 20,889,000
New York.....	1,652,058,500	134,878,000	1,786,936,500	266,166,500
Philadelphia...	196,107,000	3,140,000	199,247,000	21,550,000
Cleveland.....	164,475,000	445,000	164,920,000	16,963,000
Richmond.....	47,860,500	229,000	48,089,500	8,616,500
Atlanta.....	113,058,500	113,058,500	15,787,000
Chicago.....	169,398,500	45,205,000	214,603,500	63,315,000
St. Louis.....	32,067,500	583,000	32,650,500	4,291,500
Minneapolis....	9,289,000	644,000	9,933,000	1,518,000
Kansas City....	27,620,000	1,408,500	29,028,500	3,910,500
Dallas.....	48,955,500	41,000	48,996,500	8,878,500
San Francisco..	259,825,000	6,906,000	266,731,000	19,525,000
Treasury.....	36,500	36,500	36,500
Total	\$2,874,292,000	\$195,157,000	\$3,069,449,000	*\$451,447,000

*Includes \$195,157,000 exchange subscriptions, which were allotted in full.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, September 15, 1932.

Secretary Mills made the following announcement:

The following governments have advised the Treasury that they will take advantage of the options granted to them in the respective debt funding agreements by postponing for a period of two years from December 15, 1932, the payment of the principal of the bonds first issued under the funding agreements due on that date:

Estonia	\$ 90,000
Latvia.	37,000
Poland.	1,125,000

In accordance with the terms of the agreement the amount of the payments so postponed will bear interest at the rate of 3-1/2 per cent per annum, payable semiannually.

FOR IMMEDIATE RELEASE,
Friday, September 16, 1932.

TREASURY DEPARTMENT

The Secretary of the Treasury announces that Mr. H. F. Mires, who resigned the office of Assistant to the Commissioner of Internal Revenue August 8, 1931, after many years of service, has expressed a willingness to return to the service in that position. He is expected to assume his duties as Assistant to the Commissioner on October 1st.

Mr. Ralph E. Smith, Assistant to the Commissioner, who before succeeding Mr. Mires in that office was Head of the Civil Division of the General Counsel's office, has resigned as Assistant to the Commissioner, his resignation to take effect September 30th. He will return to the General Counsel's office where he will take up his duties on important legal work in the Bureau.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE.

The Secretary of the Treasury today sent the following letter to Honorable John W. Pole.

September 20, 1932.

My dear Mr. Pole:

You are today terminating your many years of service in this Department. I do not want you to leave without, on behalf of my predecessors and myself, recording the high character of public service which you have at all times rendered.

During the recent period of terrific strain to which our National banking structure has been subjected, your courage, your broad vision, and your knowledge and experience have been of inestimable value to the country.

I wish you all future happiness and success in the days that are to come.

Sincerely yours,

(Signed) OGDEN L. MILLS
Secretary of the Treasury.

Hon. John W. Pole,
Comptroller of the Currency,
Washington, D. C.

STATEMENT BY SECRETARY MILLS

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 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 Monday, September 26, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated September 28, 1932, and will mature on December 28, 1932, 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, \$100,000, \$500,000, and \$1,000,000 (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 September 26, 1932, 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 September 28, 1932.

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, and this notice 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 MILLS

Secretary of the Treasury Mills announced today that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, dated September 28, 1932, and maturing December 28, 1932, which were offered on September 22nd, were opened at the Federal Reserve Banks on September 26th.

The total amount applied for was \$412,510,000. The highest bid made was 99.958, equivalent to an interest rate of about 0.17 per cent on an annual basis. The lowest bid accepted was 99.940, equivalent to an interest rate of about 0.24 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$100,665,000. The average price of Treasury bills to be issued is 99.941. The average rate on a bank discount basis is about 0.23 per cent.

STATEMENT BY THE SECRETARY OF THE TREASURY

Paragraph 5 of the Debt Funding Agreement dated June 23, 1930, between Germany and the United States, requires in connection with the postponement of the payment of any installment "not less than ninety days' advance notice in writing," and paragraph 8 provides that "the United States in its discretion may waive any notice required hereunder."

Accordingly, as to the September 30th payment, a ninety-day notice would have been given by Germany on or before July 2, 1932. On June 30, 1932, the German Ambassador stated to the Secretary of the Treasury that the German Government desired to make the payments due September 30, 1932, to the United States on account of the mixed claims and army costs, but that in view of exigencies which might arise making it impossible for the German Government to pay, he would be obliged to give notice of postponement then and there, unless he could have some assurance from the Secretary of the Treasury that the ninety-day notice would be waived if the German Government should find it impossible to make the payment.

In order to prevent such a premature decision and in the hope that postponement would not prove to be necessary, the Secretary advised the Ambassador that if Germany delayed its decision, the ninety-day notice would later be waived if the German Government should decide before September 30th that it must give notice of postponement.

Such notice of postponement, as provided in the original debt agreement, has now been received, and the Secretary of the Treasury has waived the ninety-day notice in accordance with his assurance to the German Ambassador.

CREDIT AGENCIES IN THE FIGHT AGAINST DEPRESSION

An address delivered

by

HONORABLE JAMES H. DOUGLAS,

ASSISTANT SECRETARY OF THE TREASURY,

before the

Philadelphia County Medical Society,

Philadelphia, Pa.

Wednesday,

September 28, 1932.

It was suggested that I describe to you the several great credit agencies of Government that have been created and expanded to meet the changing problems of depression, and that are today exerting their force to promote recovery.

In his speech of acceptance the President referred to the discussion of problems of economic life and of Government as often seeming abstract and cold, but called attention to the fact that "within their right solution lies the happiness and hope of a great people." A realization of that fact gives vital interest to our subject. The economic problems of the last three years have been those of a great depression. The Reconstruction Finance Corporation represents one of the great efforts of Government to meet these problems. Through it Government credit has been made available to protect the savings of the people, and to reopen the normal channels of credit essential to industry. To understand its operations and accomplishments, and those of the other Governmental agencies arrayed against depression, we must review briefly the events which account for the new interest we all have today in Government, and in these agencies.

During the first two years of the depression prices and industrial activity declined; unemployment increased; the burden of debt grew heavier, but our financial structure had not been seriously threatened. During the latter half of 1931, however, the depression entered a new phase. A credit crisis having its origin in the financial collapse of Austria, spread through Germany to England, and then moved on to threaten our economic structure. There were added to the difficulties of a world wide depression, the strangling fears of financial panic.

On September 21, 1931, England suspended gold payments, and within a week ten other Nations took similar action. This disaster contributed to the precipitate withdrawal of foreign balances from the United States. Between the

middle of September and the end of October we lost \$750,000,000 gold by export and close to \$500,000,000 of currency through hoarding. This loss of gold and currency hoarding measured by millions is an adequate statistical comment on what was happening. But what did this run on the dollar mean, and what were its consequences? It meant bank failures with the loss of savings to hundreds of thousands of depositors; it meant further drastic liquidation of credit, rapidly declining commodity prices, further falling off in industrial activity, increased unemployment and in short constituted a threat to our whole economic structure. In October bank failures reached the unprecedented total of 522.

To resist the first shock of this new phase of the depression, the President urged and, through the cooperation of the banks, accomplished the organization of the National Credit Corporation. By making liquid funds available to the weaker banks, the corporation was successful in stemming the tide of bank failures, but the toll continued heavy.

The Country was confronted with the distress of the third winter of depression, unemployment, an increasing Federal deficit, and a loss of confidence in our financial structure. The President, in his message to Congress on December 7th, offered a broad affirmative program. Important in the program was his insistence upon:

1. A balanced Federal budget to be accomplished by a reduction in expenses and an increase in taxes.
2. Additional capital for the Federal land banks.
3. The establishment of a system of home loan discount banks.
4. The creation of an emergency Reconstruction Corporation.
5. A broadening of the Federal Reserve Act, and the improvement of our banking laws.

This program was devised to maintain the National credit unimpaired and to make available that credit to protect the savings of the Country, whether in the form of bank deposits, insurance policies, or securities, and to counteract the destructive forces of deflation. On January 4th the President again appeared before Congress and repeated his recommendations. The Act creating the Reconstruction Finance Corporation was signed January 22nd, and on February 2nd the Corporation was organized, ready for business, with resources of \$2,000,000,000

Thus Government credit was made available to our pivotal institutions. The task remained to maintain the national credit unimpaired, and this became the primary task of the administration. Federal revenues, based in large part on an income tax peculiarly sensitive to declining prices and diminishing profits showed an alarming shrinkage. Emergency appropriations, --- for example \$500,000,000 capital for Reconstruction Finance Corporation, and \$125,000,000 additional capital for Federal land banks, --- largely increased expenditures. This double effect of depression on Government finances made imperative the prompt enactment of a revenue bill, and the reduction of ordinary expenditures. The seriousness of the situation forbade delay and reckless experimentation, but when in March a well devised and long considered Revenue Bill was reported out of the Committee on Ways and Means it was torn to pieces on the Floor of the House. An economy bill met the same fate in April. It was June before the Revenue Bill became law, and July before an economy bill was enacted.

Aside from the effect of these delays, public confidence had been further shaken by the reckless panaceas proposed and passed by the House of Representatives. The two proposals which most seriously threatened the National credit were the immediate cash payment of the bonus and the squandering of one billion dollars to litter the Country with new post offices.

Had it not been for the fact that, during May and June, credit was available to banks, insurance companies and railroads through the Reconstruction

Finance Corporation, and that the Federal Reserve Act had been liberalized to permit a great expansion of Reserve Bank credit through the purchase of Government obligations, the destruction wrought, in what we have reason to believe were the last months of the financial panic, would have been immeasurably greater.

When Congress adjourned in July, although economies effected were disappointing, the main features of the President's program had been enacted, and the principle of the balanced budget had been definitely established. None of the irresponsible measures which had been before the Congress had become law. The Federal Home Loan Bank Act had been passed. The powers of the Reconstruction Finance Corporation had been broadened by the Relief and Construction Act, so as to make it definitely an offensive as well as a defensive weapon against depression, the Federal Reserve Act had been liberalized, and new capital had been supplied to the Federal Land Banks.

Let us turn our attention now to the Reconstruction Finance Corporation. What are its powers? How have they been used to underpin the credit structure of the Country? Under the original Act the Corporation was authorized to make loans on adequate security to building and loan associations, insurance companies, mortgage loan companies, agricultural credit corporations, joint stock land banks, Federal land banks, intermediate credit banks, railroads and banks and trust companies. Of the funds available to the Corporation it was authorized to use \$200,000,000 to aid in the reorganization and liquidation of closed banks, and there was made available to the Secretary of Agriculture \$200,000,000 for loans to farmers. Let us see to what extent loans to this group of institutions might benefit people of the United States. There are approximately 11,000 building and loan associations in the country, having some 12,000,000 members. Our insurance companies are the largest lenders on farm mortgages and approximately 70,000,000 of our people hold life insurance policies. Our bank depositors number some 40,000,000. The railroads are one of our largest employers of labor, and

railroad securities are held by our banks and Insurance Companies to an amount in excess of \$5,000,000,000. There has been some effort to create the impression that loans to banks have been to big banks, and that the benefits have been to the banker; that loans to railroads have been in the interest of a small group, which doesn't exist, but which is represented as controlling the railroads. Nothing could be farther from the fact. Banks are the first concern in time of crisis as they hold the savings of the people, and are the sources of credit essential to the economic life of the Nation.

Under the original Act up to September 1st, Reconstruction Finance Corporation had authorized loans to 4715 banks totalling \$824,000,000; loans to 643 building and loan associations totaling \$80,000,000; loans to 79 insurance companies totaling \$72,000,000; loans to 68 mortgage loan companies totaling \$83,000,000; loans to 49 railroads totaling \$243,000,000, and loans to Federal land banks and various farm credit agencies totaling \$43,000,000. The total of loans authorized amounts to \$1,412,000,000, of which \$1,122,000,000 had been disbursed. Of this amount nearly \$150,000,000 had been repaid. By the Secretary of Agriculture \$65,000,000 had been loaned direct to more than 500,000 farmers. It is interesting to note where the loans to banks have been made. Of the total number of loans made to banks 70% has been made to banks in towns of less than 5,000 population, and only 10% in cities of more than 50,000. It is estimated that depositors in banks that have received loans number 15,000,000 or close to 40% of all the bank depositors of the Nation. And by these loans all depositors have benefited, for the assistance given has maintained confidence in the whole banking system.

I should like to discuss in further detail the accomplishments of Reconstruction Finance Corporation in saving banks, and in assisting in the reorganization and reopening of closed banks, and to further consider what this work has meant to communities and to the whole Country. I regret that time does not permit it. We must turn to the new functions of the Corporation.

The severity of the decline during the first six months of 1932, with unemployment increasing, made clear the need for new powers being granted to the Reconstruction Finance Corporation. It was apparent that a number of States would not be able to raise funds to care for those in actual distress during the coming winter, and to meet this need the Corporation was authorized to advance \$300,000,000 to States for "furnishing relief and work relief to needy and distressed people and in relieving the hardship resulting from unemployment." To maintain the fundamental responsibility of the States the President insisted that this fund should be available to States by way of loans made according to the needs of the States, and not by way of gift in proportion to the populations of the several States. Loans are made upon application of the governor on his certificate to the necessity of such loans, and as this Federal aid is intended only to supplement State and local funds and private contributions, the governor in securing a loan must also certify that the resources of the State then available, and which can be made available are inadequate to meet its relief needs. These loans to States bear interest at 3% and must be reimbursed commencing with July 1, 1934. Up to September 19th nineteen States had secured loans totaling \$21,460,000. Since that date a loan of \$2,500,000 has been authorized to Pennsylvania.

The other new powers of the Corporation found in the Emergency Relief and Construction Act of 1932 were devised to promote employment and industrial activity. For this purpose the resources of the Corporation were increased by \$1,500,000,000, now making its total resources \$3,800,000,000. These new offensive powers given to the Corporation authorize:

1. Loans to States and municipalities to aid in financing self-liquidating projects.
2. Loans to Corporations formed wholly for the purpose of providing housing for families of low income; for reconstruction of slum areas, where such corporations are regulated by State or municipal law.

3. Loans to private corporations for the construction of bridges, tunnels, and certain other public facilities where the loans are self-liquidating.

The corporation is also authorized within certain limits to make loans to finance the sale of surplus agricultural products abroad; to make loans to bona fide institutions having resources adequate for their undertakings to enable them to finance the orderly marketing of agricultural commodities and live stock produced in the United States; and to create agriculture credit corporations.

The loaning powers for construction purposes are limited to self-liquidating projects. Under the Act these are defined as projects that will be self-supporting and financially solvent, and provide for the repayment of the construction cost within a reasonable period of time by the collection of tolls, fees, rents, or other charges other than taxation.

The importance of the self-liquidating feature of these loans lies simply in the fact that they provide employment and stimulate industry without increasing the burden of taxation. For example, in the case of a loan made for building a bridge, it would be on a basis assuring repayment out of the tolls collected. Although the loan may in the first instance result in increased Federal borrowing, such increase in the debt will be repaid from the earnings of the particular project, or in other words, from voluntary payments of those who receive direct benefits. It will not have to be paid by increased taxation. In the case of loans to States for nonproductive public works, the burden of State taxation is increased. If we provide employment by building post offices and other non-productive works they must eventually be paid for by taxation.

The first loan for the construction of a public self-liquidating project was authorized on September 13th for the Los Angeles water project in the amount of \$40,000,000. Two loans were granted in the last two weeks to the Denver and Rio Grande Western, and the Pennsylvania Railroad in the amount of \$4,150,000 and \$2,000,000. The Pennsylvania loan will provide immediate shop employment for

500 men and employ indirectly four times that number. The employment afforded directly by these projects is small in relation to the unemployment that exists, but the cumulative effect in employment created indirectly, and by the fact that people are being employed instead of being laid off, must soon make itself felt.

One of the most shocking aspects of the credit liquidation, the decline in prices, reduced wages and unemployment, is the position the small home owner finds himself in. His income reduced, mortgage payments due, and practically no mortgage money available. The Reconstruction Finance Corporation has rendered assistance in this situation by loans to the mortgage money institutions: the savings banks, building and loan associations, insurance companies, and mortgage loan companies. On October 15th the Home Loan Bank system will open its doors, making available a new fund of mortgage capital. The system was devised as a permanent institution to fill a need in our National economy. Created by law on July 22nd, its task today is one of emergency. The system will consist of twelve Federal home loan banks, which, although empowered under certain conditions to make direct loans, will function as banks of discount for members of the system. Building and loan associations, insurance companies and savings banks are eligible for membership. The system is still in process of organization, but the Home Loan Board already has to its credit two accomplishments in the battle against depression. At its request the Comptroller of the Currency ordered every national bank receiver to suspend mortgage foreclosures for a period of sixty days, and at its suggestion every State supervising authority having control of State bank receiverships has done likewise. Also where the mortgagor whose mortgage is eligible for discount under the Act, has requested a loan to prevent foreclosure, the Board has communicated with the holder of the mortgage and requested that foreclosure be postponed until the banks are open for business and in a position to render assistance. The Board reports a large measure of cooperation from mortgage holders so approached.

The position of the farmer is perhaps more distressing than that of the small home owner. The level of agriculture commodity prices makes his burden of debt almost unbearable. One of the large sources of farm mortgage capital is the Federal land banks which form the central structure of the Federal farm loan system. The system was created in 1916 under the Federal Farm Loan Act, and today the Federal land banks hold outstanding farm mortgages in the amount of \$1,140,000,000. To assure the ability of the land banks to continue to provide credit on farm mortgages, upon the recommendation of the President, Congress provided for the subscription of \$125,000,000 additional capital. This new capital not only makes new mortgage credit available to the farmer, but what is more important, it has permitted a liberal policy in attempting to work out delinquent mortgages without foreclosure. In this way the expectation expressed by the President at the time of signing the Bill that it would "bring relief and hope to many borrowers from the banks who had done their honest best but because of circumstances beyond their control had been unable to make the grade," has been realized. As of July 31st, only 5 per cent of the total delinquent loans were in foreclosure. The new capital also strengthened the obligations of the banks themselves which are outstanding in the amount of nearly \$1,200,000,000.

As an essential part of the economic life of the Nation the Federal reserve system has played an essential part in the battle against depression. It is the business of a central banking system to meet emergencies and adjust itself to new conditions, and this the Federal reserve has effectively done. During the few weeks following the suspension of the gold standard in England it was through the extension of Federal reserve credit, by the purchase of bills in the open market and discounts for member banks to the extent of more than \$1,000,000,000, that our banks were able to meet the foreign withdrawals and domestic hoarding.

When the Reconstruction Finance Corporation was created the Federal reserve banks in the several districts made available their facilities, and as a result

branches of the Corporation throughout the Country were organized and ready for business within two weeks from the date of signing the Act.

I have referred to the temporary liberalization of the legal requirements relating to Federal reserve notes.

Before the adoption of the Glass-Steagall Bill in February, Federal reserve notes required a backing of a minimum of 40% in gold, and eligible commercial paper equal to the excess of notes outstanding over and above the actual gold coverage. Under conditions in which reserve bank holdings of eligible paper are low, gold in excess of the 40% minimum reserve requirement was not free for export or to meet demands of our own citizens, but was frozen as a necessary backing for the reserve notes outstanding. The Glass-Steagall Act, permitting the use of Government securities in addition to commercial paper as security for reserve notes, had the immediate effect of freeing gold in excess of the 40% minimum requirement, and thus made available about \$1,000,000⁰⁰⁰ of gold to meet any demands that might arise.

The confidence resulting from this step, and the eligibility of Government securities as a backing for reserve notes made feasible the adoption by the Federal reserve system of a program of open market purchases of Government securities. These purchases poured money into the market and steadily reduced member bank borrowing. As the banks get free of debt, the pressure on them to liquidate commercial loans and investments is reduced, and as excess reserves are built up at the Reserve Banks an incentive is created for the member banks to make loans to commercial borrowers. Today the member bank borrowing at reserve banks is down to less than \$360,000,000 from a high of \$840,000,000. Excess reserves have been increased to around \$360,000,000. The benefits of this liberal credit policy are becoming apparent.

Federal reserve banks may now lend direct to commercial borrowers within certain limitations when the credit sought cannot be secured from commercial banks.

Few direct loans have been made by the reserve banks, but the authority to make such loans has created a direct contact on the part of reserve banks with commercial borrowers, and has stimulated careful study into credit needs. This direct contact and study has been helpful in reestablishing normal channels of commercial credits that have been closed by bank failures and the forces of deflation.

The picture I have given is not quite complete without reference to the Banking and Industrial Committees. The first of these voluntary organizations, formed in New York under the Chairmanship of Owen D. Young, grew out of a meeting of bankers and business men held at the invitation of the Secretary of the Treasury. There are now Committees in each of the Federal reserve districts, and a Central Committee which acts as a point of contact and clearing house of ideas and information between the District Committees.

The Committees are actively engaged in seeking to make available credit affirmatively useful to business; to stimulate industry and employment by the expansion of railroad maintenance and replacement expenditures in cooperation with Reconstruction Finance Corporation; to extend capital expenditures of industry; to increase employment through work sharing; to stimulate the repair and modernization of homes, and to assist home owners with maturing mortgages. They are also assisting in the establishment of the new agriculture credit corporations and the Home Loan Banks. Here we have the representatives of private enterprise supplementing and helping make effective the efforts of Government.

One great test of our system is its adaptability to violent changes in conditions. The creation of the Reconstruction Finance Corporation, its broad powers and their successful employment; the creation of the Home Loan Bank system; new capital for the Federal land banks; the operations of the Federal reserve system; all these are reassuring evidence of adaptability. The attack has

centered on our credit structure. Much damage has been suffered but the structure is intact. We have met the test of financial panic. There remains before us the test of solving the problem of unemployment and restoring to the country that condition of economic security and reasonable plenty which we have come to regard as our normal condition of life. This is the task of reconstruction. The agencies that have conquered financial panic, and those now becoming effective, will play a leading part in its accomplishment.

TREASURY DEPARTMENT

FOR RELEASE, THURSDAY,
SEPTEMBER 29, 1932, 11:30 A.M.

THE PUBLIC CREDIT
Its Protection and Utilization

Remarks
of
HONORABLE ARTHUR A. BALLANTINE,
Under Secretary of the Treasury.

Before the
Annual convention of
Morris Plan Bankers Association,

Thursday Morning,
September 29, 1932,

at

The Shoreham Hotel,
Washington, D.C.

THE PUBLIC CREDIT:

Its Protection and Utilization

Every banker knows that the economic life of the nation depends upon the maintenance and flow of credit. Curtailment of credit has been a cause as well as an effect of the curtailment of business and employment. It is part of the vicious circle only now being broken.

The foundation of all credit is the credit of the Federal Government. In the unprecedented depression the credit of the Government has been subjected to severe strain. That strain has been endured and in spite of every shock the credit of the United States remains unimpaired. How the finances of the Government have been handled in these times is a story of great interest. It can only be sketched here.

