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TREASURY DEPARTMENT
WASHINGTON

Release morning newspapers

FOR ~~IMMEDIATE RELEASE~~ PRESS SERVICE
Release Hms - Sat No. 43-0

~~Saturday, morning newspapers.~~
8-18-44, August 19-44

The Treasury Department has received numerous inquiries as to whether dental gold, ceramic gold, gold wire, gold leaf and gold foil are considered to be "fabricated gold", as that term is used in the Provisional Regulations issued under the Gold Reserve Act of 1934.

The Department has considered this matter and has determined that dental gold, ceramic gold, gold wire, gold leaf, gold foil and other similar types of gold of which not more than 80% of the total value is attributable to the gold content and which meet the requirements of the definition contained in Section 4 of the Provisional Regulations will be considered to be "fabricated gold" for all purposes of the Provisional Regulations issued under the Gold Reserve Act of 1934.

Any inquiries as to the applicability or the effect of this determination on particular situations should be addressed to the Bureau of the Mint, Washington 25, D. C.

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TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE, MORNING NEWSPAPERS
Saturday, August 19, 1944
8-18-44

PRESS SERVICE
No. 43-0

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 22, 1944.

Press Service

43-1

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 92-day Treasury bills to be dated August 24 and to mature November 24, 1944, which were offered on August 18, were opened at the Federal Reserve Banks on August 21.

The details of this issue are as follows:

Total applied for - $1,850,697,000
Total accepted - 1,209,047,000 (includes $61,878,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.904 Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount 0.360% per annum
Low - 99.904 " " " " approx. 0.376% per annum

(60 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 41,945,000	$ 27,505,000
New York	1,294,890,000	810,270,000
Philadelphia	27,553,000	18,873,000
Cleveland	37,710,000	35,270,000
Richmond	25,500,000	23,100,000
Atlanta	13,279,000	13,279,000
Chicago	274,197,000	170,127,000
St. Louis	8,025,000	6,985,000
Minneapolis	7,961,000	7,561,000
Kansas City	17,420,000	17,180,000
Dallas	16,787,000	16,787,000
San Francisco	85,430,000	62,110,000
TOTAL	$1,850,697,000	$1,209,047,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 22, 1944.
8-21-44

Press Service
No. 43-1

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TOTAL	$1,850,697,000	$1,209,047,000

-oOo-

Since the introduction of military currency coincident with the landings of Allied troops in Europe, the Treasury Department has received numerous inquiries as to the permissibility of photographing and printing reproductions of both Allied and enemy invasion and occupation currencies.

Section 275 of Title 18 of the United States Code prohibits such reproductions unless specifically authorized by the Secretary of the Treasury. After consultation with military authorities, the Treasury Department, for reasons of security then existing, adopted a policy of declining to make such authorizations.

The changing military situation has now permitted a re-examination of this question, and, after further consultation with military officials, it has been determined that, with certain limitations, permission for such reproductions may now be granted by the Secretary of the Treasury to responsible publications.

These limitations are that the reproductions must be for education purposes solely, or in connection with items of interest to collectors; that the reproductions be in black and white, and less than three-fourths or more than one and one-half times the size of the original notes; that the plates used during the course of the reproductions be surrendered to the nearest field office of the United States Secret Service; and that the reproductions be accompanied by a printed notice to the effect that they are made by special permission of the Secretary of the Treasury, and that further reproduction, in whole or in part, is strictly prohibited.

These conditions are intended to safeguard against counterfeiting and other possible abuses.

Requests to reproduce such currencies should be made in writing, and should set forth the use to which the reproduction is to be made, the publication for which it is intended, and where possible, the particular issue. Separate permission must be obtained for each reproduction.

TO:

Mr. Shaffer

Proposed memo to the press:

I think it also should be labelled "not for Publication"

Mr. Shaeffer

TO:

Mr. Gaston

Is this o.k.?

Chas. P. Shaeffer

Mr. Shaeffer

TO: Mr Shaeffer

yes.

WG

FROM: MR. GASTON

TREASURY DEPARTMENT
Washington

For The Information of The Press
Not for Publication

August 22, 1944

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The program on which the United States delegates and technicians appeared is the first of a series of educational broadcasts designed to familiarize the American people with the Monetary Fund and International Bank proposals.

Mr. Morgenthau was ~~president of the Bretton Woods~~ Conference ~~conference, and~~ chairman of the United States delegation by designation of President Roosevelt, and was elected President of the Conference at Bretton Woods.

and military spheres must be undertaken to help the peoples of war-torn lands,and to stamp out the basic causes of war.

The Treasury Secretary has just returned from a visit to the "pulverized"battle areas of France and the robot bomb desolated sections of England.

"One cannot see such sights without acknowledging two absolute imperatives" , he said.

"The first of these is that we must help the peoples of these war-torn lands to rebuild their homes; we must help them to begin again the industry and agriculture through which they will be able to play their parts in a healthy revival of commerce throughout the world. There can be no lasting security or prosperity for any of us unless this is done.

"Beyond this is the broader imperative that we must stamp out the basic causes of this fearful scourge of war.

"The Fund and the Bank devised at Bretton Woods are instrumentalities for mutual aid among nations and for creation of economic order."

Secretary Morgenthau tonight told a [redacted] Forum of the Air audience that the monetary agreement reached at Bretton Woods, N.H., constitutes " an irrefutable demonstration that men who choose to live at peace with one another are capable of finding ways to do so".

The Treasury chieftain said that the spirit in which men from the 44 participating nations approached the monetary problems of the world is a hopeful augury for the success of the security conference which opened today at Dumbarton Oaks in Washington.

Mr. Morgenthau spoke over the Mutual network , on a roundtable discussion of the results of the United Nations Monetary and Financial Conference. Appearing also on the program were Dean Acheson, Assistant Secretary of State, Edward E. Brown, President, First National Bank of Chicago, Brent Spence, Chairman of the Committee on Banking and Currency, House of Representatives, Charles W. Tobey, member, Committee on Banking and Currency, United States Senate, and Harry D.White , Assistant to the Secretary of the Treasury, all members of the United States Delegation to the Conference; and Ansel F.Luxford, Assistant General Counsel, Treasury Department.

Mr. Morgenthau said that the proposed International Monetary Fund, and International Bank for Reconstruction and Development, are but first steps toward the goal of lasting peace and world economic well-being. He said other measures of international cooperation in economic

TREASURY DEPARTMENT

Washington

FOR RELEASE, 9:30 P.M., E.W.T.,
Tuesday, August 22, 1944.

Press Service
No. 43-2

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"One cannot see such sights without acknowledging two absolute imperatives", he said.

"The first of these is that we must help the peoples of these war-torn lands to rebuild their homes; we must help them to begin again the industry and agriculture through which they will be able to play their parts in a healthy revival of commerce throughout the world. There can be no lasting security or prosperity for any of us unless this is done.

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(cys) Treasury Department
Washington

Press Service
No. 43-3

Wed,

FOR IMMEDIATE RELEASE
August 22, 1944
3

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	August 12, 1944	1,101,053,262
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	August 12, 1944	29,378,646
Cuba	13,949,562	"	8,192,396
Dominican Republic	20,881,883	August 19, 1944 2/	18,374,957
Ecuador	26,155,330	August 12, 1944	21,358,789
El Salvador	104,621,321	"	96,121,749
Guatemala	93,287,384	"	81,560,028
Haiti	47,951,373	"	38,919,365
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	August 12, 1944	28,881,234
Peru	4,359,288	"	3,029,059
Venezuela	73,234,872	"	39,998,652
Non-Signatory Countries:	61,900,935	"	4,193,312

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, August 23, 1944

Press Service
No. 43-3

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, August 24, 1944.

Press Service
No. 43-4

Secretary of the Treasury Morgenthau today announced an offering, through the Federal Reserve Banks, of 7/8 percent Treasury Certificates of Indebtedness of Series F-1945, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series E-1944, maturing September 1, 1944. At the same time, the Secretary offered holders of Treasury Notes of Series C-1944 and of Treasury Notes of Series D-1944, maturing September 15, 1944, an opportunity to exchange such notes for Treasury Notes of Series A-1946.

The certificates now offered will be dated September 1, 1944, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable semiannually on March 1 and September 1, 1945. They will mature September 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

The notes now offered will be an additional issue of the series originally issued on November 1, 1941, with interest from September 15, 1944. Exchanges will be made par for par as of September 15, 1944. The notes bear interest at the rate of one percent per annum, payable semiannually on March 15 and September 15 in each year. They will mature March 15, 1946. They are issued in bearer form only, and in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. For this exchange offering, and for future transactions in notes of this series, the additional denomination of $1,000,000 will be available.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the securities now offered shall not have any exemptions, as such, under Federal tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circulars released today.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing securities. Subject to the usual reservations, all subscriptions will be allotted in full.

There are now outstanding $4,121,783,000 of the Series E-1944 certificates, $283,006,000 of the Series C-1944 notes, and $635,064,400 of the Series D-1944 notes.

The texts of the official circulars follow:

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, August 24, 1944.
8-23-44

Press Service
No. 43-4

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The certificates now offered will be dated September 1, 1944, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable semiannually on March 1 and September 1, 1945. They will mature September 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

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The texts of the official circulars follow:

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES F-1945

Dated and bearing interest from September 1, 1944 Due September 1, 1945

1944
Department Circular No. 748

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, August 24, 1944.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series F-1945, in exchange for Treasury Certificates of Indebtedness of Series E-1944, maturing September 1, 1944.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated September 1, 1944, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on March 1 and September 1, 1945. They will mature September 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

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

5. The certificates will be subject to the general regulations of the Treasury

Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before September 1, 1944, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series E-1944, maturing September 1, 1944, which will be accepted at par, and should accompany the subscription.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

1 PERCENT TREASURY NOTES OF SERIES A-1946

Dated November 1, 1941, with interest from September 15, 1944 Due March 15, 1946

Interest payable March 15 and September 15

ADDITIONAL ISSUE

1944
Department Circular No. 749

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, August 24, 1944.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for notes of the United States, designated 1 percent Treasury Notes of Series A-1946, in exchange for Treasury Notes of Series C-1944, or Treasury Notes of Series D-1944, which mature September 15, 1944. The amount of the offering under this circular will be limited to the amount of such maturing notes tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes now offered will be an addition to and will form a part of the series of 1 percent Treasury Notes of Series A-1946 issued pursuant to Department Circular No. 671, dated October 23, 1941; will be freely interchangeable therewith; and (with the exception that interest on the notes issued under this circular will accrue from September 15, 1944) are identical in all respects therewith, and, except that the $1,000,000 denomination will be provided, are described in the following quotation from Department Circular No. 671:

> "1. The notes will be dated November 1, 1941, and will bear interest from that date at the rate of 1 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1946, and will not be subject to call for redemption prior to maturity.

"2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

"3. 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.

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

"5. 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.

"6. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made on or before September 15, 1944, or on later allotment, and may be made only in Treasury Notes

of Series C-1944, or in Treasury Notes of Series D-1944, maturing September 15, 1944, which will be accepted at par, and should accompany the subscription.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Comparison of principal items of assets and liabilities of national banks - continued

(In thousands of dollars)

	June 30, 1944	April 13, 1944	June 30, 1943	Increase or decrease since Apr. 13, 1944		Increase or decrease since June 30, 1943	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships and corporations:							
Demand	$32,745,584	$33,557,069	$30,518,146	-$811,485	-2.42	$2,227,438	7.30
Time	11,056,548	10,494,797	8,971,178	561,751	5.35	2,085,370	23.25
Postal Savings deposits	5,414	5,531	6,918	-117	-2.12	-1,504	-21.74
Deposits of U. S. Government	10,819,714	7,196,133	4,582,436	3,623,581	50.35	6,237,278	136.11
Deposits of States and political subdivisions	2,998,352	2,947,639	2,900,361	50,713	1.72	97,991	3.38
Deposits of banks	7,403,551	6,985,579	7,156,360	417,972	5.98	247,191	3.45
Other deposits (certified and cashiers' checks, etc.)	804,090	623,232	633,962	180,858	29.02	170,128	26.84
Total deposits	65,833,253	61,809,980	54,769,361	4,023,273	6.51	11,063,892	20.20
Bills payable, rediscounts & other liabilities for borrowed money	6,205	56,600	4,231	-50,395	-89.04	1,974	46.66
Other liabilities	450,878	400,750	373,355	50,128	12.51	77,523	20.76
Total liabilities, excluding capital accounts	66,290,336	62,267,330	55,146,947	4,023,006	6.46	11,143,389	20.21
CAPITAL ACCOUNTS							
Capital Stock:							
Preferred stock	112,220	119,066	137,076	-6,846	-5.75	-24,856	-18.13
Common stock	1,441,358	1,428,714	1,360,932	12,644	.88	80,426	5.91
Total	1,553,578	1,547,780	1,498,008	5,798	.37	55,570	3.71
Surplus	1,692,172	1,628,622	1,474,673	63,550	3.90	217,499	14.75
Undivided profits	604,198	613,174	584,169	-8,976	-1.46	20,029	3.43
Reserves	260,661	276,228	268,555	-15,567	-5.64	-7,894	-2.94
Total surplus, profits, and reserves	2,557,031	2,518,024	2,327,397	39,007	1.55	229,634	9.87
Total capital accounts	4,110,609	4,065,804	3,825,405	44,805	1.10	285,204	7.46
Total liabilities and capital accounts	70,400,945	66,333,134	58,972,352	4,067,811	6.13	11,428,593	19.38
Ratio of loans to total deposits	17.06%	16.10%	16.78%				

Statement showing comparison of principal items of assets and liabilities of active national banks as of June 30, 1944, April 13, 1944, and June 30, 1943

(In thousands of dollars)

	June 30, 1944	April 13, 1944	June 30, 1943	Increase or decrease since Apr. 13, 1944		Increase or decrease since June 30, 1943	
				Amount	Percent	Amount	Percent
Number of banks	5,042	5,048	5,066	-6	-.12	-24	-.47
ASSETS							
Loans on real estate	$2,038,770)	$9,950,486	($2,136,260)	$1,279,194	12.86	(-$97,490	-4.56
Other loans, including overdrafts	9,190,910)		(7,053,883)			(2,137,027	30.30
Total loans	11,229,680	9,950,486	9,190,143	1,279,194	12.86	2,039,537	22.19
U. S. Government securities:							
Direct obligations	38,156,365)	36,732,082	(28,514,634)	2,058,787	5.60	(9,641,731	33.81
Obligations fully guaranteed	634,504)		(1,675,768)			(-1,041,264	-62.14
Total U. S. securities	38,790,869	36,732,082	30,190,402	2,058,787	5.60	8,600,467	28.49
Obligations of States and political subdivisions	2,032,998	1,996,461	2,026,333	36,537	1.83	6,665	.33
Other bonds, notes and debentures	1,318,488	1,291,048	1,340,099	27,440	2.13	-21,611	-1.61
Corporate stocks, including stocks of Federal Reserve Banks	146,168	146,186	171,744	-18	-.01	-25,576	-14.89
Total securities	42,288,523	40,165,777	33,728,578	2,122,746	5.28	8,559,945	25.38
Total loans and securities	53,518,203	50,116,263	42,918,721	3,401,940	6.79	10,599,482	24.70
Currency and coin	820,570	892,932	806,546	-72,362	-8.10	14,024	1.74
Reserve with Federal Reserve Banks	8,277,743	8,169,152	7,853,296	108,591	1.33	424,447	5.40
Balances with other banks	6,961,421	6,337,425	6,567,549	623,996	9.85	393,872	6.00
Total cash, balances with other banks, including reserve balances and cash items in process of collection	16,059,734	15,399,509	15,227,391	660,225	4.29	832,343	5.47
Other assets	823,008	817,362	826,240	5,646	.69	-3,232	-.39
Total assets	70,400,945	66,333,134	58,972,352	4,067,811	6.13	11,428,593	19.38

$38,156,000,000 and $635,000,000, respectively. Other bonds, stocks and securities held of $3,498,000,000, which included obligations of States and political subdivisions of $2,033,000,000, increased $64,000,000 since April, but decreased $41,000,000 since June of last year.

Cash of $821,000,000, balances with other banks, including cash items in process of collection, of $6,961,000,000, and reserves with Federal Reserve banks of $8,278,000,000, a total of $16,060,000,000, increased $660,000,000 since April and $832,000,000 since June a year ago.

The unimpaired capital stock of the banks on June 30, 1944, was $1,554,000,000, including $112,000,000 of preferred stock. Surplus of $1,692,000,000, undivided profits of $604,000,000, and reserves of $261,000,000, a total of $2,557,000,000, increased $39,000,000 since April and $230,000,000 since June of last year.

The percentage of loans and discounts to total deposits on June 30, 1944, was 17.06, in comparison with 16.10 on April 13, 1944, and 16.78 on June 30, 1943.

O.K. NYM

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, August 28, 1944

Press Service
No. 43-5

The total assets of national banks on June 30 of this year amounted to more than $70,000,000,000, it was announced today by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,042 active national banks in the United States and possessions. The assets reported were greater by $4,000,000,000 than those reported by the 5,048 active national banks as of April 13, 1944, the date of the previous call, and an increase of nearly $11,500,000,000 over the amount reported by the 5,066 active banks as of June 30, 1943.

The deposits of national banks on June 30, 1944, were nearly $66,000,000,000, an increase of $4,000,000,000 since April 1944, and an increase since June of last year of $11,000,000,000. Included in the current deposit figures are demand and time deposits of individuals, partnerships and corporations of $32,746,000,000 and $11,057,000,000, respectively, United States Government deposits, including War loan accounts, of $10,820,000,000, deposits of States and political subdivisions of $2,998,000,000, postal savings of $5,000,000, deposits of banks of $7,403,000,000, and certified and cashiers' checks, cash letters of credit and travelers' checks outstanding of $804,000,000.

Loans and discounts were $11,230,000,000, an increase of $1,279,000,000, or 13 percent, since April, and an increase of $2,040,000,000, or 22 percent, since June a year ago.

Investments in United States Government obligations, direct and guaranteed, of $38,791,000,000, showed an increase of $2,059,000,000, or more than 5 percent since April, and an increase of $8,600,000,000, or more than 28 percent, since June of last year. The direct and indirect obligations held on June 30, 1944, were

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Treasury

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REMARKS

Please furnish the Statistical Division of the Comptroller's Office, Room 5039, 200 copies of this 4 page release.

Wt. 4

FROM Kane

(Name, not initials)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, August 28, 1944.
8-24-44

Press Service
No. 43-5

The total assets of national banks on June 30 of this year amounted to more than $70,000,000,000, it was announced today by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,042 active national banks in the United States and possessions. The assets reported were greater by $4,000,000,000 than those reported by the 5,048 active national banks as of April 13, 1944, the date of the previous call, and an increase of nearly $11,500,000,000 over the amount reported by the 5,066 active banks as of June 30, 1943.

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Investments in United States Government obligations, direct and guaranteed, of $38,791,000,000, showed an increase of $2,059,000,000, or more than 5 percent since April, and an increase of $8,600,000,000, or more than 28 percent, since June of last year. The direct and indirect obligations held on June 30, 1944, were $38,156,000,000 and $635,000,000, respectively. Other bonds, stocks and securities held of $3,498,000,000, which included obligations of States and political subdivisions of $2,033,000,000, increased $64,000,000 since April, but decreased $41,000,000 since June of last year.

Cash of $821,000,000, balances with other banks, including cash items in process of collection, of $6,961,000,000, and reserves with Federal Reserve banks of $8,278,000,000 a total of $16,060,000,000, increased $660,000,000 since April and $832,000,000 since June a year ago.

The unimpaired capital stock of the banks on June 30, 1944, was $1,554,000,000, including $112,000,000 of preferred stock. Surplus of $1,692,000,000, undivided profits of $604,000,000, and reserves of $261,000,000, a total of $2,557,000,000, increased $39,000,000 since April and $230,000,000 since June of last year.

The percentage of loans and discounts to total deposits on June 30, 1944, was 17.06, in comparison with 16.10 on April 13, 1944, and 16.78 on June 30, 1943.

Statement showing comparison of principal items of assets and liabilities of active national banks as of June 30, 1944, April 13, 1944, and June 30, 1943

(In thousands of dollars)

	June 30, 1944	April 13, 1944	June 30, 1943	Increase or decrease since Apr. 13, 1944		Increase or decrease since June 30, 1943	
				Amount	Percent	Amount	Percent
Number of banks	5,042	5,048	5,066	-6	-.12	-24	-.47
ASSETS							
Loans on real estate	$2,038,770)	$9,950,486	($2,136,260)	$1,279,194	12.86	(-$97,490	-4.56
Other loans, including overdrafts	9,190,910)		(7,053,883)			(2,137,027	30.30
Total loans	11,229,680	9,950,486	9,190,143	1,279,194	12.86	2,039,537	22.19
U.S. Government securities:							
Direct obligations	38,156,365)	36,732,082	(28,514,634)	2,058,787	5.60	(9,641,731	33.81
Obligations fully guaranteed	634,504)		(1,675,768)			(-1,041,264	-62.14
Total U. S. securities	38,790,869	36,732,082	30,190,402	2,058,787	5.60	8,600,467	28.49
Obligations of States and political subdivisions	2,032,998	1,996,461	2,026,333	36,537	1.83	6,665	.33
Other bonds, notes and debentures	1,318,488	1,291,048	1,340,099	27,440	2.13	-21,611	-1.61
Corporate stocks, including stocks of Federal Reserve Banks	146,168	146,186	171,744	-18	-.01	-25,576	-14.89
Total securities	42,288,523	40,165,777	33,728,578	2,122,746	5.28	8,559,945	25.38
Total loans and securities	53,518,203	50,116,263	42,918,721	3,401,940	6.79	10,599,482	24.70
Currency and coin	820,570	892,932	806,546	-72,362	-8.10	14,024	1.74
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Balances with other banks	6,961,421	6,337,425	6,567,549	623,996	9.85	393,872	6.00
Total cash, balances with other banks, including reserve balances and cash items in process of collection	16,059,734	15,399,509	15,227,391	660,225	4.29	832,343	5.47
Other assets	823,008	817,362	826,240	5,646	.69	-3,232	-.39
Total assets	70,400,945	66,333,134	58,972,352	4,067,811	6.13	11,428,593	19.38

Comparison of principal items of assets and liabilities of national banks - continued
(In thousands of dollars)

	June 30, 1944	April 13, 1944	June 30, 1943	Increase or decrease since Apr. 13, 1944		Increase or decrease since June 30, 1943	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships and corporations:							
Demand	$32,745,584	$33,557,069	$30,518,146	-$811,485	-2.42	$2,227,438	7.30
Time	11,056,548	10,494,797	8,971,178	561,751	5.35	2,085,370	23.25
Postal Savings deposits	5,414	5,531	6,918	-117	-2.12	-1,504	-21.74
Deposits of U. S. Government	10,819,714	7,196,133	4,582,436	3,623,581	50.35	6,237,278	136.11
Deposits of States and political subdivisions	2,998,352	2,947,639	2,900,361	50,713	1.72	97,991	3.38
Deposits of banks	7,403,551	6,985,579	7,156,360	417,972	5.98	247,191	3.45
Other deposits (certified and cashiers' checks, etc.)	804,090	623,232	633,962	180,858	29.02	170,128	26.84
Total deposits	65,833,253	61,809,980	54,769,361	4,023,273	6.51	11,063,892	20.20
Bills payable, rediscounts & other liabilities for borrowed money	6,205	56,600	4,231	-50,395	-89.04	1,974	46.66
Other liabilities	450,878	400,750	373,355	50,128	12.51	77,523	20.76
Total liabilities, excluding capital accounts	66,290,336	62,267,330	55,146,947	4,023,006	6.46	11,143,389	20.21
CAPITAL ACCOUNTS							
Capital Stock:							
Preferred stock	112,220	119,066	137,076	-6,846	-5.75	-24,856	-18.13
Common stock	1,441,358	1,428,714	1,360,932	12,644	.88	80,426	5.91
Total	1,553,578	1,547,780	1,498,008	5,798	.37	55,570	3.71
Surplus	1,692,172	1,628,622	1,474,673	63,550	3.90	217,499	14.75
Undivided profits	604,198	613,174	584,169	-8,976	-1.46	20,029	3.43
Reserves	260,661	276,228	268,555	-15,567	-5.64	-7,894	-2.94
Total surplus, profits, and reserves	2,557,031	2,518,024	2,327,397	39,007	1.55	229,634	9.87
Total capital accounts	4,110,609	4,065,804	3,825,405	44,805	1.10	285,204	7.46
Total liabilities and capital accounts	70,400,945	66,333,134	58,972,352	4,067,811	6.13	11,428,593	19.38
Ratio of loans to total deposits	17.06%	16.10%	16.78%				

NOTE: Minus sign denotes decrease.

for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on August 31, 1944 (7).

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

Treasury Department
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 25, 1944 (1).
8-24-44

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,200,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated August 31, 1944 (4), and will mature November 30, 1944 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

single space

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, August 28, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 25, 1944
8-24-44

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Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, August 28, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on August 31, 1944.

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 25, 1944.

Press Service
43-7

Secretary of the Treasury Morgenthau announced today that the subscription books for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series F-1945 and of 1 percent Treasury Notes of Series A-1946 will close at the close of business tomorrow, August 26. The certificates are open for the exchange of Treasury Certificates of Indebtedness of Series E-1944, maturing September 1, 1944, and the notes are open for the exchange of Treasury Notes of Series C-1944 and Treasury Notes of Series D-1944, maturing September 15, 1944.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Saturday, August 26, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and their division among the several Federal Reserve Districts will be made later.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 25, 1944.
8-24-44

Press Service
No. 43-7

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TREASURY DEPARTMENT
WASHINGTON

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Tuesday, FOR RELEASE, MORNING NEWSPAPERS,
August 29, 1944.

Press Service
No. 43-8

The Treasury and War Departments today announced that remittances for living expenses may now be effected to persons in the City and Province of Rome. At the same time it was announced that facilities for living expense remittances have also been provided for the recently liberated Italian Provinces of Littoria, Frosinone and Campobasso. Remittances of this type have previously been authorized for Sicily, Sardinia, and the Provinces of Cosenza, Reggio Calabria, Potenza, Foggia, Bari, Brindisi, Catanzaro, Matera, Avellino, Taranto, Lecce, Naples, Salerno and Benevento. It is expected that in the near future similar facilities will be made available for other portions of liberated Italy.

The maximum amounts which may be remitted and the procedures to be followed are prescribed in General License No. 32A as amended today by the Treasury. Treasury officials called attention to the fact that the amount which may be remitted under the General License to any one payee or his household has been increased to $500.00 per month. Existing procedures have not been changed by today's amendment and the restrictions against withdrawals from blocked accounts are still effective. Remittances to the new areas added by today's amendment will be channeled through correspondent banks of the Bank of Naples. Persons desiring to effect remittances to any area in the liberated portions of Italy should consult their local banks.

Treasury officials again stressed the fact that the regulations do not authorize the sending of checks, drafts, securities or currency to Italy. Cable facilities are not available and communications relating to financial, commercial or business matters other than those in connection with living expense remittances continue to be prohibited.

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G.P.T.

JCJones:RScott;IGAlk:8-26-44

TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 29, 1944.

Press Service
No. 43-8

The Treasury and War Departments today announced that remittances for living expenses may now be effected to persons in the City and Province of Rome. At the same time it was announced that facilities for living expense remittances have also been provided for the recently liberated Italian Provinces of Littoria, Frosinone and Campobasso. Remittances of this type have previously been authorized for Sicily, Sardinia, and the Provinces of Cosenza, Reggio Calabria, Potenza, Foggia, Bari, Brindisi, Catanzaro, Matera, Avellino, Taranto, Lecce, Naples, Salerno and Benevento. It is expected that in the near future similar facilities will be made available for other portions of liberated Italy.

The maximum amounts which may be remitted and the procedures to be followed are prescribed in General License No. 32A as amended today by the Treasury. Treasury officials called attention to the fact that the amount which may be remitted under the General License to any one payee or his household has been increased to $500.00 per month. Existing procedures have not been changed by today's amendment and the restrictions against withdrawals from blocked accounts are still effective. Remittances to the new areas added by today's amendment will be channeled through correspondent banks of the Bank of Naples. Persons desiring to effect remittances to any area in the liberated portions of Italy should consult their local banks.

Treasury officials again stressed the fact that the regulations do not authorize the sending of checks, drafts, securities or currency to Italy. Cable facilities are not available and communications relating to financial, commercial or business matters other than those in connection with living expense remittances continue to be prohibited.

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Treasury officials said the new procedure ~~probably would~~ might have a deterring effect on redemptions, ~~to some extent. In the past,~~ since a considerable number of bond holders in the past have cashed their bonds well in advance of expected financial needs which actually never materialized, or have cashed bonds in larger amounts than, as later events proved, they actually needed. With the new method providing for immediate payment of eligible bonds upon their presentation to any qualified bank, it is believed many redemptions such as those herefofore made in anticipation of delay in payment, and later found unnecessary, will be avoided.

Another effect, Treasury officials said, may be to encourage the purchase of Series E bonds by persons who have money on hand and are uncertain as to whether it will be needed for personal or family expenses. Knowing that Series E bonds can be turned into cash immediately if emergency requires, they probably will resolve their doubts in favor of bond-buying.

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The new redemption regulations are based on ~~permissive~~ legislation which Congress enacted last year. ~~Due to legal restrictions,~~ The privilege of cashing the Series A-to-E bonds at commercial banks is not extended to such classes of holders as corporations, associations, partnerships, fiduciaries, a person named on a bond as a beneficiary, and a person whose name , as inscribed on a bond as owner or co-owner, has been changed in any manner other than by marriage. Banks are not authorized to make partial payments on bonds.

insert A

the bond holder received payment.

Setting up of the simplified redemption procedure, eliminating delay and saving trouble, is an outgrowth of the huge increase in the number of War Bond purchasers -- now estimated to total about 60 percent of the country's population -- and of the resulting increase in the number of persons forced to cash part of their bond holdings to meet emergencies.

The earlier system of handling redemption applications through the Federal Reserve Banks will be continued for all Savings Bond issues where the bond owner prefers to use these facilities, and as the only authorized method of redemption of Series F and G bonds and, in a few cases, of the Series A-to-E issues.

All incorporated banks and trust companies are permitted, under the new rules announced today, to qualify as bond paying agencies, and it is believed a large majority of them will do so. The Treasury will compensate them on a quarterly basis, at the rate of 15 cents for each of the first thousand bonds paid, 12 cents each for the second thousand, and 10 cents each for all in excess of 2,000.

Proper identification, satisfactory to the bank, is all that any qualified bank will require of a person desiring to redeem an eligible bond. The new system will not affect in any way, however, the stipulation that Savings Bonds are non-transferable. Nor does it affect the requirement that Series E bonds be held for 60 days from the issue date before they become redeemable.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, September 5, 1944

Press Service
No.

The Treasury Department has completed plans for ~~instituting a~~ simplifying ~~ed and more convenient method of~~ redemption of Series E War Bonds, Secretary Morgenthau announced today. Insert B

Beginning October 2, the Secretary said, ~~individuals persons who are~~ owners or co-owners of bonds can ~~these bonds in their own right and who need to~~ turn ~~any of~~ them into cash ~~can do so~~ by presenting them to any commercial bank which has qualified for this service. The bank will pay the ~~Payment by the bank of the~~ redemption value of the bonds ~~will be~~ immediately following satisfactory identification, and without charge to the bond holder.

The arrangement applies also to the Series A, B, C and D Savings Bonds which were sold from 1935 to 1941. It does not apply to Series F and G Savings Bonds. It is of potential benefit, Secretary Morgenthau pointed out, to a great majority of the estimated 80,000,000 persons to whom some 600,000,000 bonds of Series E have been sold in the last three years.

"However," said the Secretary, "Still hope the simplification of redemption will not encourage ~~we hope these bonds will not be~~ presented bonds for payment ~~unless it is absolutely necessary, the owners really need the money, because this war is far from won, and~~ huge sums are still ~~to be~~ required to pay for the war. ~~before we can return to a normal program.~~ Every bond owner should remember, too, that his bonds become increasingly valuable as investments the longer they are held."

Heretofore, ~~the redemption method for any of the Savings Bonds~~ it has been necessary to have ~~the~~ requests for ~~payment~~ redemption certified before an authorized officer, and ~~then~~ after certification forward them to a Federal Reserve Bank or present them direct to the Treasury. ~~There~~ This necessarily ~~has been~~ caused a certain amount of delay before

except in cases of absolute necessity.

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(Insert C on old draft —

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All incorporated banks and trust companies are permitted, under the new rules announced today, to qualify as bond paying agencies, and it is believed a large majority of them will do so. The Treasury will compensate them on a quarterly basis, at the rate of 15 cents for each of the first thousand bonds paid, 12 cents each for the second thousand, and 10 cents each for all in excess of 2,000.

Proper identification, satisfactory to the bank, is all that any qualified bank will require of a person desiring to redeem an eligible bond. The new system will not affect in any way, however, the stipulation that Savings Bonds are non-transferable. Nor does it affect the requirement that Series E Bonds be held for 60 days from the issue date before they become redeemable.

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TREASURY DEPARTMENT
Washington

immediate

FOR RELEASE, ~~MORNING NEWSPAPERS~~
~~Tuesday, September 5,~~ 1944
Tues, Aug 29, 1944

Press Service
No. 43-9

The Treasury Department has completed plans for simplifying redemption of Series E War Bonds, Secretary Morgenthau announced today.

It was deemed advisable to set up the simplified redemption procedure, eliminating delay and saving trouble, But (3) because of the huge increase in the number of War Bond holders -- now estimated to total about 60 percent of the country's population,

(4) Beginning October 2, the Secretary said, individual owners or co-owners of Bonds can turn them into cash by presenting them to any commercial bank which has qualified for this service. The bank will pay the redemption value of the bonds immediately following satisfactory identification, and without charge to the bond ~~holder~~ owner.

(5) The arrangement applies also to the Series A,B, C and D Savings Bonds which were sold from 1935 to 1941. It does not apply to Series F and G Savings Bonds. It is of potential benefit, Secretary Morgenthau pointed out, to ~~a great majority of~~ the estimated 80,000,000 persons to whom some 600,000,000 bonds of Series E have been sold in the last three years.

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TREASURY DEPARTMENT

BUREAU OF THE PUBLIC DEBT

Mr. Bell

This could stand a bit more refinement but I believe you said Mr. Smith would go over it.

MR. KILBY

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
August 29, 1944

Press Service
No. 43-9

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REGULATIONS GOVERNING PAYMENTS BY INCORPORATED BANKS AND TRUST COMPANIES IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS

1944
Department Circular No. 750

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 5, 1944.

Fiscal Service
Bureau of the Public Debt

Pursuant to the authority of the Second Liberty Bond Act, as amended, the following regulations are hereby prescribed to govern payments by incorporated banks and trust companies in connection with the redemption of United States Savings Bonds on and after October 2, 1944:

Subpart A - AUTHORITY TO ACT

Sec. 321.1. Banks and trust companies authorized to act. - All banks and trust companies, incorporated under general or special laws of the United States, the District of Columbia, any State, territory or insular possession of the United States, or the Canal Zone, are eligible and are hereby authorized, on and after October 2, 1944, to make payments in connection with the redemption of United States Savings Bonds, subject to the provisions of this circular and any instructions issued hereunder: Provided, however, That each bank or trust company must be duly qualified by the Federal Reserve Bank of the district[1] before it may make any such payment. Federal Reserve Banks, as fiscal agents of the United States, are authorized to qualify eligible banks and trust companies hereunder, and to terminate any such qualification as hereinafter provided.

Sec. 321.2. Application and qualification. - Any eligible bank or trust company which desires to qualify to make payments in connection with the redemption of United States Savings Bonds should make application to the Federal Reserve Bank of the Federal Reserve District in which it is located on Application-Agreement Form PD 1958 (see appended exhibit A), copies of which may be obtained from the appropriate Federal Reserve Bank. If the application is approved, the Federal Reserve Bank will forward to the bank or trust company a Notice of Qualification Form PD 1959 (see appended exhibit B), establishing that it is qualified to make payments in connection with the redemption of the United States Savings Bonds hereinafter specified. If the application is not approved, the bank or trust company will be so advised in writing by the Federal Reserve Bank of the District.

Sec. 321.3 Termination of a bank's qualification to pay bonds. - The Secretary of the Treasury or under authority of the Secretary the appropriate Federal Reserve Bank, as fiscal agent of the United States, may, by written notice, at any time and without previous demand or notice, terminate the qualification of any bank or trust

1/ For the purpose of this circular, banks and trust companies in Puerto Rico, the Virgin Islands and the Canal Zone shall be considered as being within the Second Federal Reserve District and shall make application to the Federal Reserve Bank of New York, and banks and trust companies in Alaska and Hawaii shall be considered as being within the Twelfth Federal Reserve District and shall make application to the Federal Reserve Bank of San Francisco.

company to pay United States Savings Bonds. A duly qualified bank or trust company may discontinue making payments at any time upon written notice to the Federal Reserve Bank, and its qualification shall thereupon cease.

Subpart B - GENERAL

Sec. 321.4. Meaning of terms in this circular. - Hereinafter, for the purposes of this circular, unless otherwise indicated specifically, or by context, the terms:

(a) "Bank(s)" shall mean any eligible incorporated bank or trust company duly qualified pursuant to the provisions of this circular to make payments in connection with the redemption of the United States Savings Bonds hereinafter specified, including such branches and facilities thereof located within the United States (including the territories and insular possessions of the United States and the Canal Zone) as it may desire to utilize for this purpose. The term "facilities," as used herein, is defined as those bank facilities at army and navy installations and at defense plants which have been established for the duration of the war with the specific approval of the Treasury Department.

(b) "Bond(s)" shall include only United States Savings Bonds of Series A, B, C, D or E, including bonds of Series E designated "Defense Savings Bonds" or "War Savings Bonds." (SAVINGS BONDS OF SERIES F AND G ARE NOT INCLUDED.)

(c) "Owner(s)" shall mean an individual (natural person) whose name is inscribed as an owner (or coowner) in his own right on a bond which is registered in any of the following forms:

(1) in the name of a single individual in his own right, e.g. "John A. Jones;"

(2) in the names of two individuals as coowners, e.g. "John A. Jones or Mrs. Ella S. Jones" (each is considered as an "owner," and payment may be made to either without the consent of the other); or

(3) in the name of one individual, payable on death to another, e.g. "John A. Jones, payable on death to Mrs. Ella S. Jones," or "John A. Jones, p.o.d. Mrs. Ella S. Jones." (In this example, John A. Jones is the "owner" and Mrs. Ella S. Jones is the beneficiary. Payment under this circular to a beneficiary is not authorized.)

(d) "Federal Reserve Bank" includes each Federal Reserve Bank and each Branch of a Federal Reserve Bank which has been or may hereafter be utilized by such Federal Reserve Bank to conduct any of the transactions in connection with which the term is used in this circular.

Sec. 321.5. Reimbursement of banks' costs. - A bank shall not make any charge against the owners of bonds for payments made hereunder. However, each bank shall be entitled to receive, for its service in paying bonds hereunder, reimbursement for bonds paid and forwarded to the Federal Reserve Bank each calendar quarter according to the following scale, which shall be applicable separately to each bank and each of its branches and facilities, if utilized, and if the bonds paid by each are separately scheduled and accounted for:

15 cents each for the first 1,000 bonds
12 cents each for the second 1,000 bonds
10 cents each for all over 2,000 bonds

The date such bonds are forwarded to the Federal Reserve Bank will govern the rate of reimbursement, and the payment of such amount as the bank is entitled to receive shall be made by the Federal Reserve Bank on behalf of the Treasury Department.

Sec. 321.6. Announcements etc. of authority to pay bonds. - Any announcement of or any reference to a bank's authority to pay savings bonds may be made only in a form or manner or contain such statements or substance as may be approved by the Secretary of the Treasury or, under authority of the Secretary, by the Federal Reserve Bank of the District, as fiscal agent of the United States. A bank shall not make such announcements or references unless and until it is officially qualified to pay bonds.

Subpart C - SCOPE OF AUTHORITY OF BANKS

Sec. 321.7. General. - In order to protect the interests of the owners and to insure receipt by the proper persons of the proceeds thereof, savings bonds are registered, are not transferable, and are payable only to the owner named on the bond (except as otherwise specifically provided in the regulations governing the bonds). This policy must be understood and effectuated by each bank, notwithstanding the authority granted herein to make payments of bonds, since it is of the utmost importance that payment of the appropriate redemption value of the bonds be made to and received by only the persons entitled under the terms and conditions of the bonds and applicable regulations.

Sec. 321.8. Payments authorized. - Subject to the terms of the bonds and to the provisions of the regulations governing them (Treasury Department Circular No. 530, as currently in effect on the date of payment) and the provisions of this circular, a bank may make payment of any United States Savings Bond of Series A, B, C, D or E, to the individual (natural person) whose name is inscribed as the owner (or coowner) in his own right on the bond: Provided, That such individual presents the bond to the bank for payment and that the individual is known to the bank or establishes his identity to the complete satisfaction of the bank. This authority to make payments to the owner named on the bond will be held to include the following exceptional cases:

(a) Where the name of the owner as inscribed on the bond has been changed by marriage and the bank knows or can establish to its complete satisfaction the identity of the owner whose name has been so changed. The signature to the request for payment should show both names, for example - "Miss Mary T. Jones, now by marriage Mrs. Mary J. Smith." A BANK IS NOT AUTHORIZED TO PAY A BOND FOR AN OWNER WHOSE NAME AS INSCRIBED ON THE BOND HAS BEEN CHANGED IN ANY OTHER MANNER.

(b) Where the name of the owner inscribed on the bond is that of a minor child who is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act but upon whose behalf request for payment is made by a parent with whom the child resides: Provided, however, That the form of registration does not indicate a guardian or similar representative of the estate of the minor owner has been appointed or is otherwise legally qualified. The parent requesting payment on behalf of the minor child must be known or his or her identity established to the complete satisfaction of the bank, and the parent must sign the request for payment in the form -

"John A. Jones, on behalf of John C. Jones" and affix an endorsement in substantially the following form, which may be typed on the back of the bond: "I certify that I am the _____ (father or mother) of John C. Jones and the person with whom he resides. He is ____ years of age and is not of sufficient competency and understanding to sign the request." Such a payment may not be made to any person other than a father or mother.

Sec. 321.9. Specific limitations of payment authority. - A bank is not authorized hereunder to pay a bond:

(a) If the bond is presented for payment prior to the expiration of 60 days from the issue date (the issue date should not be confused with the date appearing in the issuing agent's dating stamp).

(b) If the bank does not know or can not establish to its complete satisfaction the identity of the person requesting payment as the owner of the bond (including the establishment of the identity of parents requesting payment on behalf of minor children, as set forth in Sec. 321.8 (b)).

(c) If the owner requesting payment (form for which appears on the back of each bond) does not sign his name in ink as it is inscribed on the face of the bond and show his home or business address. (See also Secs. 321.8(a) and (b) and 321.10(d)).

(d) If the bond appears to bear a material irregularity, for example, an altered, illegible, incomplete or unauthorized inscription, issue date or issuing agent's validating stamp impression; or if a bond appears to be altered, or is mutilated or defaced in such a manner as to create doubt or arouse suspicion with respect to the bond or any essential part thereof.

(e) If the bond is marked "DUPLICATE."

(f) If Treasury Department regulations require the submission of documentary evidence to support the redemption of the bond, as in the case of deceased owners, incompetents or minors under legal guardianship or the change of an owner's name as inscribed on a bond if for any reason other than marriage.

(g) If the owner named on the bond and requesting payment is a minor who, in the opinion of the bank, is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act. (Note the authority granted to banks to make payments of bonds to either parent on behalf of a minor child under the provisions of Sec. 321.8(b)).

(h) If it is known to the bank that the owner has been declared, in accordance with law, incompetent to manage his estate.

(i) If partial redemption is requested.

Attention is directed to Sec. 321.17 hereof for handling bonds of the foregoing classes of cases which may not be paid by banks.

Subpart D - PAYMENT AND ACCOUNTING

Sec. 321.10. Examination of bonds presented for payment. - Before making payment of bonds presented hereunder the bank:

(a) Shall determine that the person requesting payment as the "owner" (as defined in this circular) is known or his identity is established to the satisfaction of the bank.

(b) Shall examine the bond and determine that it is a bond which the bank is authorized to pay under the provisions of this circular.

(c) If the request for payment on the back of the bond is already executed, shall determine that the request is properly signed by the registered owner presenting the bond and that his home or business address is shown.

(d) If the request for payment on the back of the bond has not been executed or has been improperly executed by the owner presenting the bond, shall require such owner to properly sign the request and show his home or business address.

Sec. 321.11. Certification of requests for payment. - In view of the provisions of this circular governing payment of bonds and the requirements as to the data to be endorsed on each bond, under Sec. 321.12, a bank will not be required in the case of any bond paid by it to complete the certification form at the end of the request for payment, nor determine the authenticity of any certification which may appear on the bond at the time it is presented for payment: Provided, however, That each bank submitting paid bonds shall be understood by such submission to have represented and certified that the identity of the owner requesting payment has been duly established to the satisfaction of the bank by one of its officers or by an employee duly authorized by the bank.

Sec. 321.12. Determination of redemption values and payment of bonds. - The redemption value of a bond is determined from the period of time (years and full half-year) that it has been outstanding, and the table of redemption values on each bond. The Federal Reserve Bank of the district will furnish each bank with a table of redemption values from which it will be possible, after determining the month and year of issue of any bond, to immediately establish its current value. After establishing such value, payment thereof to the owner requesting payment shall be made in cash. No objection will be made to an arrangement between the owner and the bank under which the owner accepts in lieu of cash, a credit to his checking or savings account with the bank, or a check or similar instrument payable to his order. Each bank shall place on the face of each bond paid by it the word "PAID", the amount and date of payment and the name, location and transit (or code) number of the bank. Other data pertinent to the payment procedure of a bank may be included if approved by the Federal Reserve Bank of the District. The Federal Reserve Bank will furnish rubber stamps for this purpose or, in lieu thereof, will approve suitable stamps prepared by a bank. The affixation of such data shall be construed by and between the bank and the Treasury Department to be a certification by the paying bank that the bond has been paid in accordance with the terms and requirements of this circular and that payment of the proceeds of the bond has been made to the owner.

Sec. 321.13. Forwarding paid bonds to the Federal Reserve Bank. - After payment, the bonds shall be forwarded to the Federal Reserve Bank of the district in accordance with instructions issued by such Federal Reserve Bank.

Sec. 321.14. Redemption of paid bonds by Federal Reserve Banks. - Upon receipt of the paid bonds the Federal Reserve Bank will make immediate settlement with the forwarding bank for the total amount of payments made on such bonds; however, such settlement shall be subject to adjustment if any discrepancies are discovered at a later date.

Sec. 321.15. Losses resulting from payments. - Section 22 of the Second Liberty Bond Act, as amended, provides:

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations[2] as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve Bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve Bank, or the incorporated bank or trust company * * *. The provisions of Section 3[3] of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection.* * *".

(a) Consideration of facts concerning loss. - In any case in which a loss occurs, the paying bank shall be afforded ample opportunity to present all of the facts pertaining to the circumstances of the payment for consideration by the Secretary.

Sec. 321.16. Preservation of rights. - Nothing contained in these regulations shall be construed to limit or restrict any existing rights which holders of savings bonds may have acquired under the circulars offering such bonds for sale and the regulations prescribed thereunder.

Sec. 321.17. Redemption of bonds not payable by banks. - Any bonds which a bank is not authorized to pay pursuant to the provisions of this circular should be forwarded by the owner, or his agent, after certification of the requests for payment, to the Federal Reserve Bank or Branch of the District for redemption.

2/ Regulations governing replacement of losses resulting from payments made in connection with the redemption of United States Savings Bonds are set forth in Treasury Department Circular No. 751.

3/ The provisions of Section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury are - "Notwithstanding any provision of law to the contrary, the decision of the Secretary of the Treasury that such loss, destruction, or damage has occurred or that such shipment was made substantially in accordance with such regulations shall be final and conclusive and shall not be subject to review by any other officer of the United States."

If a bank should undertake to forward such unpaid bonds at the request and in behalf of the person entitled to payment, such bonds must be sent separate and apart from bonds which the bank has paid. Any documentary evidence required to support the redemption should accompany the bond or bonds when forwarded to the Federal Reserve Bank.

Sec. 321.18. Functions of Federal Reserve Banks. - The Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform such duties, and prepare and issue such forms and instructions, as may be necessary to the fulfillment of the purpose and requirements of this circular. The Federal Reserve Banks, in their discretion, may utilize any or all of their Branches in the performance of these duties.

Sec. 321.19. Supplements, Amendments, etc. - The Secretary of the Treasury may at any time or from time to time supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and to the banks qualified hereunder.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

EXHIBIT "A"

Form PD 1958
TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt

APPLICATION-AGREEMENT

Payments by Incorporated Banks and Trust Companies in connection with the redemption of United States Savings Bonds

Dated _____, 194___.

TO THE FEDERAL RESERVE BANK OF _____
As fiscal Agent of the United States

The undersigned, eligible under the provisions of Sec. 321.1 of United States Treasury Department Circular No. 750, hereby applies for qualification to make payments in connection with the redemption of United States Savings Bonds, as provided in the said Circular No. 750, and, upon being so qualified, hereby agrees:

1. To be bound by and to comply with the provisions of Treasury Department Circular No. 750, including all supplements and amendments thereof and instructions as may be issued thereunder.
2. That the Secretary of the Treasury, or the Federal Reserve Bank of _____, by written notice, may, at any time, and without previous demand or notice, terminate the qualification of the undersigned, if such authority is granted pursuant to this application; and that in the event of such termination the undersigned, after receipt of such notice or after the date of termination specified therein, will not thereafter pay any United States Savings Bonds.

It is understood that the undersigned may withdraw from this Agreement at any time upon written notice of such intention to the Federal Reserve Bank of _____.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed under seal by the officer below named, thereunto duly authorized by a resolution of its governing board or committee adopted on the ____ day of _____, 194___.

_____
(Name)

_____
(Address)

By_____
(Signature of Officer)

_____
(Title of Officer)

ACKNOWLEDGMENT

State of)
County of) SS.

On this ____ day of _____, 194___, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ of the _____ and that the seal affixed to
(Title of Officer) (Name of Institution)
the above instrument is the corporate seal of said institution, and that the above instrument was signed and sealed in behalf of said institution by authority of its governing board or committee, and said officer acknowledged said instrument to be the free act and deed of said institution.

_____
Notary Public

EXHIBIT "B"

Form PD 1959
TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt

NOTICE OF QUALIFICATION OF AN INCORPORATED BANK OR TRUST COMPANY TO MAKE PAYMENTS IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS.

_____, 194___.

To: _____

_____

_____

Your Application-Agreement Form PD 1958, dated _____ has been approved as of this date. You are hereby notified that you are qualified to make payments in connection with the redemption of United States Savings Bonds pursuant to the provisions of Treasury Department Circular No. 750, and any supplements or amendments thereof and instructions issued pursuant thereto.

FEDERAL RESERVE BANK OF _____
Fiscal Agent of the United States

By_____

REGULATIONS GOVERNING REPLACEMENT OUT OF THE FUND ESTABLISHED BY THE GOVERNMENT LOSSES IN SHIPMENT ACT, AS AMENDED, OF ANY LOSSES RESULTING FROM PAYMENTS MADE IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS

1944
Department Circular No. 751

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, September 5, 1944.

I. REGULATIONS PRESCRIBED

1. Pursuant to the authority of the Second Liberty Bond Act, as amended, the following regulations are hereby prescribed for the replacement out of the fund established by the Government Losses in Shipment Act, as amended, of any losses to the United States resulting from payments made in connection with the redemption of United States Savings Bonds, and shall apply to losses resulting from payments made (1) by the Treasurer of the United States, (2) by the Federal Reserve Banks and Branches, as fiscal agents of the United States, and (3) by incorporated banks and trust companies qualified pursuant to Treasury Department Circular No. 750, to pay savings bonds.

II. REPORTS OF LOSSES

1. A loss to the United States may result from an erroneous (or unauthorized) payment in connection with the redemption of savings bonds.

2. If an incorporated bank or trust company, qualified to pay savings bonds, after returns have been made to the Federal Reserve Bank finds an erroneous payment to have been made, immediate report should be made to the Federal Reserve Bank. Any such erroneous payments so reported, and any other erroneous payments found by a Federal Reserve Bank in returns from an incorporated bank or trust company shall, so far as possible, be adjusted between the Federal Reserve Bank and the incorporated bank or trust company concerned.

3. Any such erroneous payments which are not adjusted and any other erroneous payments otherwise found after the account of the Treasurer of the United States has been charged shall immediately be reported to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago 54, Illinois.

III. FINAL DETERMINATION OF LOSSES

1. Following receipt of the report of an erroneous payment the Treasury Department will appropriately advise the paying agent concerned, unless such action is unnecessary. The Department shall determine whether or not appropriate adjustment may be effected with the persons concerned in the erroneous payment and in this connection will expect the cooperation of the paying agent, if necessary.

(a) If it is determined that no loss to the United States will occur the paying agent will be so advised.

(b) If it is determined that a final loss to the United States has occurred, the paying agent will be given every opportunity to present the full facts relating to the payment for consideration of the Secretary of the Treasury. If the Secretary shall determine that the final loss resulted from no fault or negligence on the part of the paying agent, the paying agent shall be relieved from liability to the United States. If, however, the Secretary of the Treasury finds fault or negligence on the part of the paying agent, notice to that effect will be given such paying agent who will make prompt restitution.

2. In no case will the Treasurer of the United States, a Federal Reserve Bank or Branch, or the banking institution which made the erroneous payment be called upon to make restitution unless and until it is determined that a final loss has been incurred as a result of an erroneous payment due to the fault or negligence of such paying agent.

IV. REPLACEMENT OF LOSSES OUT OF THE FUND

1. When it is established to the satisfaction of the Secretary of the Treasury that a loss has resulted from a payment made in connection with the redemption of a United States Savings Bond, the loss shall be subject to immediate replacement out of the fund established by the Government Losses in Shipment Act, as amended. Any recovery or repayment on account of any such loss as to which replacement shall have been made out of the fund, shall be credited to the fund.

V. INVESTIGATION OF LOSSES

1. The Treasury Department, and, in appropriate cases, Federal Reserve Banks, as fiscal agents of the United States, may request the Secret Service to investigate losses and assist in the recovery of improper payments. The Treasurer of the United States, the Federal Reserve Banks, and qualified banking institutions should cooperate with the Secret Service to the fullest extent in facilitating investigations and making recoveries.

VI. SUPPLEMENTS, AMENDMENTS, ETC.

1. The Secretary of the Treasury may at any time or from time to time supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and to banking institutions qualified to make payments of savings bonds under the provisions of Treasury Department Circular No. 750.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

OFFICE OF THE SECRETARY

TREASURY DEPARTMENT

WASHINGTON

September 5, 1944

To the Incorporated Bank or Trust Company addressed:

Most banking institutions of this country have already rendered invaluable assistance in making the Treasury's savings bond program an unparalleled success. Through your efforts, and those of many other issuing agents, about 30 billions of dollars have been paid in to the Treasury, representing the sale of nearly 600 million bonds of Series A, B, C, D and E to more than 80 million people.

The owners of savings bonds, for the most part, are redeeming their bonds only as sickness or other emergencies necessitate. Slightly under 90 percent of all savings bonds of these series issued since they were placed on sale in 1935 are still outstanding. However, it is natural and understandable that as the volume of outstanding savings bonds increases redemptions will also increase. In order that more prompt service might be rendered in the payment of these bonds legislation was passed last year authorizing the Secretary of the Treasury to utilize the services of incorporated banks and trust companies in making such payments.

You will receive this letter from the Federal Reserve Bank of your District, together with the official circular governing payments by incorporated banks and trust companies, an explanatory memorandum prepared by the Treasury, and other documents incident to the procedure. I hope you will examine these carefully and will conclude to qualify as a paying agent, thus rendering a further service to bond owners in your community as well as to your country. I know that I need not stress the importance of seeing that in every case the owner, and no one else, receives the correct value of his bond, and that all improper practices, such as use of the bonds for collateral and discounting bonds not eligible for payment, are discouraged.

We hope these bonds will not be presented unless the owners really need the money, because huge sums are still to be required before we return to a normal period. Those who do, however, are entitled to courteous and efficient service, and this I am sure you are equipped and willing to render.

If you have any questions about the payment procedure, or the scope of authority or responsibility of paying agents, after reading this material, the Federal Reserve Bank of your District will be glad to assist you.

Sincerely yours,

H Morgenthau Jr.

Secretary of the Treasury.

FOR DEFENSE
BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

REGULATIONS GOVERNING PAYMENTS BY INCORPORATED BANKS AND TRUST COMPANIES IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS

1944
Department Circular No. 750

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 5, 1944.

Fiscal Service
Bureau of the Public Debt

Pursuant to the authority of the Second Liberty Bond Act, as amended, the following regulations are hereby prescribed to govern payments by incorporated banks and trust companies in connection with the redemption of United States Savings Bonds on and after October 2, 1944:

Subpart A - AUTHORITY TO ACT

Sec. 321.1. Banks and trust companies authorized to act. - All banks and trust companies, incorporated under general or special laws of the United States, the District of Columbia, any State, territory or insular possession of the United States, or the Canal Zone, are eligible and are hereby authorized, on and after October 2, 1944, to make payments in connection with the redemption of United States Savings Bonds, subject to the provisions of this circular and any instructions issued hereunder: Provided, however, That each bank or trust company must be duly qualified by the Federal Reserve Bank of the district[1] before it may make any such payment. Federal Reserve Banks, as fiscal agents of the United States, are authorized to qualify eligible banks and trust companies hereunder, and to terminate any such qualification as hereinafter provided.

Sec. 321.2. Application and qualification. - Any eligible bank or trust company which desires to qualify to make payments in connection with the redemption of United States Savings Bonds should make application to the Federal Reserve Bank of the Federal Reserve District in which it is located on Application-Agreement Form PD 1958 (see appended exhibit A), copies of which may be obtained from the appropriate Federal Reserve Bank. If the application is approved, the Federal Reserve Bank will forward to the bank or trust company a Notice of Qualification Form PD 1959 (see appended exhibit B), establishing that it is qualified to make payments in connection with the redemption of the United States Savings Bonds hereinafter specified. If the application is not approved, the bank or trust company will be so advised in writing by the Federal Reserve Bank of the District.

Sec. 321.3 Termination of a bank's qualification to pay bonds. - The Secretary of the Treasury or under authority of the Secretary the appropriate Federal Reserve Bank, as fiscal agent of the United States, may, by written notice, at any time and without previous demand or notice, terminate the qualification of any bank or trust

1/ For the purpose of this circular, banks and trust companies in Puerto Rico, the Virgin Islands and the Canal Zone shall be considered as being within the Second Federal Reserve District and shall make application to the Federal Reserve Bank of New York, and banks and trust companies in Alaska and Hawaii shall be considered as being within the Twelfth Federal Reserve District and shall make application to the Federal Reserve Bank of San Francisco.

company to pay United States Savings Bonds. A duly qualified bank or trust company may discontinue making payments at any time upon written notice to the Federal Reserve Bank, and its qualification shall thereupon cease.

Subpart B - GENERAL

Sec. 321.4. Meaning of terms in this circular. - Hereinafter, for the purposes of this circular, unless otherwise indicated specifically, or by context, the terms:

(a) "Bank(s)" shall mean any eligible incorporated bank or trust company duly qualified pursuant to the provisions of this circular to make payments in connection with the redemption of the United States Savings Bonds hereinafter specified, including such branches and facilities thereof located within the United States (including the territories and insular possessions of the United States and the Canal Zone) as it may desire to utilize for this purpose. The term "facilities," as used herein, is defined as those bank facilities at army and navy installations and at defense plants which have been established for the duration of the war with the specific approval of the Treasury Department.

(b) "Bond(s)" shall include only United States Savings Bonds of Series A, B, C, D or E, including bonds of Series E designated "Defense Savings Bonds" or "War Savings Bonds." (SAVINGS BONDS OF SERIES F AND G ARE NOT INCLUDED.)

(c) "Owner(s)" shall mean an individual (natural person) whose name is inscribed as an owner (or coowner) in his own right on a bond which is registered in any of the following forms:

(1) in the name of a single individual in his own right, e.g. "John A. Jones;"

(2) in the names of two individuals as coowners, e.g. "John A. Jones or Mrs. Ella S. Jones" (each is considered as an "owner," and payment may be made to either without the consent of the other); or

(3) in the name of one individual, payable on death to another, e.g. "John A. Jones, payable on death to Mrs. Ella S. Jones," or "John A. Jones, p.o.d. Mrs. Ella S. Jones." (In this example, John A. Jones is the "owner" and Mrs. Ella S. Jones is the beneficiary. Payment under this circular to a beneficiary is not authorized.)

(d) "Federal Reserve Bank" includes each Federal Reserve Bank and each Branch of a Federal Reserve Bank which has been or may hereafter be utilized by such Federal Reserve Bank to conduct any of the transactions in connection with which the term is used in this circular.

Sec. 321.5. Reimbursement of banks' costs. - A bank shall not make any charge against the owners of bonds for payments made hereunder. However, each bank shall be entitled to receive, for its service in paying bonds hereunder, reimbursement for bonds paid and forwarded to the Federal Reserve Bank each calendar quarter according to the following scale, which shall be applicable separately to each bank and each of its branches and facilities, if utilized, and if the bonds paid by each are separately scheduled and accounted for:

15 cents each for the first 1,000 bonds
12 cents each for the second 1,000 bonds
10 cents each for all over 2,000 bonds

The date such bonds are forwarded to the Federal Reserve Bank will govern the rate of reimbursement, and the payment of such amount as the bank is entitled to receive shall be made by the Federal Reserve Bank on behalf of the Treasury Department.

Sec. 321.6. Announcements etc. of authority to pay bonds. - Any announcement of or any reference to a bank's authority to pay savings bonds may be made only in a form or manner or contain such statements or substance as may be approved by the Secretary of the Treasury or, under authority of the Secretary, by the Federal Reserve Bank of the District, as fiscal agent of the United States. A bank shall not make such announcements or references unless and until it is officially qualified to pay bonds.

Subpart C - SCOPE OF AUTHORITY OF BANKS

Sec. 321.7. General. - In order to protect the interests of the owners and to insure receipt by the proper persons of the proceeds thereof, savings bonds are registered, are not transferable, and are payable only to the owner named on the bond (except as otherwise specifically provided in the regulations governing the bonds). This policy must be understood and effectuated by each bank, notwithstanding the authority granted herein to make payments of bonds, since it is of the utmost importance that payment of the appropriate redemption value of the bonds be made to and received by only the persons entitled under the terms and conditions of the bonds and applicable regulations.

Sec. 321.8. Payments authorized. - Subject to the terms of the bonds and to the provisions of the regulations governing them (Treasury Department Circular No. 530, as currently in effect on the date of payment) and the provisions of this circular, a bank may make payment of any United States Savings Bond of Series A, B, C, D or E, to the individual (natural person) whose name is inscribed as the owner (or coowner) in his own right on the bond: Provided, That such individual presents the bond to the bank for payment and that the individual is known to the bank or establishes his identity to the complete satisfaction of the bank. This authority to make payments to the owner named on the bond will be held to include the following exceptional cases:

(a) Where the name of the owner as inscribed on the bond has been changed by marriage and the bank knows or can establish to its complete satisfaction the identity of the owner whose name has been so changed. The signature to the request for payment should show both names, for example - "Miss Mary T. Jones, now by marriage Mrs. Mary J. Smith." A BANK IS NOT AUTHORIZED TO PAY A BOND FOR AN OWNER WHOSE NAME AS INSCRIBED ON THE BOND HAS BEEN CHANGED IN ANY OTHER MANNER.

(b) Where the name of the owner inscribed on the bond is that of a minor child who is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act but upon whose behalf request for payment is made by a parent with whom the child resides: Provided, however, That the form of registration does not indicate a guardian or similar representative of the estate of the minor owner has been appointed or is otherwise legally qualified. The parent requesting payment on behalf of the minor child must be known or his or her identity established to the complete satisfaction of the bank, and the parent must sign the request for payment in the form -

"John A. Jones, on behalf of John C. Jones" and affix an endorsement in substantially the following form, which may be typed on the back of the bond: "I certify that I am the _____ (father or mother) of John C. Jones and the person with whom he resides. He is ____ years of age and is not of sufficient competency and understanding to sign the request." Such a payment may not be made to any person other than a father or mother.

Sec. 321.9. Specific limitations of payment authority. - A bank is not authorized hereunder to pay a bond:

(a) If the bond is presented for payment prior to the expiration of 60 days from the issue date (the issue date should not be confused with the date appearing in the issuing agent's dating stamp).

(b) If the bank does not know or can not establish to its complete satisfaction the identity of the person requesting payment as the owner of the bond (including the establishment of the identity of parents requesting payment on behalf of minor children, as set forth in Sec. 321.8 (b)).

(c) If the owner requesting payment (form for which appears on the back of each bond) does not sign his name in ink as it is inscribed on the face of the bond and show his home or business address. (See also Secs. 321.8(a) and (b) and 321.10(d)).

(d) If the bond appears to bear a material irregularity, for example, an altered, illegible, incomplete or unauthorized inscription, issue date or issuing agent's validating stamp impression; or if a bond appears to be altered, or is mutilated or defaced in such a manner as to create doubt or arouse suspicion with respect to the bond or any essential part thereof.

(e) If the bond is marked "DUPLICATE."

(f) If Treasury Department regulations require the submission of documentary evidence to support the redemption of the bond, as in the case of deceased owners, incompetents or minors under legal guardianship or the change of an owner's name as inscribed on a bond if for any reason other than marriage.

(g) If the owner named on the bond and requesting payment is a minor who, in the opinion of the bank, is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act. (Note the authority granted to banks to make payments of bonds to either parent on behalf of a minor child under the provisions of Sec. 321.8(b)).

(h) If it is known to the bank that the owner has been declared, in accordance with law, incompetent to manage his estate.

(i) If partial redemption is requested.

Attention is directed to Sec. 321.17 hereof for handling bonds of the foregoing classes of cases which may not be paid by banks.

Subpart D - PAYMENT AND ACCOUNTING

Sec. 321.10. Examination of bonds presented for payment. - Before making payment of bonds presented hereunder the bank:

(a) Shall determine that the person requesting payment as the "owner" (as defined in this circular) is known or his identity is established to the satisfaction of the bank.

(b) Shall examine the bond and determine that it is a bond which the bank is authorized to pay under the provisions of this circular.

(c) If the request for payment on the back of the bond is already executed, shall determine that the request is properly signed by the registered owner presenting the bond and that his home or business address is shown.

(d) If the request for payment on the back of the bond has not been executed or has been improperly executed by the owner presenting the bond, shall require such owner to properly sign the request and show his home or business address.

Sec. 321.11. Certification of requests for payment. - In view of the provisions of this circular governing payment of bonds and the requirements as to the data to be endorsed on each bond, under Sec. 321.12, a bank will not be required in the case of any bond paid by it to complete the certification form at the end of the request for payment, nor determine the authenticity of any certification which may appear on the bond at the time it is presented for payment: Provided, however, That each bank submitting paid bonds shall be understood by such submission to have represented and certified that the identity of the owner requesting payment has been duly established to the satisfaction of the bank by one of its officers or by an employee duly authorized by the bank.

Sec. 321.12. Determination of redemption values and payment of bonds. - The redemption value of a bond is determined from the period of time (years and full half-year) that it has been outstanding, and the table of redemption values on each bond. The Federal Reserve Bank of the district will furnish each bank with a table of redemption values from which it will be possible, after determining the month and year of issue of any bond, to immediately establish its current value. After establishing such value, payment thereof to the owner requesting payment shall be made in cash. No objection will be made to an arrangement between the owner and the bank under which the owner accepts in lieu of cash, a credit to his checking or savings account with the bank, or a check or similar instrument payable to his order. Each bank shall place on the face of each bond paid by it the word "PAID", the amount and date of payment and the name, location and transit (or code) number of the bank. Other data pertinent to the payment procedure of a bank may be included if approved by the Federal Reserve Bank of the District. The Federal Reserve Bank will furnish rubber stamps for this purpose or, in lieu thereof, will approve suitable stamps prepared by a bank. The affixation of such data shall be construed by and between the bank and the Treasury Department to be a certification by the paying bank that the bond has been paid in accordance with the terms and requirements of this circular and that payment of the proceeds of the bond has been made to the owner.

Sec. 321.13. Forwarding paid bonds to the Federal Reserve Bank. - After payment, the bonds shall be forwarded to the Federal Reserve Bank of the district in accordance with instructions issued by such Federal Reserve Bank.

Sec. 321.14. Redemption of paid bonds by Federal Reserve Banks. - Upon receipt of the paid bonds the Federal Reserve Bank will make immediate settlement with the forwarding bank for the total amount of payments made on such bonds; however, such settlement shall be subject to adjustment if any discrepancies are discovered at a later date.

Sec. 321.15. Losses resulting from payments. - Section 22 of the Second Liberty Bond Act, as amended, provides:

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations[2] as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve Bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve Bank, or the incorporated bank or trust company * * *. The provisions of Section 3[3] of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection.* * *".

(a) Consideration of facts concerning loss. - In any case in which a loss occurs, the paying bank shall be afforded ample opportunity to present all of the facts pertaining to the circumstances of the payment for consideration by the Secretary.

Sec. 321.16. Preservation of rights. - Nothing contained in these regulations shall be construed to limit or restrict any existing rights which holders of savings bonds may have acquired under the circulars offering such bonds for sale and the regulations prescribed thereunder.

Sec. 321.17. Redemption of bonds not payable by banks. - Any bonds which a bank is not authorized to pay pursuant to the provisions of this circular should be forwarded by the owner, or his agent, after certification of the requests for payment, to the Federal Reserve Bank or Branch of the District for redemption.

2/ Regulations governing replacement of losses resulting from payments made in connection with the redemption of United States Savings Bonds are set forth in Treasury Department Circular No. 751.