As the depression not only continued but intensified, revenues of the Government, derived largely from the income tax, were cut almost by half, while because of emergency needs Government expenditures mounted. Inevitably, this double effect of the depression threw the budget out of balance.

It was necessary for those charged with the responsibility for the national finances to strive for the regaining of a balanced budget. At the assembling of Congress last December the President declared:

"The first requirement of confidence and of economic recovery is financial stability of the United States Government."

The meeting of that requirement was pushed with unflagging determination.

The financial goal necessarily involved reduction of Federal expenditures. The proposed Economy Bill, - the thorniest legislative measure, - was twice torn to shreds in the mesh of debate and conference; but under insistent leadership there finally emerged a measure which turns the tide and offers at least a beginning of real retrenchment. In this field, I may add, the fight is by no means over, for while we are encouraged by the substantial

gains made, we are far short of the ultimate objectives.

The struggle for a balanced budget necessitated also a heavy increase in Federal taxes. The Secretary of the Treasury in his annual message to Congress last December stated:

"It is not easy for any people to determine to assume a large additional tax burden at a time when their resources are depleted through business depression, but in the long run they will best serve their own interests by doing whatever is required to maintain the finances of their Government on a sound basis. * * * "

The Secretary, moreover, did not hesitate to propose specific taxes to produce the needed increase in the revenue.

This phase of the struggle in Congress lasted many months. The platform of the balanced budget received support which was patriotic rather than partisan, but the particular taxes to be utilized were a matter of much debate. The result was long delay, ended by compromise. There finally emerged a revenue measure calculated, with the increased postal rates, to increase Federal revenues by more than a billion dollars in the ensuing fiscal year. The new income taxes will not affect the revenue until about March 1933, but the new miscellaneous taxes are already beginning to have their effect. Miscellaneous taxes are yielding about twice as much as they were a year ago, prior to the increases under the new revenue law. For example, in the first three weeks of September miscellaneous internal revenue receipts aggregated about \$57,000,000 as compared with \$29,000,000 for the corresponding period of last year.

For the most part the people of the country have loyally accepted the increased taxation, notwithstanding the burden it places upon them. They are vitally interested, however, in the question of the intelligent further adjustment of that burden.

The fight for sound finance has necessitated stern resistance to repeated attempts to make unnecessary and unjustifiable drains upon the Federal Treasury. To preserve the financial strength of the Government, it was vital to fight that

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measure which, without regard to needs, would have authorized the construction of numerous small postoffices and other structures at a total cost of \$1,200,000,000. It was vital to fight that measure which passed the House and which if finally enacted into law would have authorized payment in full of the outstanding veterans adjusted service certificates, -- involving an immediate expenditure of over \$2,000,000,000. Even more disturbing to confidence in the financial integrity of the Government was the plan to effect the payment of the bonus by the issue of fiat currency. That fight against the bonus is still on, and but recently the President had occasion to state:

"For many months the right-thinking men of both parties have been engaged in organizing and mobilizing the resources of the nation to promote the economic recovery which is the one sure and effective means of restoring the standard of living of all of our people and rescuing millions of them from suffering and misery. The proposal to levy over two billions of dollars and to pay it to a particular group constitutes a fatal threat to the entire program of recovery, to the success of which all must look for their well-being, security and happiness. In my judgment the enactment of any such proposal into legislation would be a deadly blow at the welfare of the nation. I was elected to protect and promote the interests of all of the people. As long as I am President I shall continue to do so and to oppose with all of the strength and influence at my command any demand that runs counter to the common welfare."

That is a statement to be remembered.

The campaign for protecting the public credit of course included the protection of the dollar. In the intensity of the foreign financial crises, with their severe repercussions here, the belief was frankly expressed that the safety of our dollar was threatened. Foreign balances which at one time reached as much as \$3,000,000,000 were reduced to \$600,000,000, and a raid on the dollar was accompanied by a reduction of more than one billion dollars in our gold stock between the end of September 1931 and the middle of June. During this period our bank resources were also burdened by heavy domestic hoarding.

So great is our inherent financial strength that those shocks could be withstood, but not without the employment of wise financial measures. Gold and

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currency were kept available for every demand. As part of the President's program presented to Congress last December, increased power was granted to the Federal Reserve system to free the resources of Federal Reserve Banks, not only that they might withstand the extraordinary outward movement of gold and the domestic hoarding of currency, but that they might function more effectively in making credit more readily available to agriculture, trade and industry.

The times called for the utilization of the credit of the United States, so vigorously maintained, in the fight to stem the depression. The President urged that the public credit be mobilized in support of the great structure of private credit and this emergency plan received the support of Congress.

As part of the plan for the protection of credit, \$125,000,000 was added to the capital of the Federal Land Banks. This reinforcement not only fortified the outstanding obligations of these important institutions, but enables the banks to function more actively in making new loans to farmers and in extending old loans to those borrowers who offered reasonable prospect of being able to adjust their difficulties with additional time.

The plan included the creation of Home Loan Banks to provide adequate rediscount facilities for institutions taking home mortgages, and to make credit available to individual home owners unable to obtain funds elsewhere. Under the Home Loan Bank Act there will be twelve of these banks, supervised by a Federal Board, and with the right to call upon the Government for capital up to a maximum of \$125,000,000.

Any building and loan association, savings and loan association, co-operative bank, homestead association, insurance company, or savings bank, may become a member or a non-member borrower from a Home Loan Bank. These institutions will be in operation next month, making additional credit available to home owners and home builders and assisting in the relief of unemployment

and the stimulation of home construction. To many an owner they will be the means of preserving the home which, but for this help, might be sacrificed, with disruption to the family life.

The program for needed assistance to institutions, upon which all business depends, provided for the setting up of the Reconstruction Finance Corporation. This great agency has a capital of one-half billion dollars and total potential resources now amounting to \$3,800,000,000. When ordinary sources of credit have been insufficient it has furnished needed assistance to railroads, banks, savings banks, mortgage companies, insurance companies and the like. Part of its resources were assigned to aid in the reorganization or liquidation of closed banks, and part were allocated to the Secretary of Agriculture for assistance to farmers in connection with crop production.

The invaluable assistance which the Reconstruction Finance Corporation has rendered to the entire public has become well recognized. Up to September 1st it had authorized 7,500 loans to 5,609 organizations, aggregating \$1,412,000,000. Of this amount, \$824,000,000 was authorized to 4,715 banks and trust companies (including about \$32,000,000 to aid in the reorganization or liquidation of 376 closed banks), \$80,000,000 to 643 building and loan associations, \$72,000,000 to 79 insurance companies, \$83,000,000 to 68 mortgage loan companies, \$12,125,000 to live stock and agricultural credit corporations, over thirty millions to Joint Stock Land Banks and Federal Land Banks, and \$243,000,000 to 49 railroads and railroad receivers. Relief loans, aggregating \$17,000,000 were made to eight States, and loans aggregating \$50,000,000 had been authorized under the relief act provision for advances to finance the carrying and orderly marketing of agricultural products. Of the \$1,412,000,000 authorized, \$1,122,000,000 had actually been disbursed on August 31, of which nearly \$150,000,000 had been repaid. In addition, more than 500,000 individual loans to farmers, aggregating nearly \$65,000,000 have been made by the

Secretary of Agriculture out of the \$107,500,000 thus far allocated to him.

The benefit brought about by these loans is all pervasive. Railroads are not simply the backbone of the transportation system, but also directly and indirectly the largest employers of labor, and their obligations constitute the largest item in the portfolios of savings banks and insurance companies. Tiding over the railroads is part of the protection of our people in their savings and the security of their families. Of the 4715 banks and trust companies to whom loans were made, 3296, or 70 per cent, of the institutions were located in towns with a population of less than 5000, and 1419, or 30 per cent, were located in towns and cities with a population of 5000 and over. The number of depositors in the borrowing banks is estimated at upwards of 15,000,000. The averting of the failure of any bank which had assets which were sound unless subjected to forced liquidation was an essential part of stopping economic deterioration. The loans to insurance companies have made it possible for such companies to refrain from throwing over securities at panic prices, while continuing to meet the payments called for by their policies. The provision of credit through the Reconstruction Finance Corporation means an earlier return to normal living, normal spending and normal business.

I have only outlined the story of the protection of the public credit and the utilization of that credit in the fight to protect the people of this nation from the effects of the depression and to promote recovery. It is a story which should be known and understood by all. The success of that effort is being reflected to-day in increased bank reserves, larger bank deposits, the return of gold and currency, increased prices of commodities and securities, and, beginning in certain lines, an upturn of employment and business activity.

It might be asked, with respect to the measures involving the use of the public credit, whether they are not putting the Government into business. So

they do, in a limited sense. It should be understood, however, that no agency other than the Federal Government could render the powerful help needed in this time, and that the help is designed to supplement our financial institutions, not to constrain or supplant them. The aim of the credit utilization plan has been to preserve and reinvigorate our financial and industrial structure, to restore to it the strength by which it has in the past sustained our people in the highest standard of living that the world has ever known. It is essential that these protective activities of the Government should continue to be administered in accordance with that vision. They should not be used as an opening wedge for regimenting, under Government discipline, the economic life of the country.

In this period of trial you have seen the credit and strength of the Federal Government maintained and applied to the preservation of the general economic life. The preservation of that power demands constant watchfulness and often sacrifice on the part of the individual citizen. That power, widely utilized, has carried us to firmer ground and nearer to the time of full recovery of normal financial and economic processes.

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FOR IMMEDIATE RELEASE
October 3, 1932.

Statement by Acting Secretary of the Treasury, Arthur A. Ballantine.

Policy of Federal Land Banks

The attention of the Treasury has been called to a statement issued October 1 by the Democratic National Committee in which Congressman Steagall, of Alabama, is quoted as saying that the administration of the Federal Land Bank Law has been marked by wholesale foreclosures of hundreds of thousands of families. The Secretary of the Treasury, as Chairman of the Federal Farm Loan Board, is constantly advised as to the operations of the Federal Land Banks. There has been no such policy of foreclosure. On the contrary, the Federal Land Banks have dealt with delinquent borrowers with the utmost consideration.

The \$125,000,000 of additional capital provided for by the Act passed at the last session of Congress as a result of the recommendation of the President, was made available to the Federal Land Banks with all promptness and has been utilized both to provide for extensions and for new loans.

Reports from the twelve banks show that as of August 31 existing extensions to borrowers numbered 57,637. Foreclosures pending as of that date totaled 4,728, which was but 3% of the total number of delinquent loans including extended loans. Many of the farms now being foreclosed had been abandoned, leaving the bank no choice but to acquire title.

A majority of the Directors of each Federal Land Bank is named by the borrowers, or representatives of the borrowers. Reflecting the attitude of their Directors, as well as of the Farm Loan Board, it has been the policy of the banks to extend or defer action in the case of all delinquent borrowers who desire to remain on their farms and have any chance of working out their problems with the help of additional time.

Representation that additional capital for the Federal Land Banks was provided for over the opposition of the President is contrary to the fact. Additional capital for the Federal Land Banks was initiated as part of the President's Non-Partisan Program developed in October of last year and urged by him upon Congress at the opening of the last session. In signing the Bill making this provision, the President stated that it was expected the measure would "above all bring relief and hope to many borrowers from the banks who have done their honest best but because of circumstances beyond their control have been unable to make the grade."

STATEMENT BY ACTING SECRETARY OF THE TREASURY BALLANTINE

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, or thereabouts. They will be 92-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 Friday, October 7, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated October 11, 1932, and will mature on January 11, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 7, 1932, 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 October 11, 1932.

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, and this notice 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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FUTURE RELEASE
FOR RELEASE, MORNING PAPERS,
Wednesday, October 5, 1932.
OBSERVE DATE

SPEECH TO BE DELIVERED BY
HON. OGDEN L. MILLS,
SECRETARY OF THE TREASURY,
BEFORE THE ANNUAL CONVENTION OF
THE AMERICAN BANKERS' ASSOCIATION
AT LOS ANGELES, CALIFORNIA,

October 4, 1932.

THE FINANCIAL PANIC AND PROGRAM OF RECONSTRUCTION.

In meeting with the members of the American Bankers' Association on this occasion, I am addressing veterans fresh from the front-line trenches of this economic war. You gentlemen, at least, have no illusions as to the character of the attacks we have withstood, the nature of the crisis, and the formidable dangers that have been averted. It is too early to claim victory, but our banking and credit structure has been made secure, and a non-partisan program, broad and comprehensive in its scope, has been gradually evolved, to lay the foundation for and to promote recovery.

The cooperating groups have been the Administration, the Congress, the Federal Reserve System, the Banking and Industrial Committees, and private business and business men.

The program has included:

- (1) In the field of legislation, the maintenance of the national credit by drastic steps intended to bring our

budget into balance; the creation of the Reconstruction Finance Corporation for the purpose, first, of assistance to our credit and other specified institutions, and later for the promotion of employment and stimulation of industry through construction loans; the creation of a \$300,000,000 relief fund; the passage of the Glass-Steagall Act, granting greater freedom to the Federal Reserve Banks; the bringing into being of the Home Loan Bank System; the increase of the capital of the Federal Land Banks, and the establishment of Agricultural Credit Corporations under Government auspices.

- (2) The purchase by the Federal Reserve System of more than a billion dollars of Government securities.
- (3) The voluntary organization of the Banking and Industrial Committees in each of the Federal Reserve Districts, which have more recently taken steps to coordinate their activities and adopted a definite program of assistance in the work of recovery.
- (4) The organization of private business to promote a nationwide work-sharing movement, and otherwise to stimulate employment.

Because of its magnitude, the program is a bold one. But it follows unswervingly the principle of individual initiative and enterprise, and there is no element of artificiality or unsoundness about it. It supplements rather than supplants existing agencies and institutions. Unlike some suggested expedients, it does not impair their normal functioning now, nor will it in the future. There is all the difference in the world, for example, between extending credit to banks and other similar institutions, and a Government agency entering directly into the commercial banking field. The program was devised to meet extraordinary conditions, and to avert extraordinary

dangers. Once they are over, it will automatically come to an end. In short, there is nothing of the "hat and rabbit" act about it. It isn't what is known as a "managed recovery." And it is not inflation. Replacing private credit, which panic has destroyed, with public credit, is not inflation any more than is restoring bank reserves, depleted by hoarding, through the use of Federal Reserve credit.

The basic thought which underlies this program is that prosperity is the normal condition of American economic life. We have the resources, the intelligence, the industry, and the necessary machinery and organization to make it so. After drastic readjustments had taken place following the collapse of the great inflation, the pendulum should have begun to swing back to normal. The reason it did not is that certain major obstacles stood in the way. These obstacles were too strong, and the forces which created them too powerful, to be dealt with by our normal mechanism. Under the circumstances, it was clearly the duty and business of Government to cooperate with business in their removal.

The very magnitude of the forces that were operating, and the scale of the resulting difficulties, demanded a correspondingly large effort on the part of Government. This has led to some misconception as to the character of Government activities. But those familiar with the mechanism that has been set up, and the relief processes that have been evolved, understand that the danger of impairing individual initiative, resourcefulness and responsibility by too great an assumption of authority by the Government has been avoided. Our sole purpose in the development of the reconstruction program has been to set free the recuperative and constructive forces within business itself by removing the pressures which were stifling them--to clear away major obstacles so that the nation's business might have an opportunity to do for itself what

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the Government cannot hope to do for it, and so that the normal vigor of our economic life might again assert itself. I, for one, reject completely the conception of a national economic life directed from Washington as impracticable in practice, incompatible with American character, and inconsistent with the structure and spirit of our institutions.

Now, what were the adverse factors which we have sought to overcome in the course of the last year? In order to describe them, I must refer briefly to the financial and credit conditions which preceded the great collapse. You will not expect of me an exhaustive analysis of the causes which led up to the depression. They were many, complicated, and are bound to be a source of disagreement for years to come. But certain facts stand out with unmistakable clearness.

From 1922-1929 there was a credit expansion in the United States, based on a large increase of our gold holdings during the War and post-war periods up to a peak of \$5,000,000,000. The earlier stages were healthy and were productive of genuine prosperity and sound industrial development. Gradually a speculative and inflationary movement developed. Most people were deceived as to the extent of the inflation because of the relative stability of commodity prices, a rise in commodity prices being looked upon as the necessary and inevitable accompaniment of inflation. The reasons for this relative stability are probably many, but, as far as manufactured articles were concerned, the steadily decreasing cost of production and the keen competition for the patronage of the consumer were probably adequate to offset the upward tendency in prices, while agricultural commodities probably failed to respond, owing to increased efficiency and the coming into production of new and constantly increasing areas the world over.

But whatever be one's analysis of the commodity price situation, it is evident that during the later years there was a vast speculative boom in real

estate values and in securities. There was a further expansion of industrial activity, supported by a purchasing power upheld in part by credit flowing through speculative channels and a willingness to spend, based psychologically on paper profits, present and anticipated. Above all, there was a huge creation of new indebtedness, the inevitable accompaniment of periods of expansion and rising values, which tempt men to borrow and to buy constantly for the rise.

At the same time, the United States was being glutted with funds which poured in from all over the world,--capital fleeing for greater security, investment funds attracted by better prospects, speculative funds attracted by our rising security markets, short-time money seeking a market where it could be converted into gold at any time. At one time foreign short-time money in the American market amounted to as much as \$3,000,000,000.

Here was an immense movement, embracing a number of countries, and derived from a great variety of causes having their origin in many quarters, acting on and supplementing each other, and carried forward by the imponderable factors in human nature itself, which impel millions of human beings suddenly freed from the crushing and destructive influences of a great war, first to give full freedom to their creative and constructive impulses, and from that safe ground gradually to drift on into the area of speculation and unsound practices.

There prevails throughout most of the world to-day a competitive economic order 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. When you take into consideration the immense importance of the psychological factor, the tendency of human beings to move all together in one direction or the other at the same time, in mass movements, made up of the actions of countless individuals, each acting in

accordance with his own impulses and with that freedom which is assured him, you have a problem as baffling and profound as human nature itself.

No one disputes the all too evident evils resulting from a speculative mania which affected the entire nation. No one disputes the fact that the events which took place exposed practices which cannot be tolerated, and no thoughtful man can help but question whether there are not real weaknesses somewhere when the vast credit machinery of the country can be made so readily available for speculative purposes.

These are questions which require serious thought and dispassionate study.

It is to be hoped that, with the accumulated knowledge that comes from careful analysis and continuous study, the day may come when, through the concerted action of the business and banking community, these movements may be arrested at the inception of the dangerous phase. And certainly evils have been disclosed that call for correction. But, in the meanwhile, any man who attempts to speak dogmatically or with finality deals with these problems either from a wholly theoretical standpoint or with the valor of ignorance.

There are two main phases of the depression problem,—the business phase and the financial phase. For business it has been a time of readjustment, of cutting costs, of improving efficiency, of cooperative efforts to avoid overproduction. I shall not attempt to deal with these business problems. I propose with this audience to deal with the financial aspects of the depression, which until recently have interposed a barrier to recovery.

With the major financial movements of the depression you are, I am sure, generally familiar. To begin with, we have experienced the largest decline in prices the country has ever experienced, except immediately following great wars. Wholesale commodity prices declined 33%, bond prices 17% stock prices 76%, and rents, wages, and other prices to a somewhat lesser extent. With this shrinkage

in values, the value of bank assets was impaired; 1345 banks failed in 1930, and 2298 in 1931. As banks failed, depositors became alarmed and withdrew cash from the banks. This hoarding of money probably reached \$1,500,000,000 and further accentuated the difficulties of the banks. The banks in their turn, facing the loss of cash, sought by every means in their power to realize upon their assets and improve their liquid position to meet any demands upon them. Under this urge, together with the fall in prices, there was a deflation of bank credit of unprecedented size. Loans and investments of all banks of the country declined between October, 1929, and June, 1932, nearly \$15,000,000,000, or about 25%, and loans and investments of member banks alone declined about \$8,000,000,000. During this period foreigners who had placed more than \$3,000,000,000 of funds in our money market withdrew those funds rapidly, partly from need and partly from fear. So that the total amount was reduced from about \$3,000,000,000 in the autumn of 1929, to \$600,000,000 in June, 1932. The latter part of this movement caused a tremendous gold drain from the United States of over \$1,000,000,000. These were the main outlines of the financial disturbance.

Liquidation is always characteristic of periods of business readjustment and depression. It serves to eliminate points of weaknesses and maladjustments which inevitably develop in periods of unhealthy expansion. But there is a point beyond which this process is purely destructive. That point was reached many months ago.

During the two years following the peak reached in the autumn of 1929, loans and investments of member banks declined by about \$3,000,000,000. In the short period of nine months which followed the European collapse, they fell by not less than \$5,000,000,000. Fear was the impelling force that carried contraction and depression to new depths; fear first as to the soundness of our banks manifested in the hoarding of currency, which buried hundreds of millions of dollars and paralyzed the rest; and fear for the ability of our credit structure to withstand the blows from abroad.

The effect of extreme liquidation on the business situation is increased by another sort of fear; the fear on the part of the business man that credit facilities which are essential to his operation will not be available. Ample and active credit is essential to the commencement of recovery. When purchasing power has been depleted by declining business and employment, and markets and values have contracted, credit is the primer needed to set the wheels of industry again in motion.

In the autumn of last year, after almost overpowering difficulties attending more than two years of contraction in industry, agriculture and trade, a third fear confronted us--fear for the dollar itself. Germany's credit had collapsed. The impossible had happened. England had gone off the gold standard. By the end of 1931 the gold standard had become inoperative in eighteen other countries. In some quarters the belief was frankly expressed that, under the double impact of foreign withdrawals and domestic hoarding, the United States too would be forced to follow England with literally incalculable consequences. Here was a situation that called for prompt vigorous and decisive action.

We are now in a position to turn to the program itself. It divided itself, broadly speaking, in two main lines of endeavor; First, to underpin the credit structure of the country, and, secondly, to counteract the fearful contraction of credit occasioned by the drain of gold and the hoarding of currency.

The first part of the program was made effective by making available the credit of the Federal Government, through the medium of the Reconstruction Finance Corporation, to all of the great credit-giving institutions of the country, such as insurance companies, joint stock land banks, Federal Land Banks, intermediate credit banks, agricultural credit associations, Building and Loan Associations, mortgage companies, and, above all, to the banks, the progressive failure of which it was imperative to arrest. The organization of the Corporation followed upon that of the National Credit Associa-

tion, which had borne the first impact of the battle. The magnitude of the task, and the vital need for assistance, is indicated by the following figures:

As of September 1st, the Reconstruction Finance Corporation had authorized 7,500 loans to 5,609 organizations, aggregating \$1,412,000,000. Of this amount, \$824,000,000 was authorized to 4,715 banks and trust companies (including about \$32,000,000 to aid in the reorganization or liquidation of 376 closed banks), \$80,000,000 to 643 building and loan associations, \$72,000,000 to 79 insurance companies, \$83,000,000 to 68 mortgage loan companies, \$1,361,000 to 10 agricultural credit corporations, \$11,000,000 to 17 live stock credit corporations, nearly a million and a half to six Joint Stock Land Banks, \$29,000,000 to nine Federal Land Banks, \$405,000 to three credit unions, and \$243,000,000 to 49 railroads and railroad receivers. Relief loans aggregating \$17,000,000 were made to eight States, and loans aggregating \$50,000,000 were made under the relief act provision for advances to finance the carrying and orderly marketing of agricultural products. Of the \$1,412,000,000 authorized, \$1,122,000,000 had actually been disbursed on August 31, of which nearly \$150,000,000 had been repaid. In addition to the above, more than 500,000 individual loans to farmers, aggregating nearly \$65,000,000, have been made by the Secretary of Agriculture out of the \$107,500,000 thus far allocated to him.

It has been said that the Reconstruction Finance Corporation benefits only the great city banks and other large institutions. The contrary is true. The great majority of banks which have borrowed from the Corporation are located in small towns. Specifically, on August 31, seventy per cent of the banks to which loans had been authorized were in towns of less than 5,000 population; eighty-six per cent were in towns of less than 25,000, and ninety per cent were in towns of less than 50,000. Looking at it from another angle, we find that loans have been authorized to nearly twenty-five per cent of all the banks in the country, these banks having about 15,000,000 of the 40 million bank depositors in the United

States. These have been directly affected by the Corporation's loans to banks, while the other 25 million have benefited indirectly by the Corporation's activities in preventing the fire from spreading.

There is no need to emphasize what this assistance meant, not only to the 25 per cent of the banks which received advances, but to all of the banks of the country, their 40 million depositors, the communities which they served, and indeed, the entire economic life of the nation.

Without the Reconstruction Finance Corporation, I think all of you gentlemen will agree that there is grave doubt whether our banking system could have survived the terrible strain of this financial panic; and had our banking system gone under, then indeed would the process of building up from chaos have been a long and distressing one.

But, standing alone, even the efforts of the Reconstruction Finance Corporation would have been insufficient. During the period beginning with the abandonment of the gold standard by Great Britain, and ending in June of this year, the commercial banks of the country sustained unprecedented losses of reserve funds through the withdrawal of foreign balances in gold, as well as through the withdrawal of currency by domestic depositors. From the middle of September, 1931, to the end of February, 1932, the losses of funds thus sustained amounted to approximately \$1,000,000,000. During this period, member banks were forced rapidly to increase their indebtedness at the Reserve Banks, and in their efforts to obtain a more liquid position, reduced their loans and investments at a disastrously rapid rate.

From the end of February to the end of June, the banks sustained a further loss of nearly \$500,000,000, due principally to a heavy gold outflow. But, during this second period, the Federal Reserve Banks purchased more than \$1,000,000,000 of Government securities. This had an all-important effect, not only on the situation of the banks, but on the volume of available credit. By the end of February, the member banks

were indebted to the Federal Reserve Banks by over \$800,000,000. Without these purchases of Government securities by the Federal Reserve Banks, discounts would have increased to well over a billion. I need not tell you gentlemen that when the banks are heavily in debt they restrict credit. If the whole of the gold and currency loss had had to be met by borrowing, restriction would have reached the point of disaster. The open market policy of the Federal Reserve System made this borrowing unnecessary. It did more. It permitted the member banks not only to meet the heavy drains upon them, but to decrease their borrowings from the Federal Reserve Banks by \$365,000,000 and to increase their reserves by \$150,000,000.

The effects which this had on the general credit situation are reflected by the following figures: Whereas reduction in loans and investments of all member banks for the six months ended June 30 last aggregated two and a half billion dollars, weekly reports from member banks indicate that two-thirds of the reduction occurred during the first quarter, and only one-third during the second quarter. Loans and investments of New York City reporting banks showed no net reduction between the end of February and the end of June, and the deposits in New York City member banks showed an actual increase in that period, as compared with a reduction of more than \$1,300,000,000 between September of last year and February of this. In all other member banks throughout the country, shrinkage in deposits from February to June was reduced to \$800,000,000, as compared with a decline of almost three and a half billion from September to February.

To anyone who understands the problem, these figures spell out the indispensable character of the service rendered by the Federal Reserve System through its open market policy in arresting the contraction of credit which was bringing disaster all along the line, and in meeting demands which not only threatened the integrity of our banking system but imperiled the maintenance of the gold standard itself.

Then, suddenly, the tide turned. The day came when there was a definite realization that those large short-time foreign balances which had been the subject of greatest anxiety, and which had constituted such a severe drain, had reached a subnormal level, with the result that not only had the outflow definitely ceased, but there was every prospect of a large gold movement in our favor. The cumulative effect of all of our efforts at last began to tell. The strain under which all have labored for many long months was relieved. The blind fear which had led men to doubt our ability to survive disappeared. Whatever disappointments and set-backs might be experienced in recovery from the business depression, the financial panic had been definitely overcome. The national credit had been made secure, the integrity of the dollar was no longer open to question.

From the low point in June to the third week in September, our monetary gold stock increased by about \$250,000,000. From July 20th to September 24th, the return flow of currency adjusted for seasonal change amounted to approximately \$225,000,000. The indebtedness of the member banks was reduced by a further large sum to the lowest level since last September. During the month of August there was a continued strengthening of the general banking situation throughout the country, and bank failures showed a further sharp reduction. Open market purchases are no longer necessary and have been discontinued. Excess reserves aggregated about \$360,000,000.

I desire to stress the importance of the last-named factor. If we study the history of previous business depressions, we find that during the latter phases there was a tendency for funds to pile up in the money centers, and this piling up of funds was followed by higher bond prices and then by a resumption of business activity. In 1885, the excess reserves of New York City banks, computed as percentages of required reserves, reached a figure in excess of 60 per cent

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immediately preceding the upturn in business activity; in 1894, nearly 70 per cent; in 1908, 20 per cent; and 1915, 40 per cent. By September 15th last, excess reserves reached a figure of 20 per cent.

The effect of an accumulation of large excess reserves is to relieve the banks of pressure, to assure business that a shortage of credit will not be an obstacle to recovery, and, finally, after these un-earning assets have lain idle long enough, to begin to exert an influence on the banks to put them to work.

I started out by saying that it was our duty to remove those obstacles which stood in the way of economic recovery, and to relieve the forces that were working for betterment from the pressures that were holding them back. This much can be said. Three great obstacles have been removed. All doubts as to the credit of our Government and the integrity of our currency are gone. Fears as to the strength and ability of our banks to withstand unusual demands have been greatly lessened. The anxiety lest needed credit be unobtainable is beginning to disappear.

A major task still remains before the country. The depression proper is still to be overcome. We shall succeed. I trust that as a next step we shall see an increase in credit, then in business activity, a further general rise in prices, and, above all, a sure, if necessarily slow, correction of the maladjustment in the price levels, which, until it is cured, presents a formidable barrier to recovery. And this applies particularly to the disparity in the price of the products of the farm, and of raw materials in terms of the goods for which they are exchanged. The surest means of assuring the restoration of national purchasing power is through the maintenance of a proper price relationship so that the ex-

change of goods can proceed on such a basis as will insure a steady and normal increase of production.

In this process of recovery and readjustment it behooves the members of this Association, the bankers of the country, to play an important role. Freed from the fear of collapse, often caused by no fault of his own, but by the repercussions from the difficulties of other institutions, the banker must take stock of his resources and his responsibilities, and make a fresh start in his all-important function of providing credit, up to the measure of his ability, for the use of the productive elements of the population. Nineteen-twentieths of this country's business is transacted on credit, and when the sources of credit dry up, our economic machine becomes stalled. It is the responsibility of the bankers, as dispensers of credit, to encourage the return of a normal volume of business activity by resuming their normal attitude of sympathetic cooperation with those who are their customers, whose prosperity means the prosperity of the banks themselves as well as of the nation,--the producers and distributors of this country's wealth, the farmers, manufacturers, and merchants of America.

STATEMENT BY ACTING SECRETARY BALLANTINE

The Treasury is today offering for subscription at par and accrued interest, through the Federal Reserve Banks, \$450,000,000, or thereabouts, 3 per cent four and one-half year Treasury notes of Series B-1937.

The notes will be dated October 15, 1932, and will bear interest from that date at the rate of 3 per cent per annum, payable semiannually. They will mature on April 15, 1937, and will not be subject to call for redemption prior to that date.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

The notes will be exempt, both as to principal and interest, from all taxation (except estate or 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.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new notes, at par, Treasury certificates of indebtedness of Series T)-1932, maturing October 15, 1932, and subscriptions in payment of which such Treasury certificates of indebtedness are tendered will be given preferred allotment.

The Secretary of the Treasury offers for subscription, at par and accrued interest, through the Federal Reserve Banks, \$450,000,000, or thereabouts, three per cent Treasury notes of Series B-1937, of an issue of gold notes of the United States authorized by the Act of Congress approved September 24, 1917, as amended.

DESCRIPTION OF NOTES

The notes will be dated October 15, 1932, and will bear interest from that date at the rate of three per cent per annum, payable semiannually on April 15 and October 15 in each year. They will mature April 15, 1937, and will not be subject to call for redemption prior to maturity.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The notes will not be issued in registered form.

The notes shall be exempt, both as to principal and interest, from all taxation (except estate or 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 notes will be accepted at par, during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the notes.

The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

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APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury certificates of indebtedness of Series TO-1932, maturing October 15, 1932, will be given preferred allotment.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to allot less than the amount of notes applied for and to close the subscriptions at any time without notice; 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for notes allotted must be made on or before October 15, 1932, or on later allotment. Any qualified depository will be permitted to make payment by credit for notes 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 TO-1932, maturing October 15, 1932, will be accepted at par in payment for any notes of the series now offered which shall be subscribed for and allotted, with an adjustment

of the interest accrued, if any, on the notes of the series so paid for.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive notes.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Friday, October 7, 1932.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary Ballantine today announced that the subscription books for the current offering of four and one-half year 3 per cent Treasury notes of Series B-1937, maturing April 15, 1937, closed at the close of business today, Thursday, October 6th.

Subscriptions placed in the mail before 12 o'clock midnight, Thursday, October 6th, as shown by the post office cancellation, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will be made on or about Tuesday, October 11th.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary of the Treasury Ballantine announced today that the tenders for \$75,000,000, or thereabouts, of 92-day Treasury Bills, dated October 11, 1932, and maturing January 11, 1933, which were offered on October 4th, were opened at the Federal Reserve Banks on October 7th.

The total amount applied for was \$259,468,000. The highest bid made was 99.955, equivalent to an interest rate of about 0.18 per cent on an annual basis. The lowest bid accepted was 99.950, equivalent to an interest rate of about 0.20 per cent on an annual basis. The total amount of bids accepted was \$75,954,000. The average price of Treasury bills to be issued is 99.951. The average rate on a bank discount basis is about 0.19 per cent.

STATEMENT BY ACTING SECRETARY BALLANTINE

Acting Secretary Ballantine today announced the subscription figures and the basis of allotment for the October 15th offering of four and one-half year Treasury notes of Series B-1937, 3 per cent, maturing April 15, 1937.

Reports received from the Federal Reserve Banks show that for this offering, which was for \$450,000,000, or thereabouts, total subscriptions aggregate over \$8,368,000,000. Of these subscriptions, \$318,162,000 represent exchange subscriptions, in payment for which Treasury Certificates of Indebtedness maturing October 15th were tendered. Such exchange subscriptions were allotted in full. Allotments on cash subscriptions were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted 10 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$1,000 but not exceeding \$50,000 were allotted 5 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$50,000 but not exceeding \$500,000 were allotted 3 per cent, but not less than \$2,500 on any one subscription; and subscriptions in amounts over \$500,000 were allotted 2 per cent, but not less than \$15,000 on any one subscription.

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

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, October 13, 1932.

STATEMENT BY ACTING SECRETARY OF THE TREASURY BALLANTINE

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Monday, October 17, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated October 19, 1932, and will mature on January 18, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 17, 1932, 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 October 19, 1932.

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, and this notice 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, October 13, 1932.

Acting Secretary Ballantine today announced the final subscription and allotment figures on the October 15th offering of 3 per cent Treasury Notes of Series B-1937, maturing April 15, 1937.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Cash Subscriptions Received</u>	<u>Total Exchange Subscriptions Received</u>	<u>Total Subscriptions Received</u>	<u>Total Subscriptions Allotted</u>
Boston	\$ 459,682,100	\$ 14,572,500	\$ 474,254,600	\$ 28,294,100
New York	4,176,672,800	232,151,500	4,408,824,300	325,373,000
Philadelphia	627,775,200	6,682,500	634,457,700	21,050,000
Cleveland	387,394,800	850,000	388,244,800	9,816,800
Richmond	162,089,800	2,221,500	164,311,300	7,201,800
Atlanta	302,087,000	694,000	302,781,000	9,888,600
Chicago	844,037,500	40,402,000	884,439,500	60,486,000
St. Louis	85,570,300	4,858,000	90,428,300	7,139,500
Minneapolis	43,599,100	1,016,500	44,615,600	2,219,200
Kansas City	107,773,500	3,156,500	110,930,000	5,806,700
Dallas	98,732,400	154,000	98,886,400	3,617,300
San Francisco	753,536,700	11,304,000	764,840,700	27,319,000
Treasury	1,230,500	99,000	1,329,500	126,600
Total	\$8,050,181,700	\$318,162,000	\$8,368,343,700	*\$508,338,600

*Includes \$318,162,000 exchange subscriptions, which were allotted in full.

STATEMENT BY SECRETARY MILLS.

Secretary of the Treasury Mills announced today that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated October 19, 1932, and maturing January 18, 1933, which were offered on October 13th, were opened at the Federal Reserve Banks on October 17th.

The total amount applied for was \$252,465,000. The highest bid made was 99.967, equivalent to an interest rate of about 0.13 per cent on an annual basis. The lowest bid accepted was 99.960, equivalent to an interest rate of about 0.16 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$75,110,000. The average price of Treasury Bills to be issued is 99.965. The average rate on a bank discount basis is about 0.14 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, October 20, 1932.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$80,000,000, 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 Monday, October 24, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated October 26, 1932, and will mature on January 25, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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

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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 24, 1932, 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 October 26, 1932.

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, and this notice 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, THURSDAY,
OCTOBER 20, 1932, upon
delivery, which will
probably be 10:30 A.M.

FEDERAL TAXATION TODAY

Address of

Honorable Arthur A. Ballantine

Under Secretary of the Treasury,

Before

Annual Meeting of

Associated Industries of Massachusetts,

Boston, Massachusetts,

October 20, 1932.

FUTURE RELEASE
OBSERVE DATE

FEDERAL TAXATION TODAY

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Hon. Arthur A. Ballantine, Under Secretary of the Treasury,
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The great objective in taxation is to reduce the tax burden. The depression makes that objective far more desirable and at the same time far more difficult to realize. The estimate is familiar that in 1930 about $14\frac{1}{2}\%$ of every dollar of national income went to governments, about 5¢ to the Federal Government and 10¢ to State and local governments. In 1931 and 1932, when income had suffered much more from the depression, the percentage so absorbed was undoubtedly larger. This tax drain must be lessened. Accomplishment of relief calls for informed and unrelenting participation of taxpayers and sound national leadership.

The basic remedy for high taxes is to lower the cost of government. On this point the President has declared:

"The first necessity of the Nation, is to reduce expenditures of government, National, State, and local."

That declaration expresses the basis upon which the President has proceeded and is acting today. It is well to understand certain stubborn obstacles to reduction and be able to appraise and assist administrative guidance. Reduction is far from simple and mere lip service to the idea is of little value.

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The war made a lift in the level of Federal expenditures which cannot be overcome for many many years. It left us with public debt expenditures and provisions for veterans amounting each year to more than twice what it used to cost before the war to meet all expenses of maintaining the Federal government. For the five years ending in 1915, annual expenditures of the Federal Government averaged about \$720,000,000; for the war years 1917 to 1919, they averaged nearly \$11,070,000,000. Post-war reduction could not carry expenses down to anything like the pre-war level and for eight years - 1922 to 1929 - they remained relatively stable and averaged about \$3,640,000,000.

The principal items of post-war expenditures can be illustrated by turning to the expenditures for the fiscal year 1929. Of the \$3,848,000,000 total, about \$1,228,000,000, or nearly one-third, was for service of the public debt, including the payment of interest and repayment of principal required by law. \$771,000,000, or about one-fifth was expended for veterans. About \$676,000,000, or about 18 per cent, was for national defense. The most striking fact about these Federal expenditures is that nearly 70 per cent goes for the service of the debt for veterans and for defense. The balance for all other expenditures of the Government amounted to about \$1,173,000,000.

Even from these few figures it appears that the problem of reducing Federal expenditures is far from the simple task of effecting the curtailment of a vast total of expenditures, all of substantially the same class. In fact, some expenditures cannot be reduced, others can be reduced only with great difficulty

and general expenditures are a comparatively small percentage and are made up of a great aggregate of items each presenting distinctive considerations and questions of policy. When any one declares that Federal expenditures can be cut in some impressive percentage, he should be called upon to specify where and how. A general reduction is little more practicable than a general surgical operation. Reduction is a matter of intensive concentration and struggle on details, as to every one of which dispute and dissension must be resolutely overcome.

The depression inevitably gave a further lift to Federal expenditures, although in this case the lift will be temporary. In the case of a business, hard times can usually be promptly met, at least in part, by reducing costs. The situation of the Government, particularly of the Federal Government, is different. Even while reductions are being made in ordinary expenditures, emergency and relief needs spring from the depression and necessitate unusual expenditures.

Emergency expenditures began in 1930 and increased in 1931, but showed their real increase in 1932, when the total of all expenditures reached the high figure of five billion dollars. This represented an increase of \$1,500,000,000 from the fiscal year 1927, which was the recent year showing lowest expenditures. This increase has sometimes been erroneously discussed as if it represented a mere swelling of the cost of usual Federal activities. The fact is that emergency expenditures directly and indirectly attributed to the depression more than account for the increase.

Comparing expenditures of the Federal Government for the fiscal year 1932 with those for the fiscal year 1927, there will be found in the 1932 year the wholly new expenditure for the capital stock of the Reconstruction Finance Corporation and for additional capital stock of Federal Land Banks together amounting to \$625,000,000. Increase due to loans from the Agricultural Marketing Fund accounts for \$136,000,000 of the excess, and acceleration of work-making activities on the Government's construction program for another \$400,000,000. There must be added an increase of about \$250,000,000 in the charges on the Budget for veterans of the World War, and \$176,000,000 for an increase in the postal deficiency due to the depression. These items, which by no means cover all of the unusual expenditures, aggregate more than the net increase in total expenditures from 1927 to 1932. Without here attempting a detailed analysis or a complete definition of what constitutes the unusual and what the normal function of government, it is clear that apart from these special items of increase which I have indicated, the net expenditures of the Federal government were no more in 1932 than five years earlier.

In the main, the extraordinary expenditures for 1932 were part of a comprehensive program of constructive national action, designed to fight the depression and to lay the foundation for broad recovery in business and employment. The nation will

be repaid many times over for the cost of placing the strength of the Federal Government behind our whole business and credit structure at the time when it was subjected to unparalleled strain. Acceleration of recovery will result not merely in the elimination of emergency expenditures; it means also easing the tax burden through increase of ability to pay.

While convinced of the wisdom of carefully conceived emergency expenditures, the Administration has fought for the curtailment of expenditures where curtailment was possible. The Budget submitted to Congress by the President last December was necessarily planned so as to provide for carrying on the Government according to existing legal requirements. Nevertheless that Budget showed reductions in expenditures of \$370,000,000 below 1932 expenditures.

The President insisted on further economy through changing the law so as to bring about curtailment of certain functions and reduction in the cost of established services. Following the general line of his recommendations, an Economy Bill was introduced into the House which it was estimated would result in a saving of upwards of \$200,000,000, including \$90,000,000 from reduction in personnel and compensation of employees, savings from compulsory retirement, and the like; \$17,000,000 from miscellaneous savings; \$49,000,000 from revision of veterans legislation, and large savings from the reorganization and consolidation of bureaus and divisions. When the Bill finally passed the House on May 3rd, however, the

prospective savings had been squeezed down to from thirty to fifty million dollars.

As reported to the Senate, savings through the measure were restored to above \$200,000,000, but again the Bill seemed doomed. It was only after the most urgent personal appeal by the President in the Senate at the end of May, for the protection of the finances of the Government through the enactment of economy measures among other means, that the Bill was finally passed, with estimated savings of some \$150,000,000. Taking into account this saving and the fact that many of the emergency expenditures of 1932 did not have to be again provided for in 1933, total appropriations for the 1933 year, while greater than the amount which was recommended by the Administration, will be less than expenditures for 1932 by an amount of approximately one billion dollars. That is at least a start in the right direction.

During this period the hard-pressed taxpayer has needed zealous protection from unwarranted burdens upon the Treasury. Such a burden would have been involved by the project which passed the House of Representatives, but was thereafter defeated, for expending well over \$1,000,000,000 for a miscellaneous improvised program of minor public works scattered throughout the land, without reference to real needs. If the House had had its way, the Government would have had to make immediate cash payment of the maturity value of the Adjusted Service Compensation Certificates held by veterans, which would have required an expenditure of over

\$2,000,000,000. It was proposed that this payment be effected, not through funds obtained in the ordinary way through taxation or borrowing, but by the issue of fiat currency, a course which would be calculated in the end to confront the taxpayer not only with additional tax burdens, but with the disastrous consequences of an unsound currency. Such projects still have to be fought, for they would destroy any hope for relief of the burden of Federal expenditures.

The Administration has not relaxed its persistent efforts for further reduction of Federal expenditures. Steps are under way for further reductions for the fiscal year 1934. A concrete plan for reduction is now being formulated and will be presented to Congress in December. These plans include not merely drastic reductions in appropriations for expenditures on established lines, but a specific plan for reorganizing the administrative structure of the Government. On the President's insistence this was finally authorized by the Economy Act, although with the limitation that reorganization cannot be put into effect until after it is reported to Congress.

Increases in taxes are always hard to bear, not merely because they attack the pocketbook, but also because they are a burden upon business. When the depression was in its earlier phases it was hoped that no new tax burden would have to be imposed. Acceleration of debt retirement beyond the rate called for by sinking fund and other statutory provisions had given what

was in a sense a reserve of some \$3,460,000,000 which in a lean period might be drawn upon through debt replacement. If the depression had followed the pattern of 1921, or if the anticipated recovery which started early in 1931 had not yielded to new adverse developments in Europe, business might have been spared from the scourge of tax increases.

The fiscal year 1930 showed a surplus of \$184,000,000 and the fiscal year 1931, partly as a result of increase in emergency and relief expenditures, showed a deficit of \$903,000,000, of which \$440,000,000 was accounted for by debt retirement. This was of course a matter of concern, but in view of the financial accomplishments in prosperous years, it was not in itself alarming.

In the fall of 1931, after the depression had entered upon its second and far more intensive phase, it became clear that the reduction in revenue and the increase in emergency expenditures would create deficits so large as to use up the theoretical reserve, and that, notwithstanding the hardship which it involved, a determined upward revision of the tax structure must be urged.