3/ The provisions of Section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury are - "Notwithstanding any provision of law to the contrary, the decision of the Secretary of the Treasury that such loss, destruction, or damage has occurred or that such shipment was made substantially in accordance with such regulations shall be final and conclusive and shall not be subject to review by any other officer of the United States."

If a bank should undertake to forward such unpaid bonds at the request and in behalf of the person entitled to payment, such bonds must be sent separate and apart from bonds which the bank has paid. Any documentary evidence required to support the redemption should accompany the bond or bonds when forwarded to the Federal Reserve Bank.

Sec. 321.18. Functions of Federal Reserve Banks. - The Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform such duties, and prepare and issue such forms and instructions, as may be necessary to the fulfillment of the purpose and requirements of this circular. The Federal Reserve Banks, in their discretion, may utilize any or all of their Branches in the performance of these duties.

Sec. 321.19. Supplements, Amendments, etc. - The Secretary of the Treasury may at any time or from time to time supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and to the banks qualified hereunder.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

EXHIBIT "A"

Form PD 1958
TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt

APPLICATION-AGREEMENT

Payments by Incorporated Banks and Trust Companies in connection with the redemption of United States Savings Bonds

Dated _____, 194__.

TO THE FEDERAL RESERVE BANK OF _____
As fiscal Agent of the United States

The undersigned, eligible under the provisions of Sec. 321.1 of United States Treasury Department Circular No. 750, hereby applies for qualification to make payments in connection with the redemption of United States Savings Bonds, as provided in the said Circular No. 750, and, upon being so qualified, hereby agrees:

1. To be bound by and to comply with the provisions of Treasury Department Circular No. 750, including all supplements and amendments thereof and instructions as may be issued thereunder.

2. That the Secretary of the Treasury, or the Federal Reserve Bank of _____, by written notice, may, at any time, and without previous demand or notice, terminate the qualification of the undersigned, if such authority is granted pursuant to this application; and that in the event of such termination the undersigned, after receipt of such notice or after the date of termination specified therein, will not thereafter pay any United States Savings Bonds.

It is understood that the undersigned may withdraw from this Agreement at any time upon written notice of such intention to the Federal Reserve Bank of _____.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed under seal by the officer below named, thereunto duly authorized by a resolution of its governing board or committee adopted on the ____ day of _____, 194__.

_____
(Name)

_____
(Address)

By _____
(Signature of Officer)

_____
(Title of Officer)

ACKNOWLEDGMENT

State of)
County of) SS.

On this ____ day of _____, 194__, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ (Title of Officer) of the _____ (Name of Institution) and that the seal affixed to the above instrument is the corporate seal of said institution, and that the above instrument was signed and sealed in behalf of said institution by authority of its governing board or committee, and said officer acknowledged said instrument to be the free act and deed of said institution.

_____
Notary Public

EXHIBIT "B"

Form PD 1959
TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt

NOTICE OF QUALIFICATION OF AN INCORPORATED BANK OR TRUST COMPANY TO MAKE PAYMENTS IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS.

_____, 194___.

To: _____

_____

_____

Your Application-Agreement Form PD 1958, dated _____ has been approved as of this date. You are hereby notified that you are qualified to make payments in connection with the redemption of United States Savings Bonds pursuant to the provisions of Treasury Department Circular No. 750, and any supplements or amendments thereof and instructions issued pursuant thereto.

FEDERAL RESERVE BANK OF _____
Fiscal Agent of the United States

By_____

REGULATIONS GOVERNING REPLACEMENT OUT OF THE FUND ESTABLISHED BY THE GOVERNMENT LOSSES IN SHIPMENT ACT, AS AMENDED, OF ANY LOSSES RESULTING FROM PAYMENTS MADE IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS

1944
Department Circular No. 751

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, September 5, 1944.

I. REGULATIONS PRESCRIBED

1. Pursuant to the authority of the Second Liberty Bond Act, as amended, the following regulations are hereby prescribed for the replacement out of the fund established by the Government Losses in Shipment Act, as amended, of any losses to the United States resulting from payments made in connection with the redemption of United States Savings Bonds, and shall apply to losses resulting from payments made (1) by the Treasurer of the United States, (2) by the Federal Reserve Banks and Branches, as fiscal agents of the United States, and (3) by incorporated banks and trust companies qualified pursuant to Treasury Department Circular No. 750, to pay savings bonds.

II. REPORTS OF LOSSES

1. A loss to the United States may result from an erroneous (or unauthorized) payment in connection with the redemption of savings bonds.

2. If an incorporated bank or trust company, qualified to pay savings bonds, after returns have been made to the Federal Reserve Bank finds an erroneous payment to have been made, immediate report should be made to the Federal Reserve Bank. Any such erroneous payments so reported, and any other erroneous payments found by a Federal Reserve Bank in returns from an incorporated bank or trust company shall, so far as possible, be adjusted between the Federal Reserve Bank and the incorporated bank or trust company concerned.

3. Any such erroneous payments which are not adjusted and any other erroneous payments otherwise found after the account of the Treasurer of the United States has been charged shall immediately be reported to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago 54, Illinois.

III. FINAL DETERMINATION OF LOSSES

1. Following receipt of the report of an erroneous payment the Treasury Department will appropriately advise the paying agent concerned, unless such action is unnecessary. The Department shall determine whether or not appropriate adjustment may be effected with the persons concerned in the erroneous payment and in this connection will expect the cooperation of the paying agent, if necessary.

(a) If it is determined that no loss to the United States will occur the paying agent will be so advised.

(b) If it is determined that a final loss to the United States has occurred, the paying agent will be given every opportunity to present the full facts relating to the payment for consideration of the Secretary of the Treasury. If the Secretary shall determine that the final loss resulted from no fault or negligence on the part of the paying agent, the paying agent shall be relieved from liability to the United States. If, however, the Secretary of the Treasury finds fault or negligence on the part of the paying agent, notice to that effect will be given such paying agent who will make prompt restitution.

2. In no case will the Treasurer of the United States, a Federal Reserve Bank or Branch, or the banking institution which made the erroneous payment be called upon to make restitution unless and until it is determined that a final loss has been incurred as a result of an erroneous payment due to the fault or negligence of such paying agent.

IV. REPLACEMENT OF LOSSES OUT OF THE FUND

1. When it is established to the satisfaction of the Secretary of the Treasury that a loss has resulted from a payment made in connection with the redemption of a United States Savings Bond, the loss shall be subject to immediate replacement out of the fund established by the Government Losses in Shipment Act, as amended. Any recovery or repayment on account of any such loss as to which replacement shall have been made out of the fund, shall be credited to the fund.

V. INVESTIGATION OF LOSSES

1. The Treasury Department, and, in appropriate cases, Federal Reserve Banks, as fiscal agents of the United States, may request the Secret Service to investigate losses and assist in the recovery of improper payments. The Treasurer of the United States, the Federal Reserve Banks, and qualified banking institutions should cooperate with the Secret Service to the fullest extent in facilitating investigations and making recoveries.

VI. SUPPLEMENTS, AMENDMENTS, ETC.

1. The Secretary of the Treasury may at any time or from time to time supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and to banking institutions qualified to make payments of savings bonds under the provisions of Treasury Department Circular No. 750.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

REGULATIONS GOVERNING REPLACEMENT OUT OF THE FUND ESTABLISHED BY THE GOVERNMENT LOSSES IN SHIPMENT ACT, AS AMENDED, OF ANY LOSSES RESULTING FROM PAYMENTS MADE IN CONNECTION WITH THE REDEMPTION OF UNITED STATES SAVINGS BONDS

1944
Department Circular No. 751

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, September 5, 1944.

I. REGULATIONS PRESCRIBED

1. Pursuant to the authority of the Second Liberty Bond Act, as amended, the following regulations are hereby prescribed for the replacement out of the fund established by the Government Losses in Shipment Act, as amended, of any losses to the United States resulting from payments made in connection with the redemption of United States Savings Bonds, and shall apply to losses resulting from payments made (1) by the Treasurer of the United States, (2) by the Federal Reserve Banks and Branches, as fiscal agents of the United States, and (3) by incorporated banks and trust companies qualified pursuant to Treasury Department Circular No. 750, to pay savings bonds.

II. REPORTS OF LOSSES

1. A loss to the United States may result from an erroneous (or unauthorized) payment in connection with the redemption of savings bonds.

2. If an incorporated bank or trust company, qualified to pay savings bonds, after returns have been made to the Federal Reserve Bank finds an erroneous payment to have been made, immediate report should be made to the Federal Reserve Bank. Any such erroneous payments so reported, and any other erroneous payments found by a Federal Reserve Bank in returns from an incorporated bank or trust company shall, so far as possible, be adjusted between the Federal Reserve Bank and the incorporated bank or trust company concerned.

3. Any such erroneous payments which are not adjusted and any other erroneous payments otherwise found after the account of the Treasurer of the United States has been charged shall immediately be reported to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago 54, Illinois.

III. FINAL DETERMINATION OF LOSSES

1. Following receipt of the report of an erroneous payment the Treasury Department will appropriately advise the paying agent concerned, unless such action is unnecessary. The Department shall determine whether or not appropriate adjustment may be effected with the persons concerned in the erroneous payment and in this connection will expect the cooperation of the paying agent, if necessary.

(a) If it is determined that no loss to the United States will occur the paying agent will be so advised.

(b) If it is determined that a final loss to the United States has occurred, the paying agent will be given every opportunity to present the full facts relating to the payment for consideration of the Secretary of the Treasury. If the Secretary shall determine that the final loss resulted from no fault or negligence on the part of the paying agent, the paying agent shall be relieved from liability to the United States. If, however, the Secretary of the Treasury finds fault or negligence on the part of the paying agent, notice to that effect will be given such paying agent who will make prompt restitution.

2. In no case will the Treasurer of the United States, a Federal Reserve Bank or Branch, or the banking institution which made the erroneous payment be called upon to make restitution unless and until it is determined that a final loss has been incurred as a result of an erroneous payment due to the fault or negligence of such paying agent.

IV. REPLACEMENT OF LOSSES OUT OF THE FUND

1. When it is established to the satisfaction of the Secretary of the Treasury that a loss has resulted from a payment made in connection with the redemption of a United States Savings Bond, the loss shall be subject to immediate replacement out of the fund established by the Government Losses in Shipment Act, as amended. Any recovery or repayment on account of any such loss as to which replacement shall have been made out of the fund, shall be credited to the fund.

V. INVESTIGATION OF LOSSES

1. The Treasury Department, and, in appropriate cases, Federal Reserve Banks, as fiscal agents of the United States, may request the Secret Service to investigate losses and assist in the recovery of improper payments. The Treasurer of the United States, the Federal Reserve Banks, and qualified banking institutions should cooperate with the Secret Service to the fullest extent in facilitating investigations and making recoveries.

VI. SUPPLEMENTS, AMENDMENTS, ETC.

1. The Secretary of the Treasury may at any time or from time to time supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and to banking institutions qualified to make payments of savings bonds under the provisions of Treasury Department Circular No. 750.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

For release, morning newspapers
Tuesday, August 29, 1944

Treasury Dept
Washington

Press Sec
No. 43-10

Employees of the Treasury Department purchased $11,529,507 worth of War Bonds during the Fifth War Loan, according to E. F. Bartelt, Departmental Chairman. This amount represented 157 percent of their $7,317,000 quota, which was based upon 40 percent of a month's gross pay.

"The manner in which employees of the Treasury responded to the Fifth War Loan drive is most noteworthy, and is an achievement of which everyone identified with the Department may be justly proud," Mr. Bartelt said. "In surpassing their Fourth War Loan bond purchases of $9,628,373 by nearly two million dollars, they indicated their determination to share with all other Americans the responsibility of seeing this war through to complete victory."

The average investment of Treasury employees in Series E bonds during the drive was approximately $123. ~~compared with a national average investment of $76 in that type of security.~~ Treasury employees are putting more than $2,000,000 or 11.1 percent of their pay regularly every month into war bonds under the payroll savings plan. The number participating in the plan is 83,486 or 95 out of every 100 employees of the department.

Employees of the War Finance Division, who are charged with the responsibility of planning and coordinating the national War Loan Drives, led the twenty-one bureaus and offices of the Treasury with bond purchases of $684,623 for 347 percent of their assigned quota. Four of the bureaus and offices exceed their quotas by more than 50 percent and all of them except one surpassed their quotas.

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TO: Mr Bartelt

If this is all right
will you please OK
and return it to me
as soon as possible

Best Regards
[illegible] 1/4/16

4330

Mr. Shaeffer

TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE MORNING NEWSPAPERS
Tuesday, August 29, 1944

Press Service
No. 43-10

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Form W-2a
U. S. Treasury Department
Internal Revenue Service

WITHHOLDING RECEIPT—1944
For Income Tax Withheld on Wages

TRIPLICATE

EMPLOYER BY WHOM PAID (Name and address)

Total Wages paid during the calendar year 1944	Federal Income Tax withheld
$	$

EMPLOYEE TO WHOM PAID (Print full name, address, Social Security No.)

INSTRUCTIONS TO EMPLOYER

Prepare Withholding Receipt in triplicate for all employees from whom tax has been withheld. Give original and duplicate to employee. Forward the triplicates (W–2a) and Reconciliation (Form W–3) with Return of Income Tax Withheld on Wages (Form W–1), when filed with Collector for the fourth quarter of the year (or with the employer's final return). (See Circular WT—Revised 1944.)

16—40899–1 U. S. GOVERNMENT PRINTING OFFICE

YOUR 1944 EXEMPTIONS

(1) List your own name on first line below.
(2) If married and your wife (or husband) had no income, or if this is a combined return of husband and wife, list name of your wife (or husband).
(3) List names of other close relatives with 1944 incomes of less than $500 who received more than one-half of their support from you.

NOTE: If this is a combined return of husband and wife, list dependent relatives of both and write letter "W" after names of dependents supported by wife.

Your Name _____

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

If you need more space, attach list.

Is your wife (or husband) making a separate return for 1944? _____
If "Yes," write below: ("Yes" or "No")

Name of wife (or husband) _____

Collector's office to which sent _____

Was your income $500 or more? If so, you must file an income tax return either on a Withholding Receipt or on Form 1040.

Was your income under $500? If so, file a return to get a refund of tax withheld. A married couple should file a combined return to get full benefit of exemptions.

Deductions: If you file your return on a Withholding Receipt, the Government will figure your tax from a tax table provided by law, which allows about 10% of your total income for charitable contributions, interest, taxes, casualty losses, medical expenses, and miscellaneous items. In order to claim deductions of more than 10%, you must file your return on Form 1040.

To file a Withholding Receipt as your return, fill out both sides of the ORIGINAL, sign, and mail to Collector of Internal Revenue, your district, between Jan. 1 and Mar. 15, 1945. Keep the duplicate.

If you got more than one receipt for income tax withheld during 1944 (Form W-2 or Form W-2, Rev.), fill out and sign the last one received and attach the others to it. If filing a combined return, attach receipts of both husband and wife. If any receipt is missing and you cannot obtain a copy from your employer, make your return on Form 1040. Write here the total number of receipts you file, including the one used as your return _____ [ ]

Make no payment now, but wait for bill or refund from Collector.

EMPLOYEE SHOULD KEEP THIS COPY FOR HIS RECORD.

DO NOT FILE WITH COLLECTOR.

GPO 16—40899-1

(over)

Form W-2 (Rev.)
U. S. Treasury Department
Internal Revenue Service

WITHHOLDING RECEIPT—1944

For Income Tax Withheld on Wages

DUPLICATE

EMPLOYER BY WHOM PAID (Name and address)

Total Wages paid during the calendar year 1944	Federal Income Tax withheld
$	$

EMPLOYEE TO WHOM PAID (Print full name, address, Social Security No.)

To EMPLOYEE: Change name and address if not correctly shown

To EMPLOYEE: This Withholding Receipt may be used as your income tax return if your 1944 income meets the TEST below.

A married couple *may* make a combined return on this Withholding Receipt, if their total income meets the test. Their incomes should be combined on Lines 1, 2, and 3, and shown separately on Line 4. The Collector of Internal Revenue will figure the tax on either the combined or the separate incomes, whichever is to the taxpayers' advantage.

LINE 1 Write total of wages shown on this and all your other 1944 Withholding Receipts (Form W-2)---- $_____

LINE 2 If you got any wages from which no tax was withheld, or any dividends or interest, write total---- $_____

LINE 3 Add Lines 1 and 2. Write total here-- $_____

TEST: If Line 2 is not over $100 AND Line 3 is less than $5,000, you may use this Withholding Receipt as your return *provided you had no income other than wages, dividends, and interest.* If your income does not meet this test, use Form 1040.

LINE 4 If Line 3 includes income of both husband and wife, show husband's income here $_____; wife's income here $_____

LINE 5 If you filed a 1944 Declaration of Estimated Tax (Form 1040-ES), write total of estimated tax paid- $_____

EMPLOYEE SHOULD KEEP THIS COPY FOR HIS RECORD.

DO NOT FILE WITH COLLECTOR.

EMPLOYEE'S COPY

GPO 16—40899-1

(over)

YOUR 1944 EXEMPTIONS

(1) List your own name on first line below.
(2) If married and your wife (or husband) had no income, or if this is a combined return of husband and wife, list name of your wife (or husband).
(3) List names of other close relatives with 1944 incomes of less than $500 who received more than one-half of their support from you.

NOTE: If this is a combined return of husband and wife, list dependent relatives of both and write letter "W" after names of dependents supported by wife.

Your Name _____

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

_____
(Name) *(Relationship)*

If you need more space, attach list.

Is your wife (or husband) making a separate return for 1944? _____
If "Yes," write below: ("Yes" or "No")

Name of wife (or husband) _____

Collector's office to which sent _____

Was your income $500 or more? If so, you must file an income tax return either on a Withholding Receipt or on Form 1040.

Was your income under $500? If so, file a return to get a refund of tax withheld. A married couple should file a combined return to get full benefit of exemptions.

Deductions: If you file your return on a Withholding Receipt, the Government will figure your tax from a tax table provided by law, which allows about 10% of your total income for charitable contributions, interest, taxes, casualty losses, medical expenses, and miscellaneous items. In order to claim deductions of more than 10%, you must file your return on Form 1040.

To file a Withholding Receipt as your return, fill out both sides of the ORIGINAL, sign, and mail to Collector of Internal Revenue, your district, between Jan. 1 and Mar. 15, 1945. Keep the duplicate.

If you got more than one receipt for income tax withheld during 1944 (Form W-2 or Form W-2, Rev.), fill out and sign the last one received and attach the others to it. If filing a combined return, attach receipts of both husband and wife. If any receipt is missing and you cannot obtain a copy from your employer, make your return on Form 1040. Write here the total number of receipts you file, including the one used as your return _____

Make no payment now, but wait for bill or refund from Collector.

I declare under the penalties of perjury that the foregoing statements are true to the best of my knowledge and belief, and that ALL MY 1944 INCOME IS REPORTED HEREON.

Signature _____ _____
(Date)

Signature _____ _____
(If this is a combined return of husband and wife, it must be signed by both)

Form W-2 (Rev.)
U. S. Treasury Department
Internal Revenue Service

WITHHOLDING RECEIPT—1944

For Income Tax Withheld on Wages

ORIGINAL

EMPLOYER BY WHOM PAID (Name and address)

Total Wages paid during the calendar year 1944	Federal Income Tax withheld
$	$

EMPLOYEE TO WHOM PAID (Print full name, address, Social Security No.)

To EMPLOYEE: Change name and address if not correctly shown

To EMPLOYEE: This Withholding Receipt may be used as your income tax return if your 1944 income meets the TEST below.

A married couple *may* make a combined return on this Withholding Receipt, if their total income meets the test. Their incomes should be combined on Lines 1, 2, and 3, and shown separately on Line 4. The Collector of Internal Revenue will figure the tax on either the combined or the separate incomes, whichever is to the taxpayers' advantage.

LINE 1 Write total of wages shown on this and all your other 1944 Withholding Receipts (Form W-2) ____ $_____

LINE 2 If you got any wages from which no tax was withheld, or any dividends or interest, write total ____ $_____

LINE 3 Add Lines 1 and 2. Write total here __ $_____

TEST: If Line 2 is not over $100 AND Line 3 is less than $5,000, you may use this Withholding Receipt as your return *provided you had no income other than wages, dividends, and interest.* If your income does not meet this test, use Form 1040.

LINE 4 If Line 3 includes income of both husband and wife, show husband's income here $_____; wife's income here $_____

LINE 5 If you filed a 1944 Declaration of Estimated Tax (Form 1040-ES), write total of estimated tax paid _ $_____

DO NOT WRITE IN THIS SPACE

GPO 16—40899-1

(over)

returns on Form 1040, which is also being simplified in accordance with the new law.

A taxpayer using his Withholding Receipt for his return will fill it in and mail it to his local collector of internal revenue by March 15, 1945. The collector will figure his tax, give him credit for the tax already paid, and send him either a bill or a refund for the difference.

A special feature of the new form solves the problem of many husbands and wives as to whether to file separate or joint returns. If the combined income of a husband and wife permits use of the new form, they may combine their returns on one receipt, and the collector will figure their tax on either their combined or separate incomes, whichever is to their advantage.

If the taxpayer has more than one Withholding Receipt for 1944, he will be required to fill out only one receipt and attach the others to it. For this reason, Commissioner Nunan advised employees to be careful not to lose any of their receipts. ~~If a receipt is lost and a copy cannot be obtained from the employer, the employee will have to make his return on Form 1040.~~

Printing of the new form of Withholding Receipts has begun but it may take a few months before ~~most~~ all employers ~~will~~ receive their supplies.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington 25, D. C.

For Release:
Wednesday, August 30

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, announced today that approximately 30,000,000 employees will be relieved of computing their 1944 income tax by using their Withholding Receipts for their returns.

The Commissioner authorized the use of Withholding Receipts for this purpose under provisions of the Individual Income Tax Act of 1944. This will simplify the annual task of filing income tax returns for the 30,000,000 employees by enabling them to state merely their income and exemptions on their Withholding Receipts instead of filling out the regular income tax blank, Form 1040.

No deductions are listed for charitable contributions, interest, taxes, medical expenses, etc., since the tax on this form of return will be figured from a table which automatically allows about 10 per cent for such expenses. Persons whose expenses exceeded 10 per cent, however, may claim them by using ~~the regular income tax blank,~~ Form 1040.

A Withholding Receipt, showing total wages paid and total income tax withheld during the year, is required by law to be furnished by each employer to each of his employees on or before January 31. The form of the Withholding Receipt has been revised to include the necessary questions and instructions which will permit most employees to use it as a return. The revised form is designated Form W-2 (Rev.).

This form of return is permitted by the new law for anyone whose total income in 1944 was less than $5,000, consisting wholly of wages shown on Withholding Receipts or of such wages and not more than $100 of other wages, dividends, and interest. All other taxpayers will be required to make their

R.P. 8.28.44 MJS 8/26/44

A special feature of the new form solves the problem of many husbands and wives as to whether to file separate or joint returns. If the combined income of a husband and wife permits use of the new form, they may combine their returns on one receipt, and the collector will figure their tax on either their combined or separate incomes, whichever is to their advantage.

The tax on this form will be figured by the collector from a table which automatically allows about 10 per cent of the employee's total income for charitable contributions, interest, taxes, medical expenses, etc. Therefore, employees should not list deductions for such expenses on their Withholding Receipt. However, an employee whose expenses for these purposes exceeded 10 per cent of his total income, may claim his deductions in detail on Form 1040.

If the taxpayer has more than one Withholding Receipt for 1944, he will be required to fill out only one receipt and attach the others to it. For this reason, Commissioner Nunan advised employees to be careful not to lose any of their receipts.

Printing of the new form of Withholding Receipts has begun but it may take a few months before all employers receive their supplies. The new form is being printed in triplicate. The employer gives the employee the first two copies and sends the third to the office of the collector in that district. The first copy, marked "Original", may be filled out by the employee and mailed in as his return. The second copy, marked "Employee's Copy," or "Duplicate", is to be retained by the employee for his own personal records.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington 25, D. C.

For Release to Morning Newspapers,
Wednesday, August 30, 1944

Press Service
No. 43-11

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, announced today that approximately 30,000,000 employees will be relieved of computing their 1944 income tax by using their Withholding Receipts for their returns.

The Commissioner, in accordance with provisions of the Individual Income Tax Act of 1944, has authorized the use of Withholding Receipts for this purpose. This will simplify the annual task of filing income tax returns for the 30,000,000 employees by enabling them to state merely their income and exemptions on their Withholding Receipts instead of filling out the regular income tax blank, Form 1040.

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This form of return may be used by anyone whose total income in 1944 was less than $5,000, consisting wholly of wages shown on Withholding Receipts or of such wages and not more than $100 of other wages, dividends, and interest. All other taxpayers will be required to make their returns on Form 1040, which is also being simplified in accordance with the new law.

A taxpayer using his Withholding Receipt for his return will fill it in and mail it to his local collector of internal revenue by March 15, 1945. The collector will figure his tax, give him credit for the tax already paid, and send him either a bill or a refund for the difference.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington 25, D. C.

FOR RELEASE MORNING NEWSPAPERS,
Wednesday, August 30, 1944

Press Service
No. 43-11

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 29, 1944.

Press Service
43-12

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated August 31 and to mature November 30, 1944, which were offered on August 25, were opened at the Federal Reserve Banks on August 28.

The details of this issue are as follows:

Total applied for - $1,831,554,000
Total accepted - 1,210,125,000 (includes $56,965,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905 Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.910 Equivalent rate of discount approx. 0.356% per annum
Low - 99.905 " " " " " 0.376% " "

(62 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 19,430,000	$ 15,136,000
New York	1,258,179,000	788,107,000
Philadelphia	27,880,000	19,558,000
Cleveland	39,405,000	33,591,000
Richmond	20,245,000	16,138,000
Atlanta	14,810,000	14,610,000
Chicago	307,068,000	211,821,000
St. Louis	7,705,000	6,755,000
Minneapolis	5,152,000	5,147,000
Kansas City	19,722,000	17,570,000
Dallas	8,705,000	7,835,000
San Francisco	103,253,000	73,857,000
TOTAL	$1,831,554,000	$1,210,125,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 29, 1944.
8-28-44

Press Service
No. 43-12

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated August 31 and to mature November 30, 1944, which were offered on August 25, were opened at the Federal Reserve Banks on August 28.

The details of this issue are as follows:

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Total accepted - 1,210,125,000 (includes $56,965,000 entered on a fixed-price basis at 99.905 and accepted in full)

Average price - 99.905/Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.910 Equivalent rate of discount approx. 0.356% per annum
Low - 99.905 Equivalent rate of discount approx. 0.376% per annum

(62 percent of the amount bid for at the low price was accepted)

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Philadelphia	27,880,000	19,558,000
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Richmond	20,245,000	16,138,000
Atlanta	14,810,000	14,610,000
Chicago	307,068,000	211,821,000
St. Louis	7,705,000	6,755,000
Minneapolis	5,152,000	5,147,000
Kansas City	19,722,000	17,570,000
Dallas	8,705,000	7,835,000
San Francisco	103,253,000	73,857,000
TOTAL	$1,831,554,000	$1,210,125,000

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 7, 1944 ~~(7)~~.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, August 30, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,200,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated September 7, 1944 (4), and will mature December 7, 1944 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Friday, September 1, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

43-13

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, August 30, 1944.
8-29-44

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated September 7, 1944, and will mature December 7, 1944, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War Time, Friday, September 1, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 7, 1944.

43-13

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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Treasury Department
Washington

FOR IMMEDIATE RELEASE
Wednesday August ~~29~~ 30, 1944

Press Service
No. 43-14

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	August 19, 1944	1,131,575,214
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	August 19, 1944	29,983,480
Cuba	13,949,562	"	8,192,397
Dominican Republic	20,881,883	August 26, 1944 2/	18,946,805
Ecuador	26,155,330	August 19, 1944	21,471,389
El Salvador	104,621,321	"	98,607,917
Guatemala	93,287,384	"	82,471,295
Haiti	47,951,373	"	39,279,409
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	August 19, 1944	28,868,484
Peru	4,359,288	"	3,029,059
Venezuela	73,234,872	"	40,339,362
Non-Signatory Countries:	61,900,935	"	4,193,312

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, August 30, 1944.

Press Service
No. 43-14

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1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

OFFICE OF THE DIRECTOR

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

43-15

~~FOR IMMEDIATE RELEASE~~ Press Service

J. M. Johnson with Treasury Procurement
in Washington

Secretary Morgenthau announced today that

~~Mr.~~ J. M. Johnson of the J. C. Penney Company has been granted temporary leave of absence to join Treasury Procurement with the idea of readjusting its Division of Textiles, Clothing and Footwear to meet the needs of the increased demands of FEA and expected needs of UNRRA.

The requirements of these agencies, also Army lend-lease for civilians in Liberated Areas, are ~~procured~~ fulfilled through Treasury Procurement.

The progress made by the Allied Armies in Europe, which is ahead of schedule, has created an emergency for requirements which has placed a greater immediate burden on Treasury Procurement.

Close and cooperative action between FEA, UNRRA, WPB and industry, is of utmost importance at this time, and Mr. Johnson will assist Treasury Procurement in this respect. Contact will be kept with the Army and Navy with the view of applying any excess of needs against Treasury Procurement requirements. It is expected that because of the emergency of these needs WPB will assist Treasury Procurement with the necessary ratings.

600

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
September 1, 1944

Press Service
No. 43-15

Secretary Morgenthau announced today that J. M. Johnson of the J. C. Penney Company has been granted temporary leave of absence to join Treasury Procurement with the idea of readjusting its Division of Textiles, Clothing and Footwear to meet the needs of the increased demands of FEA and expected needs of UNRRA.

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oOo

contracts (over 62,000 having been executed) calling for the purchases of Four Billion Dollars worth of supplies for the Allies. Except for rare cases there has been no criticism of these vast purchases. We cut red tape, streamlined the official purchase contracts, and gave your office 24-hour legal service.

While I regret leaving this important war work, I know the opportunity as candidate for the United States Senate to present the cause of liberal government, as exemplified in the principles enunciated by our great President, is a great one.

I want you to know that I appreciate the courtesies you have extended me in the past and to wish you continued success and good health in the future.

Sincerely yours,

(signed) Thurman Hill

Thurman Hill

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

August 21, 1944

My dear Mr. Secretary:

The Democratic State Committee of Kansas has selected me to make the race for the United States Senate against the present incumbent, Senator Clyde M. Reed.

Naturally, I feel highly honored and, since it is a great privilege to seek election to the Senate and to be on the same ticket as the President, I deemed it my duty, as well as pleasure, to accept the official action of the State Committee. Therefore, I tender you my resignation as Chief Counsel of Treasury Procurement, effective at the close of business on August 28, 1944.

For more than nine years I have had the pleasure of serving your office, first, as special assistant to the General Counsel and the past two years in this position.

Shortly after Pearl Harbor, and as an added duty, you did me the honor of having me head up the investigation of the American Bosch Company which resulted in the control of that important war plant being taken away from German hands and turned over to the Alien Property Custodian.

I am very proud, too, of the work done by my legal staff in the Procurement Division. We have passed on the legality of thousands of Lend-Lease

AUG 22 1944

Dear Thurman:

I have your letter of August 21, 1944, advising that you have been selected by the Democratic State Committee of Kansas to run for the United States Senate against the present incumbent and tendering your resignation as Chief Counsel for the Procurement Division of the Treasury Department.

During the time you have been with the Department, first as Special Assistant to the General Counsel and for the past two years as Chief Counsel for Treasury Procurement, your work has been of the highest order. The problems with which you have been faced and with which you have dealt so successfully have been extremely important ones from the standpoint of the war effort and your contribution in that respect has been most valuable. For those reasons I am reluctant to see you leave the Treasury.

On the other hand, I thoroughly appreciate your desire to resign in order to make the race for the Senate and I feel that I must accept your resignation so that you may do so.

With good wishes for your success,

Sincerely,

(Signed) H. Morgenthau, Jr.

Thurman Hill, Esq.
Chief Counsel
Procurement Division
Treasury Department
Washington, D. C.

Proposed press release

Thurman Hill has resigned as Chief Counsel for the Procurement Division in order to make the race for United States Senator from Kansas, the Treasury announced today.

Mr. Hill has been with the Treasury for nine years, first as special assistant to the General Counsel, and for the last two years in the Procurement position where he handled legal problems arising from the huge purchasing program for lend lease and other wartime needs of the Government. As a special assignment he headed an investigation of the American Bosch Company which resulted in control of that important war plant being taken from German hands and turned over to the Alien Property Custodian.

In accepting Mr. Hill's resignation, Secretary Morgenthau said:

"During the time you have been with the Department, your work has been of the highest order. The problems with which you have been faced and with which you have dealt so successfully have been extremely important ones from the standpoint of the war effort and your contribution in that respect has been most valuable. For those reasons I am reluctant to see you leave the Treasury. On the other hand, I thoroughly appreciate your desire to resign in order to make the race for the Senate, and I feel that I must accept your resignation so that you may do so."

Mr. Hill said he had been asked by the Democratic State Committee of Kansas to make the race against Clyde M. Reed, the incumbent Senator.

-oOo-

Hill

Joe O'Connell
Dan Bell

Thurman Hill has resigned as Chief Counsel for the Procurement Division in order to make the race for United States Senator from [redacted] Kansas, the Treasury announced today.

Mr.Hill has been with the Treasury for nine years, first as special assistant to the General Counsel,and for the last two years in the Procurement position, where he handled legal problems arising from the huge [redacted] purchasing program for lend lease and other wartime needs of the Government.As a special assignment he headed an investigation of the American Bosch Company which resulted in control of that important war plant being taken from German hands and turned over to the [redacted] Alien Property Custodian.

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Immediate ~~Proposed press release~~ 43-16

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Mr. Hill said he had been asked by the Democratic State Committee of Kansas to ~~make the race against Clyde M. Reed, the incumbent Senator.~~ run for a seat in the United States Senate

-oOo-

OK DWB BPD

TO:

Mr. Charles P. Shaffer

FROM: MR. O'CONNELL

TO:

Mr. Joe O'Connell

For approval, please.

Chas. P. Shaeffer

O.K.

Mr. Shaeffer

TO: Mr. Shaeffer

~~Mr. D. W. Bell~~

For approval, please.

Chas. P. Shaeffer

File

Copy to Joe O'Connell

Was last paragraph given you by Bell?
DWB

Mr. Shaeffer

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, September 1, 1944.

Press Service
No. 43-16

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Mr. Hill said he had been asked by the Democratic State Committee of Kansas to run for a seat in the United States Senate.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, September 2, 1944.

Press Service
43-17

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated September 7 and to mature December 7, 1944, which were offered on August 30, were opened at the Federal Reserve Banks on September 1.