In fact, Federal tax revenues were about halved as a result of the depression, the total declining from about \$3,630,000,000 in 1930 to less than \$1,890,000,000 in 1932. In the post-war years our main reliance had been upon the income tax which provided about two-thirds of the revenue from taxes. The other third was divided roughly in equal proportions between customs and miscellaneous

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taxes. The miscellaneous taxes included the tax upon estates, those collected by the sale of documentary stamps, and a number of lesser importance, but the principal tax was that collected on tobacco products, which amounted to as much as \$450,000,000 a year. The effect of the depression was registered in reductions of all three major sources of revenue, even those which in the past had been most dependable. The major decline was, however, in the income taxes which alone showed a reduction of about \$1,350,000,000 during the two-year period.

When it became clear that new tax burdens must be imposed in the larger interest of taxpayers and of all of our citizens, the Administration acted with vigor. In his message to Congress when it assembled last December the President declared:

"The first requirement of confidence and of economic recovery is financial stability of the United States Government."

He pointed out that the preservation of that stability demanded not merely all possible reduction of expenditures but also, for a time, increase in taxes. The Secretary of the Treasury in his Annual Message to Congress last December stated:

"It is not easy for any people to determine to assume a large additional tax burden at a time when their resources are depleted through business depression, but in the long run they will best serve their own interests by doing whatever is required to maintain the finances of their Government on a sound basis. * * * *"

The Secretary proposed specific taxes to produce the needed increase in the revenue. These recommendations included increase in income tax rates so that the higher surtaxes would have been about doubled, the increase to apply upon incomes for 1931, as well as thereafter; increase in estate taxes; new miscellaneous excise taxes, selected chiefly with a view to obtaining from each a large amount of additional revenue with relatively little administrative cost and difficulty and without undue interference with business.

The Ways and Means Committee of the House undertook resolutely to formulate a program of its own and with the cooperation of the Treasury drew up a bill which, in a general way, followed the lines of the Treasury's proposal except that the Committee substituted for most of the Treasury's miscellaneous tax proposals a general manufacturers' excise tax at $2\frac{1}{4}$ per cent. As originally proposed this tax was estimated to yield approximately \$595,000,000 in a full year.

The Committee's proposed manufacturers' excise tax was based largely on the Canadian model and was the result of careful and thorough study by the Committee working with the cooperation of the Treasury and with the advice of an expert made available by the Canadian Government. This tax was framed so as to impose the levy upon a particular article only at the point of sale as it left the last stage of manufacture and entered into the channels of distribution, thus avoiding pyramiding. The measure as finally prepared was free of many features of the Canadian tax which had

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previously led the Treasury to the conclusion that the Canadian tax would be unsuited to conditions in this country. The Secretary of the Treasury immediately gave to the Ways and Means Committee bill his entire support and urged its adoption.

The House of Representatives permitted the carefully devised measure of its Ways and Means Committee, unanimously reported, to be torn to pieces. The bill was not referred back to the Committee but was written on the floor of the House. The result was a period of great uncertainty and long delay which further undermined confidence, aggravating and prolonging the depression.

In the Senate the bill was long under discussion with much difference of opinion as to what plan should be followed in eliminating undesirable features of the bill as it finally passed the House and obtaining the necessary revenue. Although the need for stabilizing the finances of the Government was most pressing and was constantly urged upon Congress by the Administration, it was not until June 6th, after the President's direct appeal, that a revenue bill was finally enacted. That was an act which did not accord either with the Treasury program or the Ways and Means Committee program. Its virtue was that it provided for budget needs on a scale which overcame grounds for concern for the public credit. The new miscellaneous taxes were limited in application to July 1, 1934, with the exception of the tax on gasoline which was put on for only one year.

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Under the new revenue act individual income taxes were drastically increased so that combined normal and maximum surtax reached 63 per cent. The new rates are indeed severe and place the income taxpayer upon a war basis. In the emergency these rates may help, but they are much above the point at which the Treasury believes income taxes to be most productive in normal times.

The tax base to which individual income tax applies was broadened by reduction in personal exemptions so that it is estimated it will increase the number of individuals paying taxes by about 85 per cent, and also increase the amount of income to which the tax will apply for individuals already in the tax-paying group.

The main increase in the yield of individual income taxes will come from the very drastic increase in surtaxes and from the operation of the new provision which, except in the case of securities held for two years or more, limits the deduction of losses on sales of securities to income derived from gains from such sales. This is a drastic change. Until the enactment of the last revenue act there was no limitation on losses from sales of securities within a two-year period which the taxpayer might deduct from his income from any source. In the past many taxpayers have been able to offset losses from the sale of securities against business profits, interest, dividends, salaries, and the like, which clearly represent taxpaying ability in a

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given year. The new act makes no change in the provision limiting the tax on so-called capital gains to $12\frac{1}{2}$ per cent, or limiting the right to deduct capital losses, that is, losses on sales of securities held for two years or more. Other changes were made in structure and the administrative provisions of the income tax designed to close loopholes, as for example, through the use of foreign corporations as a medium for the realization of profits without liability for Federal tax.

The income tax rate on corporations was increased from 12 per cent to $13\frac{3}{4}$ per cent, with an additional tax of $\frac{3}{4}$ of 1 per cent on corporate income reported on consolidated returns. The exemption previously allowed for corporations with small incomes was eliminated. The Treasury felt that the increase in the corporation rate was too large. Increasing the flat rate upon corporations works injustice in that the flat increase does not and cannot take into account ability of the corporation to pay.

It is the well-established policy of the Treasury to favor permitting the determination of taxable income to be made in accordance with sound business practices. The Treasury, therefore, opposed the application of an additional rate to income reported upon consolidated returns of affiliated corporations. To have the income of affiliated corporations reported in a single return is not to extend a privilege; it is to recognize for tax purposes the same basis of reporting income which is used alike for stockholders and for financial statements.

Estate taxes were very sharply increased through the medium of an additional tax which carries the graduated rate up to 45 per

cent of net estates in excess of \$10,000,000, with a minimum exemption of \$50,000, as compared with a maximum rate of 20 per cent and a specific exemption of \$100,000 under the previous law. A fundamental difficulty with high estate tax rates has been abundantly illustrated by the condition of estates transferred in 1929 and 1930, when security values were comparatively high, now confronted with taxes which, even under the moderate rates of the prior law, may in some instances amount to more than the present value of the securities. The bill provided for a cumulative gift tax with rates designed to be about three-fourths of the estate tax rates.

The excise taxes provided for under the bill are a somewhat miscellaneous group, many of them yielding comparatively small amounts and resting upon industries which have no special taxpaying ability. The miscellaneous taxes do include an important 1¢ tax on gasoline and taxes of 3 per cent on sales of automobiles, and of 2 per cent on trucks, and on parts and accessories. The tax upon checks at 2¢ each was a relatively important new levy.

Miscellaneous taxes under the new bill are yielding sharply increased amounts of revenue as compared with last year, notwithstanding the decline in business during the year. For example, for the month of September and the first two weeks of October miscellaneous internal revenue receipts aggregated about \$120,000,000 as compared with \$68,000,000 for the corresponding period of last year. The yield of the new check tax increased up to more than \$3,787,000 for the month; documentary stamp tax receipts rose to over \$7,569,000, and the yield on the gasoline tax to over \$11,410,000.

Accumulated data as to the operation of the new act will form the basis for estimates as to the full revenue effect of the measure during a period including the fiscal year 1934, which will be submitted by the Secretary of the Treasury to Congress when it convenes in December. It should be remembered that the complete effect of the new revenue act will not be gained until the fiscal year 1934, partly for the reason that the new income tax rates were not made to apply on incomes for 1931, as the Treasury recommended, but begin to apply with incomes of 1932.

In the year in which the enactment of any new revenue measure presented almost overwhelming difficulties, the placing upon the statute books of a revenue measure so substantial in its scope as the Revenue Act of 1932 was an impressive accomplishment. The defeat of unsound financial proposals and the enactment of improved budget legislation carried assurance of the financial integrity of our Government. This was immediately shown by the dissipation of fear and the development of confidence.

The new measure is in many respects temporary and there are many points which are subject to improvement and inequities which call for remedy. Revision of the tax law in substance, involving inevitable disturbance of business, should never be undertaken until the necessity and wisdom of that course are established beyond doubt. Ultimate development of the Federal tax system must include the harmonizing of Federal tax policy and procedure with those of the states so as to render the whole tax burden less and more fairly distributed.

There must be sound and constructive national leadership in this field. Adequate leadership toward progress in taxation must today take in a far broader field than that of the immediate problem of expenditure and taxation. Satisfactory taxation requires sound and satisfactory business activity. Progress toward the great objectives in taxation necessitates leadership in promoting business recovery and full resumption of normal economic activities.

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STATEMENT BY SECRETARY OF THE TREASURY MILLS

Governor Roosevelt told an amazing story in Pittsburgh last night. If it represents his conception of recent financial history and of our present problems, then I can only express surprise that a candidate for the Presidency should have such a complete lack of understanding of the realities. If he does know the facts, then the American people must draw their own conclusions from the extraordinary inaccuracies and distortions contained in his statements and conclusions.

The story, as he tells it, runs as follows: that the Federal Government, along with State and local governments, vastly increased its expenditures during the post-war period; that there was terrible extravagance and waste, particularly from 1927 to 1931; that the Treasury failed to correctly appraise the situation in the fall of 1929 and 1930 and as a result large deficits were incurred; that these were concealed; that the Federal credit became impaired; that the hidden news leaked out during the summer of 1931; that as a result, foreign nations which had been forced off the gold standard by our withdrawing gold from them, now panic-stricken at the situation of our national credit, withdrew their balances with us and that the panic was on; that the Administration failed to tell the truth to the Congress and that, as a result, the present budget is unbalanced.

What are the facts?

First: Federal expenditures did not increase rapidly during the post-war period. When the Republicans took control of the Government in 1921, two and a half years after the War was over, Federal

expenditures aggregated five billion and a half dollars. During the course of the next year they were reduced by approximately \$1,700,000,000. From 1922 to 1930 they showed remarkable stability, increasing by about 5 per cent, or two thirds of one per cent per year. In the meanwhile the National debt was being reduced at the rate of approximately \$900,000,000 a year, naturally resulting in decreased debt service charges, for which the Administration responsible for reduction of the debt is entitled to full credit. It represents a real saving.

In contrast to the accomplishments in Washington, I submit the record of what was going on in the State of New York under Democratic Administrations, including that of Governor Roosevelt, in the form of a letter from the Majority Leader of the State Senate.

Second: Governor Roosevelt says that the administrative costs of the Federal Government increased a billion dollars in four years. He obtains these figures by comparing the fiscal year 1927, in which Federal expenditures reached their minimum with the fiscal year 1931, a depression year, in which there were a number of emergency items. For instance, public construction work of all kinds was increased by approximately \$300,000,000 to relieve unemployment; aids to agriculture by \$254,000,000; the postal deficiency, owing to the depression, increased by \$118,000,000; there was a census that year, involving \$13,000,000 extra; \$285,000,000 additional was expended on behalf of veterans, practically all of which was due to legislation passed over the vetoes of Presidents Coolidge and Hoover by Democratic votes. As a matter of fact, if you compare expenditures for 1927 and 1931, excluding these items and the charges on the public debt, all other expenditures showed an increase for the period of a little over \$10,000,000.

The Governor presents the same distorted picture by the use of the same methods when he criticizes the Treasury Department for its failure in December, 1930, to forecast the size of the deficit for the fiscal year 1932. He led his audience to believe that we underestimated the deficit by over \$3,000,000,000, due entirely to our over-estimating the revenue. Yet everyone must know that the deficit in 1932 was due in large measure to the huge sums that had to be appropriated as late as last winter for emergency relief of all kinds.

Could the Treasury Department, in making its estimates in December, 1930, have foreseen, for example, that in February, 1932, it would be necessary to bring into being the Reconstruction Finance Corporation, entailing a charge of half a billion dollars on the Treasury? Could it have foreseen that the Congress would find it necessary to appropriate \$125,000,000 to increase the capital of the Federal Land Banks? In addition there was an increase of expenditures for employment-making construction activities of some \$300,000,000 over normal, and an increase of about \$250,000,000 in expenditures for veterans, due to legislation, a large part enacted over the President's veto, after the budget estimates were made. Governor Roosevelt knows that these emergency items could not all have been foreseen a year and a half in advance. Why then does he present any such distorted picture?

Third: He says that taxes should have been raised in 1929 and in 1930.

There was no occasion to raise taxes in the fall of 1929. He says we closed the fiscal year 1930 with a deficit. We did not. We closed it with a surplus of \$184,000,000.

He says that taxes should have been raised in December, 1930, for "vast declines in every form of business activity were now crystallized and certain."

Again he is wrong. Every business index indicates that from December through April there was a sharp business recovery, which was only terminated by the beginning of the European catastrophe. The volume of all industrial production rose steadily, showing an increase of 16 per cent.

The Treasury believed that this business recovery was about to take place, as it did. It did not desire to throw in its way the obstacle of increased taxation. During the course of the years of prosperity we had retired three and a half billion dollars of debt from surplus funds in excess of legal requirements. This constituted a reserve which any wise government would have drawn on in a period of depression, rather than rush at once into additional taxation at the very time when business needed relief.

Fourth: Up to this point the Governor was merely juggling figures to try to prove a case. But we now come to the most extraordinary statement, coming as it does from a supposedly responsible source, that the panic which began in this country simultaneously with the suspension of gold payments in England was due to the leaking out during the summer of 1931 of disquieting revelations relating to our national finances, and that the immense withdrawal of gold by foreign countries which began the day after Great Britain went off the gold standard was the inevitable result of these disquieting revelations.

What were they? If these statements mean anything at all they mean that the panic was induced because both at home and abroad it was felt that the credit of the United States Government had been impaired, and that this had been concealed.

The record will show that the credit of the United States Government stood high. There were no mysterious leaks. It was a matter of public record that we had closed the fiscal year which ended on June 30, 1931, with a deficit of approximately \$900,000,000. The Daily Statement published by the Treasury Department, showing expenditures and receipts, indicated that there would be an even larger deficit in 1932. There was nothing to conceal. Nothing had been concealed. Nothing could be concealed.

The charge that the Federal Government credit had become impaired is undiluted nonsense. On June 30, 1931, our public debt stood approximately ten billion dollars below its peak.

In March, 1931, the Treasury sold about \$600,000,000 of 3-3/8 per cent long-term bonds. On June 15, 1931, with the existence of the current deficit public property, the Treasury sold over \$800,000,000 of long-term bonds at 3-1/8 per cent. They were over-subscribed almost eight times. On September 15, 1931, after Governor Roosevelt's alleged leak and just one week before the panic began, the Treasury floated \$800,000,000 of long-term bonds at 3 per cent, the lowest rate of interest at which Government bonds had been sold on public subscription since 1911.

And the man who aspires to the Presidency of the United States tells the American people that the financial and credit panic which was actually brought on by the suspension of gold payments by Great Britain on September 21, 1931, had been brought on by the impairment of the credit of the Federal Government.

Doesn't the Governor know -- and if he doesn't know, I'll tell him-- that from May, 1931, right up to September 21st, our financial position was so strong that both our Federal Reserve Banks and our private banks were extending credit to European countries in order to avert the European collapse.

Every man with a rudimentary knowledge of the financial history of the last twelve months knows that the immense run which took place on this country, beginning in September, 1931, was due to the events in Europe which culminated in the suspension of the gold standard in Great Britain, and which prompted those who held short-time funds in this country to withdraw them, actuated by the panic and fear engendered when the world's citadel of financial strength went down. I told this story in detail at Baltimore last night.

Finally we come to the statement that the Administration didn't submit all of the facts to the Congress last fall, and that, as a result, the present budget is unbalanced. All of the facts were submitted. In December we estimated the revenue for 1932 at \$2,359,000,000. We actually collected \$2,121,000,000, or a margin of error of a little over 10%. All of the Treasury estimates of future revenue were thoroughly investigated by both Committees of both Houses. The Democrats of the House, including the Speaker, claimed that the Treasury estimates of revenue were too conservative; that we were underestimating rather than overestimating the revenue. The estimates of the staffs of the Senate Finance Committee and the Ways and Means Committee were higher than the Treasury estimates. The Speaker of the House accused me of undue pessimism.

These are all matters of record that the Governor could have ascertained if he was interested in facts.

He says that I stated to the Congress that if they would impose certain additional taxes, the budget would be balanced. I told them on May 31st what additional taxes were needed, but with the proviso that they would have to reduce expenditures by \$350,000,000 below those already proposed in the President's Budget Message. They did not make these economies. On the contrary, due to the insistence of the Democratic leaders in both Houses, they increased appropriations by approximately \$322,000,000 for additional roads and public construction.

Balancing a budget is not just a matter of increasing taxes. There is such a thing as reducing expenditures. That, the Democratic House refused to do in adequate amount. What the policy of the Democratic Party is is indicated by the action of the Democratic House of Representatives in actually voting to increase expenditures by \$3,400,000,000 over and above the budget presented, which would have almost doubled the cost of government. These are the men that Governor Roosevelt would have the American people put in charge of the Government in order to reduce its costs.

If space permitted, I would like to deal with the further fantastic statement that Government fiscal policies have contributed to the contraction of credit. Every student of finance knows that Government deficits tend to expand rather than contract credit.

The Governor complains of the Republicans' seeking to arouse fear among the people as the result of his election. But how can he expect anything but fear in the face of the financial record of the Democratic House of Representatives? How can he expect that that fear will do any-

thing but grow when he himself, in discussing the fiscal policy of the Federal Government deals in terms of fiction rather than fact, and worst of all, when, for campaign purposes, he seeks to cast doubt as to the credit of the National Government?

I can assure the country that there need be no concern on that score.

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(C O P Y)

THE SENATE OF
THE STATE OF NEW YORK
ALBANY

October 19, 1932.

The Honorable
Ogden L. Mills,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

I have been much interested in Governor Roosevelt's attack upon the Republican Administration for supposed increased public expenditures. I happen to know that federal expenditures have decreased during President Hoover's administration, except for the burdens imposed upon him to care for the depression.

But as the Democratic candidate has set himself up before the American people as one who will bring about reduction in federal expenditures it would seem desirable for the public to know something of his record as Governor of New York. More especially is this true when the Federal Government has been making every effort to reduce expenditures and thereby relieve the taxpayer, the State of New York has steadily increased those expenditures.

Between 1918, the last year of the Whitman Republican administration, and 1931, appropriations increased from \$81,000,000 to \$328,000,000, or 305 per cent. During this period, the only decrease in the state budget occurred during the administration of Governor Nathan L. Miller, the last Republican Chief Executive in 1921 and 1922. During the two years of Democratic administration 1919-1920, the budget increased from \$81,000,000 to \$145,000,000, or 79 per cent. From 1920 to 1931 appropriations increased from \$145,000,000, to \$328,000,000, or about 130 per cent.

Under the preceding Democratic administration, appropriations mounted at a rate of \$14,500,000 a year. Under Governor Roosevelt the yearly increase was just double that, or \$29,000,000 a year. While appropriations have been mounting, the net state debt, due to various bond issues, also increased from \$169,000,000 to \$327,000,000, or 93 per cent.

It should be borne in mind that under the Constitution of the State of New York, the governor submits to the legislature a budget containing a complete plan of proposed expenditures and estimated revenues, and that the legislature cannot increase items.

To be fair to Governor Roosevelt it must be stated that included in the appropriations for the fiscal year ending June 30, 1932, there was included \$20,000,000 for unemployment relief, and in the fiscal year to end on June 30, 1933, there is included \$5,000,000 for like purposes.

On the other hand, in order to be fair to the federal administration it must be pointed out that to the amount of these appropriations should be added the further sum of \$30,000,000 for construction items paid out of bond monies, inasmuch as the federal government pays for such expenditures out of current revenue. But it should also be borne in mind that the expenditures of New York State on public works, through bond issues were not in relief of unemployment, as these bond issues were initiated long before the depression began.

When Governor Roosevelt sent in his executive budget in January, 1932, there was abundant evidence of the necessity for drastic cuts in appropriations. As shown by the Governor's message to the legislature of January 12th, the state was faced with a deficit of \$124,418,729.21. The revenues of the state had materially fallen off. The usual cash surplus of from \$25,000,000 to \$75,000,000 had disappeared and there was not sufficient money on deposit to the credit of the state to meet its obligation of \$50,000,000 due on January 15th, and a like amount due on March 15, 1932, to the Common School Districts of the state for the payment of teachers and operating expenses. Faced with these facts, a Republican Legislature cut the Governor's budget \$21,000,000 over his vigorous protest. As a matter of fact, he exercised every influence to have the items replaced and it was only through the votes of Republican members that the reduction in expenditures was accomplished.

Governor Roosevelt should be the last man in the United States to talk about expenditures or balanced budgets. The best estimates now available are that, notwithstanding the imposition of additional taxes recommended by the governor as late as March, 1932, the State of New York is facing an actual deficit of \$100,000,000 in the fiscal year ending June 30th next. He and his party are on record in New York State as opposing every effort of the Republican legislature to reduce government expenditures. They even opposed the creation of an Economy Committee to investigate expenditures of state departments by non-political engineers and accountants for the purpose of recommending economies. The creation of this Committee which has already made recommendations for the saving of an additional \$50,000,000 was only accomplished with the aid of Republican votes.

Mr. Roosevelt has been governor of the greatest industrial state in the Union, a state which ranks fourth in agriculture, during all the time Herbert Hoover has been President of the United States. Within that state resides substantially one-tenth of the entire population of the nation. He has had no complicated national or international problems to distract him from his task at home, and yet I say to you very frankly that I know of no single constructive act on his part either in aid of industry or agriculture during his term of office to relieve the distress of people suffering from the economic depression.

Very respectfully,

(Signed) GEROGE R. FEARON
Temporary President,
New York State Senate.

TREASURY DEPARTMENT
 FUTURE RELEASE
 OBSERVE DATE

FOR RELEASE, FRIDAY,
 OCTOBER 21, 1932, upon
 delivery, which will
 probably be 9:30 A.M.

THE SERVICE OF THE RECONSTRUCTION FINANCE CORPORATION

Address of

Honorable Arthur A. Ballantine,

Under Secretary of the Treasury,

Before the

New England Council Bank Management Conference,

Boston, Massachusetts,

October 21, 1932.

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It is through the Reconstruction Finance Corporation that the credit of the Government has been made to serve vital industrial, agricultural, and financial needs of our people, which private credit has for the time been unable to meet. The benefits of its operations have extended to every phase of our economic life. They reach beyond the bank, the railroad, the insurance company, beyond the merchant and the manufacturer to the salaried employee, the wage-earner, and the farmer. Tens of thousands of home owners, more than fifteen million depositors in our banks, and many of the seventy million holders of life insurance policies have shared in this timely aid.

The need for this emergency credit service grew out of the unexampled drying up of customary credit in the months of trial and trouble that followed after England was forced off the gold standard in September of last year. That culmination of financial and trade reversals abroad found our country suffering from the business depression but with its credit structure ample, resting upon a base of over five billion dollars of gold. While business activity was decidedly sub-normal, there was here no element of financial panic or paralyzing credit contraction.

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Beginning in the fateful month of September, 1931, with the departure of England from the gold standard, we were confronted, as the Secretary of the Treasury has said, with "a credit and financial panic of the first magnitude, superimposed upon a major business and agricultural depression". In October of last year bank failures moved up to the threatening total of 522. Gold was pouring out of this country to meet frenzied foreign demands. By the end of October we had lost gold to the amount of \$750,000,000, and the drain continued until it had reached \$1,000,000,000. Domestic hoarding of currency set in and by November nearly one-half billion dollars had disappeared from banks and circulation and gone into hiding. Before it was brought to a stop currency hoarding had probably reached a billion and a half dollars.

These movements greatly accelerated the vicious spiral of liquidation with which we became so painfully acquainted. Frightened withdrawals of deposits from banks meant the sacrifice of bank assets to gain cash. Forced selling depreciated security prices and this led to further withdrawals and further depreciation. Banks ceased to be able to perform their normal functions of supplying the varied credit needs of industry. There was a drying up of the great stream of investment in mortgages from real estate and insurance companies which normally nourishes the building industry and the extension of home ownership. From September to May 1932 contraction of resources of banks which were members of the Federal Reserve System reduced their loans and investments by five billion dollars.

The tremendous contraction of credit beginning in the fall of last year, of course, had a paralyzing effect upon finance, business, industry, and employment. The Administration believed that this attack upon the well-being of every individual should be resisted and overcome, and formulated and initiated a comprehensive campaign for relief and recovery. As a temporary help the President initiated in October, 1931, the organization of the National Credit Corporation with a capital supplied by the banks to assist in protecting endangered but essentially sound institutions. That organization, conducted with determination and efficiency, rendered effective help, but greater assistance was necessary.

The creation of the Reconstruction Finance Corporation was the result of recommendations made by the President in his message to Congress when it convened last December, as part of his far-reaching non-partisan emergency program. He well described the recommended agency as a bulwark to build confidence, to strengthen weak spots, and thus liberate the full strength of the nation's resources. What the President was determined to save were not banks and credit agencies in themselves, but jobs, savings against sickness and old age, insurance policies and homes. These could be and have been protected by protecting the financial agencies on which they depend.

By the Reconstruction Finance Corporation Act, passed by patriotic support from both parties, approved by the President on January 22d, the Corporation was established, with a capital stock of one-half

billion dollars and authority to borrow up to two billion dollars. The capital was, of course, supplied by the Treasury of the United States, and was part of the expenditures of the Government in the last fiscal year. The additional funds which the Corporation has from time to time required have been loaned to it by the Treasury. The Corporation has authority to issue and publicly sell its own debentures, but this course has not been followed.

The Corporation is managed by a bi-partisan Board of seven Directors. The Governor of the Federal Reserve Board and the Farm Loan Commissioner were originally ex-officio members, but under the amended Act the Secretary of the Treasury, or his substitute, is the only ex-officio member. The other six members of the Board, appointed by the President with the advice and consent of the Senate, were drawn from different sections and activities of the country. Bringing to bear a wide range of experience, they have united in whole-hearted labor for the full realization of the purposes of reconstruction.

Its first loan was made on February 11th. The promptness with which it was able to begin its work was due in no small measure to the fact that it had the Federal Reserve Banks as its fiscal agents and was able to draw upon their highly trained personnel, as well as that of the Comptroller of the Currency. The Federal Reserve Banks are the custodians of all notes and collateral of the Corporation and all funds are handled through these banks.

The direct recipients of loans under the original Act are financing institutions from which the life-giving stream of credit flows to all business and industrial activities, and they include any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint stock land bank, livestock credit corporation, including loans secured by the assets of any bank in the process of liquidation, or to aid in the reorganization of such bank. The Corporation may finance exports. A vital part of its service is extending financial assistance to interstate railroads and receivers of railroads. \$50,000,000 of the original capital, and any expansion of that amount through notes and debentures, was made available to the Secretary of Agriculture for the purpose of making emergency loans to farmers for crop production.

The Act did not authorize grants or gifts. The money of the Government is not to be given away by the Corporation - it is to be put to work at points where it is most needed for the protection of our people, but later to be returned to the Treasury. The Act requires that all loans other than advances to states for relief shall be fully and adequately secured. The Directors are not required to confine themselves to looking at collateral from the standpoint of its forced sale value, but may take into account all pertinent considerations. The Board of Directors is authorized to fix the terms and conditions of the loans. Each loan under the original Act may be made for a period of not exceeding three years and the Corporation may extend the time of payment, through renewal or otherwise, up to a total period of not exceeding five years.

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The Emergency Relief Act of July added to the powers and resources of the Corporation. \$300,000,000 was authorized for safe-guarding advances by the Corporation to States to be used in furnishing relief and work relief. Provision was made for the establishment of regional agricultural credit corporations in the 12 Federal land bank districts, with power to make loans to farmers and stockmen for agricultural purposes and for raising, fattening and marketing cattle. It is from the billion and a half of additional funds for the Corporation provided for by this Act that loans may be made to finance self-liquidating projects of states, municipalities, or other authorities and also in some cases projects privately owned but devoted to public use or regulated by public authority.

The Corporation has 32 agencies throughout the country, each in charge of a salaried manager who operates with the assistance of a representative volunteer advisory committee. Managers and committees alike have served with the utmost energy and devotion. Applications for loans are made at the agencies and there carefully examined as to collateral and other features. At the headquarters in Washington they are passed upon by competent examiners and reviewers before being placed before the Board for action. A General Counsel with a well-qualified staff acts upon all legal matters. For assistance with the self-liquidating loans the Corporation has added a group of engineers and financial advisers of high qualifications. Advisory engineers are being appointed in the field in aiding applicants, particularly those for the financing and construction of small projects, in preparing their applications. These services will be rendered by leading engineers without cost to applicants. The law prohibits the payment of fees of any sort in connection with the procurement of loans.

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The amount of loans authorized from February 2, to September 30, 1932, was \$1,514,631,518.02, and the number of borrowers was 5,975. \$44,609,161.60 of the loans authorized had been cancelled by borrowers through withdrawal of applications; \$289,580,373.74 had not been drawn by the borrowers but remained at their disposal; \$185,035,489.15 had been repaid by borrowers. The net amount outstanding in the hands of borrowers on September 30, 1932, was \$995,406,493.53.

Far the largest group of loans authorized was made up of the loans to banks. On September 30th these aggregated \$853,496,289.00, and had been made to 4,973 institutions, including receivers of closed banks. Much the largest portion of these loans was made to institutions in small centers of population. About 70 per cent of the bank borrowers were in towns of less than 5,000 population, and slightly less than 2 per cent were in cities of more than a million population. The service of the Corporation has been utilized by nearly 25 per cent of the banks of the country, having altogether more than fifteen million depositors. The twenty-five million of depositors in non-borrowing banks were also benefited through the relief of the great pressure upon banks.

A moment's thought shows how wide-spread is the benefit of the timely help to the banks of the country which has been thus provided. The public has become sadly familiar with what happens when a bank closes - the salaried man may be unable to pay his bills; the wage-earner loses his provision for sickness; the householder may be unable to meet his taxes; the merchant cannot collect and hence cannot meet his obligations to middleman and manufacturer. From the

standpoint of borrowers from the banks, bank closings mean that the farmer may be unable to obtain the funds to plant, harvest and market his crop; the manufacturer may be unable to lay in his raw materials, or the homebuilder the mortgage money to enable him to erect his house. The services of the bank go to the very roots of the life of the whole community and what has helped the banks in this time of need has helped all the people.

The purpose of making public credit available to banks and other financing institutions, generally subject to public supervision, has been to keep available to the public the sources for supplying the financial requirements of commerce, industry and agriculture. Those multitudinous needs must necessarily be met by a vast number of different institutions. It was utterly impossible for the Government to meet them directly; this would involve an impossible administrative task and the supplanting of existing private agencies. The task of the Government was to make the existing agencies function. Through the operation of abnormal conditions many financing institutions which were essentially sound had found part of their assets temporarily frozen. The loans from the Corporation have substituted liquid assets pending revival of normal conditions. Banks which have suffered from this condition should have no hesitation in utilizing the facilities of the Corporation, and the customers of such banks should realize the soundness of this course.

Loans have been authorized to 736 building and loan associations in the aggregate amount of \$87,638,738. These associations have played an important part in the providing of homes and the strengthening

of the associations has operated to preserve the homes of many thousands of families. This is also true as to the \$83,816,000 loans to 68 mortgage loan companies.

Insurance company loans up to September 30th were 106 in number and aggregated \$75,193,200. These loans have enabled these agencies of the protection of families to continue to meet policy maturities and policy loans -- now sharply decreasing -- without sacrifice of their assets.

Loans to agricultural credit corporations, livestock credit corporations, Federal land banks and joint stock land banks aggregate \$42,599,501.45. Further help to agriculture is being extended through the provision of the Relief Act authorizing loans to bona fide institutions for the purpose of financing the carrying and orderly marketing of agricultural commodities and livestock. Under this section loans of \$50,000,000 have been authorized for cotton cooperation and cotton stabilization corporations to enable them to hold their cotton until 1933. Loans are also authorized to be made for the purpose of financing the sale of surpluses of agricultural products.

Under the Relief Act regional agricultural credit corporations, each with a capital of not less than \$3,000,000, have been set up in ten of the twelve additional Federal land bank districts. These corporations will be of particular value to farmers and stockowners in making feeder loans for the raising, fattening and marketing of livestock. These institutions have

been provided local Boards of Directors and managers, and are energetically beginning their service.

The loans to railroads (including receivers) aggregate \$264,366,933, and were made to 53 railroads. All railroad loans require the approval of the Interstate Commerce Commission. These loans have served to protect the operation of railroads, not only as the backbone of the transportation system of the country, but as the largest employers of labor and purchasers of raw materials. They serve to maintain employment and to keep the wheels of the factories turning. They have served to assist in meeting maturing obligations, both as to principal and interest, and have thus strengthened railroad credit and particularly railroad bonds and other obligations held to the extent of as much as \$6,000,000,000 by banks, insurance companies, and other reservoirs of the people's savings. So-called work loans being made to railroads for repairs to equipment and construction of new equipment provide for employment of substantial numbers of men.

Payments to the states and political subdivisions for the purpose of furnishing relief, and work relief to distressed people, have been authorized up to October 1st in the amount of \$35,455,171.22, and have been made available in twenty-five states and one territory. The bulk of this money was provided under the section which requires for reimbursement to the Federal Government by deductions from future Federal authorizations to states to aid in the construction

of roads. These payments for relief are a protection against human distress in the coming winter, yet they do not violate the principle of local responsibility. They can be made only where the Governor certifies that the resources available to the state for relief are inadequate, including private contributions as well as available public funds.

Loans for self-liquidating projects are a means of increasing employment without ultimate cost either to the Federal Government or State Governments. Many works of a public or semi-public character - tunnels, bridges, waterworks, and the like - have been projected and even fully planned which could not be brought into construction at this time for the reason that they could not be financed through the usual channels. It was believed by the President and by Congress that where the projects were such that their construction cost will be paid within a reasonable time by earnings of the project, they might well be financed by Government loans. This sound means of increasing employment was provided for in the Relief Bill of last June. It has been found that self-liquidating projects present great variety, and that the forming of satisfactory judgment upon their self-liquidating character as well as on engineering and legal questions is not easy and requires continuous study by the experts and members of the Board.

Loans for self-liquidating projects authorized up to October 1st total \$53,105,000, while action taken by the Board looks to the beginning of projects upon which ultimate expenditures will probably reach not less than \$400,000,000. The loans authorized or agreed

to include the purchase of bonds of the Metropolitan Water District of California which will mean beginning the construction of a vast project for bringing the needed supply of water from Hoover Dam, 265 miles, to the cities of Southern California. This development had been projected for many years, and engineering plans had been completed. A bridge across the Mississippi at New Orleans which will enable the railroads to dispense with the ferries and also serve highway purposes is another project for which the Corporation has agreed to provide funds. The basis of the agreement has been reached looking to the financing of the construction of a long dreamed of vehicle bridge across San Francisco Bay, connecting San Francisco with Oakland and the mainland. Loans for smaller projects include conservancy districts, additions to public lighting plants, water districts, and the like. These projects will create employment for many thousands of men upon construction sites and in mills, shops, quarries, mines, and other lines of industry, and will operate to provide traffic for railroads.

It was in connection with the provisions which finally took shape as authorizing the financing of self-liquidating projects that the sharpest issue was presented as to the proper scope of the Corporation's activities. The Relief Bill, as it passed the House, would have authorized loans to any corporation or individual. As you know, the position of the Administration was that such a plan would have plunged the Government into private banking on an enormous scale; would have involved it in functions utterly impossible to administer with success, and leading to destructive competition with private banking. Putting the Corporation into the general banking business all over this country was defeated.

A second controversy related to the publicity of loans by the Corporation. This arose at the time when the Relief Bill was enacted in June. It was the position of the Directors that publicity of the loans was likely to interfere with the full utilization of the relief agency and the most effective accomplishment of the intended help to industry and agriculture. There was included in the Relief Bill a provision entirely free from objection requiring the corporation to report its operations in detail each month to the Clerk of the House and to the Secretary of the Senate. The Clerk of the House at first interprets that section as authorizing him to give full publicity to the report. It is the opinion of the Board and its counsel that such publication is not authorized and is no more in accordance with sound business practice than for a bank to publish a list of its loans.

The service of the Reconstruction Finance Corporation is conceived and planned as of a strictly emergency character. Advances to states and political subdivisions thereof for relief purposes may be made up to July 22, 1934. Loans may be made under the Emergency Relief

and Construction Act of 1932 for self-liquidating projects and for agricultural and livestock purposes at any time prior to January 22, 1934. Loans may be made under the original Reconstruction Finance Corporation Act to designated financial institutions and to railroads up to January 22, 1933. The President, however, has the authority to extend the period in which the Corporation may make loans beyond that date, for such period as he may deem necessary, not however beyond January 22, 1934. The plan has not been to create a credit agency which will in any way supplant the normal agencies of the country, but rather that of furnishing needed help to tide over a period when the normal agencies were unable to render their usual service. It is essential that the work of the Reconstruction Finance Corporation be confined to this temporary emergency service.

That the Corporation has been accomplishing its purpose is attested by the decreasing number of applications for aid from the Corporation by financial institutions. In April applications from banks aggregated 1269; in August the ^{number} had fallen to 899, and in September fell to 515. Loan applications from other financial institutions fell from 239 in April to 171 in September. The aid which it has rendered is further reflected in improvement in business activity and employment/ ^{reflected} in reports of August, September, and for this month.

For the first time in our history our nation has come to the comprehensive support of our economic machinery through the use of public credit. That effort has cushioned the blows of the depression and checked the rigors of liquidation with its resulting distress, has warded off disaster, and has brought nearer the time of the resumption of normal business and employment. It was a plan boldly conceived, which is being

earnestly and carefully executed, and if completed according to the vision under which it was undertaken it will constitute the greatest assistance ever provided for our people in saving them from unnecessary losses and restoring to them the benefits of normal business and employment.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
Friday, October 21, 1932.

Remarks of
HONORABLE JAMES H. DOUGLAS,
ASSISTANT SECRETARY OF THE TREASURY
before the
Eastern Regional Conference of
Bank Auditors and Comptrollers,
Washington, D.C.
October 21, 1932.

It was my intention in attending your conference to-day to discuss some aspects of the ever changing and broadening contacts and relations that exist between the Treasury Department and banks. I had in mind the new relationship that has been created through the Reconstruction Finance Corporation, which up to September 30th had authorized loans to over 4,900 banks and trust companies totaling approximately \$850,000,000. I hoped to give some consideration to the problem which has arisen in allotting recent Treasury issues. I would also have ventured to discuss the check tax imposed by the Revenue Act of 1932, a matter of concern to all of you, and one on which we might have an enlightening interchange of views.

Night before last, however, I listened to Governor Roosevelt "reduce the problem of our national finances to the terms of a family budget". This concerns the Treasury, and when anyone explains the national finances to the country at large in a way likely to result in serious misunderstanding, it is Treasury business, in the interest of public confidence, to call attention to the facts.

I shall discuss briefly the matter of Federal Government expenditures; I shall refer to Treasury estimates, the 1932 deficit, and the deficit for the first quarter of the present fiscal year. I shall also mention briefly some aspects of Federal financing. I ask your indulgence to introduce several of Governor Roosevelt's statements regarding these matters.

Federal expenditures are high and must be reduced. Let us see where we stand by comparing Federal expenditures for the fiscal year 1931 with those of 1927. Expenditures in 1927 were the lowest for any year since before the war. Governor Roosevelt said:

"On the plain question of frugality of management, if we want to compare routine government outlay of 1927 with that for 1931 for example, we must subtract (the) so-called 'debt service charge' from the total budget for both years.

"If we do this we find that the expenditure for the business of government in 1927 was \$2,187,000,000, and, in 1931, \$3,168,000,000.

"That, my friends, represents an increase of actual administrative spending in those four years of approximately \$1,000,000,000."

Let us inquire into what items of increase occasioned this rise in the cost of Federal Government from the low year to the first fiscal year of the depression. It is important to examine them in order to determine at what points we may best direct the attack to reduce the costs of Government. I cannot go into an exhaustive discussion of both increases and decreases in the various items that make up our Federal expenditures, but from the statements of expenditures in the Secretary's reports for 1927 and 1931, there would appear to be an increase in Veterans Administration and the Adjusted Service Certificate Fund of \$426,000,000; an increase in the Department of Agriculture and the Agricultural Marketing Fund of \$330,000,000; an increase in the Postal Deficit of \$118,000,000; an increase in the Treasury Department of \$53,000,000; and an increase in the War Department of \$116,000,000.

It would be safe to assume that the increases in Treasury and War Department expenditures should be attributed largely to public building and construction. These indicated increases total over

\$1,000,000,000, but the increase in expense of the Veterans Administration is exaggerated due to a transfer of functions from the Department of Interior. If we have the full benefit of a detailed breakdown of the figures we find that the increased expenditure on account of veterans totals \$285,000,000; increased aids to Agriculture account for \$254,000,000; all construction more than \$300,000,000; and Post Office deficiency \$118,000,000; making a total of some \$957,000,000. If we add to this two items of increase in the Department of Commerce, \$15,000,000 for the 1930 Census, and \$8,000,000 for commercial aviation, we have accounted 100% for the increase from 1927 to 1931. Approximately 86% of the increase is to be found in Agriculture, Construction and Veterans Administration. There may well be some doubt as to what extent these three items represent administrative spending or usual government expenses.

Treasury estimates are important in advising the Congress as to what the needed revenues will be. The task of preparing estimates and recommendations is a difficult one in times of declining prices and diminishing incomes, particularly when revenue requirements depend upon expenditures and expenditures depend upon appropriations made by Congress. Estimates made in December 1930 did not contemplate the cataclysmic decline in prices and business activity that started in September of 1931 and continued through June of 1932. Complaint is made that these developments were not foreseen. I wonder who did foresee, in December, 1930, the events that led up to England's stopping gold payments in September 1931, and the financial panic that followed.

Not only is there complaint about those estimates, but Governor Roosevelt finds that in December 1931 "an honest demonstration to the world" might have turned the trend of economic events upward. He said:

"All that was necessary to do was finally to end the two years of vacillation and secretiveness--- to tell the truth to the Congress of the United States--- to rely on it to balance the budget and establish American credit in the eyes of all the world."

Apparently he referred to the condition of our revenues. All of the facts were submitted to the Congress. In December, before consideration of a revenue bill by the Congress, the Treasury estimated the revenue for the fiscal year 1932 at \$2,359,000,000. There was actually collected \$2,121,000,000, or nearly 90 per cent of the amount estimated. When in February and again on June 1st, as prices and business activity declined further, the estimates of revenue from existing and proposed tax measures were revised downward on the initiative of the Secretary of the Treasury, Democratic leaders complained that Treasury estimates were too conservative. Speaker Garner, in April, was quoted in the press as saying:

"Mr. Mills seems to presume that things and conditions in general are going to go down. I am for levying the necessary taxes, but I am not one to use my influence to get more than necessary".

Representative Ragon of the Ways and Means Committee said:

"All through our deliberations we have been faced on the part of the Treasury with estimates that were ultra-conservative. * * * I think it is utterly ridiculous to bring in an estimate such as the Secretary brought to the Sub-committee last night. * * * "

Estimates of revenues from particular taxes made by the special staff of the Ways and Means Committee and Finance Committee were higher than Treasury estimates.

The deficit for 1932 showed the full double-edged effect of depression. The shrinkage of revenues brought receipts down to \$2,121,000,000 while expenditures showed an increase of about \$800,000,000 over those of 1931. This increase is accounted for by \$500,000,000 of capital for Reconstruction Finance Corporation, and the subscription to stock of the Federal Land Banks in the amount of \$125,000,000, both treated as ordinary expenditures. The remaining difference is again found in Veterans Administration; public building and an increased postal deficit. I call your attention particularly to the fact that the subscription to capital stock of Reconstruction Finance Corporation was charged to ordinary expenditures. There was at first some criticism of this treatment on the ground that on past experience, and under the Act requiring loans to be made on adequate security, the capital would eventually be repaid. Recently, however, some financial writers have criticized the Department for not treating loans to Reconstruction Finance Corporation as ordinary expenditures. This is an amazing contention in view of the \$500,000,000 equity behind Reconstruction Finance Corporation notes, which has been charged out as an expenditure, and the fact that the law specifically requires Treasury purchases of the corporation's obligations to be treated as public debt transactions.

Let us now turn to the published daily statements of the Treasury and consider our present position. On September 30, 1932, we find that the excess of expenditures over receipts for the first quarter amounted to \$403,000,000. Governor Roosevelt observes that "for the corresponding quarter of last year the deficit was only \$380,000,000, but at the end of the year it was \$2,885,000,000."

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He continues "there is, therefore, strong indication that we are in for another staggering deficit. If the present rate continues, the true deficit as of June 30 next year will be over \$1,600,000,000." I cannot quarrel with his arithmetic, but when he concludes, "The budget is not balanced and the whole job must be done over again in the next session of Congress", there is occasion to make some brief observations regarding the \$400,000,000 deficit for the first quarter, and the revenues for the present fiscal year.

In the expenditures which contributed to the deficit was an item of \$100,000,000 for the Adjusted Service Certificate fund which should not recur during the year and which has no counterpart in expenditures for the first quarter of the preceding year. The most important factor, however, is to consider whether or not the first quarter is a fair indication of revenues to be received under the Revenue Act of 1932. A moment's thought shows it is not.