The details of this issue are as follows:

Total applied for - $1,759,890,000
Total accepted - 1,204,692,000 (includes $44,877,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annu

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount approx. 0.364% per annum
Low - 99.905 " " " " " 0.376% " "

(65 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 13,695,000	$ 11,140,000
New York	1,254,949,000	823,494,000
Philadelphia	56,500,000	48,940,000
Cleveland	44,407,000	38,020,000
Richmond	17,088,000	15,494,000
Atlanta	10,315,000	9,965,000
Chicago	267,923,000	180,161,000
St. Louis	17,325,000	13,230,000
Minneapolis	8,446,000	6,686,000
Kansas City	9,787,000	9,367,000
Dallas	8,265,000	8,230,000
San Francisco	51,190,000	39,965,000
TOTAL	$1,759,890,000	$1,204,692,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, September 2, 1944.
9-1-44

Press Service
No. 43-17

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Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount approx. 0.364% per annum
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Chicago	267,923,000	180,161,000
St. Louis	17,325,000	13,230,000
Minneapolis	8,446,000	6,686,000
Kansas City	9,787,000	9,367,000
Dallas	8,265,000	8,230,000
San Francisco	51,190,000	39,965,000
Total	$1,759,890,000	$1,204,692,000

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, September 2, 1944.

Press Service
43-18

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series F-1945 and of the additional issue of 1 percent Treasury Notes of Series A-1946.

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

Federal Reserve District	Series F-1945 Certificates	Series A-1946 Notes		
	Total E-1944 Certificates Exchanged	Total C-1944 Notes Exchanged	Total D-1944 Notes Exchanged	Total Not Exchanged
Boston	$ 130,548,000	$ 7,547,600	$ 13,172,700	$ 20,720,3
New York	2,254,846,000	139,093,600	352,742,800	491,836,4
Philadelphia	104,683,000	11,266,300	14,598,400	25,864,7
Cleveland	154,922,000	5,455,500	57,632,400	63,087,9
Richmond	47,937,000	80,000	7,865,000	7,945,0
Atlanta	60,060,000	373,000	3,855,000	4,228,0
Chicago	399,453,000	14,729,200	74,488,200	89,217,4
St. Louis	63,403,000	1,904,700	13,110,100	15,014,8
Minneapolis	71,553,000	976,600	8,416,300	9,392,9
Kansas City	92,976,000	2,602,700	20,450,200	23,052,9
Dallas	51,624,000	210,000	13,966,500	14,176,5
San Francisco	259,291,000	862,200	21,299,000	22,161,2
Treasury	2,716,000	300,000	616,000	916,0
TOTAL	$3,694,012,000	$185,401,400	$602,212,600	$787,614,0

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, September 2, 1944.

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Cleveland	154,922,000	5,455,500	57,632,400	63,087,900
Richmond	47,937,000	80,000	7,865,000	7,945,000
Atlanta	60,060,000	373,000	3,855,000	4,228,000
Chicago	399,453,000	14,729,200	74,488,200	89,217,400
St. Louis	63,403,000	1,904,700	13,110,100	15,014,800
Minneapolis	71,553,000	976,600	8,416,300	9,392,900
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San Francisco	259,291,000	862,200	21,299,000	22,161,200
Treasury	2,716,000	300,000	616,000	916,000
Total	$3,694,012,000	$185,401,400	$602,212,600	$787,614,000

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September 4, 1944

43-19

STATUTORY DEBT LIMITATION
AS OF AUGUST 31, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$260,000,000,000
Outstanding as of August 31, 1944:			
Interest-bearing:			
Bonds -			
Treasury	$81,234,674,350		
Savings (Maturity value)*	45,650,173,350		
Depositary	484,242,750		
Adjusted Service	716,279,307	$128,085,369,757	
Treasury notes	36,691,707,600		
Certificates of Indebtedness	36,367,421,000		
Treasury Bills (Maturity value)	15,714,953,000	88,774,081,600	
		$216,859,451,357	
Matured obligations on which interest has ceased		159,380,875	
Bearing no interest			
U.S. Savings stamps	167,425,035		
Excess profits tax refund bonds	262,469,194	429,894,229	217,448,726,461
Face amount of obligations issuable under above authority			$ 42,551,273,539

Reconcilement with Daily Statement of the United States Treasury August 31, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act.		$217,448,726,461
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		8,766,719,381
		208,682,007,080
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Postal Savings, etc.,)	$195,917,540	
Matured obligations on which interest has ceased	7,516,065	
Bearing no interest	916,900,534	1,120,334,139
Total gross debt outstanding as of August 31, 1944		$209,802,341,219

*Approximate maturity value, Principal amount (current redemption value) according to preliminary public debt statement $36,883,453,969.

RHM/mc

September 5, 1944

STATUTORY DEBT LIMITATION
AS OF AUGUST 31, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

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Treasury Bills (Maturity value)	15,714,953,000	88,774,081,600	
		$216,859,451,357	
Matured obligations on which interest has ceased		159,380,875	
Bearing no interest			
U.S. Savings stamps	167,425,035		
Excess profits tax refund bonds	262,469,194	429,894,229	217,448,726,461
Face amount of obligations issuable under above authority			$ 42,551,273,539

Reconcilement with Daily Statement of the United States Treasury
August 31, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act.		$217,448,726,461
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		8,766,719,381
		208,682,007,080
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Postal Savings, etc.,)	$195,917,540	
Matured obligations on which interest has ceased	7,516,065	
Bearing no interest	916,900,534	1,120,334,139
Total gross debt outstanding as of August 31, 1944		$209,802,341,219

*Approximate maturity value, Principal amount (current redemption value) according to preliminary public debt statement $36,883,453,969.

43-19

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COTTON CARD STRIPS,/2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent/2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 August 26, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to August 26, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	29,398	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	29,398	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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FOR IMMEDIATE RELEASE
September 5, 1944.

43-20

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 20, 1943, to August 26, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to August 26, 1944	Established Quota	Imports Sept. 20, 1943, to August 26, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-	45,656,420	33,004,072
Peru.....	247,952	73,576		1,856,048
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	417,580		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/.	689	-		-
Algeria and Tunisia.....	-			
	14,516,882	9,374,415	45,656,420	34,860,120

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, September 5, 1944.

Press Service
No. 43-20

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 20, 1943, to August 26, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to August 26, 1944	Established Quota 45,656,420	Imports Sept. 20, 1943, to August 26, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-		33,004,072
Peru.....	247,952	73,576		1,856,048
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	417,580		-
Union of Soviet Socialist Republics.	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa...	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377			
Other British West Africa 2/	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia...	-	-		-
	14,516,882	9,374,415	45,656,420	34,860,120

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

COTTON CARD STRIPS, 2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips 2/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

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Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 August 26, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to August 26, 1944 1/
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China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	29,398	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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43-21

FOR IMMEDIATE RELEASE
September 5, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	August 26, 1944	1,162,793,584
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	August 26, 1944	31,380,696
Cuba	13,949,562	"	8,477,820
Dominican Republic	20,881,883	September 2, 1944 2/	18,947,854
Ecuador	26,155,330	August 26, 1944	21,901,597
El Salvador	104,621,321	September 2, 1944 2/	98,820,529
Guatemala	93,287,384	August 26, 1944	82,862,096
Haiti	47,951,373	"	39,279,096
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	August 26, 1944	28,867,434
Peru	4,359,288	"	3,381,510
Venezuela	73,234,872	"	41,920,179
Non-Signatory Countries:	61,900,935	"	4,193,368

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, September 6, 1944.

Press Service
No. 43-21

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	August 26, 1944	1,162,793,584
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	August 26, 1944	31,380,696
Cuba	13,949,562	"	8,477,820
Dominican Republic	20,881,883	September 2, 1944 2/	18,947,854
Ecuador	26,155,330	August 26, 1944	21,901,597
El Salvador	104,621,321	September 2, 1944 2/	98,820,529
Guatemala	93,287,384	August 26, 1944	82,862,096
Haiti	47,951,373	"	39,279,096
Honduras	3,486,928	(Import quota filled)	
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Nicaragua	34,001,943	August 26, 1944	28,867,434
Peru	4,359,288	"	3,381,510
Venezuela	73,234,872	"	41,920,179
Non-Signatory Countries:	61,900,935	"	4,193,368

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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One or two would introduce averaging for some or all types of income, notably for capital gains.

This interest in the averaging problem is significant, because in the many tax revisions and great amount of tax study that have been carried on in the United States over the years, relatively little time and thought have been devoted to methods of overcoming the disadvantages for tax purposes of the annual fiscal year. Yet the potential importance of such methods in terms of equity and sound economic effects is so great that much more attention to them is justified for the future than has been given to them in the past. It may well be that a good averaging device applying over an adequate period of years would be worth quite a few percentage points in the tax rate scale in furthering the realization of our tax and economic objectives in the postwar world.

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As you no doubt have learned, the Congressional Joint Committee on Internal Revenue Taxation instructed its staff and requested the Treasury staff to work together as a unit on the problem of tax adjustments for the transition and postwar periods. The studies being carried on have not yet reached the point of a report to the Joint Committee. So it would be inappropriate for me to go into the part which averaging devices might play in a postwar tax program. The matter is being given careful study along with other aspects of the postwar tax problem, and any suggestions which any of you may care to make on this question or any other involved in the study will be most welcome and carefully considered.

Suggestions have already been made by a number of groups. Several plans provide long periods of carry-over of losses.

If an averaging device such as the carry-over is to serve its functions of increasing tax equity and encouraging business investment and expansion, it must be adopted as firm policy to be retained in good times and bad. It would be worse to adopt a long carry-over, or other longer-term averaging device, and thereafter to abandon it when loss periods were experienced than to delay lengthening the period until there was a general understanding and resolution to retain the device as a continuing element in the tax system.

I am sure you would like for me to tell you what is going to happen to the wartime carry-backs and to averaging devices for the postwar tax revisions. I would like to tell you. I wish I knew. But tax revision is a matter for Congressional action.

Fluctuations of business incomes are sometimes classified roughly into the seasonal and the cyclical. To these are added the life cycle of the business unit. The annual income period averages out the seasonal fluctuations. Few who favor averaging devices would cover the whole life period of the business firm although, unhappily, for many businesses no long period would be involved. Cyclical movements are of various lengths. The two year carry-over of the prewar Federal law would be sufficient for the shorter cycles, but is too short for the longer and more important cycles and, accordingly, too short to meet a substantial part of the problem.

The new business cannot benefit from the carry-back, but would be benefitted by a longer carry-over especially in view of the tendency of businesses to suffer losses in the early years. The dying or liquidating business cannot use the carry-over but would be benefitted by the carry-back. For other businesses it is hard to forecast whether the carry-over or the carry-back confers the greater benefit. However, the carry-over has the merit of permitting the closing of tax years without delay and of minimizing manipulation to secure the maximum benefit and avoid taxes. Under carry-overs, carry-backs, and actual averaging, the problems of predecessor and successor corporations and corporate acquisitions to reduce tax are present and must be met, even though arbitrarily.

The period for spreading losses in Great Britain is seven years including in addition to the year of loss, a one-year carry-back and a five-year carry-over. In the Commonwealth of Australia losses are spread over five years by means of a four-year carry-over. The recently proposed spread in the Dominion of Canada would be temporarily five years including a one-year carry-back and a three-year carry-over. Under the two-year carry-back and two-year carry-over in the United States the spread is likewise five years; it may be even longer under certain circumstances.

In peacetime, countries other than our own have limited the carry-back to one year, if they allowed it at all, and the misgivings about our own carry-backs are such as to raise a question as to their desirability for peacetime use.

These experiences present a practical obstacle to the friends of averaging but have not dismayed them. New methods of averaging have been developed that meet some of the objections to the moving average, and other improvements can no doubt be made. Nevertheless, the administration and compliance problems of even the most promising methods of averaging remain a major impediment, especially with respect to the individual income tax, which is unfortunate since under the individual income tax the progressive rate scale and relative unimportance of losses make such partial devices as the loss carry-over largely ineffective.

For business income the spreading of losses through carrying of losses from years of loss to years of gain is the averaging device that has been preferred in these countries.

Conclusion

This survey of the use of averaging and averaging devices is too limited to justify definitive conclusions, but a few observations may not be out of order. Although of all averaging devices, out right averaging provides the most complete equalization of tax load between fluctuating and stable incomes, it has lost rather than gained ground in the English-speaking countries whose tax systems have been examined. After very long use and several reappraisals it was abandoned in Great Britain. After a shorter trial its use was minimized in Australia. It has not been adopted in Canada. The Wisconsin experiment could hardly have been more ill-timed, as matters turned out, and may not indicate what would have been the result of a longer trial under more auspicious circumstances.

These carry-backs and carry-forwards do not extend beyond the period during which the excess-profits tax law is in operation. However, it was stated by Sir Kingsley Wood in the Parliamentary Debate of 1943 that reconversion costs will be allowed as a deduction in computing excess profits tax if the tax is repealed before these costs are incurred. 1/

1/ Sir Kingsley Wood, Parliamentary Debate, April 12, 1943, pp. 960-982. The British have no specific inventory reserve adjustment. Apparently they have made some provision, in the administration of their law, for deferred maintenance.

Under the proposal any unused balance in the reserve when the excess-profits tax act becomes inoperative may be applied against any inventory price decline in the following year, and if not used then is to be added to the income in the last year that the excess-profits tax act applied to the taxpayer.

In the British law losses and unused excess-profits credits arising in the period the excess-profits tax is in operation may be completely offset against taxable excess-profits. These deficiencies are first carried backward until excess-profits are exhausted and then forward, with an appropriate allowance for the increase in the rate of excess-profits tax in 1940 from 60 to 100 percent.

It will be observed that Canada has neither a carry-forward nor carry-back of unused excess-profits credits.

Another adjustment was suggested in the 1944 Budget Speech regarding wartime income. This was a suggested provision that half of the expenditures on maintenance and repairs incurred in a period to be fixed by order in council may be charged against income of a preceding taxable period, but to no year earlier than one ending in 1943.

The Canadian law also provides for a reasonable inventory reserve against future depreciation in inventory value. This reserve is allowed solely for purposes of determining excess-profits taxes. This reserve cannot provide for price decline below inventory prices at the end of taxable years ending in 1939, or August 1939, whichever date is earlier.

In this connection, the Minister of Finance stated: "We cannot shut our eyes to the fact that with the change from war to peace many firms may encounter temporary losses and under our present practice taxes paid over the whole period of war and readjustment may bear considerably higher rates to the full realized income than those prescribed in the law. I am particularly concerned lest for this reason, when the time comes to replace war industries with peace industries, business enterprises should be handicapped in making the necessary changes or should be hesitant rather than prompt in action..."

It is worthy of note that the emphasis in this new proposal is upon the correction of wartime income insofar as the one-year carry-back is concerned, while the three-year carry-forward is for the purpose of looking ahead and giving relief to peacetime industry.

Although the objectives of these refunds are proper, there may be a feeling after the war that such refunds constitute a special benefit to corporations which earned excessive profits during the war.

World War II Averaging Devices in Canada and Great Britain.

Since Canada and Great Britain have faced much the same wartime tax problems as we have, it may be helpful to examine their wartime methods of averaging. In Canada a carry-forward of one-year's loss has been allowed against income earned in taxable years ending in 1942 and 1943. In the Budget Speech of June 26, 1944 a somewhat different plan was suggested. For losses sustained in taxable years ending in 1944 and subsequently, a one year carry-back of loss is allowed under this plan and any unused balance of loss may be carried forward for three years.

How serious this problem is will depend on the working capital position of corporations. Recent data of the Securities and Exchange Commission indicate that, in the aggregate, working capital is the largest in corporate financial history. In addition, the Government has provided generous aid for reconversion financing in various cases. Nevertheless, where working capital is frozen in inventories or receivables, there may be specific instances of cash shortages which would be alleviated if the benefits of the carry-backs could be made available more promptly.

A general disadvantage of carry-backs is that they involve payments of refunds from the Treasury to taxpayers.

The carry-backs have been urged as a substantial measure for easing the readjustment and reconversion problem; there seems to be little or no evidence that they were designed for this purpose. The problem of readjustment from wartime to peacetime business is, to a considerable extent, a cash problem. Refunds payable by virtue of the carry-backs cannot be made under present law until the claim has been filed after the year in which the loss or unused credit arises. Yet the need for cash will be felt during the year of loss, not sometime later, and even while the loss is being suffered the corporation may have to borrow to pay its tax liabilities of the preceding year.

The carry-backs present another problem in that refunds may be made in circumstances where there can be no justification. Consider, for example, a corporation established solely to produce wartime goods and not reconverting to postwar peacetime business. Instead of being liquidated immediately after its war business is completed, the corporation can be kept alive and under present law would be entitled to a carry-back of its excess-profits credit against wartime income of the two previous years.

There may also be possibilities of manipulation in which losses or reduced incomes are made to appear in a year when a carry-back could be used to advantage.

A carry-back of excess-profits credit in such a case diminishes the amount of excess-profits tax, increases the amount of normal tax and surtax, and decreases the 10-percent postwar refund. The corporation would have its net tax increased by the amount of the cancellation of its 10-percent refund. However, if the carry-back is sufficiently large to bring the corporation out of the 80-percent limit, this anomalous effect rapidly disappears.

The failure of a corporation subject to the 80-percent limit to receive benefits from the carry-back of unused credit should be considered in the light of the benefit the 80-percent limit has already conferred. Such a corporation has received a reduction, often very substantial, in its wartime taxes by virtue of the limit.

The smaller the excess-profits tax and hence the 10-percent postwar refund, the larger the net tax after deducting the postwar refund.

It has been urged that corporations subject to the 80-percent rate limitation do not fare well under the unused credit carry-back. Under this carry-back a corporation subject to the 80-percent limit might have to pay more tax instead of receiving a refund, if, after applying the carry-back, it was still subject to the limit. This peculiar result arises because the 80-percent limit applies to total taxes prior to the deduction of the postwar refund of 10 percent of excess-profits taxes. In determining what portion of the 80-percent tax is the excess-profits tax, the normal tax and surtax are subtracted from the total gross tax and the balance is excess profits tax. The larger the excess-profits credit, the larger the normal tax and surtax, and the smaller the excess-profits tax.

Still another corporation with base period income of three and one-half million dollars would, if it had zero income in a year subject to the carry-backs, receive $18 million dollars, while another company with average prewar earnings of two and one-half million dollars would receive $5½ million. These cases, not necessarily the worst, indicate that the carry-backs under some circumstances may provide tax refunds from the Government of amounts far exceeding prewar average earnings, or even, in some cases, the best year of earnings in the base period.

The criticism of the carry-back of unused excess profits credit is less valid in the case of a credit corrected through Section 722 or even through the growth formula or the 75-percent rule, although these latter are mechanical methods which almost certainly overstate the really normal credit in numerous cases.

The objection is most valid in the case of the invested capital credit. Many concerns using this credit not only receive free from excess-profits tax much larger profits than they earned before the war, and perhaps ever received, but in effect will have their profit level artificially maintained by the carry-backs in the postwar years. For example, one firm with average base period earnings slightly over $50,000 before taxes would, if it had zero income, receive nearly a half million dollars of tax refunds. Two other corporations that have come under observation had no base period earnings and would receive between $800 and $900 thousand each in tax refunds if they earn no income in one year.

These adjustments of the credits may be entirely appropriate in arriving at income to be subjected to the excess-profits tax in time of war, especially in the light of the very high rates which apply to income designated as excess profits. Furthermore, if the income is brought below the level of the excess-profits credit because of deferred expenses or other war-caused reductions in income, it is no doubt proper to correct the wartime income through the carry-backs. But to the extent that earnings simply fall off in amount while remaining above their peacetime level there is room to question whether the corporation should receive a tax refund out of its wartime profits. Yet the development of a high credit far above the prewar experience of a company results in a carry-back against excess profits and a refund in such a case.

Only if the loss were unusually severe because of the war could a case be made for reducing wartime taxes on account of the loss. This generosity allowed by the carry-backs with respect to postwar losses extends also to postwar reductions of income below the excess-profits credit.

The carry-back of excess-profits credits is generous also in another respect. This generosity arises from the fact that an excess-profits credit may be substantially larger than the earnings of the corporation in the prewar period. This larger credit may result from the application of the growth formula, the 75-percent rule, the invested-capital credit, or relief under Section 722.

Any losses or reductions in income below the excess-profits credit bring the carry-backs into operation, yet the averaging of income earned during the war with normal or usual losses or declines in income sustained after the war violates the objectives of taxing war-induced excess-profits heavily.

The mere fact that a loss is incurred after the war is no evidence that it is necessarily a war-caused loss. Corporations in the aggregate have earned high net profits after taxes for five consecutive years, probably an unprecedented experience in corporate history. Interruptions of this high profit experience by a postwar loss would not necessarily indicate an unusual or war-caused event, but might merely reflect the regular course of economic developments.

The carry-backs may not carry out these purposes completely. To be effective, deferred costs or expenses must occur within two years after the receipt of wartime profits. There are, of course, some circumstances where taxes four years prior to or subsequent to the loss in question could be affected by the carry-backs. It is too soon to tell whether the period allowed will be too short or too long. Morever, to be completely effective, the carry-backs must remain in operation until the bulk of reconversion and readjustment has been completed, whether or not the excess-profits tax is repealed.

The carry-backs are crude in another respect. They are not a precision instrument which can separate out war-caused expenses and war-caused losses from usual and ordinary expenses.

In the absence of any provision these expenses and losses would be chargeable at a time when there might be no income and when tax rates, considering both the income tax and the excess-profits tax, might be much lower, although such costs and losses would be equitably a proper charge against the income of the war years.

More generally, the carry-backs achieve another appropriate purpose in that they provide an offset against wartime income of war-caused postwar losses or of war-caused postwar reductions in income below the excess-profits credit level. In those cases in which wartime production may be used to supply postwar needs or in which competing facilities may have been developed, losses or lower profits after the war may result directly from wartime production. It may be argued that such losses or reductions of income are proper charges against wartime profits.

This circumstance was taken care of in the Revenue Act of 1942 which provided a two-year carry-back of losses and of unused excess-profits credits to years beginning after December 31, 1940. This carry-back, however, was not limited specifically to war years and its effect in averaging wartime income over the period of the war was probably an incidental result rather than a basic purpose of the legislation.

The carry-backs were placed in the law, in lieu of specific reserves, at a time when efforts were being made to provide a satisfactory means of charging against wartime income such postponed wartime expenses as deferred maintenance, reconversion costs, and the like. Similarly, the carry-backs provide a means for charging inventory losses against the income of the war years.

World War II Experience in the United States

Our most recent and, for that reason, most interesting experiment with averaging devices is in the form of carry-overs and carry-backs of losses and unused excess-profits credits for determining the taxes of World War II. The carry-forward of losses, as I have just indicated, had been restored in 1939. In 1940 a two-year carry-over of unused excess-profits credits was provided. The effect of this carry-over was to assure that the corporation would derive full benefit from all of its excess-profits credits, if profits were low in an early year of the war and high thereafter. The corporation would, of course, lose a part of its credit if the early year were the high year and a later year of the war were the low year.

As this brief resume would indicate, there has been no experience in the Federal income tax with averaging of positive incomes of corporations as distinguished from the carryover and carryback of losses. When there are no exemptions and the tax is imposed at a flat rate in operation the effects of carryovers and carrybacks are nearly the equivalent of averaging.

This is not the case when rates are progressive. At the present time the effective rates of our corporation taxes are progressive up to corporate income levels of $50,000. Small corporations, accordingly, do not derive as much benefit from carryovers and carrybacks as they would from averaging positive as well as negative incomes, for an equivalent number of years. However, since small corporations in general show more fluctuation between years of loss and years of income they derive relatively more benefit from loss carryovers and carrybacks than do large corporations.

With respect to that year a claim could be filed for loss in the value of inventory whether or not the loss had been realized by disposal of the inventoried goods. However, in application, this adjustment probably did not provide very substantial relief since in general the price collapse which led to large losses did not occur until 1920 and 1921.

The Revenue Act of 1921 provided that a net business loss could be deducted from the net income of the succeeding two years. Similar provisions remained a part of the Federal income tax law until 1932, at which time the carry-over was limited to one year. It was eliminated entirely by the National Industrial Recovery Act in 1933 and not reintroduced until the Revenue Act of 1939.

The Federal income tax law has sought to lessen the higher tax on fluctuating income through the allowance of net loss carry-overs for most of the years since 1918. Such carry-overs were provided only for losses from a trade or business. The first adjustment of this kind was in the Revenue Act of 1918, which provided that if a net loss were suffered during taxable years beginning after October 31, 1918 and ending before January 1, 1920, it could be carried back against income in the preceding year, and any unused portion could then be carried forward against income of the following year. This adjustment probably was not of substantial importance because the year 1919 was generally a very good year.

Another significant type of adjustment was provided for the taxable year 1918.

The purpose of the provision was to relieve the hardships believed to exist when the compensation of writers, inventors, lawyers, and others is received in full upon completion of a long period of work. Averaging is optional with the taxpayer. Under the Revenue Act of 1942 the five-year period was reduced to 36 months and the 95-percent requirement was reduced to 80 percent.

This application of averaging is of interest because of its experimental character but is hardly of great significance for the field of income as a whole because of the narrow scope of the cases included.

The situation was further complicated by legal difficulties in imposing taxes under the averaging system after death or removal from the State. The 1931 legislature enacted legislation for gradual transition from averaging which was completed by 1934.

Federal Government Experience

A narrowly restricted averaging provision was introduced into the Federal income tax law in the Revenue Act of 1939. This averaging device was restricted to use where 95 percent of the compensation for personal services rendered over a period of five or more calendar years was postponed until the completion of the services. It was provided that in such cases the tax attributable to such compensation should not be greater than the total that would have been paid if the compensation had been received in equal portions over the years of service.

Wisconsin Experience

Averaging received a brief test in the United States when the Wisconsin State Legislature in 1927 changed the base of the income tax to a three-year moving average. The plan got off to a bad start because the effects of averaging were confused in the public mind with an increase in taxes attributable to the transformation of the personal exemption into a tax credit. The early onset of the depression resulted in a large proportion of taxpayers' being subject, in a period of little or no income, to relatively high tax liabilities based on average income. To the attendant hostility of the public was added the administrative difficulty of collecting large amounts of delinquent taxes.

Following the Royal Commission recommendation, averaging was abolished effective June 30, 1938 except for primary producers.

Moreover, it questioned the equity of the provision on the grounds that the average rate benefitted the taxpayer who was in better position to pay and penalized the taxpayer whose income had declined. It reported that all witnesses representing the Commonwealth and State Tax Departments "were emphatic and unanimous in advocating its total abolition, and none of them viewed with favor the proposal to retain it for the benefit of any class or classes of taxpayers." The State Tax Commissioners also made it clear that they were not prepared to recommend averaging for State purposes. The only witnesses who strongly favored continuance of averaging were those representing the primary producers. A decisive majority of witnesses representing other classes of taxpayers was of the opinion that averaging should be abolished. On the basis of this evidence the Commission recommended retention of averaging only for primary producers.

The Australian law sought to meet some of the problems of imposing a higher tax in a year when income is low by providing that where taxable income has been permanently reduced to an amount which is less than two-thirds of average income the tax shall be applied on the basis of this reduced income. 1/

After averaging was adopted provision was made in the Commonwealth law for carrying forward business losses against the profits of the four succeeding years. Some of the income taxes of the Australian States also had carryover provisions.

In the Third Report of the Royal Commission on Taxation, issued in 1934, the Commission called attention to the complications, special records, and errors which are involved in the averaging of income.

1/ Section 155, The Income Tax Assessment Act of 1936, p. 162. With minor differences the provision was contained in all acts from 1922 through 1934.

The British experience thus has been one of a long use of a three-year moving average, 1/ finally abandoned after a number of careful studies, and replaced by a loss carry-over together with a one year carry-back.

Australia

The Commonwealth of Australia, after revisions of the initital legislation, in 1923 applied an averaging procedure to all taxpayers excluding companies. The income of five years, including the most recent year, was averaged and this average amount used to determine the rate of tax, which was then applied to the actual income of the current year.

1/ In some instances under Schedule A, five-year and seven-year and even discretionary averages have been used. See Spaulding, The Income Tax in Great Britain and the United States, p. 213.

In 1920 the Royal Commission on the Income Tax found that public opinion was opposed to averaging and this fact, together with the anticipated simplification of administration which would result if averaging were eliminated, convinced the Commission that the income tax should be assessed on the preceding year's profits only. The effect of variation in incomes on taxpaying ability was, however, not overlooked, for it was recommended that for purposes of equity a five-year net loss carry-forward should be permitted. This change was made in the law in 1926 and is the basis upon which the British Income Tax is now imposed. Under the operation of this system a loss may be offset against the income of the prior year and any balance of loss not thus offset may be carried forward for a period of five years, thus spreading the loss over a possible seven years in all. To the extent that the loss is not completely offset against income in this period the portion of loss representing depreciation may be carried forward still further.

Various methods of avoiding this difficulty were tried from time to time. Some discriminated in favor of fluctuating income as against stable income. None seemed to be successful, and in 1870 the Commissioners of Inland Revenue stated that "we doubt whether any rule of change could be devised for such cases which would do justice both to the taxpayer and the revenue so long as the system of averaging is preserved." No action was taken at that time, however, to eliminate averaging.

When the problem was reconsidered in 1905 by the Departmental Committee on Income Tax, the inequity resulting in some years from an assessment's being larger than current income was again recognized. In view of the long existence of the averaging provision, however, it was recommended that unless public opinion disapproved, the averaging system should be retained.

Great Britain

Great Britain has had the longest experience with averaging. The first income tax, enacted in 1799, permitted the computation of the tax on the average business profits of the three years preceding the year of assessment and similar provisions were contained in all subsequent acts until 1926. In part at least, however, this averaging was not allowed for the purpose of avoiding excessive taxes on fluctuating income, but appears also to have been a device to assist in the estimation of current income and the prevention of tax evasion. A major difficulty encountered in averaging in Great Britain was that taxpayers were often subject to burdensome tax liability in years when they had relatively little income or no income at all.

On the other side, however, it is often urged that many of the most difficult technical problems in allocating income and expense items among years would be eliminated or made of minor importance if income were averaged.

Historical Experience with Averaging

In the light of the advantages of averaging one might well ask why we lack a full-fledged averaging system. If the test of the cooking is the eating, it may be useful to examine the use which has been, and is being, made of various averaging devices in the United States and abroad, to see how they have worked out in practice and thereby to throw light on the desirability of their more extensive use here in the future.

For example, it would take the edge off high rates which were especially designed to apply in periods of war or inflationary danger, and it likewise might partially neutralize the effects of low rates in periods of depression.

There are a number of serious compliance and administrative problems raised by averaging proposals, especially for the individual income tax. In the individual tax field the pay-as-you-go or current payment method and the simplification program rely heavily on the retention of a simple, definitive income period such as the annual income period. In the field of business income averaging involves additional checking and auditing, the holding open of statutes of limitation, and the problems of transition into and out of an averaging plan.

Consolidated returns offer a similar advantage of internal compensatory offsets. Averaging would also tend to remove the tax incentive to the timing of investment or income-producing activity in ways which do not necessarily represent desirable economic or business decisions.

The objections to averaging are largely fiscal and administrative. On the fiscal side it is urged that averaging would introduce greater uncertainty into budgetary planning and would raise policy problems in the timing of refunds or rebates and in making other adjustments of tax burdens. Revenue effects would be particularly important when there were wide swings in the national income. Moreover, averaging would have the effect of blunting fiscal weapons which were directed toward specific income years.

The averaging of income for tax purposes would have advantageous economic effects. It would remove tax pressures in favor of investing in stable lines of business and against investing in businesses with fluctuating incomes. In the absence of averaging, some misapplication of economic resources undoubtedly results between these types of businesses. Moreover, averaging would presumably tend to make risk investment relatively more attractive by reducing the risk of paying taxes out of capital and by permitting a greater offset of losses against income. This advantage of averaging over a period of time is somewhat similar to the advantages which large businesses enjoy over small businesses because they are in a position to average the losses of some lines against the losses of other lines.

On the other hand, it may be urged that annual income is in harmony with the general thinking of individual taxpayers who often gear current standards of consumption to the current year's income and who are not disposed to project their income computations over a long period of time. There is, moreover, some value in closing each year's income and taxing it as a complete episode, thus removing uncertainty about the effect of some future year's income on the current tax. These arguments against averaging are more pertinent in the case of individual taxpayers and nonbusiness income than they are in the case of business income; they are least pertinent in the case of the business corporation. The present discussion is primarily directed to the averaging of business income, although it must be remembered that some of the most serious injustices of strict adherence to the annual accounting period lie in the personal income field.

However, averaging should not be looked upon as a means of reducing taxes. If the same number of dollars is to be raised, the effect of averaging is to redistribute the burden among years and among taxpayers.

The advantages claimed for averaging are primarily in the fields of equity and economic effects. The basic argument in favor of averaging is that the assessment of substantially different amounts of tax against two taxpayers receiving the same aggregate income over a period of years is inequitable. Indeed, it is sometimes argued that a taxpayer with fluctuating income may have less ability to pay than a taxpayer with stable income, since irregularity of income may require greater liquidity and other unfavorable personal or business adjustments.

The higher tax imposed on fluctuating income, when the annual accounting year is followed strictly, may result from any one or a combination of factors, the most universal of which are the following: (1) Negative incomes, that is, losses, may not be offset against positive income; (2) exemptions may be wasted in years of loss or of low income; (3) progressive rates may throw fluctuating incomes into higher brackets. While it is possible to devise averaging methods which would eliminate completely the higher tax on fluctuating incomes, most of the commonly suggested plans would not go that far. The general run of proposals would reduce rather than remove entirely the tax differential between variable and stable incomes.

For a given schedule of rates and a given definition of income, the effect of averaging is in part to change the timing of tax payment and in part to reduce the tax liability.

Averaging devices, as thus defined, embrace various forms, including a fixed period average of, for example, five years, a moving average, and the determination of the rate of tax by the average amount of income. Averaging devices also include methods other than actual averaging. Among these are flexible depreciation and inventory accounting devices. The most important, however, undoubtedly are the carryforward and carryback of losses and, with respect to the excess profits tax, of unused excess profits credits.

Pros and Cons of Averaging

One reason for averaging is that it compensates for, or reduces, the importance of errors in allocating income or expense items among different years. More important, however, averaging plays a useful part in equalizing the tax burdens on fluctuating and stable incomes of the same average or aggregate size.

Taxes must be computed on the basis of formal and uniform accounting procedures; otherwise the determination of income would involve a larger element of personal and administrative judgment than either the Government or the American taxpayer would be willing to accept.

Averaging Methods

There have been two approaches to the problem of the annual income period. One has been the development of accounting procedures to take into consideration events of past or future years, in computing the income for a specific year. Depreciation reserves, deferred expenses, and the last-in first-out method of computing inventory are examples. The second approach to the problem has been to cut across the boundary line between years in such a way that the tax imposed on the income of one year is affected by the income or loss of other years.

The length of our year is an astronomical accident. Yearly income represents an aggregation of 365 daily incomes, 52 weekly incomes, and so forth. The year is a convenient, but not a sacred, period. Tax accounting periods as short as one week and as long as two or three generations are conceivable and, in fact, have been suggested.

Although taxation is only one of several areas where the defects of the annual income period are patent, it is perhaps the most important. In preparing income statements for most purposes, relevant facts and expectations outside or beyond the formal accounting figures can be recognized when action is to be taken or decisions are to be made. Moreover, reserves can be set up in the accounts to give a degree of formality to these facts and expectations. In the case of taxation, however, such adjustments are not feasible.