Returns under the high income tax rates of 1932 will not be reflected in the revenues until March, 1933. No estate tax will be payable under the new rates until June, 1933. The new miscellaneous taxes, although effective for the most part on June 21, 1932, are not immediately reflected in the revenues. Large purchases by dealers in June, made in anticipation of the tax, cut down manufacturers' sales in July and August. Taxes imposed on sales in July were not due until the last day of August, and in the case of the tax on electrical energy, and telephone and telegraph, there is a two months' lag due to the fact that the tax is payable to the Government at the end of the month following the month in which it is collected by the company, rather than in the month following that in which the service is rendered. The receipts from the new excise and miscellaneous taxes,

although somewhat disappointing, are showing a steady increase. Total miscellaneous Internal Revenue amounted to \$42,000,000 in July, \$54,000,000 in August, and \$73,000,000 in September. October so far shows an additional \$5,000,000 over the same period of September. I can see no occasion for alarm in this picture, if the reductions in expenditures that are reasonably possible are carried out, and the moderate upturn in business activity continues.

As to Treasury financing, it is pertinent to observe that from the peak reached shortly after the war the debt was reduced by nearly \$10,000,000,000. Of this \$3,500,000,000 represented an acceleration of debt retirement from surplus receipts, beyond legal requirements. Regarding present financing Governor Roosevelt states "the truth is that our banks are financing our stupendous deficits and that the burden is absorbing their resources." This statement is hard to understand, in view of the decrease of member bank borrowing from a level of \$850,000,000 during February to the present figure of close to \$300,000,000, and in view of the increase in excess reserve balances of member banks to the unusually high figure of approximately \$400,000,000.

All Treasury bonds, notes and certificates now outstanding are selling at a premium with the exception of Treasury 3-1/8% and Treasury 3% bonds. The rate of yield to call date on bonds outstanding at present prices ranges from 3-1/4% to 3-1/2%. Notes maturing in 1937 are selling on a basis to yield about 2-3/4%. Notes and certificates maturing up to March 15, 1933 are selling at a negative yield. The National credit has been maintained unimpaired through a period of financial panic, the severity of which could not be foreseen, and unimpaired was available to protect our credit and fiduciary institutions, and to meet the extraordinary expenditures occasioned by the depression. The Treasury Department stands by the record.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Tuesday, October 25, 1932.

STATEMENT BY SECRETARY MILLS

Secretary of the Treasury Mills announced today that the tenders for \$80,000,000, or thereabouts, of 91-day Treasury Bills, dated October 26, 1932, and maturing January 25, 1933, which were offered on October 20th, were opened at the Federal Reserve Banks on October 24th.

The total amount applied for was \$227,202,000. The highest bid made was 99.970, equivalent to an interest rate of about 0.12 per cent on an annual basis. The lowest bid accepted was 99.946, equivalent to an interest rate of about 0.21 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$80,295,000. The average price of Treasury Bills to be issued is 99.951. The average rate on a bank discount basis is about 0.20 per cent.

FUTURE RELEASE

TREASURY DEPARTMENT
OBSERVE DATE

FOR RELEASE, WEDNESDAY,
October 26, 1932, upon
delivery, which will
probably be 11:00 A. M.

ASPECTS OF FEDERAL FINANCE

Address of

Honorable Arthur A. Ballantine,

Under Secretary of the Treasury,

before

Twenty-first Annual Convention of

Investment Bankers Association of America

at

White Sulphur Springs, West Virginia

October 26, 1932.

ASPECTS OF FEDERAL FINANCE

The national credit has withstood all of the shocks of the depression and United States Government obligations remain the world's best investment security. Government offerings are eagerly taken at interest rates lower than those available to any other government in the world. Prospects for the financial operations of the Government are increasingly favorable. What we need to maintain this position is not a new plan but all around cooperation in adherence to right principles of public finance.

Sound policies followed in the post-war years helped in the meeting of the Government's financial problems resulting from the depression. Chief among these was continuous reduction in the public debt. On June 30, 1930, the debt was more than \$9,000,000,000 less than on June 30, 1919. Reducing the debt by over a third within a single decade was a convincing demonstration of fixed determination to provide for the meeting of our national obligations. In addition, the fact that nearly three and a half billion dollars of the reduction was accomplished by the accumulation and application of surpluses in good years,

carrying retirement to that extent beyond the amount called for by sinking fund provisions, furnished in a sense a reserve which might be drawn upon in lean years.

Debt reduction in any such amount could not have been accomplished unless Federal expenditures after the war and up to the depression had been kept well within bounds. For the eight years from 1922 to 1929 they averaged \$3,640,000,000, in spite of the fact that expenditures for the service of the debt, for veterans, and for defense together constituted about two-thirds of the total expenditures.

The amount of the debt as it stood on October 15, 1932, had risen to nearly \$20,800,000,000, an amount however still some 20 per cent below the war peak. That total includes a little less than \$6,000,000,000 short-dated debt, maturing within five years, which must be reduced or replaced. It also comprises the Fourth Liberty Loan of over \$6,000,000,000, callable after October 15, 1933, due October 15, 1938, which must be dealt with by the latter date. The amount of refunding in prospect is very large but the operation can be satisfactorily carried out.

The financial operations of the Government have been and are facilitated by the development of Treasury methods for handling Government issues so that they can be made quickly and with a minimum of a strain upon the market. On telegraphed notice from the Secretary of the Treasury the Federal Reserve Banks issue the circulars which are sent to all financial institutions or others who may be interested in subscribing in

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the respective districts. It is thus possible to fix the final terms of an issue very close to the date of the public offering.

In taking payment for subscriptions the Treasury follows the helpful practice of permitting accredited banks to make payments by establishing deposits in favor of the Government. These are drawn upon by the Government only as funds are about to be paid out so that they will go back into the market. In recent years the Treasury has not employed selling drives such as were used during the war. This has been primarily because financial institutions had sufficient funds to enable them to become purchasers or distributors of Government issues in adequate volume and there was, hence, no need to run the risk of putting pressure upon bank deposits. To-day banks are even better able to take care of Government issues as member banks have decreased their borrowings from Federal Reserve Banks from \$850,000,000 to \$300,000,000 and are carrying excess reserves to the amount of not less than \$400,000,000.

Treasury operations are also at all times facilitated by the freedom which the law accords the Secretary of the Treasury to choose in his discretion the particular kind of security to be issued, whether bills to be sold on a discount basis, interest-bearing certificates maturing in not more than a year, notes of from one to five years, or bonds of any maturity of not less than five years. The Secretary is also free to

choose the time for any financing. Quarterly financing on income tax payment dates is of course customary, but under the discretion vested in the Secretary all financing is timed so as to take advantage of favorable conditions and best meet the general situation in the investment and money markets.

The ability of the Government to place and refund its obligations depends essentially upon continued maintenance of the merit of the securities and limitation upon their amount. What gives United States Government obligations their distinctive investment standing is absolute confidence in the unwavering purpose of the Government to provide for the payment of principal and interest and in its capacity to do so. That purpose must be evidenced by so controlling expenditures and providing revenues that at least in the long run all of the Government's financial requirements, including debt requirements, will be met from revenues. It must also be evidenced by restricting the use of Government credit to objects which command general respect and support. There is an underlying requirement which in ordinary times does not need attention but which has called for much attention in the days of the depression. This is the requirement that the measures of the Government must be such as to preserve and strengthen the economic system of the country so as to insure the full utilization of our unrivalled resources in production and employment, thus affording an adequate base for the maintenance of our Government as well as of our people.

Under the leadership of the Administration our Government has in the main followed these policies in this time of trial and is making good the fundamentals upon which its credit depends. The story of the fight to rescue the Budget from the clutches of the depression falls at the moment in the field of political discussion and need not be told here. The expectation, based upon earlier indications of the effect of the depression upon Government revenues, that the storm might be weathered by drawing upon the reserves and without imposing new burdens upon taxpayers, was swept away by the intensification of adverse forces having their main origin abroad.

When the time came last Fall to call upon the already harrassed business institutions and all taxpayers of the country to assume larger burdens for the ultimate financial protection of the nation, the Administration initiated vigorous action. In spite of the vivid clearness of the need it took six months to secure the enactment of the revenue bill planned to yield over a billion of new revenue, including the increase in postal revenues. Notwithstanding the urgency of the need, measures for new economies in Government expenditures took an even more difficult course and only some \$150,000,000 of prospective additional economies was ultimately provided for. Yet the combined effect of reduction in the Budget as submitted by the President, new savings under the Economy Act, and the elimination of large nonrecurrent emergency expenditures of last year, started us upon the current fiscal year with a prospect of expenditures which would be less than those of last year by a billion dollars.

In addition, measures passed by the House which would have added as much as three billion and a half to expenditures met defeat. The net result when Congress adjourned was that our financial defenses had held, great forward steps had been taken, and the program of reconstruction and recovery was under way. These accomplishments brought relief to the country, the restoration of confidence and hope, and a forward movement in business and industry that still continues.

From the amount of the deficit for the current year as appearing on the Daily Statement of the Treasury, it is argued that the Government's financial position to-day is disturbing. No such inference is warranted.

What the position of the Government will be at the end of the fiscal year 1933 depends upon the total of expenditures and revenues for the full twelve-month's period. Expenditures so far this year included an item of \$100,000,000 for Adjusted Service Certificates which was not included in the comparable period of last year. Expenditures later on in the past fiscal year included many large emergency items not to be repeated this year, such as expenditures for the capital stock of the Reconstruction Finance Corporation and the Federal Land Banks, together amounting to \$625,000,000.

The full revenue effects of the new tax measure cannot be judged from its early operation. New miscellaneous taxes, although effective for the most part from June 21, 1932, have been slow in becoming reflected in the revenues. The large purchases by dealers in June, made in anticipation of the imposition of taxes,

cut down sales subject to tax in July and August. In some cases there was a two-months' lag in the collection of the tax. Receipts from the new miscellaneous taxes are showing a steady increase. For September and the first three weeks of October, they aggregated \$131,736,560 as compared with \$76,870,296 in the corresponding period of last year.

In addition it should not be forgotten that returns under the new income tax rates and provisions will not be reflected until March 1933, and that no estate tax at the new rates will be payable until June, 1933. The new revenue measure will prove increasingly effective as time goes on and its full benefits will not be realized until next year.

In appraising the financial position of the Government it should be remembered that as the months pass funds that have been advanced to the Reconstruction Finance Corporation, to take the place of private credit for a time, will be returned to the Treasury. Up to October 20th, the total of the amount paid in to the Reconstruction Finance Corporation for its capital stock and of the net advances to the Corporation as public debt items in accordance with the law, was in excess of \$1,100,000,000. The providing of these funds added a corresponding amount to the public debt, but their expenditure furnished the Government with assets in the form of secured obligations which are already being repaid. Up to October 20th repayments of loans made by the Reconstruction Finance Corporation had amounted to about \$230,000,000.

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Calls for funds for advances by the Reconstruction Finance Corporation to financial institutions have steadily diminished. In April applications from banks aggregated 1,269. In August the number had fallen to 899, and in September fell to 515. Loan applications from other financial institutions fell from 239 in April to 171 in September. Total loans authorized by the Corporation aggregated \$230,000,000 in April and but \$138,000,000 in September. The use of funds for financing self-liquidating projects will increase, but those loans also will constitute assets and as normal security markets revive those loans can be placed in the markets and new projects will again be financed through private agencies, thus further releasing and reducing the demand for funds to be supplied by the Government.

During past months the investment demand for United States Government securities has shown remarkable improvement. If we go back as far as the latter part of January of this year we find that long-term Government bonds were selling in the market on a basis to yield from 4.20 to 4.75 as compared to yields of 3.24 to 3.57 on October 15, 1932, or about a full point less. In December 1931, one-year obligations commanded as much as 3-1/8 per cent. On October 15th they were selling to yield about three-eighths of 1 per cent. In February 1932 the yield of 90-day Treasury Bills was upwards of 2 per cent. On October 15th the yield had receded to the record low of one-fifth of 1 per cent.

In December 1931 it was advisable to provide for Treasury financing on the basis of issues of not more than a year's maturity. In recent

months it has become possible to increase the maturity of notes offered up to five years. It is of interest to trace this progress. In considering the amounts of Treasury obligations offered during the period it should be borne in mind that about two-thirds of the financing was for meeting debt maturities.

In December 1931 all Treasury bonds bearing less than 4 per cent were selling at a discount and it seemed clearly unwise to attempt to sell any long-term offering. \$600,000,000 of 3-1/4 per cent one-year notes were the longest maturity included in a total offering of \$1,300,000,000, and the amount of subscriptions for these notes was only \$703,000,000.

On February 1, 1932, the Treasury's requirements were about \$350,000,000. The situation as regards a long-term offering was even less favorable than in December and these adverse conditions continued until June. On February 1st the Treasury offered a combined total of \$350,000,000 in two issues, one 3-1/8 per cent six-months certificates and the other 3-3/4 per cent one-year certificates. Subscriptions for the two issues aggregated \$646,000,000, and allotment to each issue was made in the proportion that total subscriptions for that issue bore to the combined total of subscriptions. The six-months issue was allotted \$227,000,000 and the one-year issue \$144,000,000.

When the time came for the March financing the situation as to yield on Government issues was practically unchanged. To meet maturities and provide new money the Treasury required upwards of \$900,000,000. It offered \$300,000,000, 3-1/8 per cent seven-month certificates, and \$600,000,000, 3-3/4 per cent one-year certificates. Subscriptions for the short-term 3-1/8 per cent certificates aggregated \$952,000,000 and those for the 12-months 3-3/4 per cent certificates \$2,450,000,000.

When the Treasury was preparing for its May financing the situation was beginning to show signs of improvement. Long-term bonds had advanced and were selling from 3-3/8 to 3-3/4 per cent. This was the first time since the previous Fall when the Treasury had felt that it would be justified in offering a security having a maturity of more than 12 months. On May 2, 1932, the Treasury offered \$225,000,000, 2 per cent, one-year certificates and a like amount of 3 per cent two-year Treasury Notes. The Treasury's judgment as to the improvement in the Government market was confirmed by the fact that while \$1,700,000,000 was subscribed for the one-year certificates, subscriptions for the two-year notes aggregated over \$2,496,000,000.

On June 15, 1932, to meet maturities and obtain new funds the Treasury offered \$400,000,000 3 per cent, three-year notes with \$350,000,000 1-1/2 per cent one-year certificates. Subscriptions for the shorter term issue aggregating \$1,653,000,000 ran ahead of subscriptions for the three-year issue which aggregated \$1,143,000,000. In August the situation was much improved. The budget accomplishments which had been achieved, the defeat of dangerous legislative proposals, and the securing and operation of the reconstruction program had restored confidence and that confidence was promptly reflected in the Government security market.

On August 1st the Treasury offered \$325,000,000 two-year 2-1/8 per cent notes and a like amount of four-year 3-1/4 per cent notes. Subscriptions for the two-year notes aggregated \$1,706,000,000, while subscriptions for the four-year notes were in excess of \$3,800,000,000 clearly reflecting a demand for longer term issues.

Further improvement was registered in September. Re-funding and financing needs were provided for by offering \$750,000,000 five-year 3-1/4 per cent notes with \$400,000,000 one-year 1-1/4 per cent certificates. The maturity of the notes was the longest and the rate on the certificates was the lowest which the Treasury had felt warranted in offering within a year. Subscriptions for the notes were over \$4,351,000,000 and for the certificates over three billions.

On October 15th the Treasury offered \$450,000,000 3 per cent notes maturing in four and one-half years, and subscriptions aggregated over \$8,368,000,000. Except for the 3 per cent and the 3-1/8 per cent Treasury bonds, all Treasury bonds, notes and certificates are selling at premiums.

The financial problems ahead unquestionably require firm and intelligent handling and do not admit of any weakening in adherence to sound methods and principles. Yet the improvement in the position of Government securities augurs well for the future and rests upon a solid foundation. It reflects dangers avoided, the great progress made in budget legislation of last year, and draws support from large reduction in Government expenditure which is in process, and from a lessening of demands for Government funds. It rests also upon the substantial progress which is being reported in business and industry and which will be augmented as the program of recovery and re-invigoration goes forward.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Friday, November 4, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated November 9, 1932, and will mature on February 8, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 4, 1932, 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 9, 1932.

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, and this notice 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 BALLANTINE.

Acting Secretary of the Treasury Ballantine announced today that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated November 9, 1932, and maturing February 8, 1933, which were offered on November 2nd, were opened at the Federal Reserve Banks on November 4th.

The total amount applied for was \$229,939,000. The highest bid made was 99.962, equivalent to an interest rate of about 0.15 per cent on an annual basis. The lowest bid accepted was 99.941, equivalent to an interest rate of about 0.23 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$75,056,000. The average price of Treasury Bills to be issued is 99.945. The average rate on a bank discount basis is about 0.22 per cent.

TREASURY DEPARTMENT.

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For release, morning papers,
MONDAY, NOVEMBER 7, 1932.

STATEMENT BY ACTING SECRETARY BALLANTINE.

Acting Secretary Ballantine today announced that the Treasury has directed the Collector of Customs at Seattle, Washington, and the Collectors at all other ports affected, to suspend compliance with a recent ruling of the Treasury that the tax on lumber importations imposed by Section 601 (c) (6) of the Revenue Act of 1932 does not apply to pieces with dimensions in excess of 6 by 6 inches, such pieces having been classified as timber and not lumber.

Within the past few days protests against that ruling have reached the Treasury from domestic lumber interests of the Northwest. Modification or rescinding of the order has been requested, and in order that the protests may be fully heard and such action taken as may be found to be justified, the Treasury has directed the immediate suspension of the ruling referred to.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, November 10, 1932.

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$75,000,000, 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 Monday, November 14, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated November 16, 1932, and will mature on February 15, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 14, 1932, 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 16, 1932.

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, and this notice 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,
November 10, 1932.

STATEMENT BY THE SECRETARY OF THE TREASURY

There was due and payable today under the terms of the debt-funding agreement with the Government of Greece on account of the 4% twenty-year loan made on May 10, 1929, the sum of \$444,920, of which \$227,000 represents an installment due on account of principal, and \$217,920 represents semiannual interest. The payment has not been received.

The Hungarian Government has officially notified the United States Government that it does not have the necessary foreign exchange with which to make the payment due the United States on December 15, 1932, under the debt-funding agreement. The amount due on December 15, 1932, is \$40,729.35, of which \$12,285 represents principal and \$28,444.35 represents semiannual interest.

STATEMENT BY SECRETARY MILLS

Secretary of the Treasury Mills announced today that the tenders for \$75,000,000, or thereabouts, of 91-day Treasury Bills, dated November 16, 1932, and maturing February 15, 1933, which were offered on November 10th, were opened at the Federal Reserve Banks on November 14th.

The total amount applied for was \$311,766,000. The highest bid made was 99.952, equivalent to an interest rate of about 0.19 per cent on an annual basis. The lowest bid accepted was 99.944, equivalent to an interest rate of about 0.22 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$75,480,000. The average price of Treasury Bills to be issued is 99.948. The average rate on a bank discount basis is about 0.21 per cent.

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Thursday, November 17, 1932

STATEMENT BY SECRETARY MILLS

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$60,000,000, or thereabouts. They will be 92-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 Monday, November 21, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated November 23, 1932, and will mature on February 23, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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

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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 21, 1932, 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 23, 1932.

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, and this notice 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 MILLS.

Secretary of the Treasury Mills announced today that the tenders for \$60,000,000, or thereabouts, of 92-day Treasury Bills, dated November 23, 1932, and maturing February 23, 1933, which were offered on November 17th, were opened at the Federal Reserve Banks on November 21st.

The total amount applied for was \$270,688,000. The highest bid made was 99.962, equivalent to an interest rate of about 0.15 per cent on an annual basis. The lowest bid accepted was 99.957, equivalent to an interest rate of about 0.17 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$60,000,000. The average price of Treasury Bills to be issued is 99.957. The average rate on a bank discount basis is about 0.17 per cent.

STATEMENT BY SECRETARY MILLS

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 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 Monday, November 28, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated November 30, 1932, and will mature on March 1, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 28, 1932, 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 30, 1932.

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, and this notice 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,
Tuesday, November 29, 1932.

STATEMENT BY SECRETARY MILLS

Secretary of the Treasury Mills announced today that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury Bills, dated November 30, 1932, and maturing March 1, 1933, which were offered on November 23rd, were opened at the Federal Reserve Banks on November 28th.

The total amount applied for was \$302,630,000. The highest bid made was 99.975, equivalent to an interest rate of about 0.10 per cent on an annual basis. The lowest bid accepted was 99.963, equivalent to an interest rate of about 0.15 per cent on an annual basis. Only part 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 99.966. The average rate on a bank discount basis is about 0.13 per cent.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE
December 1, 1932.

Secretary Mills made the following announcement:

The Treasury was advised under date of November 30, 1932, that the Secretary of the Trustees of the Austrian Government Guaranteed Loan of 1923-1943 has telegraphed the Austrian Finance Minister at Vienna as follows:

"The trustees of the Austrian guaranteed loan 1923-1943 acting in virtue of the right conferred upon them in agreements concluded between Austrian Government and International Relief Bonds Committee, dated June 15, 1928, on the one hand, and the United States of America, dated May 8, 1930, on the other hand, have the honor to inform Your Excellency that they oppose payment of all annuities contemplated in the agreements payable the first of January 1933.

The trustees have taken this measure in the hope that it will facilitate in the near future the resumption of the transfer of the service of the guaranteed loan."

The lien upon the assets and revenues of Austria pledged for the payment of the Austrian Relief bonds has been subordinated to the lien upon such assets and revenues pledged for the payment of the Austrian Reconstruction Loan of 1923. The foregoing objection by the Trustees to the payments due from Austria on account of the relief bonds is in accordance with the agreements concluded between Austria and the International Relief Bonds Committee and the agreement of May 8, 1930 between Austria and the United States. The debt funding agreement between Austria and the United States provides that:

" * * * the obligation of Austria to pay annuities during the years 1929 to 1943 will in the case of each annuity not arise if the trustees of the reconstruction loan of 1923 prior to the preceding December first have raised objection to the payment of the annuity in question on the due date."

In accordance with the provisions of the debt funding agreement between the Republic of Austria and the United States, Bond No. 5 in the face amount of \$287,556, due January 1, 1933, will be postponed, which, together with interest at the rate of 5% per annum compounded annually to December 31, 1943, shall be repaid, together with further interest at 5% per annum, in twenty-five equal annuities on January 1 of each of the years 1944 to 1968, inclusive.

STATEMENT BY SECRETARY MILLS

The Treasury is today offering for subscription at par and accrued interest, through the Federal Reserve Banks, \$350,000,000, or thereabouts, four-year 2-3/4 per cent Treasury notes of Series B-1936, and \$250,000,000, or thereabouts, one-year 3/4 per cent Treasury certificates of indebtedness of Series TD-1933.

The Treasury notes will be dated December 15, 1932, and will bear interest from that date at the rate of 2-3/4 per cent per annum, payable semiannually. They will mature on December 15, 1936, and will not be subject to call for redemption prior to that date.

The certificates of indebtedness will be dated December 15, 1932, and will bear interest from that date at the rate of 3/4 per cent per annum, payable semiannually. They will mature on December 15, 1933.

The principal and interest of the Treasury notes and Treasury certificates of indebtedness will be payable in United States gold coin of the present standard of value.

The Treasury notes and Treasury certificates of indebtedness will be exempt, both as to principal and interest, from all taxation (except estate or 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.

Applications will be received at the Federal Reserve Banks. The Treasury will accept in payment for the new Treasury notes and certificates of indebtedness, at par, Treasury notes of Series 1932, maturing December 15, 1932. Subscriptions for the four-year 2-3/4 per cent Treasury notes, in payment of which Treasury notes of Series 1932 are tendered, will be given preferred allotment up to not less than \$210,000,000, and subscriptions for the one-year 3/4 per cent Treasury certificates of indebtedness, in payment of which Treasury notes of Series 1932 are tendered, will be given preferred allotment up to not less than \$150,000,000.

The Treasury notes will be issued in bearer form only, in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000, with interest coupons attached payable semiannually on June 15 and December 15 in each year. The certificates of indebtedness will be issued in bearer form only, in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000, with two interest coupons attached, payable June 15, 1933, and December 15, 1933.

About \$600,000,000 of Treasury notes and about \$100,000,000 in interest payments on the public debt become due and payable on December 15, 1932.

The texts of the official circulars follow:

TREASURY NOTES, SERIES B-1936

The Secretary of the Treasury offers for subscription, at par and accrued interest, through the Federal Reserve Banks, \$350,000,000, or thereabouts, two and three-quarters per cent Treasury notes of Series B-1936, of an issue of gold notes of the United States authorized by the Act of Congress approved September 24, 1917, as amended.

DESCRIPTION OF NOTES

The notes will be dated December 15, 1932, and will bear interest from that date at the rate of two and three-quarters per cent per annum, payable semiannually on June 15 and December 15 in each year. They will mature December 15, 1936, and will not be subject to call for redemption prior to maturity.

The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The notes will not be issued in registered form.

The notes shall be exempt, both as to principal and interest, from all taxation (except estate or 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 notes will be accepted at par, during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the notes.

The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury notes of Series 1932, maturing December 15, 1932, will be given preferred allotment up to not less than \$210,000,000.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to allot less than the amount of notes applied for and to close the subscriptions at any time without notice; 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for notes allotted must be made on or before December 15, 1932, or on later allotment. Any qualified depository will be permitted to make payment by credit for notes 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 notes of Series 1932,

maturing December 15, 1932, will be accepted at par in payment for any notes of the series now offered which shall be subscribed for and allotted, with an adjustment of the interest accrued, if any, on the notes so paid for.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive notes.

CERTIFICATES OF INDEBTEDNESS, SERIES TD-1933

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, \$250,000,000, or thereabouts, Treasury certificates of indebtedness of Series TD-1933.

DESCRIPTION OF CERTIFICATES

The certificates of this series will be dated December 15, 1932, and will bear interest from that date at the rate of three-quarters of one per cent per annum, payable semiannually. They will be payable on December 15, 1933.

The principal and interest of the certificates will be payable in United States gold coin of the present standard of value.

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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 on June 15, 1933, and December 15, 1933.

The certificates of this 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.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal Reserve Banks.

Subscriptions for which payment is to be tendered in Treasury notes of Series 1932, maturing December 15, 1932, will be given preferred allotment up to not less than \$150,000,000.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, 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 shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for certificates allotted must be made on or before December 15, 1932, or on later allotment. 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 notes of Series 1932, maturing December 15, 1932, 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 so paid for.

GENERAL PROVISIONS

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. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates.

TREASURY DEPARTMENT

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FOR RELEASE, MORNING PAPERS,
THURSDAY, DECEMBER 8, 1932.

STATEMENT BY SECRETARY MILLS

Secretary Mills to-day announced that the subscription books for the current offering of four-year 2-3/4 per cent Treasury Notes, Series B-1936, maturing December 15, 1936, and one-year 3/4 per cent Treasury Certificates of Indebtedness, Series TD-1933, maturing December 15, 1933, closed at the close of business to-day, Wednesday, December 7.

Subscriptions placed in the mail before 12 o'clock midnight, Wednesday, December 7th, as shown by the post-office cancellation, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will be made on or about Monday, December 12th.

STATEMENT BY SECRETARY MILLS

Secretary Mills today announced the subscription figures and the basis of allotment for the December 15th offering of four-year Treasury Notes of Series B-1936, 2-3/4 per cent, maturing December 15, 1936, and of one-year Treasury Certificates of Indebtedness of Series TD-1933, 3/4 per cent, maturing December 15, 1933.

2-3/4 PER CENT TREASURY NOTES, SERIES B-1936.

Reports received from the Federal Reserve Banks show that for the offering of 2-3/4 per cent Treasury Notes of Series B-1936, maturing December 15, 1936, which was for \$350,000,000, or thereabouts, total subscriptions aggregate over \$6,677,000,000. Of these subscriptions, \$344,030,500 represent exchange subscriptions, in payment for which Treasury Notes of Series 1932, maturing December 15, 1932, were tendered. Such exchange subscriptions were allotted 62 per cent. Allotments on cash subscriptions for 2-3/4 per cent Treasury Notes of Series B-1936 were made as follows: Subscriptions in amounts not exceeding \$1,000 were allotted 10 per cent, but not less than \$100 on any one subscription; subscriptions in amounts over \$1,000 but not exceeding \$10,000 were allotted 5 per cent, but not less than \$100 on any one subscription; and subscriptions in amounts over \$10,000 were allotted 2-1/4 per cent, but not less than \$500 on any one subscription.

3/4 PER CENT TREASURY CERTIFICATES OF INDEBTEDNESS, SERIES TD-1933.

Reports received from the Federal Reserve Banks show that for the offering of 3/4 per cent Treasury Certificates of Series TD-1933, maturing

December 15, 1933, which was for \$250,000,000, or thereabouts, total subscriptions aggregate over \$4,128,000,000. Of these subscriptions, \$191,617,000 represent exchange subscriptions, in payment for which Treasury Notes of Series 1932, maturing December 15, 1932, were tendered. Such exchange subscriptions were allotted 79 per cent. Allotments on cash subscriptions for 3/4 per cent Treasury Certificates of Indebtedness of Series TD-1933 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 10 per cent, but not less than \$500 on any one subscription; subscriptions in amounts over \$10,000 but not exceeding \$100,000 were allotted 4 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 3 per cent, but not less than \$4,000 on any one subscription; and subscriptions in amounts over \$1,000,000 were allotted 2 per cent, but not less than \$30,000 on any one subscription.

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

Statement by Secretary of the Treasury Mills
Before the Ways and Means Committee, on Wednesday,
December 14, 1932, at 10:00 o'clock a. m.

H. R. 13312 provides for a tax of \$5 a barrel on all beer, lager beer, ale, porter, or other similar fermented liquor, containing one-half of 1 per cent or more of alcohol by volume, and not more than 2.75 per centum of alcohol by weight.

It amends the National Prohibition Act, as amended and supplemented, by providing that the terms "liquor", "intoxicating liquor", "beer", "ale", and "porter" as used in this Act shall not include beer, ale, porter, or similar fermented liquor, containing 2.75 per centum or less of alcohol by weight.

The effect of the bill is to make legal the manufacture and sale of beer, ale, and porter, containing 2.75 per cent or less of alcohol by weight, and imposes a manufacturers' excise tax of \$5 a barrel on these products.

The bill further makes legal the manufacture, transportation and sale of nonintoxicating vinous liquors made by the natural fermentation of grape juice, and without the addition of distilled spirits, and imposes in lieu of existing internal revenue taxes a tax of 20 cents per gallon.

The Department believes that the administration of the beer tax would be practicable though it is not clear why the distinction is made between the fermented liquor covered by the bill and cereal beverages with less than one-half of 1 per centum of alcohol by volume, the tax on the latter being retained at the rate of $1\frac{1}{2}$ cents per gallon. This seems illogical and may give rise to difficulties of administration, and I think you should consider whether tax paid beer should not be distinctively marked by stamp or otherwise.

Furthermore, the bill is ambiguous on the question of whether the license tax imposed on the wholesaler and retailer of fermented liquors under the internal revenue laws applies to the seller of the new beverage.

The provision, however, relating to the taxation of vinous liquors appears to the Treasury Department as impossible of administration in that it gives no working definition of what liquors are subject to the tax.

As to the revenue which might be expected from the proposed tax on beer at the rate of \$5 per barrel the Treasury estimates the amount at \$125,000,000 to \$150,000,000 for the fiscal year 1934. If, however, malt syrup which is taxed at a relatively low rate under the present law is subjected to compensatory tax, the ultimate yield of the tax on beer could be increased somewhat.

There is a relationship between tax rates and consumption of beer, and consumption is affected by economic conditions. Taking both of these factors into consideration, and giving due weight to the increase in population, it was estimated that the consumption in 1934 might amount to 33,000,000 barrels, or 42,000,000 barrels, depending on the number of states in which the sale of the new beverage will be made legal during the coming fiscal year. Two tentative lists of states were drawn up which appear in Exhibit A hereto attached. These figures are, however, subject to further revision in order to take account of certain factors which however difficult they may be to weigh cannot be ignored.

It should be remembered that the industry at least as far as legitimate production and distribution are concerned is not now established and that home brew and bootleg beer are apparently manufactured on a very considerable scale. The time which would be required for the commercial production and normal distribution is problematical. Moreover, there is very considerable uncertainty as to the change which may have taken place in the public taste for a beverage of the alcoholic content provided in the bill, particularly when consideration is given to the number of younger men from 21 to 35 who have not been accustomed to the use of such a beverage.

After making these further adjustments we estimate the probable consumption of tax-paid beer in the fiscal year 1934 at 25,000,000 barrels and 30,000,000 barrels respectively for the two lists of states. These figures indicate collections in the amount of \$125,000,000 and \$150,000,000 respectively.

And now may I turn to the broader aspects of this subject. This Committee has a major interest and responsibility in maintaining the finances of the National Government on a sound basis. I desire, therefore, to speak briefly to you concerning our major financial problem.

The time has come to bring the Federal budget into balance in the sense that there will be no further increase in the public debt. Resumption of debt retirement must unfortunately be postponed for another fiscal year. But in so far as balancing current expenditures with current receipts is concerned, the goal is definitely in sight. We have but to reach out our hand to grasp it. There is no more valuable contribution that can be made by ^{the} Government to

the economic welfare of the Nation. It is beyond question the most important task to which the Congress should address itself at this Session. Both parties unequivocally pledged themselves to this accomplishment. Cognizant as I am of the facts, I know of no conceivable excuse for failure to keep this promise and to act now. On the other hand, there is every reason why the leaders of both parties in both Houses should agree on a common program covering both necessary economies and needed reforms so as to bring next year's budget into balance before adjournment.

A deficit this fiscal year is inevitable. But the following figures indicate that it can be eliminated in the fiscal year ending June 30, 1934. According to the basic budget submitted by the President, exclusive of statutory debt retirements, expenditures will aggregate \$3,440,000,000. Deduct the further economies recommended by the President and the expenditures to be covered will amount to \$3,256,000,000. Once we face the fact that expenditures must be drastically cut, the economies suggested are not such as any reasonable man can object to.

Under existing law it is estimated that there will be available for this purpose \$2,949,000,000, including \$329,000,000 of foreign payments. On the basis of these figures we need to find \$307,000,000, and if, as now seems probable, foreign obligations under existing agreements are not to be met in full, a somewhat larger amount.

If the gasoline tax be continued for another year and a general manufacturers' excise tax along the lines of the measure reported by this Committee at the last Session be adopted, the budget

can be brought into balance, and at the same time a number of the more inequitable, unproductive, and administratively undesirable existing excise taxes be repealed.

The measure now under consideration standing alone will not produce the revenue needed to bring the budget into balance. But if the Committee should favor its adoption, it could, in combination with these other proposals, be made to furnish a base of taxation sufficiently broad to give adequate assurance of a balanced budget. Aside from figures, the adoption of a general manufacturers' excise tax would carry with it in the public mind the definite assurance that any question as to the credit of the Federal Government had been eliminated from the picture. This of itself would have an enormous effect both psychologically and in fact.

The necessities of the situation clearly call for some such program. By June 30th, next, we will have closed three successive fiscal years with large deficits. While in the years 1931 and 1932 the Treasury sold substantial blocks of long-term bonds, these deficits have in the main been financed by certificates and notes, with a maturity of not exceeding five years. With \$6,268,000,000 of Fourth $4\frac{1}{4}$ Liberty Bonds maturing by 1938 and callable in 1933 and with \$536,000,000 of First $4\frac{1}{4}$ Liberty Loan Bonds now callable, a refunding operation is desirable, providing bonds offered do not carry an interest rate in excess of that which the high credit of the United States calls for. The success of such an operation would be greatly facilitated by a balanced budget. It would have, in my judgment, a most favorable effect on the long-term money market and vitalize

the whole credit structure. The availability of capital on reasonable terms would, in turn, create one of the conditions essential to business recovery. It would be enormously helpful in stimulating improvement in the capital goods industries, that is, the heavy industries.

The market believes the funding of short-term debt into long-term bonds to be inevitable. The uncertainty as to the time and terms of this operation added to the uncertainty as to when the budget will be balanced and the Government retire from the market as a borrower of additional funds are disturbing and unsettling factors. It is in the power of the Government to remove these uncertainties and obstacles. It is the duty of the Government to put its own house in order, particularly when such action will help restore confidence and promote recovery.

We hear of all manner of plans and schemes for remedying defects and maladjustments in our economic life. Here in the immediate domain of the Government itself is a situation directly affecting the welfare of the country and calling for remedy. No one disputes the need for action; all are agreed on the feasibility of a program and the soundness of the objective. The time has come for action. I feel that this Committee, owing to the position which it occupies and the direct responsibility which it has in the matter of Government finances, is the one to take the leadership in promoting a non-partisan program intended to bring next year's budget into balance and to press that program with such vigor as to assure its adoption prior to March 4th.

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CLASSIFICATION OF STATES ACCORDING TO LIKELIHOOD OF EARLY AUTHORIZATION OF PRODUCTION AND SALE OF BEER UPON ENACTMENT OF AUTHORIZING NATIONAL LEGISLATION.

States in which the immediate sale of beer is reasonably certain:

- Arizona
- California
- Maryland
- Massachusetts
- Michigan
- Missouri
- Montana
- Nevada
- New Jersey
- New York
- North Dakota
- Oregon
- Pennsylvania
- Rhode Island
- Washington
- Wisconsin

States in which the early sale of beer may reasonably be expected:

- Connecticut
- Colorado
- Indiana
- New Hampshire
- Delaware
- Illinois
- Louisiana
- Minnesota
- Vermont

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE

Upon delivery of the address
which will probably be 10:30 a.m.,
Friday, December 16, 1932.

INDUSTRY AND THE FEDERAL TAX PROBLEM

Remarks of

Honorable Arthur A. Ballantine

Under Secretary of the Treasury,

Before the

Annual Meeting of the

American Mining Congress,

Washington, D. C.

December 16, 1932.

Note:

For full text of speech see Subject File: Taxation.

Secretary Mills today announced the final subscription and allotment figures with respect to the December 15th offering of 2-3/4 per cent Treasury Notes of Series B-1936, maturing December 15, 1936, and 3/4 per cent Treasury Certificates of Indebtedness of Series TD-1933, maturing December 15, 1933.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

2-3/4% TREASURY NOTES OF SERIES B-1936

Federal Reserve District	Total Cash Subscriptions Received	Total Exchange Subscriptions Received	Total Subscriptions Received	Total Subscriptions Allotted
	(Allotted on a graduated scale)	(Allotted 62 per cent)		
Boston	\$ 384,361,000	\$ 11,899,900	\$ 396,260,900	\$ 16,433,200
New York	3,162,071,900	193,311,700	3,355,383,600	191,792,900
Philadelphia ..	554,038,200	14,981,100	569,019,300	21,850,000
Cleveland	364,975,600	11,095,700	376,071,300	15,180,900
Richmond	143,379,600	7,259,400	150,639,000	8,037,000
Atlanta	330,162,500	2,814,100	332,976,600	10,076,400
Chicago	425,834,800	60,605,000	486,439,800	47,625,100
St. Louis	84,716,300	8,211,700	92,928,000	7,174,200
Minneapolis ...	18,658,600	1,925,800	20,584,400	1,670,100
Kansas City ...	57,639,400	6,224,400	63,863,800	5,204,500
Dallas	141,515,800	1,602,700	143,118,500	5,389,700
San Francisco .	664,741,800	23,087,000	687,828,800	29,448,700
Treasury	1,014,500	1,012,000	2,026,500	651,200
Total	\$6,333,110,000	\$344,030,500	\$6,677,140,500	*\$360,533,900

* Includes \$213,092,600 allotted on \$344,030,500 exchange subscriptions.

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3/4% CERTIFICATES OF INDEBTEDNESS OF SERIES TD-1933

Federal Reserve District	Total Cash Subscriptions Received -- (Allotted on a graduated scale)	Total Exchange Subscriptions Received -- (Allotted 79 per cent)	Total Subscriptions Received	Total Subscriptions Allotted
Boston	\$ 389,785,500	\$ 2,383,500	\$ 392,169,000	\$ 13,542,000
New York.....	1,891,887,000	143,654,000	2,035,541,000	157,202,500
Philadelphia....	300,639,000	2,187,000	302,826,000	8,875,000
Cleveland.....	203,486,000	1,000,500	204,486,500	5,876,500
Richmond.....	84,276,000	1,376,000	85,652,000	3,999,000
Atlanta.....	162,410,000	77,000	162,487,000	7,301,000
Chicago.....	319,404,000	32,689,000	352,093,000	34,333,500
St. Louis.....	40,912,000	964,500	41,876,500	1,909,000
Minneapolis.....	11,800,500	457,500	12,258,000	757,000
Kansas City.....	51,158,500	265,000	51,423,500	1,504,000
Dallas.....	78,412,000	2,000	78,414,000	5,151,000
San Francisco...	402,142,500	6,506,000	408,648,500	13,840,000
Treasury.....	1,001,000	55,000	1,056,000	74,000
Total	\$3,937,314,000	\$191,617,000	\$4,128,931,000	*\$254,364,500

*Includes \$151,336,000 allotted on \$191,617,000 exchange subscriptions.

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The Treasury today received payments amounting to \$98,685,910.63 from the following foreign governments on account of their funded indebtedness to the United States, of which \$31,567,200 was on account of principal, and \$67,118,710.63 on account of accrued interest:

GREAT BRITAIN: The payment received from the Government of Great Britain amounted to \$95,550,000, of which \$30,000,000 represented principal, and \$65,550,000 represented semiannual interest. The payment was made in gold at the Federal Reserve Bank of New York.

ITALY: The payment received from the Government of Italy amounted to \$1,245,437.50, and represented semiannual interest due on its indebtedness to the United States. As authorized by the terms of the debt funding agreement, the payment was made in obligations of the United States which were accepted at par and accrued interest to December 15. The obligations were \$1,236,100 face amount of 3% Treasury bonds of 1951-55, \$9,321.97 was accrued interest on the Treasury bonds, and a cash adjustment of \$15.53.

CZECHOSLOVAKIA: The payment received from the Government of Czechoslovakia amounted to \$1,500,000, and represented semiannual installment of principal. As authorized by the terms of the debt funding agreement, the payment was made in obligations of the United States which were accepted at par and accrued interest with a small cash adjustment. The obligations accepted were \$1,488,750 face amount of

3% Treasury bonds of 1951-55, accrued interest on such bonds amounting to \$11,227.31, and a cash adjustment of \$22.69.

FINLAND: The payment received from Finland amounted to \$186,235, of which \$58,000 represented annual installment of principal and \$128,235 represented semiannual installment of interest. As authorized by the terms of the debt funding agreement, the payment was made in obligations of the United States which were accepted at par and accrued interest, with a small cash adjustment. The obligations accepted were \$184,800 face amount of 3% Treasury bonds of 1951-55, accrued interest on such bonds amounting to \$1,393.66, and a cash adjustment of \$41.34.

LATVIA: The payment received from the Government of Latvia amounted to \$111,852.12, of which \$9,200 represented annual installment of principal, and \$102,652.12 represented semiannual installment of interest. The payment was made in cash at the Federal Reserve Bank of New York.

LITHUANIA: The payment received from the Government of Lithuania amounted to \$92,386.01 and represented semiannual installment on account of interest. The payment was made in cash at the Treasury.

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The amounts due today from foreign governments which were not received are as follows:

<u>Country</u>	<u>Principal</u>	<u>Interest</u>
Belgium	\$ -----	\$ 2,125,000.00
Estonia	21,000	245,370.00
France	-----	19,261,432.50
Hungary	12,285	28,444.35
Poland	232,000	3,070,980.00
	-----	-----
	\$265,285	\$24,731,226.85

		\$24,996,511.85

10-11-32
FUTURE RELEASE

TREASURY DEPARTMENT
OBSERVE DATE

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FOR RELEASE upon delivery
of the address which will
probably be 1:30 P. M.,
Monday, December 19, 1932.

SOME FUNDAMENTALS OF RECOVERY

Remarks of

Honorable Arthur A. Ballantine,
Under Secretary of the Treasury,

at luncheon of the

Bond Club of New York,

Monday, December 19, 1932,

New York City, N. Y.

SOME FUNDAMENTALS OF RECOVERY

Remarks of
Honorable Arthur A. Ballantine,
Under Secretary of the Treasury,
before the
Bond Club of New York,
Monday, December 19, 1932,
New York City, N. Y.

This is a time when some of the fundamentals of financial economic order have to be considered and protected. In most social thought, the financial integrity of the Government of the United States is assumed and it is hardly possible to imagine a social structure resting upon any other base. Yet vigorous action is called for now to keep the finances of the Government entirely sound.

Our Government has come through the depression with the best credit in the world. Inevitably the debt has been increased from the low point of \$16,185,000,000, as of June 30, 1930, at the end of a decade of debt reduction, and now stands at \$20,806,000,000, as compared with the high of \$25,485,000,000 on June 30, 1919. Notwithstanding the increase Government securities are in insistent demand.

That debt structure can of course be sustained. Every business man knows, however, that in the long run Government credit, like private credit, rests upon a flow of current revenue adequate to meet all current outgo. Steps should be taken to bring the Federal budget into balance in the sense that there will be no further increase in the public debt. Both political parties are pledged to this program and it can and should be carried out in the present session of Congress.

The amount of the estimated net deficit, that is, the deficit exclusive of debt retirement, now being budgeted, is \$307,000,000. Certain assumptions underlie that estimate and one of them is that the Government in its provision for expenditures will observe rigid economy. That does not mean that any vital function is to be jeopardized or any required relief denied. It means only the determined elimination of every expenditure not strictly necessary.