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THE AVERAGING OF INCOME FOR TAX PURPOSES

Averaging and the Annual Accounting Period

The fact that the earth's axis is not perpendicular to the plane of its orbit around the sun is responsible for many things in this world. Among these, perhaps one of the least, is the problem of averaging annual incomes for tax purposes.

In addressing the leaders of the accounting profession, I need not dwell on the implications, peculiarities, and limitations of the one-year accounting period which taxation inherited from the established practice of business and accounting.

The purpose of averaging devices is to get away from the segmentation of income into pieces one year in length or, in other words, to lengthen the accounting period for tax purposes. There is nothing very radical about this idea.

One or two would introduce averaging for some or all types of income, notably for capital gains.

This interest in the averaging problem is significant, because in the many tax revisions and great amount of tax study that have been carried on in the United States over the years, relatively little time and thought have been devoted to methods of overcoming the disadvantages for tax purposes of the annual fiscal year. Yet the potential importance of such methods in terms of equity and sound economic effects is so great that much more attention to them is justified for the future than has been given to them in the past. It may well be that a good averaging device applying over an adequate period of years would be worth quite a few percentage points in the tax rate scale in furthering the realization of our tax and economic objectives in the postwar world.

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As you no doubt have learned, the Congressional Joint Committee on Internal Revenue Taxation instructed its staff and requested the Treasury staff to work together as a unit on the problem of tax adjustments for the transition and postwar periods. The studies being carried on have not yet reached the point of a report to the Joint Committee. So it would be inappropriate for me to go into the part which averaging devices might play in a postwar tax program. The matter is being given careful study along with other aspects of the postwar tax problem, and any suggestions which any of you may care to make on this question or any other involved in the study will be most welcome and carefully considered.

Suggestions have already been made by a number of groups. Several plans provide long periods of carry-over of losses.

If an averaging device such as the carry-over is to serve its functions of increasing tax equity and encouraging business investment and expansion, it must be adopted as firm policy to be retained in good times and bad. It would be worse to adopt a long carry-over, or other longer-term averaging device, and thereafter to abandon it when loss periods were experienced than to delay lengthening the period until there was a general understanding and resolution to retain the device as a continuing element in the tax system.

I am sure you would like for me to tell you what is going to happen to the wartime carry-backs and to averaging devices for the postwar tax revisions. I would like to tell you. I wish I knew. But tax revision is a matter for Congressional action.

Fluctuations of business incomes are sometimes classified roughly into the seasonal and the cyclical. To these are added the life cycle of the business unit. The annual income period averages out the seasonal fluctuations. Few who favor averaging devices would cover the whole life period of the business firm although, unhappily, for many businesses no long period would be involved. Cyclical movements are of various lengths. The two year carry-over of the prewar Federal law would be sufficient for the shorter cycles, but is too short for the longer and more important cycles and, accordingly, too short to meet a substantial part of the problem.

The new business cannot benefit from the carry-back, but would be benefitted by a longer carry-over especially in view of the tendency of businesses to suffer losses in the early years. The dying or liquidating business cannot use the carry-over but would be benefitted by the carry-back. For other businesses it is hard to forecast whether the carry-over or the carry-back confers the greater benefit. However, the carry-over has the merit of permitting the closing of tax years without delay and of minimizing manipulation to secure the maximum benefit and avoid taxes. Under carry-overs, carry-backs, and actual averaging, the problems of predecessor and successor corporations and corporate acquisitions to reduce tax are present and must be met, even though arbitrarily.

The period for spreading losses in Great Britain is seven years including in addition to the year of loss, a one-year carry-back and a five-year carry-over. In the Commonwealth of Australia losses are spread over five years by means of a four-year carry-over. The recently proposed spread in the Dominion of Canada would be temporarily five years including a one-year carry-back and a three-year carry-over. Under the two-year carry-back and two-year carry-over in the United States the spread is likewise five years; it may be even longer under certain circumstances.

In peacetime, countries other than our own have limited the carry-back to one year, if they allowed it at all, and the misgivings about our own carry-backs are such as to raise a question as to their desirability for peacetime use.

These experiences present a practical obstacle to the friends of averaging but have not dismayed them. New methods of averaging have been developed that meet some of the objections to the moving average, and other improvements can no doubt be made. Nevertheless, the administration and compliance problems of even the most promising methods of averaging remain a major impediment, especially with respect to the individual income tax, which is unfortunate since under the individual income tax the progressive rate scale and relative unimportance of losses make such partial devices as the loss carry-over largely ineffective.

For business income the spreading of losses through carrying of losses from years of loss to years of gain is the averaging device that has been preferred in these countries.

Conclusion

This survey of the use of averaging and averaging devices is too limited to justify definitive conclusions, but a few observations may not be out of order. Although of all averaging devices, out right averaging provides the most complete equalization of tax load between fluctuating and stable incomes, it has lost rather than gained ground in the English-speaking countries whose tax systems have been examined. After very long use and several reappraisals it was abandoned in Great Britain. After a shorter trial its use was minimized in Australia. It has not been adopted in Canada. The Wisconsin experiment could hardly have been more ill-timed, as matters turned out, and may not indicate what would have been the result of a longer trial under more auspicious circumstances.

These carry-backs and carry-forwards do not extend beyond the period during which the excess-profits tax law is in operation. However, it was stated by Sir Kingsley Wood in the Parliamentary Debate of 1943 that reconversion costs will be allowed as a deduction in computing excess profits tax if the tax is repealed before these costs are incurred. 1/

1/ Sir Kingsley Wood, Parliamentary Debate, April 12, 1943, pp. 960-982. The British have no specific inventory reserve adjustment. Apparently they have made some provision, in the administration of their law, for deferred maintenance.

Under the proposal any unused balance in the reserve when the excess-profits tax act becomes inoperative may be applied against any inventory price decline in the following year, and if not used then is to be added to the income in the last year that the excess-profits tax act applied to the taxpayer.

In the British law losses and unused excess-profits credits arising in the period the excess-profits tax is in operation may be completely offset against taxable excess-profits. These deficiencies are first carried backward until excess-profits are exhausted and then forward, with an appropriate allowance for the increase in the rate of excess-profits tax in 1940 from 60 to 100 percent.

It will be observed that Canada has neither a carry-forward nor carry-back of unused excess-profits credits.

Another adjustment was suggested in the 1944 Budget Speech regarding wartime income. This was a suggested provision that half of the expenditures on maintenance and repairs incurred in a period to be fixed by order in council may be charged against income of a preceding taxable period, but to no year earlier than one ending in 1943.

The Canadian law also provides for a reasonable inventory reserve against future depreciation in inventory value. This reserve is allowed solely for purposes of determining excess-profits taxes. This reserve cannot provide for price decline below inventory prices at the end of taxable years ending in 1939, or August 1939, whichever date is earlier.

In this connection, the Minister of Finance stated: "We cannot shut our eyes to the fact that with the change from war to peace many firms may encounter temporary losses and under our present practice taxes paid over the whole period of war and readjustment may bear considerably higher rates to the full realized income than those prescribed in the law. I am particularly concerned lest for this reason, when the time comes to replace war industries with peace industries, business enterprises should be handicapped in making the necessary changes or should be hesitant rather than prompt in action..."

It is worthy of note that the emphasis in this new proposal is upon the correction of wartime income insofar as the one-year carry-back is concerned, while the three-year carry-forward is for the purpose of looking ahead and giving relief to peacetime industry.

Although the objectives of these refunds are proper, there may be a feeling after the war that such refunds constitute a special benefit to corporations which earned excessive profits during the war.

World War II Averaging Devices in Canada and Great Britain.

Since Canada and Great Britain have faced much the same wartime tax problems as we have, it may be helpful to examine their wartime methods of averaging. In Canada a carry-forward of one-year's loss has been allowed against income earned in taxable years ending in 1942 and 1943. In the Budget Speech of June 26, 1944 a somewhat different plan was suggested. For losses sustained in taxable years ending in 1944 and subsequently, a one year carry-back of loss is allowed under this plan and any unused balance of loss may be carried forward for three years.

How serious this problem is will depend on the working capital position of corporations. Recent data of the Securities and Exchange Commission indicate that, in the aggregate, working capital is the largest in corporate financial history. In addition, the Government has provided generous aid for reconversion financing in various cases. Nevertheless, where working capital is frozen in inventories or receivables, there may be specific instances of cash shortages which would be alleviated if the benefits of the carry-backs could be made available more promptly.

A general disadvantage of carry-backs is that they involve payments of refunds from the Treasury to taxpayers.

The carry-backs have been urged as a substantial measure for easing the readjustment and reconversion problem; there seems to be little or no evidence that they were designed for this purpose. The problem of readjustment from wartime to peacetime business is, to a considerable extent, a cash problem. Refunds payable by virtue of the carry-backs cannot be made under present law until the claim has been filed after the year in which the loss or unused credit arises. Yet the need for cash will be felt during the year of loss, not sometime later, and even while the loss is being suffered the corporation may have to borrow to pay its tax liabilities of the preceding year.

The carry-backs present another problem in that refunds may be made in circumstances where there can be no justification. Consider, for example, a corporation established solely to produce wartime goods and not reconverting to postwar peacetime business. Instead of being liquidated immediately after its war business is completed, the corporation can be kept alive and under present law would be entitled to a carry-back of its excess-profits credit against wartime income of the two previous years.

There may also be possibilities of manipulation in which losses or reduced incomes are made to appear in a year when a carry-back could be used to advantage.

A carry-back of excess-profits credit in such a case diminishes the amount of excess-profits tax, increases the amount of normal tax and surtax, and decreases the 10-percent postwar refund. The corporation would have its net tax increased by the amount of the cancellation of its 10-percent refund. However, if the carry-back is sufficiently large to bring the corporation out of the 80-percent limit, this anomalous effect rapidly disappears.

The failure of a corporation subject to the 80-percent limit to receive benefits from the carry-back of unused credit should be considered in the light of the benefit the 80-percent limit has already conferred. Such a corporation has received a reduction, often very substantial, in its wartime taxes by virtue of the limit.

The smaller the excess-profits tax and hence the 10-percent postwar refund, the larger the net tax after deducting the postwar refund.

It has been urged that corporations subject to the 80-percent rate limitation do not fare well under the unused credit carry-back. Under this carry-back a corporation subject to the 80-percent limit might have to pay more tax instead of receiving a refund, if, after applying the carry-back, it was still subject to the limit. This peculiar result arises because the 80-percent limit applies to total taxes prior to the deduction of the postwar refund of 10 percent of excess-profits taxes. In determining what portion of the 80-percent tax is the excess-profits tax, the normal tax and surtax are subtracted from the total gross tax and the balance is excess profits tax. The larger the excess-profits credit, the larger the normal tax and surtax, and the smaller the excess-profits tax.

Still another corporation with base period income of three and one-half million dollars would, if it had zero income in a year subject to the carry-backs, receive $18 million dollars, while another company with average prewar earnings of two and one-half million dollars would receive $5½ million. These cases, not necessarily the worst, indicate that the carry-backs under some circumstances may provide tax refunds from the Government of amounts far exceeding prewar average earnings, or even, in some cases, the best year of earnings in the base period.

The criticism of the carry-back of unused excess profits credit is less valid in the case of a credit corrected through Section 722 or even through the growth formula or the 75-percent rule, although these latter are mechanical methods which almost certainly overstate the really normal credit in numerous cases.

The objection is most valid in the case of the invested capital credit. Many concerns using this credit not only receive free from excess-profits tax much larger profits than they earned before the war, and perhaps ever received, but in effect will have their profit level artificially maintained by the carry-backs in the postwar years. For example, one firm with average base period earnings slightly over $50,000 before taxes would, if it had zero income, receive nearly a half million dollars of tax refunds. Two other corporations that have come under observation had no base period earnings and would receive between $800 and $900 thousand each in tax refunds if they earn no income in one year.

These adjustments of the credits may be entirely appropriate in arriving at income to be subjected to the excess-profits tax in time of war, especially in the light of the very high rates which apply to income designated as excess profits. Furthermore, if the income is brought below the level of the excess-profits credit because of deferred expenses or other war-caused reductions in income, it is no doubt proper to correct the wartime income through the carry-backs. But to the extent that earnings simply fall off in amount while remaining above their peacetime level there is room to question whether the corporation should receive a tax refund out of its wartime profits. Yet the development of a high credit far above the prewar experience of a company results in a carry-back against excess profits and a refund in such a case.

Only if the loss were unusually severe because of the war could a case be made for reducing wartime taxes on account of the loss. This generosity allowed by the carry-backs with respect to postwar losses extends also to postwar reductions of income below the excess-profits credit.

The carry-back of excess-profits credits is generous also in another respect. This generosity arises from the fact that an excess-profits credit may be substantially larger than the earnings of the corporation in the prewar period. This larger credit may result from the application of the growth formula, the 75-percent rule, the invested-capital credit, or relief under Section 722.

Any losses or reductions in income below the excess-profits credit bring the carry-backs into operation, yet the averaging of income earned during the war with normal or usual losses or declines in income sustained after the war violates the objectives of taxing war-induced excess-profits heavily.

The mere fact that a loss is incurred after the war is no evidence that it is necessarily a war-caused loss. Corporations in the aggregate have earned high net profits after taxes for five consecutive years, probably an unprecedented experience in corporate history. Interruptions of this high profit experience by a postwar loss would not necessarily indicate an unusual or war-caused event, but might merely reflect the regular course of economic developments.

The carry-backs may not carry out these purposes completely. To be effective, deferred costs or expenses must occur within two years after the receipt of wartime profits. There are, of course, some circumstances where taxes four years prior to or subsequent to the loss in question could be affected by the carry-backs. It is too soon to tell whether the period allowed will be too short or too long. Morever, to be completely effective, the carry-backs must remain in operation until the bulk of reconversion and readjustment has been completed, whether or not the excess-profits tax is repealed.

The carry-backs are crude in another respect. They are not a precision instrument which can separate out war-caused expenses and war-caused losses from usual and ordinary expenses.

In the absence of any provision these expenses and losses would be chargeable at a time when there might be no income and when tax rates, considering both the income tax and the excess-profits tax, might be much lower, although such costs and losses would be equitably a proper charge against the income of the war years.

More generally, the carry-backs achieve another appropriate purpose in that they provide an offset against wartime income of war-caused postwar losses or of war-caused postwar reductions in income below the excess-profits credit level. In those cases in which wartime production may be used to supply postwar needs or in which competing facilities may have been developed, losses or lower profits after the war may result directly from wartime production. It may be argued that such losses or reductions of income are proper charges against wartime profits.

This circumstance was taken care of in the Revenue Act of 1942 which provided a two-year carry-back of losses and of unused excess-profits credits to years beginning after December 31, 1940. This carry-back, however, was not limited specifically to war years and its effect in averaging wartime income over the period of the war was probably an incidental result rather than a basic purpose of the legislation.

The carry-backs were placed in the law, in lieu of specific reserves, at a time when efforts were being made to provide a satisfactory means of charging against wartime income such postponed wartime expenses as deferred maintenance, reconversion costs, and the like. Similarly, the carry-backs provide a means for charging inventory losses against the income of the war years.

World War II Experience in the United States

Our most recent and, for that reason, most interesting experiment with averaging devices is in the form of carry-overs and carry-backs of losses and unused excess-profits credits for determining the taxes of World War II. The carry-forward of losses, as I have just indicated, had been restored in 1939. In 1940 a two-year carry-over of unused excess-profits credits was provided. The effect of this carry-over was to assure that the corporation would derive full benefit from all of its excess-profits credits, if profits were low in an early year of the war and high thereafter. The corporation would, of course, lose a part of its credit if the early year were the high year and a later year of the war were the low year.

As this brief resume would indicate, there has been no experience in the Federal income tax with averaging of positive incomes of corporations as distinguished from the carryover and carryback of losses. When there are no exemptions and the tax is imposed at a flat rate in operation the effects of carryovers and carrybacks are nearly the equivalent of averaging.

This is not the case when rates are progressive. At the present time the effective rates of our corporation taxes are progressive up to corporate income levels of $50,000. Small corporations, accordingly, do not derive as much benefit from carryovers and carrybacks as they would from averaging positive as well as negative incomes, for an equivalent number of years. However, since small corporations in general show more fluctuation between years of loss and years of income they derive relatively more benefit from loss carryovers and carrybacks than do large corporations.

With respect to that year a claim could be filed for loss in the value of inventory whether or not the loss had been realized by disposal of the inventoried goods. However, in application, this adjustment probably did not provide very substantial relief since in general the price collapse which led to large losses did not occur until 1920 and 1921.

The Revenue Act of 1921 provided that a net business loss could be deducted from the net income of the succeeding two years. Similar provisions remained a part of the Federal income tax law until 1932, at which time the carry-over was limited to one year. It was eliminated entirely by the National Industrial Recovery Act in 1933 and not reintroduced until the Revenue Act of 1939.

The Federal income tax law has sought to lessen the higher tax on fluctuating income through the allowance of net loss carry-overs for most of the years since 1918. Such carry-overs were provided only for losses from a trade or business. The first adjustment of this kind was in the Revenue Act of 1918, which provided that if a net loss were suffered during taxable years beginning after October 31, 1918 and ending before January 1, 1920, it could be carried back against income in the preceding year, and any unused portion could then be carried forward against income of the following year. This adjustment probably was not of substantial importance because the year 1919 was generally a very good year.

Another significant type of adjustment was provided for the taxable year 1918.

The purpose of the provision was to relieve the hardships believed to exist when the compensation of writers, inventors, lawyers, and others is received in full upon completion of a long period of work. Averaging is optional with the taxpayer. Under the Revenue Act of 1942 the five-year period was reduced to 36 months and the 95-percent requirement was reduced to 80 percent.

This application of averaging is of interest because of its experimental character but is hardly of great significance for the field of income as a whole because of the narrow scope of the cases included.

The situation was further complicated by legal difficulties in imposing taxes under the averaging system after death or removal from the State. The 1931 legislature enacted legislation for gradual transition from averaging which was completed by 1934.

Federal Government Experience

A narrowly restricted averaging provision was introduced into the Federal income tax law in the Revenue Act of 1939. This averaging device was restricted to use where 95 percent of the compensation for personal services rendered over a period of five or more calendar years was postponed until the completion of the services. It was provided that in such cases the tax attributable to such compensation should not be greater than the total that would have been paid if the compensation had been received in equal portions over the years of service.

Wisconsin Experience

Averaging received a brief test in the United States when the Wisconsin State Legislature in 1927 changed the base of the income tax to a three-year moving average. The plan got off to a bad start because the effects of averaging were confused in the public mind with an increase in taxes attributable to the transformation of the personal exemption into a tax credit. The early onset of the depression resulted in a large proportion of taxpayers' being subject, in a period of little or no income, to relatively high tax liabilities based on average income. To the attendant hostility of the public was added the administrative difficulty of collecting large amounts of delinquent taxes.

Following the Royal Commission recommendation, averaging was abolished effective June 30, 1938 except for primary producers.

Moreover, it questioned the equity of the provision on the grounds that the average rate benefitted the taxpayer who was in better position to pay and penalized the taxpayer whose income had declined. It reported that all witnesses representing the Commonwealth and State Tax Departments "were emphatic and unanimous in advocating its total abolition, and none of them viewed with favor the proposal to retain it for the benefit of any class or classes of taxpayers." The State Tax Commissioners also made it clear that they were not prepared to recommend averaging for State purposes. The only witnesses who strongly favored continuance of averaging were those representing the primary producers. A decisive majority of witnesses representing other classes of taxpayers was of the opinion that averaging should be abolished. On the basis of this evidence the Commission recommended retention of averaging only for primary producers.

The Australian law sought to meet some of the problems of imposing a higher tax in a year when income is low by providing that where taxable income has been permanently reduced to an amount which is less than two-thirds of average income the tax shall be applied on the basis of this reduced income. 1/

After averaging was adopted provision was made in the Commonwealth law for carrying forward business losses against the profits of the four succeeding years. Some of the income taxes of the Australian States also had carryover provisions.

In the Third Report of the Royal Commission on Taxation, issued in 1934, the Commission called attention to the complications, special records, and errors which are involved in the averaging of income.

1/ Section 155, The Income Tax Assessment Act of 1936, p. 162. With minor differences the provision was contained in all acts from 1922 through 1934.

The British experience thus has been one of a long use of a three-year moving average, 1/ finally abandoned after a number of careful studies, and replaced by a loss carry-over together with a one year carry-back.

Australia

The Commonwealth of Australia, after revisions of the initial legislation, in 1923 applied an averaging procedure to all taxpayers excluding companies. The income of five years, including the most recent year, was averaged and this average amount used to determine the rate of tax, which was then applied to the actual income of the current year.

1/ In some instances under Schedule A, five-year and seven-year and even discretionary averages have been used. See Spaulding, The Income Tax in Great Britain and the United States, p. 213.

In 1920 the Royal Commission on the Income Tax found that public opinion was opposed to averaging and this fact, together with the anticipated simplification of administration which would result if averaging were eliminated, convinced the Commission that the income tax should be assessed on the preceding year's profits only. The effect of variation in incomes on taxpaying ability was, however, not overlooked, for it was recommended that for purposes of equity a five-year net loss carry-forward should be permitted. This change was made in the law in 1926 and is the basis upon which the British Income Tax is now imposed. Under the operation of this system a loss may be offset against the income of the prior year and any balance of loss not thus offset may be carried forward for a period of five years, thus spreading the loss over a possible seven years in all. To the extent that the loss is not completely offset against income in this period the portion of loss representing depreciation may be carried forward still further.

Various methods of avoiding this difficulty were tried from time to time. Some discriminated in favor of fluctuating income as against stable income. None seemed to be successful, and in 1870 the Commissioners of Inland Revenue stated that "we doubt whether any rule of change could be devised for such cases which would do justice both to the taxpayer and the revenue so long as the system of averaging is preserved." No action was taken at that time, however, to eliminate averaging.

When the problem was reconsidered in 1905 by the Departmental Committee on Income Tax, the inequity resulting in some years from an assessment's being larger than current income was again recognized. In view of the long existence of the averaging provision, however, it was recommended that unless public opinion disapproved, the averaging system should be retained.

Great Britain

Great Britain has had the longest experience with averaging. The first income tax, enacted in 1799, permitted the computation of the tax on the average business profits of the three years preceding the year of assessment and similar provisions were contained in all subsequent acts until 1926. In part at least, however, this averaging was not allowed for the purpose of avoiding excessive taxes on fluctuating income, but appears also to have been a device to assist in the estimation of current income and the prevention of tax evasion. A major difficulty encountered in averaging in Great Britain was that taxpayers were often subject to burdensome tax liability in years when they had relatively little income or no income at all.

On the other side, however, it is often urged that many of the most difficult technical problems in allocating income and expense items among years would be eliminated or made of minor importance if income were averaged.

Historical Experience with Averaging

In the light of the advantages of averaging one might well ask why we lack a full-fledged averaging system. If the test of the cooking is the eating, it may be useful to examine the use which has been, and is being, made of various averaging devices in the United States and abroad, to see how they have worked out in practice and thereby to throw light on the desirability of their more extensive use here in the future.

For example, it would take the edge off high rates which were especially designed to apply in periods of war or inflationary danger, and it likewise might partially neutralize the effects of low rates in periods of depression.

There are a number of serious compliance and administrative problems raised by averaging proposals, especially for the individual income tax. In the individual tax field the pay-as-you-go or current payment method and the simplification program rely heavily on the retention of a simple, definitive income period such as the annual income period. In the field of business income averaging involves additional checking and auditing, the holding open of statutes of limitation, and the problems of transition into and out of an averaging plan.

Consolidated returns offer a similar advantage of internal compensatory offsets. Averaging would also tend to remove the tax incentive to the timing of investment or income-producing activity in ways which do not necessarily represent desirable economic or business decisions.

The objections to averaging are largely fiscal and administrative. On the fiscal side it is urged that averaging would introduce greater uncertainty into budgetary planning and would raise policy problems in the timing of refunds or rebates and in making other adjustments of tax burdens. Revenue effects would be particularly important when there were wide swings in the national income. Moreover, averaging would have the effect of blunting fiscal weapons which were directed toward specific income years.

The averaging of income for tax purposes would have advantageous economic effects. It would remove tax pressures in favor of investing in stable lines of business and against investing in businesses with fluctuating incomes. In the absence of averaging, some misapplication of economic resources undoubtedly results between these types of businesses. Moreover, averaging would presumably tend to make risk investment relatively more attractive by reducing the risk of paying taxes out of capital and by permitting a greater offset of losses against income. This advantage of averaging over a period of time is somewhat similar to the advantages which large businesses enjoy over small businesses because they are in a position to average the losses of some lines against the losses of other lines.

On the other hand, it may be urged that annual income is in harmony with the general thinking of individual taxpayers who often gear current standards of consumption to the current year's income and who are not disposed to project their income computations over a long period of time. There is, moreover, some value in closing each year's income and taxing it as a complete episode, thus removing uncertainty about the effect of some future year's income on the current tax. These arguments against averaging are more pertinent in the case of individual taxpayers and nonbusiness income than they are in the case of business income; they are least pertinent in the case of the business corporation. The present discussion is primarily directed to the averaging of business income, although it must be remembered that some of the most serious injustices of strict adherence to the annual accounting period lie in the personal income field.

However, averaging should not be looked upon as a means of reducing taxes. If the same number of dollars is to be raised, the effect of averaging is to redistribute the burden among years and among taxpayers.

The advantages claimed for averaging are primarily in the fields of equity and economic effects. The basic argument in favor of averaging is that the assessment of substantially different amounts of tax against two taxpayers receiving the same aggregate income over a period of years is inequitable. Indeed, it is sometimes argued that a taxpayer with fluctuating income may have less ability to pay than a taxpayer with stable income, since irregularity of income may require greater liquidity and other unfavorable personal or business adjustments.

The higher tax imposed on fluctuating income, when the annual accounting year is followed strictly, may result from any one or a combination of factors, the most universal of which are the following: (1) Negative incomes, that is, losses, may not be offset against positive income; (2) exemptions may be wasted in years of loss or of low income; (3) progressive rates may throw fluctuating incomes into higher brackets. While it is possible to devise averaging methods which would eliminate completely the higher tax on fluctuating incomes, most of the commonly suggested plans would not go that far. The general run of proposals would reduce rather than remove entirely the tax differential between variable and stable incomes.

For a given schedule of rates and a given definition of income, the effect of averaging is in part to change the timing of tax payment and in part to reduce the tax liability.

Averaging devices, as thus defined, embrace various forms, including a fixed period average of, for example, five years, a moving average, and the determination of the rate of tax by the average amount of income. Averaging devices also include methods other than actual averaging. Among these are flexible depreciation and inventory accounting devices. The most important, however, undoubtedly are the carryforward and carryback of losses and, with respect to the excess profits tax, of unused excess profits credits.

Pros and Cons of Averaging

One reason for averaging is that it compensates for, or reduces, the importance of errors in allocating income or expense items among different years. More important, however, averaging plays a useful part in equalizing the tax burdens on fluctuating and stable incomes of the same average or aggregate size.

Taxes must be computed on the basis of formal and uniform accounting procedures; otherwise the determination of income would involve a larger element of personal and administrative judgment than either the Government or the American taxpayer would be willing to accept.

Averaging Methods

There have been two approaches to the problem of the annual income period. One has been the development of accounting procedures to take into consideration events of past or future years, in computing the income for a specific year. Depreciation reserves, deferred expenses, and the last-in first-out method of computing inventory are examples. The second approach to the problem has been to cut across the boundary line between years in such a way that the tax imposed on the income of one year is affected by the income or loss of other years.

The length of our year is an astronomical accident. Yearly income represents an aggregation of 365 daily incomes, 52 weekly incomes, and so forth. The year is a convenient, but not a sacred, period. Tax accounting periods as short as one week and as long as two or three generations are conceivable and, in fact, have been suggested.

Although taxation is only one of several areas where the defects of the annual income period are patent, it is perhaps the most important. In preparing income statements for most purposes, relevant facts and expectations outside or beyond the formal accounting figures can be recognized when action is to be taken or decisions are to be made. Moreover, reserves can be set up in the accounts to give a degree of formality to these facts and expectations. In the case of taxation, however, such adjustments are not feasible.

THE AVERAGING OF INCOME FOR TAX PURPOSES

Averaging and the Annual Accounting Period

The fact that the earth's axis is not perpendicular to the plane of its orbit around the sun is responsible for many things in this world. Among these, perhaps one of the least, is the problem of averaging annual incomes for tax purposes.

In addressing the leaders of the accounting profession, I need not dwell on the implications, peculiarities, and limitations of the one-year accounting period which taxation inherited from the established practice of business and accounting.

The purpose of averaging devices is to get away from the segmentation of income into pieces one year in length or, in other words, to lengthen the accounting period for tax purposes. There is nothing very radical about this idea.

One or two would introduce averaging for some or all types of income, notably for capital gains.

This interest in the averaging problem is significant, because in the many tax revisions and great amount of tax study that have been carried on in the United States over the years, relatively little time and thought have been devoted to methods of overcoming the disadvantages for tax purposes of the annual fiscal year. Yet the ~~significance~~ potential importance of such methods ~~as a matter~~ in terms of equity and sound economic effects is so great that ~~greater~~ much more attention to them is justified for the future than ~~for~~ has been given to the past. It may well be that a good averaging device applying over an adequate period of years would be worth quite a few percentage points in the tax rate scale in furthering the realization of our tax and economic objectives in the postwar world.

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As you no doubt have learned, the Congressional Joint Committee on Internal Revenue Taxation instructed its staff and requested the Treasury staff to work together as a unit on the problem of tax adjustments for the transition and postwar periods. The studies being carried on have not yet reached the point of a report to the Joint Committee. So it would be inappropriate for me to go into the part which averaging devices might play in a postwar tax program. The matter is being given careful study along with other aspects of the postwar tax problem, and any suggestions which any of you may care to make on this question or any other involved in the study will be most welcome and carefully considered.

Suggestions have already been made by a number of ~~outside~~ groups. Several ~~A number of these~~ plans provide long periods of carry-over of losses.

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Suggestions have already been made by a number of groups. Several plans provide long periods of carry-over of losses.

If an averaging device such as the carry-over is to serve its functions of increasing tax equity and encouraging business investment and expansion, it must be adopted as firm policy, to be retained in good times and bad. It would be worse to adopt a long carry-over, or other longer-term averaging device, and thereafter to abandon it when loss periods were experienced than to delay lengthening the period until there was a general understanding and resolution to retain the device as a continuing element in the tax system.

I am sure you would like for me to tell you what is going to happen to the wartime carry-backs and to averaging devices for the postwar tax revisions. I would like to tell you. I wish I knew. But tax revision is a matter for Congressional action.

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Fluctuations of business incomes are sometimes classified roughly into the seasonal and the cyclical. To these are added the life cycle of the business unit. The annual income period averages out the seasonal fluctuations. Few who favor averaging devices would cover the whole life period of the business firm, although, unhappily, for many businesses no long period would be involved. Cyclical movements are of various lengths. The two year carry-over of the prewar Federal law would be sufficient for the shorter cycles, but is too short for the longer and more important cycles and, accordingly, too short to meet a substantial ~~segment~~ part of the problem.

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The new business cannot benefit from the carryback, but would be benefitted by a longer carryover especially in view of the tendency of businesses to suffer losses in the early years. The dying or liquidating business cannot use the carryover but would be benefitted by the carryback. For other businesses it is hard to forecast whether the carryover or the carryback confers the greater benefit. However, the carryover has the merit of permitting the closing of tax years without delay and of minimizing manipulation to secure the maximum benefit and avoid taxes. ~~In~~ Under carryovers, carrybacks, and actual averaging, ~~itself~~ the problems of predecessor and successor corporations and corporate acquisitions to reduce tax are present and must be met, even though arbitrarily.

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The spread period for in losses Great Britain is ~~over a~~ seven-year ~~period,~~ including in addition to the year of loss, a one-year carryback and a five-year carryover. In the Commonwealth of Australia losses are spread over five years by means of a four-year carryover. The recently proposed spread in the Dominion of Canada would be temporarily five years including a one-year carryback and a three-year carryover. ~~The spread~~ In the United States the spread is likewise five years, it may be ~~and~~ even longer under certain circumstances, ~~including~~ under the ~~a~~ two-year carryback and ~~a~~ two-year carryover.

In peacetime, countries other than our own have limited the carryback to one year, if they allowed it at all, and the misgivings about our own carrybacks are such as to raise a question as to their desirability for peacetime use.

The period for spreading losses in Great Britain is seven years including in addition to the year of loss, a one-year carry-back and a five-year carry-over. In the Commonwealth of Australia losses are spread over five years by means of a four-year carry-over. The recently proposed spread in the Dominion of Canada would be temporarily five years including a one-year carry-back and a three-year carry-over. Under the two-year carry-back and two-year carry-over in the United States the spread is likewise five years; it may be even longer under certain circumstances.

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These experiences present a practical obstacle to the friends of averaging, but have not dismayed them. New methods of averaging have been developed that meet some of the objections to the moving average, and other improvements can no doubt be made. Nevertheless, the administration and compliance problems of even the most promising methods of averaging remain a major impediment, especially with respect to the individual income tax, which is unfortunate since under the individual income tax the progressive rate scale and relative unimportance of losses make such partial devices as the loss carry-over largely ineffective.

For business income the spreading of losses through carrying of losses from years of loss to years of gain is the averaging device that has been preferred in these countries.

Conclusion

This survey of the use of averaging and averaging devices is too limited to justify definitive conclusions, but a few observations may not be out of order. Although of all averaging devices, outright averaging ~~itself~~ provides the most complete equalization of tax load between fluctuating and stable incomes, it has lost rather than gained ground in the English-speaking countries whose tax systems have been examined. After very long use and several reappraisals it was abandoned in Great Britain. After a shorter trial its use was minimized in Australia. It has not been adopted in Canada. The Wisconsin experiment could hardly have been more ill-timed, as matters turned out, and may not indicate what would have been the result of a longer trial under more auspicious circumstances.

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These carry-backs and carry-forwards do not extend beyond the period during which the excess-profits tax law is in operation. However, it was stated by Sir Kingsley Wood in the Parliamentary Debate of 1943 that reconversion costs will be allowed as a deduction in computing excess profits tax if the tax ~~has been~~ is repealed before the costs are incurred. 1/

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In the British law losses and unused excess-profits credits arising in the period the excess-profits tax is in operation may be completely offset against taxable excess-profits. These deficiencies are first carried backward until excess-profits are exhausted and then forward, with an appropriate allowance for the increase in the rate of excess-profits tax in 1940 from 60 to 100 percent.

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It will be observed that Canada has neither a carry-forward nor carry-back of unused excess-profits credits.

Another adjustment was suggested in the 1944 Budget Speech regarding wartime income. This was a suggested provision that half of the expenditures on maintenance and repairs incurred in a period to be fixed by order in council may be charged against income of a preceding taxable period, but to no year earlier than one ending in 1943.

The Canadian law also provides for a reasonable inventory reserve against future depreciation in inventory value. This reserve is allowed solely for purposes of determining excess-profits taxes. This reserve cannot provide for price decline below inventory prices at the end of taxable years ending in 1939, or August 1939, whichever date is earlier.

In this connection, the Minister of Finance stated: "We cannot shut our eyes to the fact that with the change from war to peace many firms may encounter temporary losses and under our present practice taxes paid over the whole period of war and readjustment may bear considerably higher rates to the full realized income than those prescribed in the law. I am particularly concerned lest for this reason, when the time comes to replace war industries with peace industries, business enterprises should be handicapped in making the necessary changes or should be hesitant rather than prompt in action..."

It is worthy of note that the emphasis in this new proposal is upon the correction of wartime income insofar as the one-year carry-back is concerned, while the three-year carry-forward is for the purpose of looking ahead and giving relief to peacetime industry.

There may be a feeling after the war that such refunds constitute a special benefit to corporations which earned excessive profits during the war.

World War II Averaging Devices in Canada and Great Britain.

Since Canada and Great Britain have faced much the same wartime tax problems as we have, it may be helpful to examine their wartime methods of averaging. In Canada a carry-forward of one-year's loss has been allowed against income earned in taxable years ending in 1942 and 1943. In the Budget Speech of June 26, 1944 a somewhat different plan was suggested. For losses sustained in taxable years ending in 1944 and subsequently, a one year carry-back of loss is allowed under this plan and any unused balance of loss may be carried forward for three years.

Although the objectives of these refunds are proper, there may be a feeling after the war that such refunds constitute a special benefit to corporations which earned excessive profits during the war.

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How serious this problem is will depend on the working capital position of corporations. Recent data of the Securities and Exchange Commission indicate that, in the aggregate, working capital is the largest in corporate financial history. In addition, the Government has provided generous aid for reconversion financing in various cases. Nevertheless, there may be specific instances of cash shortages where working capital is frozen in inventories or receivables, which would be alleviated if the benefits of the carry-backs could be made available more promptly.

A general disadvantage of carry-backs is that they involve payments of refunds from the Treasury to taxpayers. Although the objectives of these refunds are proper, ~~and do not mean that the corporation is getting away with anything it should not have,~~

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A general disadvantage of carry-backs is that they involve payments of refunds from the Treasury to taxpayers.

Even if such manipulation is prevented by vigorous administrative action supported by the courts, it would cause much trouble and, in practice, some cases would not be caught.

The carry-backs have been urged as a substantial measure for easing the readjustment and reconversion problem, ~~although~~ there seems to be little or no evidence that they were designed for this purpose. The problem of readjustment from wartime to peacetime business is, to a considerable extent, a cash problem. Refunds payable by virtue of the carry-backs cannot be made under present law until the claim has been filed after the year in which the loss or unused credit arises. Yet the need for cash will be felt during the year of loss, not sometime later, and even while the loss is being suffered the corporation ~~might~~ may have to borrow to pay its tax liabilities of the preceding year.

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The carry-backs present another problem in that refunds may be made in circumstances where there can be no justification. Consider, for example, a corporation established solely to produce wartime goods and not reconverting to postwar peacetime business. Instead of being liquidated immediately after its war business is completed, the corporation can be kept alive, and under present law would be entitled to a carry-back of its excess-profits credit against wartime income of the two previous years.

There may also be possibilities of manipulation in which losses or reduced incomes are made to appear in a year when a carry-back could be used to advantage.

A carry-back of excess-profits credit in such a case diminishes the amount of excess-profits tax, increases the amount of normal tax and surtax, and decreases the 10-percent postwar refund. The corporation would have its net tax increased by the amount of the cancellation of its 10-percent refund. However, if the carry-back is sufficiently large to bring the corporation out of the 80-percent limit, this anomalous effect rapidly disappears.

The failure of a corporation subject to the 80-percent limit to receive benefits from the carry-back of unused credit should be considered in the light of the benefit the 80-percent limit has already conferred. Such a corporation has received a reduction, often very substantial, in its wartime taxes by virtue of the limit.

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nearly comparable as possible to the American provisions. Under the

British method of assessment
commonly
the taxpayer is/said

to be allowed to carry forward his losses for six years.

The smaller the excess-profits tax and hence the 10-percent postwar refund, the larger the net tax after deducting the postwar refund.

It has been urged that corporations subject to the 80-percent rate limitation do not fare well under the unused credit carry-back. Under this carry-back a corporation subject to the 80-percent limit might have to pay more tax instead of receiving a refund, if, after applying the carry-back, it ~~were~~ was still subject to the limit. This peculiar result arises because the 80-percent limit applies to total taxes prior to the deduction of the postwar refund of 10 percent of excess-profits taxes. In determining what portion of the 80-percent tax is ~~to be called~~ the excess-profits tax, the normal tax and surtax are subtracted from the total gross tax and the balance is excess profits tax. The larger the excess-profits credit, the larger the normal tax and surtax, and the smaller the excess-profits tax.

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Still another corporation with base period income of three and one-half million dollars would, if it had zero income in a year subject to the carry-backs, receive ~~$25~~ $18 million dollars, while another company with average prewar earnings of two and one-half million dollars would receive $5½ million. These cases, not necessarily the worst, indicate that the carry-backs ~~will~~ under some circumstances may provide tax refunds from the Government of amounts far exceeding prewar average earnings, or even in some cases, the best ~~base-period year, of the company.~~ year of earnings in the base period.

The criticism of the carry-back of unused excess profits credit is less valid in the case of a credit corrected through Section 722 or even through the growth formula, ~~and~~ or the 75-percent rule, although these latter are mechanical methods which almost certainly overstate the ~~normal~~ really credit in numerous cases.

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The objection is most valid in the case of the invested capital credit. Many concerns using this credit not only receive free from excess-profits tax much larger profits than they earned before the war, and perhaps ever received, but in effect will have their profit level artificially maintained by the carry-backs in the postwar years. For example, one firm with slightly over $50,000 average base period earnings before taxes would, if it had zero income, receive nearly a half million dollars of tax refunds. Two other corporations that have come under observation had no base period earnings and would receive between $800 and $900 thousand ~~nearly a million dollars~~ each in tax refunds if they earn no income in one year.

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These adjustments of the credits may be entirely appropriate in arriving at income to be subjected to the excess-profits tax in time of war, especially in the light of the very high rates which apply to income designated as excess profits. Furthermore, if the income is brought below the level of the excess-profits credit, because of deferred expenses or other war-caused reductions in income, it is no doubt proper to correct the wartime income through the carry-backs. But to the extent that earnings simply fall off in amount while remaining above their peacetime level there is room to question whether the corporation should receive a tax refund out of its wartime profits. Yet the development of a high credit far above the prewar experience of a company results in a carry-back against excess profits and a refund in such a case.

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Only if the loss were unusually severe because of the war could a case be made for reducing wartime taxes on account of the loss. This generosity allowed by the carry-backs with respect to postwar losses extends also to postwar reductions of income below the excess-profits credit.

The carry-back of excess-profits credits is generous also in another respect. This generosity arises from the ~~probability~~ fact that an excess-profits credit may be substantially larger than the earnings of the corporation in the prewar period. This larger credit may result from the application of the growth formula, the 75-percent rule, the invested-capital credit, or ~~from~~ relief under Section 722.

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Any losses or reductions in income below the excess-profits credit bring the carry-backs into operation, yet the averaging of income earned during the war with normal or usual losses or declines in income sustained after the war violates the objective of taxing war-induced excess-profits heavily.

The mere fact that a loss is incurred after the war is no evidence that it is necessarily a war-caused loss. Corporations in the aggregate have earned high net profits after taxes for five consecutive years, probably an unprecedented experience in corporate history. Interruptions of this high profit experience by a postwar loss would not necessarily indicate an unusual or war-caused event, but might merely reflect the regular course of economic developments.

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The carry-backs may not carry out these ~~legitimate~~ purposes completely. To be effective, deferred costs or expenses must occur within two years after the receipt of wartime profits. There are, of course, some circumstances where taxes ~~as early as~~ four years prior to or subsequent to the loss in question could be affected by the carry-backs. It is too ~~early~~ soon to tell whether the period allowed will be too short or too long. Moreover, to be completely effective, the carry-backs must remain in operation until the bulk of reconversion and readjustment has been completed, whether or not the excess-profits tax is repealed.

The carry-backs are crude in another respect. They are not a precision instrument which can separate out war-caused expenses and war-caused losses from usual and ordinary expenses.

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In the absence of any provision these expenses and losses would be chargeable at a time when there might be no income and when tax rates, considering both the income tax and the excess-profits tax, might be much lower, although such costs and losses would be equitably a proper charge ~~properly chargeable~~ against the income of the war years.

More generally, the carry-backs achieve another appropriate purpose in that they provide an offset against wartime income of war-caused postwar losses or of war-caused postwar reductions in income below the excess-profits credit level. In those cases in which wartime production may be used to supply postwar needs or in which competing facilities may have been developed, losses or lower profits after the war may result directly from wartime production. It may be argued that such losses or reductions of income are proper charges against wartime profits.

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~~Provision was made for~~ this circumstance was taken care of in the Revenue Act of 1942 which provided a two-year carry-back of losses and of unused excess-profits credits to years beginning after December 31, 1940. This carry-back, however, was not limited specifically to war years and its effect in averaging wartime income over the period of the war was probably an incidental result rather than a basic purpose of the legislation.

The carry-backs were placed in the law, in lieu of specific reserves, at a time when efforts were being made to provide a satisfactory means of charging against wartime income such postponed wartime expenses as deferred maintenance, reconversion costs, and the like. Similarly, the carry-backs provide a means for charging inventory losses against the income of the war years, ~~downward readjustments in the value of inventories.~~

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World War II Experience in the United States

Our most recent and, for that reason, most interesting experiment with averaging devices is in the form of carry-overs and carry-backs of losses and unused excess-profits credits for determining the taxes of World War II. The carry-forward of losses, as I have just indicated, had been restored in 1939. In 1940 a two-year carry-over of unused excess-profits credits was provided. The effect of this carry-over was to assure that the corporation would derive full benefit from all of its excess-profits credits, if profits were low in an early year of the war and high thereafter. The corporation would, of course, lose a part of its credit if the early year were the high year and a later year of the war were the low year.

~~[illegible]~~

Insert p. 21 A

As this brief resume would indicate, there has been no experience in the Federal income tax with averaging positive incomes of corporations as distinguished from the carryover and carryback of losses. ~~Where~~ When there are no exemptions and the tax is imposed at a flat rate in operation the effects of carryovers and carrybacks are nearly the equivalent of averaging. ~~However,~~ This is not the case when rates are ~~imposed~~ progressive. At the present time the effective rates of ~~and~~ our corporation taxes ~~have had~~ are progressive up to corporate income levels of $50,000. ~~rates extending as high at the present time beyond $50,000~~. Small corporations, accordingly, do not derive as much benefit from carryovers and carrybacks as they would from averaging. However, since ~~the increasing~~ small corporations in general show more fluctuation between years of loss and years of income, they derive relatively more benefit ~~even~~ from ~~the~~ loss carryovers and carrybacks than do large corporations.

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As this brief resume would indicate, there has been no experience in the Federal income tax with averaging of positive incomes of corporations as distinguished from the carryover and carryback of losses. When there are no exemptions and the tax is imposed at a flat rate, in operation the effects of carryovers and carrybacks are nearly the equivalent of averaging.

This is not the case when rates are progressive. At the present time the effective rates of our corporation taxes are progressive up to corporate income levels of $50,000. Small corporations, accordingly, do not derive as much benefit from carryovers and carrybacks as they would from averaging positive as well as negative incomes, for an equivalent number of years. However, since small corporations in general show more fluctuation between years of loss and years of income they derive relatively more benefit from loss carryovers and carrybacks than do large corporations.

With respect to ~~this~~ that year a claim could be filed for loss in the value of inventory whether or not the loss had been realized by disposal of the inventoried goods. However, in application, this adjustment probably did not provide very substantial relief since the price collapse which led to large losses did not occur in general until 1920 and 1921.

The Revenue Act of 1921 provided that a net business loss could be deducted from the net income of the succeeding two years. Similar provisions remained a part of the Federal income tax law until 1932, at which time the carry-over was limited to one year. It was eliminated entirely by the National Industrial Recovery Act in 1933 and not reintroduced until the Revenue Act of 1939.

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The Federal income tax law has sought to lessen the higher tax on fluctuating income through the allowance of net loss carry-overs for most of the years since 1918. Such carry-overs were provided only for losses from a trade or business. The first adjustment of this kind was in the Revenue Act of 1918, which provided that if a net loss were suffered during taxable years beginning after October 31, 1918 and ending before January 1, 1920, it could be carried back against income in the preceding year, and any unused portion could then be carried forward against income of the following year. This adjustment probably was not of substantial importance because the year 1919 was generally a very good year.

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Another significant type of adjustment was provided for the taxable year 1918.

The purpose of the provision was to relieve the hardships believed to exist when the compensation of writers, inventors, lawyers, and others is received in full upon completion of a long period of work. Averaging is optional with the taxpayer. Under the Revenue Act of 1942 the five-year period was reduced to 36 months and the 95-percent requirement was reduced to 80 percent.

The application of averaging ~~in this present case~~ is hardly of great significance for the field of income as a whole because of the narrow scope of the cases included, ~~although it is~~ of interest because of its experimental character, but is

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The situation was further complicated by legal difficulties in imposing taxes under the averaging system after death or removal from the State. The 1931 legislature enacted legislation for gradual transition from averaging which was completed by 1934.

Federal Government Experience

A narrowly restricted averaging provision was introduced into the Federal income tax law in the Revenue Act of 1939. This averaging device was restricted to use where 95 percent of the compensation for personal services [~~carried on~~ rendered] over a period of five or more calendar years ~~more~~ was postponed ~~compensated~~ [~~for to the extent of at least 95 percent, only on~~] until the completion of the services. It was provided that in such cases the tax attributable to such compensation should not be greater than the total that would have been paid if the compensation had been received in equal portions over the years of service.

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Wisconsin Experience

Averaging received a brief test in the United States when the Wisconsin State Legislature in 1927 changed the base of the income tax to a three-year moving average. The plan got off to a bad start because the effects of averaging were confused in the public mind with an increase in taxes attributable to the transformation of the personal exemption into a tax credit. The early onset of the depression resulted in a large proportion of taxpayers' being subject, in a period of little or no income, to relatively high tax liabilities based on average income. To the attendant hostility of the public was added the administrative difficulty of collecting large amounts of delinquent taxes.

Following the Royal Commission recommendation, averaging was abolished effective June 30, 1938 except for primary producers.

The only witnesses who strongly favored continuance of averaging were those representing the primary producers. A decisive majority of witnesses representing other classes of taxpayers was of the opinion that averaging should be abolished. On the basis of this evidence the Commission recommended retention of averaging only for primary producers.

Following the Royal Commission recommendation, averaging was abolished effective June 30, 1938 except for primary producers. The Australian law sought to meet some of the problems of imposing a higher tax in a year when income is low by providing that where taxable income has been permanently reduced to an amount which is less than two-thirds of average income the tax shall be applied on the basis of this reduced income. 1/

A to p. 15

1/ Section 155, The Income Tax Assessment Act of 1936, p.162, With minor differences the provision was contained in all acts from 1922 through 1934.

Moreover, it questioned the equity of the provision on the grounds that the average rate benefitted the taxpayer who was in better position to pay and penalized the taxpayer whose income had declined. It reported that all witnesses representing the Commonwealth and State Tax Departments "were emphatic and unanimous in advocating its total abolition, and none of them viewed with favor the proposal to retain it for the benefit of any class or classes of taxpayers." The State Tax Commissioners also made it clear that they were not prepared to recommend averaging for State purposes. The only witnesses who strongly favored continuance of averaging were those representing the primary producers. A decisive majority of witnesses representing other classes of taxpayers was of the opinion that averaging should be abolished. On the basis of this evidence the Commission recommended retention of averaging only for primary producers.

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After averaging was adopted provision was made in the Commonwealth law for carrying forward business losses against the profits of the four succeeding years. Some of the income taxes of the Australian States also had carryover provisions.

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The Commonwealth of Australia, after revisions of the initital legislation, in 1923 applied an averaging procedure to all taxpayers excluding companies. The income of five years, including the most recent year, was averaged and this average amount used to determine the rate of tax, which was then applied to the actual income of the current year.

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In 1920 the Royal Commission on the Income Tax found that public opinion was opposed to averaging and this fact, together with the anticipated simplification of administration which would result if averaging were eliminated, convinced the Commission that the income tax should be assessed on the preceding year's profits only. The effect of variation in incomes on tax paying ability was, however, not overlooked, for it was recommended that for purposes of equity a five ~~six~~-year net loss carry-forward should be permitted. This change was made in the law in 1926 and is the basis upon which the British Income Tax is now imposed. Under the operation of this system a loss ~~in the year of assessment~~ may be offset against the income of the prior year ~~assessed~~ and any balance of loss not thus offset may be carried forward for a period of five ~~six~~ years, thus spreading the loss over a possible seven years in all.

To the extent that this period fails to completely offset the loss in the year of loss, the balance may be carried forward still further, depending upon the

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~~Numerous~~ Various methods of ~~adjustment~~ avoiding this difficulty were tried from time to time. Some discriminated in favor of fluctuating income as against stable income. None seemed to be successful, and in 1870 the Commissioners of Inland Revenue stated that "we doubt whether any rule of change could be devised for such cases which would do justice both to the taxpayer and the revenue so long as the system of averaging is preserved." No action was taken at that time, however, to eliminate averaging.

When the problem was reconsidered in 1905 by the Departmental Committee on Income Tax, the inequity resulting from an assessment's being larger than current income in some years was again recognized. In view of the long existence of the averaging provision, however, it was recommended that unless public opinion disapproved, the averaging system should be retained.

Various methods of avoiding this difficulty were tried from time to time. Some discriminated in favor of fluctuating income as against stable income. None seemed to be successful, and in 1870 the Commissioners of Inland Revenue stated that "we doubt whether any rule of change could be devised for such cases which would do justice both to the taxpayer and the revenue so long as the system of averaging is preserved." No action was taken at that time, however, to eliminate averaging.

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Great Britain

Great Britain has had the longest experience with averaging. The first income tax, enacted in 1799, permitted the computation of the tax on the average business profits of the three years preceding the year of assessment and similar provisions were contained in all subsequent acts until 1926. In part at least, however, this averaging was not allowed for the purpose of avoiding excessive taxes on fluctuating income, but appears also to have been a device to assist in the estimation of current income and the prevention of tax evasion. A major difficulty encountered in averaging in Great Britain was that taxpayers were often subject to burdensome tax liability in years when they had relatively little income or no income at all.

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On the other side, however, it is often urged that many of the most difficult technical problems in allocating income and expense items among years would be eliminated or made of minor importance if income were averaged.

Historical Experience with Averaging

In the light of the advantages of averaging one might well ask why we lack a full-fledged averaging system. If the test of the cooking is the eating, it may be useful to examine the use which has been, and is being, made of various averaging devices in the United States and abroad, to see how they have worked out in practice and thereby to throw light on the desirability of their more extensive use here in the future.

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For example, it would take the edge off high rates which were especially designed to apply in periods of war or inflationary danger, and it likewise might partially neutralize the effects of low rates in periods of depression.

There are a number of serious compliance and administrative problems raised by averaging proposals, especially for the individual income tax. In the individual tax field the pay-as-you-go or current payment method and the simplification program rely heavily on the retention of a simple, definitive income period such as the annual income period. In the field of business income averaging involves additional checking and auditing, the holding open of statutes of limitation, and the problems of transition into and out of an averaging plan.

Consolidated returns offer a similar advantage of internal compensatory offsets. Averaging would also tend to remove the tax incentive to the timing of investment or income-producing activity in ways which ~~are good from a tax standpoint, but~~ advantageous to do not necessarily represent desirable economic or business decisions.

The objections to averaging are largely fiscal and administrative. On the fiscal side it is urged that averaging would introduce greater uncertainty into budgetary planning and would raise policy problems in the timing of refunds or rebates and in making other adjustments of tax burdens. Revenue effects would be particularly important when there were wide swings in the national income. Moreover, averaging would have the effect of blunting fiscal weapons which were directed toward specific income years.

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The averaging of income for tax purposes would have advantageous economic effects. It would remove tax pressures in favor of investing in stablelines of business and against investing in businesses with fluctuating incomes. In the absence of averaging, some misapplication of economic resources undoubtedly results between these types of businesses. Moreover, averaging would presumably tend to make risk investment relatively more attractive by reducing the risk of paying taxes out of capital and by permitting a greater offset of losses against income. This advantage of averaging over a period of time is somewhat similar to the advantages which large businesses enjoy over small businesses because they are in a position to average the losses of some lines against the losses of other lines.

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On the other hand, it may be urged that annual income is in harmony with the general thinking of individual taxpayers who often gear current standards of consumption to the current year's income and who are not disposed to project their income computations over a long period of time. There is, moreover, some value in closing each year's income and taxing it as a complete episode, thus removing uncertainty about the effect of some future year's income on the current tax. These arguments against averaging are more pertinent in the case of individual taxpayers and nonbusiness income than they are in the case of business income; they are least pertinent in the case of the business corporation. The present discussion is primarily directed to the averaging of business income, although it must be remembered that some of the most serious injustices of strict adherence to the annual accounting period lie in the personal income field.

However, averaging should not be looked upon as a means of reducing taxes. If the same number of dollars is to be raised, the effect of averaging is to redistribute the burden among years and among taxpayers.

The advantages claimed for averaging are primarily in the fields of equity and economic effects. The basic argument in favor of averaging is that the assessment of substantially different amounts of tax against two taxpayers receiving the same aggregate income over a period of years is inequitable. Indeed, it is sometimes argued that a taxpayer with fluctuating income may have less ability to pay than a taxpayer with stable income, since irregularity of income may require greater liquidity and other unfavorable personal or business adjustments.

The higher tax imposed on fluctuating income, when the annual accounting year is followed strictly, may result from any one or a combination of factors, the most universal of which are the following: (1) Negative incomes, that is, losses, may not be offset against positive income; (2) exemptions may be wasted in years of loss or of low income; (3) progressive rates may throw fluctuating incomes into higher brackets. While ~~most forms of averaging devices do not~~ it is possible to devise averaging methods which would eliminate completely the higher tax on fluctuating incomes, ~~a combination of devices is possible which would systematically do so.~~ most of the commonly suggested plans would not go that far. The general purpose would be to reduce rather than remove entirely the differential between variable and stable income.

For a given schedule of rates and a given definition of income, the effect of averaging is in part to change the timing of tax payment and in part to reduce the tax liability.

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Averaging devices, as thus defined, embrace various forms, including a fixed period average of, for example, five years, a moving average, and the determination of the rate of tax by the average amount of income. Averaging devices also include methods other than actual averaging. Among these are flexible depreciation and inventory accounting devices. The most important, however, undoubtedly are the carryforward and carryback of losses and, with respect to the excess profits tax, of unused excess profits credits.

Pros and Cons of Averaging

One reason for averaging is that it compensates for, or reduces, the importance of errors in allocating income or expense items among different years. More important, however, averaging plays a useful part in equalizing the tax burdens on fluctuating ~~or~~ and stable incomes of the same average or aggregate size.

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Taxes must be computed on the basis of formal and uniform accounting procedures; otherwise the determination of income would involve a larger element of personal and administrative judgment than either the Government or the American taxpayer would be willing to accept.

Averaging Methods

There have been two approaches to the problem of the annual income period. One has been the development of accounting procedures to take into consideration events of past or future years, in computing the income for a specific year. Depreciation reserves, deferred expenses, and the last-in first-out method of computing inventory are examples. The second approach to the problem has been to cut across the boundary line between years in such a way that the tax imposed on the income of one year is affected by the income or loss of other years.

The length of our year is an astronomical accident. Yearly income represents an aggregation of 365 daily incomes, 52 weekly incomes, and so forth. The year is a convenient, but not a sacred, period. Tax accounting periods as short as one week and as long as two or three generations are conceivable and, in fact, have been suggested.

Although taxation is only one of several areas where the defects of the annual income period are patent, it is perhaps the most important. In preparing income statements for most purposes, relevant facts and expectations outside or beyond the formal accounting figures can be recognized when action is to be taken or decisions are to be made. Moreover, reserves can be set up in the accounts to give a degree of formality to these facts and expectations. In the case of taxation, however, such adjustments are not feasible.

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THE AVERAGING OF INCOME FOR TAX PURPOSES

Averaging and the Annual Accounting Period

The fact that the earth's axis is not perpendicular to the plane of its orbit around the sun is responsible for many things in this world. Among ~~the least of~~ these — perhaps one of the least, is the problem of averaging annual incomes for tax purposes.

In addressing the leaders of the accounting profession, I need not dwell on the implications, peculiarities, and limitations of the one-year accounting period which taxation inherited from the established practice of business and accounting.

The purpose of averaging devices is to get away from the segmentation of income into pieces one year in length or, in other words, to lengthen the accounting period for tax purposes. There is nothing very radical about this idea.

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TREASURY DEPARTMENT
Washington

Line 3

(The following address by Roy Blough, Director of the Division of Tax Research, before the American Accounting Association at the Palmer House, Chicago, is scheduled for delivery at 3:30 p. m., Central War Time, Saturday, September 9, 1944, and is for release at that time.)

No 43-22

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Averaging and the Annual Accounting Period

It is an honor and a pleasure to be here this afternoon. As an economist, I have for many years been keenly interested in accounting because I believe the accountant is in a strategic position to be the most influential economic theorist and practicing economist of the present day.

In addressing the leaders of the accounting profession, I need not dwell on the implications, peculiarities, and limitations of the one-year accounting period which taxation inherited from the established practice of business and accounting.

The purpose of averaging devices is to get away from the segmentation of income into pieces one year in length or, in other words, to lengthen the accounting period for tax purposes. There is nothing very radical about this idea. The year is a convenient, but not a sacred, period. Yearly income represents an aggregation of 52 weekly incomes, 12 monthly incomes, and so forth. Tax accounting periods as short as one week and as long as two or three generations are conceivable and, in fact, have been suggested.

Although taxation is only one of several areas where the defects of the annual income period are patent, it is perhaps the most important. In preparing income statements for most purposes, relevant facts and expectations outside or beyond the formal accounting figures can be recognized when action is to be taken or decisions are to be made. Moreover, reserves can be set up in the accounts to give a degree of formality to these facts and expectations. In the case of taxation, however, such adjustments are not feasible. Taxes must be computed on the basis of formal and uniform accounting procedures; otherwise the determination of income would involve a large element of personal and administrative judgment than either the Government or the American taxpayer would be willing to accept.

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There have been two approaches to the problem of the annual income period. One has been the development of accounting procedures to take into consideration events of past or future years, in computing the income for a specific year.

Depreciation and deferred expense reserves, and the last-in, first-out method of computing inventory are examples. The second approach to the problem has been to cut across the boundary line between years in such a way that the tax imposed on the income of one year is affected by the income or loss of other years. Averaging devices, as thus defined, embrace various forms, including a fixed period average of, for example, five years, a moving average, and the determination of the rate of tax by the average amount of income. Averaging devices also include methods other than actual averaging. Among these are flexible depreciation and inventory accounting devices. The most important, however, undoubtedly are the carryforward and carryback of losses and, with respect to the excess profits tax, of unused excess profits credits.

Pros and Cons of Averaging

One reason for averaging is that it compensates for, or reduces, the importance of errors in allocating income or expense items among different years. More important, however, averaging plays a useful part in equalizing the tax burdens on fluctuating and stable incomes of the same average or aggregate size. The higher tax imposed on fluctuating income, when the annual accounting period is followed strictly, may result from any one or a combination of factors, the most universal of which are the following: (1) Negative incomes, that is, losses, may not be offset against positive income; (2) exemptions may be wasted in years of loss or of low income; (3) progressive rates may throw fluctuating incomes into higher brackets. While it is possible to devise averaging methods which would eliminate completely the higher tax on fluctuating incomes, most of the commonly suggested plans would not go that far. The general run of proposals would reduce rather than remove entirely the tax differential between variable and stable incomes.

For a given schedule of rates and a given definition of income, the effect of averaging is in part to change the timing of tax payment and in part to reduce the tax liability. However, averaging should not be looked upon as a means of reducing taxes. If the same number of dollars is to be raised, the effect of averaging is to redistribute the burden among years and among taxpayers.

The advantages claimed for averaging are primarily in the field of equity and economic effects. The basic argument in favor of averaging is that the assessment of substantially different amounts of tax against two taxpayers receiving the same aggregate income over a period of years is inequitable. Indeed, it is sometimes argued that a taxpayer with fluctuating income may have less ability to pay than a taxpayer with stable income, since irregularity of income may require greater liquidity and other unfavorable personal or business adjustments. On the other hand, it may be urged that annual income is in harmony with the general thinking of individual taxpayers who often gear current standards of consumption to the current year's income and who are not disposed to project their income computations over a long period of time. There is, moreover, some value in closing each year's income and taxing it as a complete

episode, thus removing uncertainty about the effect of some future year's income on the current tax. These arguments against averaging are more pertinent in the case of individual taxpayers and nonbusiness income than they are in the case of business income; they are least pertinent in the case of the business corporation. The present discussion is primarily directed to the averaging of business income, although it must be remembered that some of the most serious injustices of strict adherence to the annual accounting period lie in the personal income field.

The averaging of income for tax purposes would have advantageous economic effects. It would remove tax pressures in favor of investing in stable lines of business and against investing in businesses with fluctuating incomes. In the absence of averaging, some misapplication of economic resources undoubtedly results between these types of businesses. Moreover, averaging would presumably tend to make risk investment relatively more attractive by reducing the risk of paying taxes out of capital and by permitting a greater offset of losses against income. This advantage of averaging over a period of time is somewhat similar to the advantages which large businesses enjoy over small businesses because they are in a position to average the losses of some lines against the gains of other lines. Consolidated returns offer a similar advantage of internal compensatory offsets. Averaging would also tend to remove the tax incentive to the timing of investment or income-producing activity in ways which do not necessarily represent desirable economic or business decisions.

The objections to averaging are largely fiscal and administrative. On the fiscal side it is urged that averaging would introduce greater uncertainty into budgetary planning and would raise policy problems in the timing of refunds or rebates and in making other adjustments of tax burdens. Revenue effects would be particularly important when there were wide swings in the national income. Moreover, averaging would have the effect of blunting fiscal weapons which were directed toward specific income years. For example, it would take the edge off high rates which were especially designed to apply in periods of war or inflationary danger, and it likewise might partially neutralize the effects of low rates in periods of depression.

There are a number of serious compliance and administrative problems raised by averaging proposals, especially for the individual income tax. In the individual income tax field the pay-as-you-go or current payment method and the simplification program rely heavily on the retention of a simple, definitive income period such as the annual income period. In the field of business as well as for individuals, income averaging involves additional checking and auditing, the holding open of statutes of limitation, and the problems of transition into and out of an averaging plan. On the other side, however, it is often urged that many of the most difficult technical problems in allocating income and expense items among years would be eliminated or made of minor importance if income were averaged.

Historical Experience with Averaging

In the light of the advantages of averaging one might well ask why we lack a full-fledged averaging system. If the test of the cooking is the eating, it may be useful to examine the use which has been, and is being, made of various averaging devices in the United States and abroad, to see how they have worked out in practice and thereby to throw light on the desirability of their more extensive use here in the future.

Great Britain

Great Britain has had the longest experience with averaging. The first income tax, enacted in 1799, permitted the computation of the tax on the average business profits of the three years preceding the year of assessment and similar provisions were contained in all subsequent acts until 1926. In part at least, however, this averaging was not allowed for the purpose of avoiding excessive taxes on fluctuating income, but appears also to have been a device to assist in the estimation of current income and the prevention of tax evasion. A major difficulty encountered in averaging in Great Britain was that taxpayers were often subject to burdensome tax liability in years when they had relatively little income or no income at all. Various methods of avoiding this difficulty were tried from time to time. Some discriminated in favor of fluctuating income as against stable income. None seemed to be successful, and in 1870 the Commissioners of Inland Revenue stated that "we doubt whether any rule of change could be devised for such cases which would do justice both to the taxpayer and the revenue so long as the system of averaging is preserved." No action was taken at that time, however, to eliminate averaging.

When the problem was reconsidered in 1905 by the Departmental Committee on Income Tax, the inequity resulting in some years from an assessment's being larger than current income was again recognized. In view of the long existence of the averaging provision, however, it was recommended that unless public opinion disapproved, the averaging system should be retained.

In 1920 the Royal Commission on the Income Tax found that public opinion was opposed to averaging and this fact, together with the anticipated simplification of administration which would result if averaging were eliminated, convinced the Commission that the income tax should be assessed on the preceding year's profits only. The effect of variation in incomes on taxpaying ability was, however, not overlooked, for it was recommended that for purposes of equity a five-year net loss carry-forward should be permitted. This change was made in the law in 1926 and is the basis upon which the British Income Tax is now imposed. Under the operation of this system a loss may be offset against the income of the prior year and any balance of loss not thus offset may be carried forward for a period of five years, 1/ thus spreading the

1/ The British loss setoff provisions are here restated in a form as nearly comparable as possible to the American provisions. Under the British method of assessment the taxpayer is commonly said to be allowed to carry forward his losses for six years.

loss over a possible seven years in all. To the extent that the loss is not completely offset against income in this period the portion of loss representing depreciation may be carried forward still further.

The British experience thus has been one of a long use of a three-year moving average, 1/ finally abandoned after a number of careful studies, and replaced by a loss carry-over together with a one year carry-back.

Australia

The Commonwealth of Australia, after revisions of the initial legislation, in 1923 applied an averaging procedure to all taxpayers excluding companies. The income of five years, including the most recent year, was averaged and this average amount used to determine the rate of tax, which was then applied to the actual income of the current year. The Australian law sought to meet some of the problems of imposing a higher tax in a year when income is low by providing that where taxable income has been permanently reduced to an amount which is less than two-thirds of average income the tax shall be applied on the basis of this reduced income. 2/

After averaging was adopted provision was made in the Commonwealth law for carrying forward business losses against the profits of the four succeeding years. Some of the income taxes of the Australian States also had carryover provisions.

In the Third Report of the Royal Commission on Taxation, issued in 1934, the Commission called attention to the complications, special records, and errors which are involved in the averaging of income. Moreover, it questioned the equity of the provision on the grounds that the average rate benefitted the taxpayer who was in better position to pay and penalized the taxpayer whose income had declined. It reported that all witnesses representing the Commonwealth and State Tax Departments "were emphatic and unanimous in advocating its total abolition, and none of them viewed with favor the proposal to retain it for the benefit of any class or classes of taxpayers." The State Tax Commissioners also made it clear that they were not prepared to recommend averaging for State purposes. The only witnesses who strongly favored continuance of averaging were those representing the primary producers. A decisive majority of witnesses representing other classes of taxpayers was of the opinion that averaging should be abolished. On the basis of this evidence the Commission recommended retention of averaging only for primary producers.

Following the Royal Commission recommendation, averaging was abolished effective June 30, 1938 except for primary producers.

Wisconsin Experience

Averaging received a brief test in the United States when the Wisconsin State Legislature in 1927 changed the base of the income tax to a three-year moving average. The plan got off to a bad start because the effects of

1/ In some instances under Schedule A, five-year and seven-year and even discretionary averages have been used. See Spaulding, The Income Tax in Great Britain and the United States, p. 213.