In preparing the estimates of expenditures for the fiscal year 1934 the heads of the different departments and the Director of the Budget, acting under the express direction of the President, brought every item of expenditure under intensive scrutiny. Of course it was clear that the furlough system, operating to decrease the pay of Government employees 8-1/3 per cent, had to be continued. In almost all controllable items of expenditure reductions were made. Many of these expenditures are relatively small items, and the amounts of possible reductions accordingly small, but in the aggregate the savings amount to many millions of dollars. It is inevitable that for the coming year there should be an increase in certain items, such as interest on the public debt and the care and maintenance of public buildings due to the increase in their number. The result of this squeezing process and the elimination of certain non-recurring emergency items was to show reduction of expenditures in the basic budget for 1934 as compared to 1933 of some \$294,000,000.

That reduction was not sufficient, and further major items of economy have been recommended. They include an 11 per cent reduction in the pay of civil employees of the Federal Government, showing a net saving of \$57,000,000. They also include reductions in allowances to veterans, representing largely reduced military and naval compensation,

amounting to \$127,000,000. The ^{combined} savings would reduce expenditures, exclusive of debt retirement, for the coming year to \$3,256,000,000, or about \$480,000,000 less than the corresponding figure for 1933. This would leave the net deficit as estimated at \$307,000,000. Necessarily the expenditure figures do not include anything for reducing the public debt.

In dealing with the subject of economy Congress is under continuous and severe pressure from organized groups working for their own ends, usually believed by them to be justified. The Members of Congress can be vastly helped in the performance of their difficult task by intelligent and firm public support. Without such support they are hardly likely to succeed in holding public expenditures to a minimum.

It is sometimes asserted that material budgetary relief could be secured by having the Federal Government adopt the practice of treating as capital items all expenditures for construction and eliminating such expenditures from the ordinary budget. In general, the Federal Government in its accounts treats all expenditures on the "pay as you go" basis. It does not capitalize construction. The Government is required by law to set up on its books debt increases reflecting amounts advanced to the Reconstruction Finance Corporation after the original capital stock of \$500,000,000 was paid in, but these advances earn and draw interest, are protected by a large margin, and will be repaid.

The suggestion has been made that the Government's method of accounting is antiquated and that the Government should operate on the basis of a balance sheet similar to that of an industrial concern. On the suggested plan certain so-called capital items would be omitted from the receipts and expenditures statement, except for amortization, and

carried direct to the balance sheet. It is very difficult to believe, however, that there would be any practical advantage in a Government accounting system which capitalized post offices, court houses, rivers and harbors, and the like. In respect to budgetary control the case of the Government differs radically from that of a business enterprise. Mere segregation of capital outlays from other outlays would not increase resources of the Government in any respect; it would merely increase the temptation to borrow money.

Construction expenditures, it is true, have been very materially increased in the emergency and that is a somewhat comforting fact to have in mind in considering the deficits. This temporary change furnishes no adequate reason for altering a method of accounting for such expenditures which, as applied to the case of the Government, is entirely sound.

Government expenditures should continue to be budgeted on a pay as you go basis. So far as the amount of the Government's financial requirements are concerned it makes no difference whether items are treated as current outgo or capital; if they cannot be met from current revenues they have to be met by borrowing. Continued borrowing adds to the amount and burden of the public debt and hence to the cost of government. The government should adhere to methods which tend toward the reduction of the public debt rather than resort to methods tending toward its increase. The experience of certain foreign countries in the use of the so-called extraordinary budget is not such as to commend resort to the suggested device.

Provision should be made in this session of Congress for additional revenues adequate to balance the budget for 1934 after allowing for maximum reductions of expenditure. Unless additional revenue is provided there will be a deficit of some \$307,000,000 next year, even after making all possible reduction in expenditures. Estimated revenues include

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some \$329,000,000 of payments from foreign governments and so far as those payments are not made in full the deficit will be increased. The net deficit for the current year is estimated at \$1,146,000,000, and that follows a net deficit of slightly under \$2,473,000,000 for 1932. The time is certainly here to put an end to deficits and get back to a proper balance of revenues and expenditures.

A very substantial effort along this line was made by Congress in the last session. The income tax of individuals was most sharply increased. The combined maximum normal and maximum surtax, reaching 65 per cent, approaches war-time levels. Making income tax rates higher would tend against the interests of the revenue and not for it. The new rates themselves are too high for normal times, particularly when they are considered in the light of the drastic new prohibition against the application of losses on securities held for two years or less to all forms of income other than gains from transactions in securities held for less than two years. The difficulty with raising more money from income taxes is that incomes which can be subject to high rates simply are not there. Estate tax rates have been increased so as to reach a maximum combined rate of 45 per cent. A heavy cumulative gift tax has been imposed. No increase in the revenue appears possible in these fields through increases in tax rates.

The new miscellaneous taxes imposed by the Revenue Act of 1932 are of great help to the revenue. They have not only prevented the decline in miscellaneous revenue but up to December 14, 1932 have added about \$112,000,000, or approximately 45 per cent, to the revenues from miscellaneous tax sources. These taxes should continue to show increases.

There can be no doubt whatever about the need of continuing in 1934 the Federal gasoline tax of 1 cent a gallon as recommended by the

Secretary of the Treasury. It is estimated that this will add to the revenues for that year approximately \$137,000,000.

Adequate provision for revenues requires the adoption of new measures. If the beer bill becomes law the Treasury estimates that it will yield in the fiscal year 1934 from \$125,000,000 to \$150,000,000, depending on the states in which the beverage can be sold. Aside from that measure it is generally agreed that a general manufacturers' excise tax on the Canadian model, imposed at a low rate, furnishes the most practicable means for obtaining additional revenue without undue burdens upon business or consumers. Such a measure was worked out in detail in the last session of Congress by the Ways and Means Committee in cooperation with the Treasury. It is estimated that such a general tax, with exemptions confined to agricultural products and necessary foods, if imposed at the rate of $\frac{2}{4}$ per cent, would yield about \$355,000,000. Such a tax is not to be confused with the general sales tax for it would apply only to sales of the completed article by manufacturers or producers and would not apply on successive sales of the same article. The tax would in no sense be a substitute for income taxes or estate taxes: it would be a temporary supplement to such taxes at a time when revenues from this source cannot be made adequate to meet the needs of the government.

Placing upon the books a general manufacturers' excise tax would do more than assure a particular amount of revenue; it would carry general conviction that the government's revenue problem can and will be met. This would have a most beneficial effect upon the credit of the government. It would greatly help refunding operations by the government in substituting long-term obligations for part of the large volume of short-term debt. The establishment of the government long-term bond market would assist in developing the availability of capital funds for business with resulting increase of activity and employment.

Maintaining the budget in a strong position is in the end a part of the operation of maintaining sound currency. It has been the

experience abroad, as it has been here, that pressure on the budget leads toward the use of the device of fiat money. In the discussions of the day we find that device spoken of as if it might furnish a way toward an improved economic condition.

We are rarely aware of the part which sound currency plays in our economic life. It is difficult for a people accustomed to that blessing to picture the ruinous effect of an unstable or depreciated currency. Our purchases and sales -- all our daily reckonings -- are placed in terms of a definite standing of the dollar, defined in fixed terms of quantity of gold. That unit is a fixed point of reference in terms of which it is possible to conduct the complicated economic operations of the present day.

We are witnessing today in the field of international trade the troubles which arise in part from instability affecting the currencies of many foreign countries. The currency uncertainties have added to the problems of the depression: we do not have to look far in the European or world experience to find evidence of the importance of maintaining the country's monetary system on a sound basis.

So long as the credit of our Federal Government is maintained, and so long as we have a sound currency, there is a foundation or framework upon which to base the whole economic machine. Whatever adjustments must take place to meet new conditions can be made with reference to definite points of departure. If those foundations should weaken the entire structure would be shaken, and none can tell on what basis it could be rebuilt. It is of the utmost importance to give to Members of Congress at all times the most vigorous support in those measures which will confine public expenditures within sound limits, furnish adequate revenue, and promote the maintenance of sound currency. Such measures are required as the fundamental basis of recovery.

STATEMENT BY SECRETARY MILLS

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 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 Friday, December 23, 1932. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated December 28, 1932, and will mature on March 29, 1933, 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, \$100,000, \$500,000, and \$1,000,000 (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 December 23, 1932, 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 December 28, 1932.

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, and this notice 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 MILLS

Secretary of the Treasury Mills announced today that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, dated December 28, 1932, and maturing March 29, 1933, which were offered on December 20th, were opened at the Federal Reserve Banks on December 23rd.

The total amount applied for was \$319,718,000. The highest bid made was 99.981, equivalent to an interest rate of 0.08 per cent on an annual basis. The lowest bid accepted was 99.976, equivalent to an interest rate of about 0.09 per cent on an annual basis. Only part of the amount bid for at the latter price was accepted. The total amount of bids accepted was \$100,039,000. The average price of Treasury bills to be issued is 99.978. The average rate on a bank discount basis is about 0.09 per cent.

TREASURY DEPARTMENT

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FOR IMMEDIATE RELEASE,
December 30, 1932.

The Secretary of the Treasury to-day made public the following opinion of the Attorney General with reference to the interpretation of Section 601 of the Revenue Act of 1932, relating to the excise tax on imported coal, coke, etc.:

"OFFICE OF THE ATTORNEY GENERAL
Washington, D.C.

December 27, 1932.

The President,
The White House.

My dear Mr. President:

I have the honor to acknowledge receipt of your letter of December ninth submitting for my consideration the question as to the proper interpretation of Section 601 of the Revenue Act of 1932, approved June 6, 1932, and the correctness of the ruling of the Treasury Department with respect thereto.

Section 601 is as follows:

'SEC. 601, EXCISE TAXES ON CERTAIN ARTICLES.

(a) In addition to any other tax or duty imposed by law, there shall be imposed a tax as provided in subsection (c) on every article imported into the United States unless treaty provisions of the United States otherwise provide.

(b) The tax imposed under subsection (a) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that --

(1) the value on which such tax shall be based shall be the sum of (A) the dutiable value (under section 503 of such Act) of the article, plus (B) the customs duties, if any, imposed thereon under any provision of law;

(2) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article, and for the purposes of section 336 of such Act (the so-called flexible tariff provision) such tax shall not be considered a duty;

(3) such tax shall not be imposed upon any article imported prior to the date on which this title takes effect;

(4) no drawback of such tax (except tax paid upon the importation of an article described in subsection (c) (4), (5), (6), or (7)) shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a drawback of customs duties on articles manufactured or produced with the use of duty-paid materials;

(5) such tax (except tax under subsection (c) (4) to (7), inclusive) shall be imposed in full notwithstanding any provision of law granting exemption from or reduction of duties to products of any possession of the United States; and for the purposes of taxes under subsection (c) (4) to (7), inclusive, the term 'United States' includes Puerto Rico.

(c) There is hereby imposed upon the following articles sold in the United States by the manufacturer or producer, or imported into the United States, a tax at the rates hereinafter set forth, to be paid by the manufacturer, producer, or importer:

(1) Lubricating oils, 4 cents a gallon; but the tax on the articles described in this paragraph shall not apply with respect to the importation of such articles.

(2) Brewer's wort, 15 cents a gallon. Liquid malt, malt syrup, and malt extract, fluid, solid, or condensed, made from malted cereal grains in whole or in part, unless sold to a baker for use in baking or to a manufacturer or producer of malted milk, medicinal products, foods, cereal beverages, or textiles, for use in the manufacture or production of such products, 3 cents a pound. For the purposes of this paragraph liquid malt containing less than 15 per centum of solids by weight shall be taxable as brewer's wort.

(3) Grape concentrate, evaporated grape juice, and grape syrup (other than finished or fountain syrup), if containing

more than 35 per centum of sugars by weight, 20 cents a gallon. No tax shall be imposed under this paragraph (A) upon any article which contains perservative sufficient to prevent fermentation when diluted, or (B) upon any article sold to a manufacturer or producer of food products or soft drinks for use in the manufacture or production of such products.

(4) Crude petroleum, $\frac{1}{2}$ cent per gallon; fuel oil derived from petroleum, gas oil derived from petroleum, and all liquid derivatives of crude petroleum, except lubricating oil and gasoline or other motor fuel, $\frac{1}{2}$ cent per gallon; gasoline or other motor fuel, $2\frac{1}{2}$ cents per gallon; lubricating oil, 4 cents per gallon; paraffin and other petroleum wax products, 1 cent per pound. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles.

(5) Coal of all sizes, grades, and classifications (except culm and duff), coke manufactured therefrom; and coal or coke briquettes, 10 cents per 100 pounds. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles, and shall not be imposed upon any such article if during the preceding calendar year the exports of the articles described in this paragraph from the United States to the country from which such article is imported have been greater in quantity than the imports into the United States from such country of the articles described in this paragraph.

(6) Lumber, rough, or planed or dressed on one or more sides, except flooring made of maple (except Japanese maple), birch, and beech, \$3 per thousand feet, board measure; but the tax on the articles described in this paragraph shall apply only with respect to the importation of such articles.

(7) Copper-bearing ores and concentrates and articles provided for in paragraph 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff Act of 1930, 4 cents per pound on the copper contained therein: Provided, That no tax under this paragraph shall be imposed on copper in any of the foregoing which is lost in metallurgical processes: Provided further, That ores or concentrates usable as a flux or sulphur reagent in copper smelting and/or converting and having a copper content of not more

than 15 per centum, when imported for fluxing purposes, shall be admitted free of said tax in an aggregate amount of not to exceed in any one year 15,000 tons of copper content. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this paragraph, in which copper (including copper in alloys) is the component material of chief value, 3 cents per pound. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this paragraph, containing 4 per centum or more of copper by weight, 3 per centum ad valorem or 3/4 of 1 cent per pound, whichever is the lower. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles. The Secretary is authorized to prescribe all necessary regulations for the enforcement of the provisions of this paragraph.'

The question presented is whether coal imported from Great Britain, Germany, and other countries with which we have most favored nation treaties will be exempted from the tax provided for in Section 601 (c) (5) of the Revenue Act of 1932 because of the existence of these treaties and because of the provision in Section 601 (a) of the Revenue Act that the import taxes prescribed by Section 601 shall be imposed 'unless treaty provisions of the United States otherwise provide.'

It appears from documents forwarded to me by the Secretary of the Treasury that during the calendar year 1931 exports of American coal into Canada were greater in quantity than imports of coal into the United States, and that the import tax prescribed in the above paragraph numbered five has not been imposed on imports of Canadian coal.

With respect to Great Britain and Germany, the balance of trade on coal during the calendar year 1931 was not in favor of the United States, and therefore coal imported from those countries was, during several months after the statute became effective, considered subject to import tax. Later, upon consideration of protests and diplomatic representations through the State Department, it was determined by the Treasury, under date of November 14, 1932, (T.D. 45991-6) that coal imported from Great Britain and Germany is exempt from the import tax by reason of the most favored nation clauses contained in the treaties between those countries and the United States.

Pending the submission of the question to me, the Treasury Department under date of December 12, 1932, has directed the suspension of liquidation of entries of coal from those countries.

To support the conclusion reached by the Treasury on November fourteenth, it is argued that the clause 'unless treaty provisions of the United States otherwise provide' contained in subdivision (a) of Section 601, literally construed, includes within its scope most favored nation treaties, and therefore in effect overrides the provision in subdivision (5) of subdivision (c) of Section 601 that the import tax on coal of ten cents per hundred pounds shall be imposed if there is no trade balance favorable to the United States, and shall not be imposed if such balance is favorable.

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The contention to the contrary is supported by arguments to the effect that Congress made it clear in subdivision (5) of Section (c) that relief from this import duty on coal was only to be granted where a trade balance favorable to the United States existed, and that as we have most favored nation treaties with most, if not all, of the nations likely to ship coal to the United States, the conclusion reached by the Treasury on November fourteenth would practically nullify the effort of Congress to impose an import tax on the coal, with the result that while imposing the tax in one provision of the law, Congress would have completely withdrawn it by another provision. This contention is also supported by representations as to the legislative history of this statute from which it appears that the clause 'unless treaty provisions of the United States otherwise provide' was inserted in the Senate because of the treaty with Cuba (33 Stat. 2136, December 17, 1903); that the only treaty mentioned or discussed in Congress in connection with this legislation was the Cuban treaty, and that the report of the Senate Finance Committee on May 9, 1932, at page 43, explaining the insertion of the clause respecting the treaty provision, said:

'In order that the imposition of these taxes shall not operate as an abrogation of the Cuban reciprocity treaty, subsections (a) and (b) (5) are amended so that the tax shall be subject to the exemption from duty or to the preferential rate granted Cuban products.'

Indeed, it must be conceded that there is nothing to suggest that during the consideration of this legislation either House of Congress had in mind most favored nation treaties or that the clause in this statute respecting treaty provisions would operate, because of such treaties, to prevent generally the imposition of the import tax on coal. The Treasury Department itself seems to have had in mind that only the Cuban treaty was involved, as its first instructions to Collectors of Customs under date of June 20, 1932, (T.D. 45751) with reference to Section 601 of this statute referred only to the Cuban treaty so the rates imposed by Section 601 (a) are subject to the provisions of the agreement between United States and Cuba, ratified on December 11, 1902; and this letter of instruction granted exemption only to imports from Canada because of the fact that the exports of coal to Canada exceeded the imports from Canada during the calendar year 1931.

If one view is adopted and payment of the import tax is insisted upon, we may be in the position of committing a breach of international obligations, while the opposite conclusion operates practically to nullify the purpose of Congress to levy an additional import tax on coal and imputes to Congress as the result of the exemption where favorable trade balances exist an intention to relieve shipments of all nations from the impost through the operation of considerations which Congress evidently did not have before it when it passed the

statute. There is also involved a question which I have not examined, as to whether the imposition of this tax would amount to a violation of any most favored nation treaty, conditional or unconditional.

Having in mind that the ultimate objective is to ascertain the intention of Congress, and that on the other hand violation of international obligations is to be avoided if possible, the questions present serious difficulties, but for the reasons hereafter given it is unnecessary for me to attempt to solve them.

The Tariff Act of 1930 (Act of June 17, 1930, c. 497, Title 4, Section 502; 46 Stat. 731) contains the following provision which is a reenactment of prior statutes on the subject:

'No ruling or decision once made by the Secretary of the Treasury, giving construction to any law imposing customs duties, shall be reversed or modified adversely to the United States, by the same or a succeeding Secretary, except in concurrence with an opinion of the Attorney General recommending the same, or a final decision of the United States Customs Court.'

While this section uses the term 'customs duties' and Congress in Section 601 of the Revenue Act of 1932 has used the expression 'import tax', nevertheless I think the present case is fairly within the scope of this statute. *Faber vs. United States*, 19 Ct. of Customs and Patent Appeals 8, 12. It definitely appears that the Treasury Department shortly after the passage of the Act of 1932 construed Section 601

to allow an exemption from the import tax on coal only where the trade balance favored the United States. Treasury Decision 45751, June 20, 1932, is in substance to that effect. That the Treasury so construed the Act of 1932 is fully evidenced by a letter from the Commissioner of Customs to the Chief, Division of Foreign Tariffs, Department of Commerce, dated July 26, 1932, which contained the following statement:

'Section 601 (c) (5) of the Revenue Act of 1932, effective June 21, 1932, provides for the assessment of a tax of 10 cents per 100 pounds on imported coal, (except culm and duff) coke and briquets, unless during the preceding calendar year the exports of these fuels from the United States to the country from which such fuels are imported have been greater in quantity than the imports into the United States from such country of the same fuels, in which event the fuels are not subject to the tax.

Importations of the fuels in question during the calendar year 1931 from Great Britain, Netherlands, Belgium, and Germany exceeded the exports of such fuels from the United States to these countries. Therefore, coke imported from the four countries named will be subject to the tax of 10 cents per 100 pounds during the calendar year 1932, beginning with the effective date of the Act, June 21, 1932.'

and the rulings thus made were applied and enforced until the decision of the Secretary of the Treasury, dated November 14, 1932, to which reference has been made, which was followed by the order of December

12, 1932, suspending liquidation of entries covering coal imported from Great Britain, Germany, and other countries. The fact that new considerations not before the Treasury when making the original ruling, are not adduced to support its reversal, does not take the case out of the Statute of 1930.

It thus appears that the action of the Treasury Department in overturning its prior rulings and reaching a conclusion adverse to the collection of the duties, not having received the concurrence of the Attorney General, was contrary to the provisions of the Act of June 17, 1930, above quoted, and inoperative, and the submission of the matter to me at this time should be treated as if the Treasury Department were now requesting concurrence by me in the Treasury Decision of November 14, 1932.

The question I am confronted with is whether I should, under all the conditions, concur or refuse to concur in the decision holding these imports are exempt. Whichever way the question were to be decided, it is bound to become immediately the subject of judicial inquiry. If the rulings requiring the import tax on coal to be paid are allowed to stand, the importers will promptly protest and carry the question into the Customs Court for judicial decision. If the rulings imposing the import tax are reversed, the American producers will immediately protest and carry the question into court, claiming

to be authorized to do so by the Act of June 17, 1930, c. 497, title 4, section 516, 46 Stat. 735. An opinion by me on the merits would bind neither the importer, the American producer, nor the courts, and would be quite ineffective to settle the controversy. There is a long line of opinions of the Attorneys General to the effect that it is not proper for the Attorney General to express an opinion upon a judicial question which is pending in or must ultimately be decided by the courts. 28 Ops. Atty. Gen. 596; 19 Ops. Atty. Gen. 56; 32 Ops. Atty. Gen. 472; 30 Ops. Atty. Gen. 381.

It may be that in many instances my predecessors have gone too far in refusing to give opinions on questions of a judicial nature which may reach the courts for decision, but giving to this rule its proper limitations, this case seems clearly within it. The question is one about to reach the courts if, indeed, it is not already pending in the Customs Court. An opinion of the Attorney General would bind neither the American producer nor the importer, and since the question comes to me by virtue of the above quoted provisions of Section 502 of C. 497 of the Tariff Act of June 17, 1930, as a request for concurrence in the ruling of the Secretary of the Treasury, dated November 14, 1932, what I really have to decide is whether the original Treasury ruling should stand and the importers should be required to institute

the litigation to test the question, or whether by administrative withdrawal of the import tax the American producer should be required to act.

I am of the opinion that the original ruling requiring the payment of the import tax on coal, except where a favorable trade balance exists, should be allowed to stand, so a judicial inquiry may be had on that basis. The method prescribed by law for the importer to protest and litigate is much simpler and more expeditious than the procedure where the American producer is required to act, and will result in a speedier determination of the question. Furthermore, for me to concur in the action of the Treasury Department of November 14, 1932, reversing the original rulings, would in itself imply an opinion on the merits which under the circumstances is not appropriate.

Finally, if it should ultimately be determined that the import tax is payable, the Government would be left in a more advantageous position respecting payment of the tax if the earlier rulings imposing it are adhered to.

Considering all the various factors in the case, I am clearly of the opinion that the proper course is for me to refrain from concurring in the action of the Treasury Department reversing its original rulings and to allow the tax to stand, in order that the question may be judicially determined on protest and litigation by the

importers.

This Department will offer every facility to the importers to enable them to obtain a speedy judicial decision of the questions involved.

Respectfully,

(Signed) William DeWitt Mitchell

Attorney General."