2/ Section 155, The Income Tax Assessment Act of 1936, p. 162. With minor differences the provision was contained in all acts from 1922 through 1934.

averaging were confused in the public mind with an increase in taxes attributable to the transformation of the personal exemption into a tax credit. The early onset of the depression resulted in a large proportion of taxpayers being subject, in a period of little or no income, to relatively high tax liabilities based on average income. To the attendant hostility of the public was added the administrative difficulty of collecting large amounts of delinquent taxes. The situation was further complicated by legal difficulties in imposing taxes under the averaging system after death or removal from the State. The 1931 legislature enacted legislation for gradual transition from averaging which was completed by 1934.

Federal Government Experience

A narrowly restricted averaging provision was introduced into the Federal income tax law in the Revenue Act of 1939. This averaging device was restricted to use where 95 percent of the compensation for personal services rendered over a period of five or more calendar years was postponed until the completion of the services. It was provided that in such cases the tax attributable to such compensation should not be greater than the total that would have been paid if the compensation had been received in equal portions over the years of service. The purpose of the provision was to relieve the hardships believed to exist when the compensation of writers, inventors, lawyers, and others is received in full upon completion of a long period of work. Averaging is optional with the taxpayer. Under the Revenue Act of 1942 the five-year period was reduced to 36 months and the 95-percent requirement was reduced to 80 percent.

This application of averaging is of interest because of its experimental character but is hardly of great significance for the field of income as a whole because of the narrow scope of the cases included.

The Federal income tax law has sought to lessen the higher tax on fluctuating income through the allowance of net loss carry-overs for most of the years since 1918. Such carry-overs were provided only for losses from a trade or business. The first adjustment of this kind was in the Revenue Act of 1918, which provided that if a net loss were suffered during taxable years beginning after October 31, 1918 and ending before January 1, 1920, it could be carried back against income in the preceding year, and any unused portion could then be carried forward against income of the following year. This adjustment probably was not of substantial importance because the year 1919 was generally a very good year.

Another significant type of adjustment was provided for the taxable year 1918. With respect to that year a claim could be filed for loss in the value of inventory whether or not the loss had been realized by disposal of the inventoried goods. However, in application, this adjustment probably did not provide very substantial relief since in general the price collapse which led to large losses did not occur until 1920 and 1921.

The Revenue Act of 1921 provided that a net business loss could be deducted from the net income of the succeeding two years. Similar provisions remained a part of the Federal income tax law until 1932, at which time the

carry-over was limited to one year. It was eliminated entirely by the National Industrial Recovery Act in 1933 and not reintroduced until the Revenue Act of 1939.

As this brief resume would indicate, there has been no experience in the Federal income tax with averaging of positive incomes of corporations as distinguished from the carryover and carryback of losses. When there are no exemptions and the tax is imposed at a flat rate, in operation the effects of carryovers and carrybacks are nearly the equivalent of averaging.

This is not the case when rates are progressive. At the present time the effective rates of our corporation taxes are progressive up to corporate income levels of $50,000. Small corporations, accordingly, do not derive as much benefit from carryovers and carrybacks as they would from averaging positive as well as negative incomes, for an equivalent number of years. However, since small corporations in general show more fluctuation between years of loss and years of income they derive relatively more benefit from loss carryovers and carrybacks than do large corporations.

World War II Experience in the United States

Our most recent and, for that reason, most interesting experiment with averaging devices is in the form of carry-overs and carry-backs of losses and unused excess-profits credits for determining the taxes of World War II. The carry-forward of losses, as I have just indicated, had been restored in 1939. In 1940 a two-year carry-over of unused excess-profits credits was provided. The effect of this carry-over was to assure that the corporation would derive full benefit from all of its excess-profits credits, if profits were low in an early year of the war and high thereafter. The corporation would, of course, lose a part of its credit if the early year were the high year and a later year of the war were the low year.

This circumstance was taken care of in the Revenue Act of 1942 which provided a two-year carry-back of losses and of unused excess-profits credits to years beginning after December 31, 1940. This carry-back, however, was not limited specifically to war years and its effect in averaging wartime income over the period of the war was probably an incidental result rather than a basic purpose of the legislation.

The carry-backs were placed in the law, in lieu of specific reserves, at a time when efforts were being made to provide a satisfactory means of charging against wartime income such postponed wartime expenses as deferred maintenance, reconversion costs, and the like. Similarly, the carry-backs provide a means for charging inventory losses against the income of the war years. In the absence of any provision these expenses and losses would be chargeable at a time when there might be no income and when tax rates, considering both the income tax and the excess-profits tax, might be much lower, although such costs and losses would be equitably a proper charge against the income of the war years.

More generally, the carry-backs achieve another appropriate purpose in that they provide an offset against wartime income of war-caused postwar losses or of war-caused postwar reductions in income below the excess-profits credit level. In those cases in which wartime production may be used to supply postwar needs or in which competing facilities may have been developed, losses or lower profits after the war may result directly from wartime production. It may be argued that such losses or reductions of income are proper charges against wartime profits.

The carry-backs may not carry out these purposes completely. To be effective, deferred costs or expenses must occur within two years after the receipt of wartime profits. There are, of course, some circumstances where taxes four years prior to or subsequent to the loss in question could be affected by the carry-backs. It is too soon to tell whether the period allowed will be too short or too long. Moreover, to be completely effective, the carry-backs must remain in operation until the bulk of reconversion and readjustment has been completed, whether or not the excess-profits tax is repealed.

The carry-backs are crude in another respect. They are not a precision instrument which can separate out war-caused expenses and war-caused losses from usual and ordinary expenses. Any losses or reductions in income below the excess-profits credit bring the carry-backs into operation, yet the averaging of income earned during the war with normal or usual losses or declines in income sustained after the war violates the objective of taxing war-induced excess-profits heavily.

The mere fact that a loss is incurred after the war is no evidence that it is necessarily a war-caused loss. Corporations in the aggregate have earned high net profits after taxes for five consecutive years, probably an unprecedented experience in corporate history.

Interruptions of this high profit experience by a postwar loss would not necessarily indicate an unusual or war-caused event, but might merely reflect the regular course of economic developments. Only if the loss were unusually severe because of the war could a case be made for reducing wartime taxes on account of the loss. This generosity allowed by the carry-backs with respect to postwar losses extends also to postwar reductions of income below the excess-profits credit.

The carry-back of excess-profits credits is generous also in another respect. This generosity arises from the fact that an excess-profits credit may be substantially larger than the earnings of the corporation in the prewar period. This larger credit may result from the application of the growth formula, the 75-percent rule, the invested-capital credit, or relief under Section 722.

These adjustments of the credits may be entirely appropriate in arriving at income to be subjected to the excess-profits tax in time of war, especially in the light of the very high rates which apply to income designated as excess profits. Furthermore, if the income is brought below the level of the excess-profits credit because of deferred expenses or other war-caused reductions in income, it is no doubt proper to correct the wartime income through

the carry-backs. But to the extent that earnings simply fall off in amount while remaining above their peacetime level there is room to question whether the corporation should receive a tax refund out of its wartime profits. Yet the development of a high credit far above the prewar experience of a company results in a carry-back against excess profits and a refund in such a case.

The objection is most valid in the case of the invested capital credit. Many concerns using this credit not only receive free from excess-profits tax much larger profits than they earned before the war, and perhaps ever received, but in effect will have their profit level artifically maintained by the carry-backs in the postwar years. For example, one firm with average base period earnings slightly over $50,000 before taxes would, if it had zero income in one year, receive nearly a half million dollars of tax refunds. Two other corporations that have come under observation had no base period earnings and would receive between $800 and $900 thousand each in tax refunds if they earn no income in one year. Still another corporation with base period income of three and one-half million dollars would, if it had zero income in a year subject to the carry-backs, receive $18 million, while another company with average prewar earnings of two and one-half million dollars would receive $5½ million. These cases, not necessarily the worst, indicate that the carry-backs under some circumstances may provide tax refunds from the Government of amounts far exceeding prewar average earnings, or even, in some cases, the best year of earnings in the base period.

The criticism of the carry-back of unused excess profits credit is less valid in the case of a credit corrected through Section 722 or even through the growth formula or the 75-percent rule, although these latter are mechanical methods which almost certainly overstate the really normal credit in numerous cases.

It has been urged that corporations subject to the 80-percent rate limitation do not fare well under the unused credit carry-back. Under this carry-back a corporation subject to the 80-percent limit might have to pay more tax instead of receiving a refund, if, after applying the carry-back, it was still subject to the limit. This peculiar result arises because the 80-percent limit applies to total taxes prior to the deduction of the postwar refund of 10 percent of excess-profits taxes. In determining what portion of the 80-percent tax is the excess-profits tax, the normal tax and surtax are subtracted from the total gross tax and the balance is excess profits tax. The larger the excess-profits credit, the larger the normal tax and surtax, and the smaller the excess-profits tax. The smaller the excess-profits tax and hence the 10-percent postwar refund, the larger the net tax after deducting the postwar refund.

A carry-back of excess-profits credit in such a case diminishes the amount of excess-profits tax, increases the amount of normal tax and surtax, and decreases the 10-percent postwar refund. The corporation would have its net tax increased by the amount of the cancellation of its 10-percent refund. However, if the carry-back is sufficiently large to bring the corporation out of the 80-percent limit, this anomalous effect rapidly disappears.

The failure of a corporation subject to the 80-percent limit to receive benefits from the carry-back of unused credit should be considered in the light of the benefit the 80-percent limit has already conferred. Such a corporation has received a reduction, often very substantial, in its wartime taxes by virtue of the limit.

The carry-backs present another problem in that refunds may be made in circumstances where there can be no justification. Consider, for example, a corporation established solely to produce wartime goods and not reconverting to postwar peacetime business. Instead of being liquidated immediately after its war business is completed, the corporation can be kept alive, and under present law would be entitled to a carry-back of its excess-profits credit against wartime income of the two previous years.

There may also be possibilities of manipulation in which losses or reduced incomes are made to appear in a year when a carry-back could be used to advantage.

The carry-backs have been urged as a substantial measure for easing the readjustment and reconversion problem; there seems to be little or no evidence that they were designed for this purpose. The problem of readjustment from wartime to peacetime business is, to a considerable extent, a cash problem. Refunds payable by virtue of the carry-backs cannot be made under present law until the claim has been filed after the year in which the loss or unused credit arises. Yet the need for cash will be felt during the year of loss, not sometime later, and even while the loss is being suffered the corporation may have to borrow to pay its tax liabilities of the preceding year. How serious this problem is will depend on the working capital position of corporations. Recent data of the Securities and Exchange Commission indicate that, in the aggregate, working capital is the largest in corporate financial history. In addition, the Government has provided generous aid for reconversion financing in various cases. Nevertheless, where working capital is frozen in inventories or receivables, there may be specific instances of cash shortages which would be alleviated if the benefits of the carry-backs could be made available more promptly.

A general disadvantage of carry-backs is thatthey involve payments of refunds from the Treasury to taxpayers. Although the objectives of these refunds are proper, there may be a feeling after the war that such refunds constitute a special benefit to corporations which earned excessive profits during the war.

World War II Averaging Devices in Canada and Great Britain.

Since Canada and Great Britain have faced much the same wartime tax problems as we have, it may be helpful to examine their wartime methods of averaging. In Canada a carry-forward of one-year's loss has been allowed against income earned in taxable years ending in 1942 and 1943. In the Budget Speech of June 26, 1944 a somewhat different plan was suggested. For losses sustained in taxable years ending in 1944 and subsequently, a one year carry-back of loss is allowed under this plan and any unused balance of loss may be

carried forward for three years. In this connection, the Minister of Finance stated: "We cannot shut our eyes to the fact that with the change from war to peace many firms may encounter temporary losses and under our present practice taxes paid over the whole period of war and readjustment may bear considerably higher rates to the full realized income than those prescribed in the law. I am particularly concerned lest for this reason, when the time comes to replace war industries with peace industries, business enterprises should be handicapped in making the necessary changes or should be hesitant rather than prompt in action..."

It is worthy of note that the emphasis in this new proposal is upon the correction of wartime income insofar as the one-year carry-back is concerned, while the three-year carry-forward is for the purpose of looking ahead and giving relief to peacetime industry. It will be observed that Canada has neither a carry-forward nor carry-back of unused excess-profits credits.

Another adjustment was suggested in the 1944 Budget Speech regarding wartime income. This was a suggested provision that half of the expenditures on maintenance and repairs incurred in a period to be fixed by order in council may be charged against income of a preceding taxable period, but to no year earlier than one ending in 1943.

The Canadian law also provides for a reasonable inventory reserve against future depreciation in inventory value. This reserve is allowed solely for purposes of determining excess-profits taxes. This reserve cannot provide for price decline below inventory prices at the end of taxable years ending in 1939, or August 1939, whichever date is earlier. Under the proposal any unused balance in the reserve when the excess-profits tax act becomes inoperative may be applied against any inventory price decline in the following year, and if not used then is to be added to the income in the last year that the excess-profits tax act applied to the taxpayer.

In the British law losses and unused excess-profits credits arising in the period the excess-profits tax is in operation may be completely offset against taxable excess-profits. These deficiencies are first carried backward until excess-profits are exhausted and then forward, with an appropriate allowance for the increase in the rate of excess-profits tax in 1940 from 60 to 100 percent. These carry-backs and carry-forwards do not extend beyond the period during which the excess-profits tax law is in operation. However, it was stated by Sir Kingsley Wood in the Parliamentary Debate of 1943 that reconversion costs will be allowed as a deduction in computing excess profits tax if the tax is repealed before these costs are incurred. 1/

Conclusion

This survey of the use of averaging and averaging devices is too limited to justify definitive conclusions, but a few observations may not be out of order. Although of all averaging devices, outright averaging provides the most complete equalization of tax load between fluctuating and stable incomes, it has lost rather than gained ground in the English-speaking countries whose

1/ Sir Kingsley Wood, Parliamentary Debate, April 12, 1943, pp. 960-982
The British have no specific inventory reserve adjustment. Apparently they have made some provision, in the administration of their law, for deferred maintenance.

tax systems have been examined. After very long use and several reappraisals it was abandoned in Great Britain. After a shorter trial its use was minimized in Australia. It has not been adopted in Canada. The Wisconsin experiment could hardly have been more ill-timed, as matters turned out, and may not indicate what would have been the result of a longer trial under more auspicious circumstances. These experiences present a practical obstacle to the friends of averaging, but have not dismayed them. New methods of averaging have been developed that meet some of the objections to the moving average, and other improvements can no doubt be made. Nevertheless, the administration and compliance problems of even the most promising methods of averaging remain a major impediment, especially with respect to the individual income tax, which is unfortunate since under the individual income tax the progressive rate scale and relative unimportance of losses make such partial devices as the loss carry-over largely ineffective.

For business income the spreading of losses through carrying of losses from years of loss to years of gain is the averaging device that has been preferred in these countries. The period for spreading losses in Great Britain is seven years including in addition to the year of loss, a one-year carry-back and a five-year carry-over. In the Commonwealth of Australia losses are spread over five years by means of a four-year carry-over. The recently proposed spread in the Dominion of Canada would be temporarily five years including a one-year carry-back and a three-year carry-over, Under the two-year carry-back and the two-year carry-over in the United States the spread is likewise five years; it may be even longer under certain circumstances.

In peacetime, countries other than our own have limited the carry-back to one year, if they allowed it at all, and the misgivings about our own carry-backs are such as to raise a question as to their desirability for peacetime use. The new business cannot benefit from the carry-back, but would be benefitted by a longer carry-over especially in view of the tendency of businesses to suffer losses in the early years. The dying or liquidating business cannot use the carry-over but would be benefitted by the carry-back. For other businesses it is hard to forecast whether the carry-over or the carry-back confers the greater benefit. However, the carry-over has the merit of permitting the closing of tax years without delay and of minimizing manipulation to secure the maximum benefit and avoid taxes. Under carry-overs, carry-backs, and actual averaging, the problems of predecessor and successor corporations and corporate acquisitions to reduce tax are present and must be met, even though arbitrarily.

Fluctuations of business incomes are sometimes classified roughly into the seasonal and the cyclical. To these are added the life cycle of the business unit. The annual income period averages out the seasonal fluctuations. Few who favor averaging devices would cover the whole life period of the business firm although, unhappily, for many businesses no long period would be involved. Cyclical movements are of various lengths. The two year carry-over of the prewar Federal law would be sufficient for the shorter cycles, but is too short for the longer and more important cycles and, accordingly, too short to meet a substantial part of the problem.

If an averaging device such as the carry-over is to serve its functions of increasing tax equity and encouraging business investment and expansion, it must be adopted as firm policy to be retained in good times and bad. It would be worse to adopt a long carry-over, or other longer-term averaging device, and thereafter to abandon it when loss periods were experienced than to delay lengthening the period until there was a general understanding and resolution to retain the device as a continuing element in the tax system.

I am sure you would like for me to tell you what is going to happen to the wartime carry-backs and to averaging devices for the postwar tax revisions. I would like to tell you. I wish I knew. But tax revision is a matter for Congressional action. As you no doubt have learned, the Congressional Joint Committee on Internal Revenue Taxation instructed its staff and requested the Treasury staff to work together as a unit on the problem of tax adjustments for the transition and postwar periods. The studies being carried on have not yet reached the point of a report to the Joint Committee. So it would be inappropriate for me to go into the part which averaging devices might play in a postwar tax program. The matter is being given careful study along with other aspects of the postwar tax problem, and any suggestions which any of you may care to make on this question or any other involved in the study will be most welcome and carefully considered.

Suggestions have already been made by a number of groups. Several plans provide long periods of carry-over of losses. One or two would introduce averaging for some or all types of income, notably for capital gains. This evidence of interest in the averaging problem is significant, because in the many tax revisions and great amount of tax study that have been carried on in the United States over the years, relatively little time and thought have been devoted to methods of overcoming the disadvantages for tax purposes of the annual accounting year. Yet the potential importance of such methods in terms of equity and sound economic effects is so great that much more attention to them is justified for the future than has been given to them in the past. It may well be that a good averaging device applying over an adequate period of years would be worth quite a few percentage points in the tax rate scale in furthering the realization of our tax and economic objectives in the postwar world.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 14, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 8, 1944.

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated September 14, 1944, and will mature December 14, 1944, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, September 11, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

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Washington

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Friday, September 8, 1944.
9-7-44

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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.

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43-24

FOR IMMEDIATE RELEASE
September 7, 1944

The Bureau of Customs announced today that the tariff rate quota of Fish, fresh or frozen (whether or not packed in ice), filleted, skinned, boned, sliced, or divided into portions, not specially provided for: Cod, haddock, hake, pollock, cusk, and rosefish was approximately 94% filled as of August 26, 1944. Preliminary data before the Bureau shows that 17,049,172 pounds of such fish were imported for consumption during the period January 1 to August 26, 1944, inclusive. Importers are required to deposit estimated duties at the full tariff rate on all importations for consumption during the period September 6 to December 31, 1944, pending determination of the quota status of such importations.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, September 7, 1944

Press Service
No. 43-24

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No technicians can compromise these differences. But we have democratic political machinery designed for that purpose. Upon the successful functioning of that machinery we must finally rely for the solution of our postwar problems.

We hope reconversion will soon be the order of the day. We must prepare now to rebuild our wartime tax system to meet our postwar needs -- our postwar revenue needs and our postwar economic needs. This is the time when the economic brains of this country, whether in business, agriculture, labor, Government, or academic circles, must be marshalled in the solution of the most difficult tax problem in American history. It will take all of the courage and ingenuity and unswerving devotion to the public interest that we can command.

But in the end our tax problem must finally be solved by the Congress. Inevitably there will be differences of opinion, conflicts of interest, divergent plans and recommendations.

Conclusion

On the whole, I think it is becoming clear that the postwar tax problem is even more difficult than the wartime tax problem. That may seem a pessimistic view to those who look forward to the return of the good old days of low taxes. Even the good old days of taxation were, of course, not without their difficulties. But these difficulties will be greatly magnified in the postwar period by the combination of high revenue requirements, clouded business prospects, and the heavier impact of taxes upon the national economy.

Today we have a tax system which is the kind of fiscal instrument we need in wartime. At its peak it will have raised nearly $45 billion a year. How much can we reduce taxes after the war? Probably less than most people think. Yet our wartime tax system will not serve our peacetime needs.

An advance decision on a level of rates and a tax structure, which are to remain stable throughout a future period that may turn out to be not at all stable, requires a much more accurate forecast and greater skill of tax adjustment than may be acceptable if experimentation and change are to be permitted. Although stability is to be desired, it will not necessarily be achieved. A study of tax history, for example, with respect to the treatment of capital gains indicates that the virtues of stability seem much more important to us when the law is as we like it than when it is not. Since large numbers of people believe themselves to be relatively overtaxed, regardless of how much they are taxed, the stability of taxes is likely to depend on the stability of the balance of political power among economic groups.

The problem is to relieve the hardships without opening up new loopholes at the same time. Wartime rates have produced many new loopholes and hardships. These are unfortunate in time of war, but it would be still more serious for them to continue over the long pull of the postwar years. The technical work on any postwar tax bill is likely to be very heavy. To this may be added the continuing problem of tax simplification. The desirability of greater simplicity both for the masses of taxpayers and for taxpayers subject to more intricate provisions of the law increases the technical problems of postwar tax revision.

The technical and other difficulties of the postwar tax problem are also accentuated by the emphasis being placed on stability of structure and rates.

High taxes make technical problems more important and more difficult to solve than when taxes are low. On the one side are loopholes through which taxpayers find a way to escape the load they were intended to pay. The loopholes may not be worth using when tax rates are low, but may seem to justify great effort when the rates are high. One of the difficulties in connection with so-called tax incentives to encourage production is that such incentives lend themselves to the reduction of taxes for people whom the devices were not intended to benefit.

On the other side is the matter of relieving hardships. Again high tax rates greatly increase the importance of hardships on some individuals and corporations.

Technical problems

In placing emphasis on the more fundamental policy problems of postwar tax revision, I do not wish to gloss over the technical problems that are involved. Some of the hardest problems can be called technical. Thus the problem of eliminating double taxation of income earned through corporations may be considered primarily technical, but it is a problem for which a really satisfactory answer has thus far been sought in vain.

The arguments by which both of these extreme positions manage to spell maximum gross national product and employment are interesting and important, and I very much regret that time does not permit examining them here.

Lest we feel in a too confused mood after all this emphasis on economics, we ought not to overlook the possibility that these economic theories may grow out of points of view rather than determine points of view. We are all inclined to believe that taxes which fall lightly on ourselves and more heavily on others are the kind of taxes calculated to promote employment, production, and general economic well being. The perennially appealing economic arguments are those which seem to promote most directly our own special interests. All economic theories including our own should be viewed with an amiable skepticism.

One of the most important points of divergence of economic opinion is at what level the revenue should be maintained. Obviously, the smaller the total tax load, the more easily solved is the dilemma of restrictive taxation. But if lowering the total tax load produces a budget deficit, are the effects desirable or undesirable? Or, more specifically, in an economy operating at less than full employment, what are the effects of a large budgetary deficit as compared with a balanced budget, or with a large budgetary surplus? How do these effects differ in the current year and in the long run? You are all familiar with this problem and know that the answers range all the way from insistence upon an annually balanced budget with a surplus for debt retirement to defense of a chronic deficit.

Now one important argument concerning postwar taxation is that "investment" is being discouraged by what is called the double taxation of corporate profits. The validity of the double taxation argument hinges upon whether corporation taxes are, or are not, shifted to consumers and workers. If they are not shifted, then the stockholder is doubly taxed in the sense that his dividend income is subject to the corporation tax as well as the individual income tax. If, in a very large part, the corporation tax is shifted and therefore not borne by stockholders, the double taxation of corporate income largely disappears. But then the argument can be made that the corporate tax represses consumption, as would an excise or sales tax.

A little way back in the argument the point was made that when one tax is lowered another must be raised if the revenue is to be maintained.

This group holds that incentive is best supported by lowering corporation taxes.

At this point, as if matters were not already sufficiently complicated, we are confronted by another point of divergence in economic thinking, namely, the incidence of the corporation tax. The answer to the question, who bears the corporate tax, largely determines what role that tax plays in creating or destroying conditions favorable to a high level of investment and employment. I believe it is fair to say that, in general, businessmen have held that the corporation tax is shifted to consumers much as if it were an excise tax, while tax students have held that it is largely borne by stockholders, as if it were a withheld income tax. The argument is also made that it is shifted at least in part to the workers in the form of lower wages.

They maintain further that the potential supply of investment funds is largely in the hands of, or controlled by, individual investors. Therefore, they reason that the way to increase incentives and stimulate investment is to reduce taxes on personal incomes, particularly those incomes which are derived from business investment.

On the other side are those who hold that what retards investment is the unwillingness of corporation and other business managers to decide to build a plant, buy new machinery, or otherwise invest in new capital goods. They contend that once the corporate manager sees an opportunity to make a good profit for the corporation, the necessary funds will be forthcoming, either through retained corporate profits, from banking institutions, or from individual investors who will not willingly sit forever on idle funds.

The effect of such a tax would be merely to reduce hoarding, which occurs when income is neither saved nor invested in new plant, equipment, or other capital goods. But the kinds of taxes that would reduce the savings from which hoards are created are likely also to reduce the incentive for making investment. This presents a real dilemma. There is no easy way out. However, there must be one solution which is better than the others, one which will result in the minimum restriction on consumption and investment.

The effort to find taxes that are least restrictive on investment gives rise to a further division of opinion, which relates to the point at which taxes take hold on incentives. One group holds that what retards investment is an insufficient supply of investment funds, that is, of funds which their owners are willing to invest.

Those who hold this theory urge that taxes should fall lightly, or not at all, at those income levels where they would largely reduce consumption.

Here we have an important issue. Both views are plausible, both undoubtedly reflect one facet of the truth. One side argues that taxes which reduce consumption reduce the gross national product and employment, because no one can afford to employ labor and produce goods that he cannot sell. The other side argues that taxes which reduce business investment likewise reduce gross national product and employment. But taxes must fall somewhere. If one tax is lowered, another must be raised to maintain revenue. Conceivably, we could impose a tax that would reduce neither consumption nor investment.

The very fact of business expansion, it is said, employs labor and materials to create additional plant, equipment, and other capital goods; with businesses in other fields similarly expanding, investment builds up the consumer demand necessary to move the enlarged volume of consumer goods from the market. According to this theory, therefore, the greatest stress should be laid on removing and reducing taxes which cut into the profit incentive of the investor.

On the other hand are those who argue that since a businessman is a practical and prudent person he must have the assurance of a consumer market to induce him to invest and expand; accordingly the road to high employment is a high level of consumer purchasing power, for consumption gives employment directly and also creates investment, thus giving employment indirectly.

This approach holds that appropriate fiscal policy can help to achieve such an atmosphere and is, therefore, a prerequisite of fundamental economic adjustment.

Another divergence of economic thinking which is important to tax and fiscal policy bears upon the relation of incentives to the expansion and high-level operation of business. On one hand is the view that the factors, including taxes, which operate directly on the businessman's profits are the influence determining business expansion and employment. According to this view, if tax and other restrictions on the businessman are minimized, he will be stimulated by the profit motive to adopt new processes, invest new capital, and expand operations.

Some people, for example, blame the ills of the economy on monopoly. To their minds, the removal of restrictions on business competition and on the labor market is the prime necessity. Their program calls for readjusting American institutions along lines which will minimize restrictions and maximize the freedom of the market mechanism. Some persons holding this approach regard reliance on fiscal policy as a snare and a delusion which, by postponing more fundamental changes, may lead the Nation to eventual economic ruin.

Other groups, while agreeing that there is need for more truly competitive freedom of enterprise, believe it will never develop in an atmosphere of insecurity and depression. As they see it, a vigorous approach to the problem of monopoly and restrictive practices will be achieved only in an atmosphere of security for labor and business groups.

They are, first, goods and services purchased by consumers; second, gross business investment in physical goods such as plants, equipment and inventory; and third, goods and services purchased by Government. No one of these three items can be allowed to shrink without a compensating expansion in one or both of the others, except by paying the price of increased unemployment. To maintain full employment, in the face of shrinking Government expenditures for war, the slack must be taken up by consumer expenditures and business investment.

Unfortunately for the peace of mind of would-be architects of the postwar tax structure, there are widely divergent views regarding the conditions under which the goals of high consumption and high investment can be achieved.

However, "minimum interference" is not an entirely negative concept; it is often urged that carefully devised tax measures can provide positive incentives to stimulate investment or consumption. But the postwar tax load promises to be so high that, despite the possibility of successful incentive provisions, any system of taxes will, on balance, inevitably have restrictive effects on consumption and investment.

A high level of employment is, of course, associated with a high level of production. It may be worth while, therefore, to examine briefly the components of our national production, that is, of our gross national product. By gross national product is meant the aggregate value of all goods and services produced in the country during a given period of time. It is made up of three items.

I should like to pause for a moment over the idea of "minimum interference." Many writers apparently assume that the presence of high taxes, designed for wartime use, is the only obstacle to permanent full employment in the postwar period. This point of view seems to proceed from an over-simplification of the postwar economic problem. However great an obstacle taxation may interpose to maintaining full employment, the removal of this obstacle may not be enough. That unemployment can occur when taxes are low is attested by the tragedy of 1929 and the ensuing years. Numerous and important forces besides taxes may stand in the way of high employment. Consequently, no guarantee of high employment can be found in tax policy alone. The most we can hope for is that taxes will be designed to produce the "minimum interference" with the factors and forces leading to full employment.

But in the postwar period, when high employment and business activity are goals to be reached rather than facts to be taken for granted, the problem is entirely different. The tax system must be adjusted to the economy so as to reduce restrictions on employment and activity in every possible way. Equitable tax measures which yield revenue with the least restrictive effect will be the goal of policymakers.

The Role of Taxes in Maintaining Employment.

Emphasis on the importance of desirable economic effects in framing postwar taxes does not, of course, mean that other criteria should be neglected. But few would contest the assertion that, with due regard to justice, ease of compliance and administration, and other considerations, taxes should be designed so as to provide the minimum of interference with a high level of production and employment.

Methods of avoiding unemployment are receiving widespread attention. Generally, the expectation is that stimulation of economic activity rather than restraint of inflationary forces will be needed. 1/

In this setting, much greater emphasis will have to be placed upon minimizing the restrictive effects of taxation than in previous tax programs. We are currently in the midst of a wartime economy supercharged by huge Government expenditures for war. Restrictive effects on the economy outside the field of war production are not objectionable during a war. In fact, they are implicit in the purposes of a wartime tax policy which, by absorbing excessive profits and excessive purchasing power, supports the stabilization program.

1/ In any event, of course, employment will never be perfectly "full" because of the inevitable so-called frictional unemployment of possibly two or three million persons moving from one job to another or otherwise temporarily between jobs. In using the term "full employment," the presence of frictional unemployment is assumed.

What kind of economic weather can we expect after the war? Will the pattern of the last war be repeated, this is, will we have postwar inflation followed by collapse and recovery? Will the first year or two after the war be a time of business activity sustained at a high level, and later years a time of stagnation? Will pent-up demands, expanding world markets, and the optimism of peace lead to a decade or so of highly active business?

If one may judge by the premises on which postwar tax plans are being formulated, it is safe to say that the most commonly held view of the postwar economic situation following the transition is that maintenance of full employment and high gross national product will not be easy and will require the most constructive governmental policies.

A third element of difference in the postwar tax problem, especially as compared with the war period, will be the sharply changed economic situation. As I have said, a successful tax system must fit the needs of the times; and the climate of the economy is an important aspect of the times. The economic weather will vitally affect the amount of our postwar expenditures, the yield of our taxes, and the fiscal policy we should adopt. One policy may be called for if industry enters a period of high employment and sustained expansion after the war. Quite another may be appropriate if employment declines and factories are idle. The kinds of taxes, the rates of taxes, and the speed of debt retirement will necessarily be tightly interrelated with the economic situation in the postwar period.

In essence, tax revision consists of changes in the relative importance of different taxes and in the amounts which different people pay. It is scarcely conceivable that immediately following the war Congress would increase taxes on any substantial group of people while at the same time decreasing taxes on all other groups. Accordingly, the degree of tax revision that can be expected to take place will depend upon the aggregate reductions that can be made. If there is little leeway available for tax reduction, there is likely to be relatively little basic revision of the tax structure. The more leeway in revenue, the better the prospect for basic revision.

The size of the postwar tax load has extremely important implications. The quality of the tax structure, its virtues and its defects, are much more important to the efficient operation of the economy when taxes are high than when taxes are low. The postwar tax load will be so large that taxes will have a profound effect upon the operation of the postwar economy. Moreover, the stake involved in the distribution of the tax burden will be greater than ever before; this presages a more intense effort of different economic groups to unload the tax burden upon each other. The effectiveness of our political machinery for attaining the public interest in the tax field will be tested to the utmost.

The size of postwar tax needs will also determine in large part the extent to which postwar tax revision is possible.

To this sum, one must add the amount of intended surplus for debt retirement or subtract the amount of expected deficit. By any reasonable calculation, the tax load will have to be much larger after the war than in any previous peacetime years. Without getting into detailed estimates, it is clear that postwar needs will call for Federal tax collections three or more times as large as those of the immediate prewar period. The amounts needed will not, of course, be as great as wartime tax collections which will possibly reach their wartime peak of more than $43 billion during the current fiscal year. Per dollar of taxes, however, the postwar load may well be harder to bear in that it will be a continuing load with no expectation of early relief; it will not be paid out of war-swollen incomes; and it will no longer have the support of wartime patriotism.

But it is hardly likely that either the budgetary situation or the economic climate would justify taxes and rates during the transition period that would be appropriate for the long pull. Moreover, it will be very hard to forecast just what would be proper rates for the post-transition years. The postwar tax problem thus presents a critically delicate problem of timing. It is the problem of determining by what steps, in what sequence, and at what time tax adjustments should be made after final victory is won.

A second factor which distinguishes the postwar tax problem from the problems we have faced heretofore is the size of the tax load. The amount of taxes to be raised is determined in the first instance by the amount of current expenditures.

Similarly, tax policies for the 10 or 15 post-transition years should guard against ingraining the use of measures which, though temporarily efficacious, might be injurious in the long-run.

This brings us to the first major feature distinguishing the postwar tax problem from previous tax problems, namely, the fact that the economy will pass through a crucial transition period from war to peace. The process of winding down the war economy, of demobilizing men and reconverting industry, will take time. We cannot shift overnight from a wartime budget to a peacetime budget. Conceivably at a given moment our wartime tax system could be changed by a single legislative stroke to a postwar tax system. The advantages thus afforded of stability of postwar rates and structures would be substantial, assuming there could really be stability.

Despite these similarities, however, the postwar tax problem differs from the tax problems we have faced at other times. But before getting down to the minutiae perhaps we should define the term, "postwar." Literally interpreted, "postwar" means all future time after the war. Obviously we cannot now plan for all time to come. Most workers in the field of postwar taxation are not inclined to look farther ahead than 10 or 15 years. Those on the political firing line seem inclined to focus attention on a shorter period of time. Some of them prefer to concentrate only on the transition years immediately ahead. Yet if future difficulties are to be avoided, the policies of the transition years must be formed with at least one eye on probable post-transition conditions, so that steps taken shortly will not be inconsistent with steps to be taken later on.

And so on through the myriad details of the individual income tax, corporation taxes, estate and gift taxes, excise taxes, payroll taxes, and other miscellaneous taxes.

Likewise, the criteria of desirable taxation in the postwar period are not essentially different from the criteria of desirable taxation in the prewar period or the wartime period. We must still consider adequacy of revenue. We must still seek to minimize tax discrimination and maximize tax justice. We must still work for simplicity and ease of compliance and administration. We must still seek to achieve the maximum of Federal-State coordination and the minimum of conflict with State and local taxes. And we must still endeavor to reduce the harmful and promote the desirable economic effects of taxation.

The wartime tax system, however well it serves its present purposes, will not be suitable for the postwar years when less revenue will be needed, when high war profits will be a memory, and when inflationary pressures may be superseded by the need to maintain a high level of employment. Fundamental changes again will be required to adapt our wartime system to postwar needs.

Special Character of the Postwar Tax Problem

In many respects the problem of postwar tax readjustment resembles that of any tax legislation. Although the setting will be different, the same specific decisions must be faced. What exemptions are to be allowed for the individual income tax? What is the starting rate to be? What about the top rate? What about the shape of the rate curve?

People reach different answers because they start with different premises, because their interests conflict, and because they do not have the same understanding of the way taxes act upon the economy in general.

Any postwar tax plan must stand or fall on its ability to solve the problem toward which it is directed. So we must first understand what the postwar tax problem is. There is one proposition upon which I believe we all can agree: A successful tax system must serve the needs of its time. War gave rise to the necessity of raising stupendous sums of revenue, of reducing or recapturing excessive war profits, and of diminishing and restraining inflationary pressures. Fundamental changes were required to adapt our prewar system to those wartime needs.

PROBLEMS OF POSTWAR FEDERAL TAX POLICY

If the importance of a problem is indicated by the number of different groups of people studying it, the postwar tax problem deserves top billing. If all the solutions reached through these studies were identical, or even substantially the same, we could relax and there would be little need for holding this meeting today. Unhappily, the solutions differ widely. Practically all of them provide substantial rate reductions. But beyond that point, unanimity ceases and the plans ride off in all directions. This lack of harmony is confusing, for we are prone to think that for any one given situation there should be one best plan. A problem in mathematics has only one correct answer and every competent mathematician can arrive at that answer. But problems of tax policy are not so clear-cut.

TREASURY DEPARTMENT
Washington

(The following address by Roy Blough, Director of the Division of Tax Research, before the National Tax Association at the Jefferson Hotel, St. Louis, is scheduled for delivery at 10:30 a. m., Central War Time, Tuesday, September 12, 1944, and is for release at that time.)

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What kind of economic weather can we expect after the war? Will the pattern of the last war be repeated, that is, will we have postwar inflation followed by collapse and recovery? Will the first year or two after the war be a time of business activity sustained at a high level, and later years a time of stagnation? Will pent-up demands, expanding world markets, and the optimism of peace lead to a decade or so of highly active business?

If one may judge by the premises on which postwar tax plans are being formulated, it is safe to say that the most commonly held view of the postwar economic situation following the transition is that maintenance of full employment and high gross national product will not be easy and will require the most constructive governmental policies. Methods of avoiding unemployment are receiving widespread attention. Generally, the expectation is that stimulation of economic activity rather than restraint of inflationary forces will be needed. 1/

In this setting, much greater emphasis will have to be placed upon minimizing the restrictive effects of taxation than in previous tax programs. We are currently in the midst of a wartime economy supercharged by huge Government expenditures for war. Restrictive effects on the economy outside the field of war production are not objectionable during a war. In fact, they are implicit in the purposes of a wartime tax policy which, by absorbing excessive profits and excessive purchasing power, supports the stabilization program. But in the postwar period, when high employment and business activity are goals to be reached rather than facts to be taken for granted, the problem is entirely different. The tax system must be adjusted to the economy so as to reduce restrictions on employment and activity in every possible way. Equitable tax measures which yield revenue with the least restrictive effect will be the goal of policymakers.

The Role of Taxes in Maintaining Employment.

Emphasis on the importance of desirable economic effects in framing postwar taxes does not, of course, mean that other criteria should be neglected. But few would contest the assertion that, with due regard to justice, ease of compliance and administration, and other considerations, taxes should be designed so as to provide the minimum of interference with a high level of production and employment. I should like to pause for a moment over the idea of "minimum interference." Many writers apparently assume that the presence of high taxes, designed for wartime use, is the only obstacle to permanent full employment in the postwar period. This

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1/ In any event, of course, employment will never be perfectly "full" because of the inevitable so-called frictional unemployment of possibly two or three million persons moving from one job to another or otherwise temporarily between jobs. In using the term "full employment," the presence of frictional unemployment is assumed.

point of view seems to proceed from an over-simplification of the postwar economic problem. However great an obstacle taxation may interpose to maintaining full employment, the removal of this obstacle may not be enough. That unemployment can occur when taxes are low is attested by the tragedy of 1929 and the ensuing years. Numerous and important forces besides taxes may stand in the way of high employment. Consequently, no guarantee of high employment can be found in tax policy alone. The most we can hope for is that taxes will be designed to produce the "minimum interference" with the factors and forces leading to full employment. However, "minimum interference" is not an entirely negative concept; it is often urged that carefully devised tax measures can provide positive incentives to stimulate investment or consumption. But the postwar tax load promises to be so high that, despite the possibility of successful incentive provisions, any system of taxes will, on balance, inevitably have restrictive effects on consumption and investment.

A high level of employment is, of course, associated with a high level of production. It may be worth while, therefore, to examine briefly the components of our national production, that is, of our gross national product. By gross national product is meant the aggregate value of all goods and services produced in the country during a given period of time. It is made up of three items. They are, first, goods and services purchased by consumers; second, gross business investment in physical goods such as plants, equipment and inventory; and third, goods and services purchased by Government. No one of these three items can be allowed to shrink without a compensating expansion in one or both of the others, except by paying the price of increased unemployment. To maintain full employment, in the face of shrinking Government expenditures for war, the slack must be taken up by consumer expenditures and business investment.

Unfortunately for the peace of mind of would-be architects of the postwar tax structure, there are widely divergent views regarding the conditions under which the goals of high consumption and high investment can be achieved. Some people, for example, blame the ills of the economy on monopoly. To their minds, the removal of restrictions on business competition and on the labor market is the prime necessity. Their program calls for readjusting American institutions along lines which will minimize restrictions and maximize the freedom of the market mechanism. Some persons holding this approach regard reliance on fiscal policy as a snare and a delusion which, by postponing more fundamental changes, may lead the Nation to eventual economic ruin.

Other groups, while agreeing that there is need for more truly competitive freedom of enterprise, believe it will never develop in an atmosphere of insecurity and depression. As they see it, a vigorous approach to the problem of monopoly and restrictive practices will be achieved only in an atmosphere of security for labor and business groups. This approach holds that appropriate fiscal policy can help to achieve such an atmosphere and is, therefore, a prerequisite of fundamental economic adjustment.

Another divergence of economic thinking which is important to tax and fiscal policy bears upon the relation of incentives to the expansion and high-level operation of business. On one hand is the view that the factors, including taxes, which operate directly on the businessman's profits are the influence determining business expansion and employment. According to this view, if tax and other restrictions on the businessman are minimized, he will be stimulated by the profit motive to adopt new processes, invest new capital, and expand operations. The very fact of business expansion, it is said, employs labor and materials to create additional plant, equipment, and other capital goods; with businesses in other fields similarly expanding, investment builds up the consumer demand necessary to move the enlarged volume of consumer goods from the market. According to this theory, therefore, the greatest stress should be laid on removing and reducing taxes which cut into the profit incentive of the investor.

On the other hand are those who argue that since a businessman is a practical and prudent person he must have the assurance of a consumer market to induce him to invest and expand; accordingly the road to high employment is a high level of consumer purchasing power, for consumption gives employment directly and also creates investment, thus giving employment indirectly. Those who hold this theory urge that taxes should fall lightly, or not at all, at those income levels where they would largely reduce consumption.

Here we have an important issue. Both views are plausible, both undoubtedly reflect one facet of the truth. One side argues that taxes which reduce consumption reduce the gross national product and employment, because no one can afford to employ labor and produce goods that he cannot sell. The other side argues that taxes which reduce business investment likewise reduce gross national product and employment. But taxes must fall somewhere. If one tax is lowered, another must be raised to maintain revenue. Conceivably, we could impose a tax that would reduce neither consumption nor investment. The effect of such a tax would be merely to reduce hoarding, which occurs when income is neither saved nor invested in new plant, equipment, or other capital goods. But the kinds of taxes that would reduce the savings from which hoards are created are likely also to reduce the incentive for making investment. This presents a real dilemma. There is no easy way out. However, there must be one solution which is better than the others, one which will result in the minimum restriction on consumption and investment.

The effort to find taxes that are least restrictive on investment gives rise to a further division of opinion, which relates to the point at which taxes take hold on incentives. One group holds that what retards investment is an insufficient supply of investment funds, that is, of funds which their owners are willing to invest. They maintain further that the potential supply of investment funds is largely in the hands of, or controlled by, individual investors. Therefore, they

reason that the way to increase incentives and stimulate investment is to reduce taxes on personal incomes, particularly those incomes which are derived from business investment.

On the other side are those who hold that what retards investment is the unwillingness of corporation and other business managers to decide to build a plant, buy new machinery, or otherwise invest in new capital goods. They contend that once the corporate manager sees an opportunity to make a good profit for the corporation, the necessary funds will be forthcoming, either through retained corporate profits, from banking institutions, or from individual investors who will not willingly sit forever on idle funds. This group holds that incentive is best supported by lowering corporation taxes.

At this point, as if matters were not already sufficiently complicated, we are confronted by another point of divergence in economic thinking, namely, the incidence of the corporation tax. The answer to the question, who bears the corporate tax, largely determines what role that tax plays in creating or destroying conditions favorable to a high level of investment and employment. I believe it is fair to say that, in general, businessmen have held that the corporation tax is shifted to consumers much as if it were an excise tax, while tax students have held that it is largely borne by stockholders, as if it were a withheld income tax. The argument is also made that it is shifted at least in part to the workers in the form of lower wages. Now one important argument concerning postwar taxation is that "investment" is being discouraged by what is called the double taxation of corporate profits. The validity of the double taxation argument hinges upon whether corporation taxes are, or are not, shifted to consumers and workers. If they are not shifted, then the stockholder is doubly taxed in the sense that his dividend income is subject to the corporation tax as well as the individual income tax. If, in a very large part, the corporation tax is shifted and therefore not borne by stockholders, the double taxation of corporate income largely disappears. But then the argument can be made that the corporate tax represses consumption, as would an excise or sales tax.

A little way back in the argument the point was made that when one tax is lowered another must be raised if the revenue is to be maintained. One of the most important points of divergence of economic opinion is at what level the revenue should be maintained. Obviously, the smaller the total tax load, the more easily solved is the dilemma of restrictive taxation. But if lowering the total tax load produces a budget deficit, are the effects desirable or undesirable? Or, more specifically, in an economy operating at less than full employment, what are the effects of a large budgetary deficit as compared with a balanced budget, or with a large budgetary surplus? How do these effects differ in the current year and in the long run? You are all familiar with this problem and know that the answers range all the way from insistence upon an annually balanced budget with a surplus for debt retirement to defense of a chronic deficit. The arguments by which both of these extreme positions

manage to spell maximum gross national product and employment are interesting and important, and I very much regret that time does not permit examining them here.

Lest we feel in a too confused mood after all this emphasis on economics, we ought not to overlook the possibility that these economic theories may grow out of points of view rather than determine points of view. We are all inclined to believe that taxes which fall lightly on ourselves and more heavily on others are the kind of taxes calculated to promote employment, production, and general economic well-being. The perennially appealing economic arguments are those which seem to promote most directly our own special interests. All economic theories including our own should be viewed with an amiable skepticism.

Technical problems

In placing emphasis on the more fundamental policy problems of postwar tax revision, I do not wish to gloss over the technical problems that are involved. Some of the hardest problems can be called technical. Thus the problem of eliminating double taxation of income earned through corporations may be considered primarily technical, but it is a problem for which a really satisfactory answer has thus far been sought in vain.

High taxes make technical problems more important and more difficult to solve than when taxes are low. One the one side are loopholes through which taxpayers find a way to escape the load they were intended to pay. The loopholes may not be worth using when tax rates are low, but may seem to justify great effort when the rates are high. One of the difficulties in connection with so-called tax incentives to encourage production is that such incentives lend themselves to the reduction of taxes for people whom the devices were not intended to benefit.

On the other side is the matter of relieving hardships. Again high tax rates greatly increase the importance of hardships on some individuals and corporations. The problem is to relieve the hardships without opening up new loopholes at the same time. Wartime rates have produced many new loopholes and hardships. These are unfortunate in time of war, but it would be still more serious for them to continue over the long pull of the postwar years. The technical work on any postwar tax bill is likely to be very heavy. To this may be added the continuing problem of tax simplification. The desirability of greater simplicity both for the masses of taxpayers and for taxpayers subject to more intricate provisions of the law increases the technical problems of postwar tax revision.

The technical and other difficulties of the postwar tax problem are also accentuated by the emphasis being placed on stability of structure and rates. An advance decision on a level of rates and a tax structure, which are to remain stable throughout a future period that may turn out

to be not at all stable, requires a much more accurate forecast and greater skill of tax adjustment than may be acceptable if experimentation and change are to be permitted. Although stability is to be desired, it will not necessarily be achieved. A study of tax history, for example, with respect to the treatment of capital gains indicates that the virtues of stability seem much more important to us when the law is as we like it than when it is not. Since large numbers of people believe themselves to be relatively overtaxed, regardless of how much they are taxed, the stability of taxes is likely to depend on the stability of the balance of political power among economic groups.

Conclusion

On the whole, I think it is becoming clear that the postwar tax problem is even more difficult than the wartime tax problem. That may seem a pessimistic view to those who look forward to the return of the good old days of low taxes. Even the good old days of taxation were, of course, not without their difficulties. But these difficulties will be greatly magnified in the postwar period by the combination of high revenue requirements, clouded business prospects, and the heavier impact of taxes upon the national economy.

Today we have a tax system which is the kind of fiscal instrument we need in wartime. At its peak it will have raised nearly $45 billion a year. How much can we reduce taxes after the war? Probably less than most people think. Yet our wartime tax system will not serve our peacetime needs. We hope reconversion will soon be the order of the day. We must prepare now to rebuild our wartime tax system to meet our postwar needs -- our postwar revenue needs and our postwar economic needs. This is the time when the economic brains of this country, whether in business, agriculture, labor, Government, or academic circles, must be marshalled in the solution of the most difficult tax problem in American history. It will take all of the courage and ingenuity and unswerving devotion to the public interest that we can command.

But in the end our tax problem must finally be solved by the Congress. Inevitably there will be differences of opinion, conflicts of interest, divergent plans and recommendations. No technicians can compromise these differences. But we have democratic political machinery designed for that purpose. Upon the successful functioning of that machinery we must finally rely for the solution of our postwar problems.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 12, 1944.

Press Service

43-26

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated September 14 and to mature December 14, 1944, which were offered on September 8, were opened at the Federal Reserve Banks on September 11.

The details of this issue are as follows:

Total applied for - $2,005,263,000
Total accepted - 1,214,825,000 (includes $63,353,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905 Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.910 Equivalent rate of discount approx. 0.356% per annum
Low - 99.905 " " " " " 0.376% " "

(56 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 28,540,000	$ 18,451,000
New York	1,404,981,000	803,013,000
Philadelphia	44,620,000	33,378,000
Cleveland	37,515,000	35,093,000
Richmond	24,227,000	21,653,000
Atlanta	9,155,000	8,861,000
Chicago	291,810,000	170,815,000
St. Louis	30,287,000	20,387,000
Minneapolis	5,655,000	5,655,000
Kansas City	20,723,000	17,731,000
Dallas	7,965,000	7,283,000
San Francisco	99,785,000	72,505,000
TOTAL	$2,005,263,000	$1,214,825,000

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FOR IMMEDIATE RELEASE
September 12, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 2, 1944	1,187,829,100
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	September 2, 1944	31,381,420
Cuba	13,949,562	"	8,477,821
Dominican Republic	20,881,883	September 9, 1944 2/	19,033,356
Ecuador	26,155,330	September 2, 1944	22,089,097
El Salvador	104,621,321	September 9, 1944 2/	100,273,041
Guatemala	93,287,384	September 2, 1944	86,825,355
Haiti	47,951,373	"	39,279,096
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	September 2, 1944	28,867,712
Peru	4,359,288	"	3,381,510
Venezuela	73,234,872	"	41,952,579
Non-Signatory Countries:	61,900,935	"	4,459,775

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Tuesday, September 12, 1944

Press Service
No. 43-26

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 2, 1944	1,187,829,100
Colombia	549,261,936	(Import quota filled)	
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Peru	4,359,288	"	3,381,510
Venezuela	73,234,872	"	41,952,579
Non-Signatory Countries:	61,900,935	"	4,459,775

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Notes of the Banque Nationale de Belgique have been made available by the Belgian Government to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in Belgium. These arrangements were completed some time ago between officials of the United States and the British Governments and representatives of the Belgian Government in London in anticipation of the operations of the Allied Forces now progressing within Belgium. The notes consist in part of currency taken to London from Belgium in 1940 and in part of currency recently printed in London by the Belgian Government. In addition, the Belgian Government has similarly made available pre-war Belgian coins, and a new series of two-franc coins minted for it by the United States Mint.

The rates of exchange which have been established for Belgium are 43.773 Belgian francs to $1 and 176.625 Belgian francs to £1. These rates were selected by the Belgian Government in London. Complete records are being kept and a detailed accounting procedure has been set up in connection with the use of the Belgian currency by the Allied Military forces. These records will be used in the future in reaching intergovernmental settlements for Allied expenditures in Belgium.

Arrangements have been made whereby U. S. military personnel may remit all or any portion of their pay which they receive in Belgian francs to the United States against payment here in dollars. United States soldiers leaving Belgium may exchange franc currency held by them for dollar currency. When United States forces obtain Belgian francs for military expenditures, the relevant Army appropriation will be charged for the dollar equivalent thereof. In this manner the control of Congress over the expenditures of the United States Army is maintained.

Cleared with War 9/9/44 (Col. Hilliard & Capt. Shaw)
Cleared with State 9/11/44 (Messrs. Reinstein & Spiegel)

GB:gm 9-9-44

G.B. J.G. G.W.B. H.D.W. C.P.B. W.H.S.

43-27

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, September 13, 1944.

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Notes of the Banque Nationale de Belgique have been made available by the Belgian Government to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in Belgium. These arrangements were completed some time ago between officials of the United States and the British Governments and representatives of the Belgian Government in London in anticipation of the operations of the Allied Forces now progressing within Belgium. The notes consist in part of currency taken to London from Belgium in 1940 and in part of currency recently printed in London by the Belgian Government. In addition, the Belgian Government has similarly made available pre-war Belgian coins, and a new series of two-franc coins minted for it by the United States Mint.

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Treasury Department
Division of Monetary Research

Date.....19

To: ~~Mr. W. W. Bell~~ ~~Dr. White~~ DWB

Mr. Shaeffer - to arrange for release

9-11-44

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, September 13, 1944.

Press Service
No. 43-27

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Notes of the Banque Nationale de Belgique have been made available by the Belgian Government to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in Belgium. These arrangements were completed some time ago between officials of the United States and the British Governments and representatives of the Belgian Government in London in anticipation of the operations of the Allied Forces now progressing within Belgium. The notes consist in part of currency taken to London from Belgium in 1940 and in part of currency recently printed in London by the Belgian Government. In addition, the Belgian Government has similarly made available pre-war Belgian coins, and a new series of two-franc coins minted for it by the United States Mint.

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45-28

FOR IMMEDIATE RELEASE
September 12, 1944.

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1944, as follows:

Country of Origin	WHEAT		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1944, to Sept. 2, 1944	Established Quota	Imports May 29, 1944, Sept. 2, 1944
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	22,914
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	~~800,000~~	795,000	~~4,000,000~~	~~22,914~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, September 13, 1944.

Press Service
No. 43-28

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1944 as follows:

Country of Origin	WHEAT		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1944, to Sept. 2, 1944	Established Quota	Imports May 29, 1944 to Sept. 2, 1944
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	22,914
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	22,914

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COTTON CARD STRIPS,/2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent/2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 Sept. 2, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to Sept. 2, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	29,398	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	29,398	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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FOR IMMEDIATE RELEASE
September 12, 1944

43-27

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 20, 1943, to September 2, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to Sept. 2, 1944	Established Quota 45,656,420	Imports Sept. 20, 1943, to Sept. 2, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-		33,280,253
Peru.....	247,952	73,576		1,856,533
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	417,580		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/.	689	-		-
Algeria and Tunisia.....	-	-		-
	14,516,882	9,374,415	45,656,420	35,136,786

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, September 13, 1944.

Press Service
No. 43-29

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 20, 1943, to September 2, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to Sept. 2, 1944	Established Quota 45,656,420	Imports Sept. 20, 1943 to Sept. 2, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-		33,280,253
Peru.....	247,952	73,576		1,856,533
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	417,580		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/.	689	-		-
Algeria and Tunisia.....	-	-		-
	14,516,882	9,374,415	45,656,420	35,136,786

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

COTTON CARD STRIPS, /2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent/2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

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Canada.....	239,690	29,398	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	29,398	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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Commodity	Established Quota		Unit of Quantity	Imports as of September 2, 1944
	Period and Country	Quantity		
Silver or black foxes, furs and articles: Foxes valued under $250 each and whole furs and skins	May - Nov. 1944 All countries	59,174	Number	13,683
Tails	12 months from Dec. 1, 1943	5,000	Piece	198
Paws, heads, or other separated parts	"	500	Pound	487
Piece plates	"	550	Pound	-
Articles, other than piece plates	"	500	Unit	61

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Treasury Department
Washington

43-30

FOR IMMEDIATE RELEASE,
September ~~12~~ 13, 1944.

Press Service
no 43-30

The Bureau of Customs announced today preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to September 2, 1944, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of September 2, 1944
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	3,786
Cream, fresh or sour	Calendar year	1,500,000	Gallon	667
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	18,210,658	Pound	17,553,857
White or Irish potatoes;	12 months from Sept. 15, 1943			
certified seed		90,000,000	Pound	64,364,837
other		60,000,000	Pound	58,942,311
Red cedar shingles	Calendar year	2,153,984	Square	979,669
Cuban filler tobacco, unstemmed or stemmed(other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	Quota filled
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	190,350

(Over)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, September 13, 1944.

Press Service
No. 43-30

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Commodity	Established Quota		Unit of Quantity	Imports as of September 2, 1944
	Period and Country	Quantity		
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(Over)

Commodity	Established Quota		Unit of Quantity	Imports as of September 2, 1944
	Period and Country	Quantity		
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Silver or black foxes, furs and articles: Foxes valued under $250 each and whole furs and skins	May - Nov. 1944 All countries	59,174	Number	13,683
Tails	12 months from Dec. 1, 1943	5,000	Piece	198
Paws, heads, or other separated parts	"	500	Pound	487
Piece plates	"	550	Pound	-
Articles, other than piece plates	"	500	Unit	61

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Form 1040A, which in past years was called the "short form", became unnecessary when the tax table was incorporated in Form 1040 and when most employed persons became eligible to use their Withholding Receipts for their returns.

The worksheets for persons filing Declarations of Estimated Tax, originally intended as simplified versions of the regular income tax form, became unnecessary for the reason that in its new style Form 1040 will be usable both as a return form and as a guide for estimating tax.

Printing of the new Form 1040 has begun, but it will not be ready for general distribution until late this year.

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For Release Morning Newspapers
Friday ~~AM~~ Sept. 1, 1944

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington 25, D. C.

Press Service
No. ---

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, announced today that a revised and simplified income tax return, Form 1040, is now being ~~printed as the regular income tax return form for 1944~~ prepared for use next March.

Most employed persons are expected to use their Withholding Receipts for their returns, but an estimated 20,000,000 taxpayers will need or prefer to use Form 1040.

Simplification of Form 1040, Commissioner Nunan also stated, has made possible the elimination of two previous forms--Form 1040A, which was a special income tax form for incomes under $3,000, and the estimating worksheets for a Declaration of Estimated Tax.

The new Form 1040 is in four pages, as in former years. However, it now contains both a tax table for ready determination of the tax of persons with incomes of less than $5,000, and a computation method for other taxpayers. Those who use the tax table will be able to convert the form into a "short form return" by tearing off half of the form.

The tax table automatically allows its users about 10 per cent of their income in lieu of deductions for charitable contributions, interest, taxes, medical expenses, etc. This is the same table which will be used by collectors of internal revenue to figure the tax of persons who use their Withholding Receipts instead of Form 1040 for their 1944 returns.

Persons whose income was less than $5,000 but who are entitled to deductions of more than 10 per cent will disregard the table, itemize their deductions and compute their tax. Persons whose income was $5,000 or more will have a choice of taking a standard deduction of $500 or itemizing their deductions in detail, but will have to compute their tax in either case.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington 25, D. C.

FOR RELEASE, MORNING NEWSPAPERS
Friday, September 15, 1944.

Press Service
No. 43-31

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, announced today that a revised and simplified income tax return, Form 1040, is now being prepared for use next March.

Most employed persons are expected to use their Withholding Receipts for their returns, but an estimated 20,000,000 taxpayers will need or prefer to use Form 1040.

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The new Form 1040 is in four pages, as in former years. However, it now contains both a tax table for ready determination of the tax of persons with incomes of less than $5,000, and a computation method for other taxpayers. Those who use the tax table will be able to convert the form into a "short form return" by tearing off half of the form.

The tax table automatically allows its users about 10 per cent of their income in lieu of deductions for charitable contributions, interest, taxes, medical expenses, etc. This is the same table which will be used by collectors of internal revenue to figure the tax of persons who use their Withholding Receipts instead of Form 1040 for their 1944 returns.

Persons whose income was less than $5,000 but who are entitled to deductions of more than 10 per cent will disregard the table, itemize their deductions and compute their tax. Persons whose income was $5,000 or more will have a choice of taking a standard deduction of $500 or itemizing their deductions in detail, but will have to compute their tax in either case.

Form 1040A, which in past years was called the "short form", became unnecessary when the tax table was incorporated in Form 1040 and when most employed persons became eligible to use their Withholding Receipts for their returns.

The worksheets for persons filing Declarations of Estimated Tax, originally intended as simplified versions of the regular income tax form, became unnecessary for the reason that in its new style Form 1040 will be usable both as a return form and as a guide for estimating tax.

Printing of the new Form 1040 has begun, but it will not be ready for general distribution until late this year.

oOo

File this return with Collector of Internal Revenue on or before March 15, 1945. Any balance of tax due (item 8, below) must be paid in full with return. See separate Instructions for filling out return.

FORM 1040
Treasury Department
Internal Revenue Service

U. S. INDIVIDUAL INCOME TAX RETURN
FOR CALENDAR YEAR 1944

1944

or fiscal year beginning _____, 1944, and ending _____, 1945

EMPLOYEES.—Instead of this form, you may use your Withholding Receipt, Form W-2 (Rev.), as your return, if your total income was less than $5,000, consisting wholly of wages shown on Withholding Receipts or of such wages and not more than $100 of other wages, dividends, and interest.

Do not write in these spaces

File Code

Serial No.

District

(Cashier's Stamp)

NAME _____
(PLEASE PRINT. If this return is for a husband and wife, use both first names)

ADDRESS _____
(PLEASE PRINT. Street and number or rural route)

_____ Social Security No. (if any) _____
(City or town, postal zone number) (State)

Your Exemptions

1. List your own name. If married and your wife (or husband) had no income, or if this is a joint return of husband and wife, list name of your wife (or husband). List names of other close relatives with 1944 incomes of less than $500 who received more than one-half of their support from you. If this is a joint return of husband and wife, list dependent relatives of both.

NAME (Please print)	Relationship	NAME (Please print)	Relationship
Your name	x x x x x x x x x		

Your Income

2. Enter your total wages, salaries, bonuses, commissions, and other compensation received in 1944, BEFORE PAY-ROLL DEDUCTIONS for taxes, dues, insurance, bonds, etc. Members of armed forces and persons claiming traveling or reimbursed expenses, see Instruction 2.

PRINT EMPLOYER'S NAME	WHERE EMPLOYED (CITY AND STATE)	AMOUNT
		$

Enter total here ➔ $

3. Enter here the total amount of your dividends and interest (including interest from Government obligations unless wholly exempt from taxation) _____

4. If you received any other income, give details on page 3 and enter the total here _____

5. Add amounts in items 2, 3, and 4, and enter the total here _____ $

If item 5 includes income of both husband and wife, show husband's income here, $_____; wife's income here, $_____

How to Figure Your Tax

IF YOUR INCOME WAS LESS THAN $5,000.—You may find your tax in the tax table on page 2. This table, which is provided by law, is based on the same tax rates as are used in the Tax Computation on page 4. The table automatically allows about 10 percent of your total income for charitable contributions, interest, taxes, casualty losses, medical expenses, and miscellaneous expenses. If your expenditures and losses of these classes amount to more than 10 percent, it will usually be to your advantage to itemize them and compute your tax on page 4.

IF YOUR INCOME WAS $5,000 OR MORE.—Disregard the tax table and compute your tax on page 4. You may either take a standard deduction of $500 or itemize your deductions, whichever is to your advantage.

HUSBAND AND WIFE.—If husband and wife file separate returns, and one itemizes deductions, the other must also itemize deductions.

Tax Due or Refund

6. Enter your tax from table on page 2, or from line 15, page 4 _____ $

7. How much have you paid on your 1944 income tax?
   (A) By withholding from your wages (Attach Withholding Receipts, Form W-2) $
   (B) By payments on 1944 Declaration of Estimated Tax

Enter total here ➔

8. If your tax (item 6) is larger than payments (item 7), enter BALANCE OF TAX DUE here _____ $

9. If your payments (item 7) are larger than your tax (item 6), enter the OVERPAYMENT here _____ $

Check (✓) whether you want this overpayment: Refunded to you ☐; or Credited on your 1945 estimated tax ☐

If you filed a return for a prior year, what was the latest year? _____

To which Collector's office was it sent? _____

To which Collector's office did you pay amount claimed in item 7 (B), above? _____

Is your wife (or husband) making a separate return for 1944? _____ ("Yes" or "No")

If "Yes," write below:

Name of wife (or husband) _____

Collector's office to which sent _____

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

(Signature of person (other than taxpayer or agent) preparing return) (Date) (Signature of taxpayer) (Date)

(Name of firm or employer, if any) (If this is a joint return of husband and wife, it must be signed by both)

(SEE TAX TABLE BELOW)

↓

Do not use this page if your income is wholly from salaries, wages, dividends, and interest

Schedule A.—INCOME FROM ANNUITIES OR PENSIONS

1. Cost of annuity (total amount you paid in)	$	4. Total amount received this year	$
2. Amount received tax-free in prior years		5. Excess, if any, of line 4 over line 3	
3. Remainder of your cost (line 1 less line 2)	$	6. Enter line 5, or 3 percent of line 1, whichever is greater	$

Schedule B.—INCOME FROM RENTS AND ROYALTIES

1. Kind of property	2. Amount of rent or royalty	3. Depreciation or depletion (explain in Schedule F)	4. Repairs (explain in Schedule G)	5. Other expenses (itemize in Schedule G)
	$	$	$	$
Net profit (or loss) (col. 2 less sum of cols. 3, 4, and 5)	$	$	$	$

Schedule C.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (Farmers should obtain Form 1040F)

(State (1) nature of business _____; (2) business name _____)

1. Total receipts $

COST OF GOODS SOLD
(To be used where inventories are an income-determining factor)
(Enter the letters "C," or "C or M," on line 2 and 8 if inventories are valued at either cost, or cost or market whichever is lower)

2. Inventory at beginning of year $
3. Merchandise bought for sale
4. Labor
5. Material and supplies
6. Other costs (explain in Schedule G)
7. Total of lines 2 to 6 $
8. Less inventory at end of year
9. Net cost of goods sold (line 7 less line 8) $
10. Gross profit (line 1 less line 9) $

OTHER BUSINESS DEDUCTIONS

11. Salaries and wages not included as "Labor" $
12. Interest on business indebtedness
13. Taxes on business and business property
14. Losses (explain in Schedule G)
15. Bad debts arising from sales or services
16. Depreciation, obsolescence and depletion (explain in Schedule F)
17. Rent, repairs, and other expenses (explain in Schedule G)
18. Amortization of emergency facilities (attach statement)
19. Net operating loss deduction (attach statement)
20. Total of lines 11 to 19 $
21. Total of lines 9 and 20 $
22. Net profit (or loss) (line 1 less line 21)

Schedule D.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS, ETC.

1. Net gain (or loss) from sale or exchange of capital assets (from separate Schedule D)
2. Net gain (or loss) from sale or exchange of property other than capital assets (from separate Schedule D)

Schedule E.—INCOME FROM PARTNERSHIPS, ESTATES AND TRUSTS, AND OTHER SOURCES

Name and address of partnership, syndicate, etc. _____ Amount, $
Name and address of estate or trust _____ Amount,
Other sources (state nature) _____ Amount,
Total

Total income from above sources (Enter as item 4, page 1) $

Schedule F.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES B AND C

1. Kind of property (If buildings, state material of which constructed)	2. Date acquired	3. Cost or other basis (Do not include land or other nondepreciable property)	4. Assets fully depreciated in use at end of year	5. Depreciation allowed (or allowable) in prior years	6. Remaining cost or other basis to be recovered	7. Estimated life used in accumulating depreciation	8. Estimated remaining life from beginning of year	9. Depreciation allowable this year
		$	$	$	$			$

Schedule G.—EXPLANATION OF COLUMNS 4 AND 5 OF SCHEDULE B, AND LINES 6, 14, AND 17 OF SCHEDULE C

1. Column or Line No.	2. Explanation	3. Amount	1. Column or Line No.	2. Explanation	3. Amount
		$			$

Do not itemize deductions if—(1) You determine your tax from the tax table on page 2, or (2) Your total income is $5,000 or more and you claim the $500 standard deduction.
If husband and wife living together at end of year file separate returns and one itemizes deductions, the other must file his or her return on Form 1040, and must also itemize deductions.

DEDUCTIONS

	Describe deductions and state to whom paid. If more space is needed, list deductions on separate sheet of paper and attach to this return		Amount
Contributions		$	
	Allowable Contributions (not in excess of 15 percent of item 5, page 1)		$
Interest		$	
	Total Interest		
Taxes		$	
	Total Taxes		
Losses from fire, storm, shipwreck, or other casualty, or theft		$	
	Total Allowable Losses (not compensated by insurance or otherwise)		
Medical and dental expenses		$	
	Net Expenses (not compensated by insurance or otherwise)	$	
	Enter 5 percent of item 5, page 1, and subtract from Net Expenses		
	Allowable Medical and Dental Expenses. See Instruction for limitation		
Miscellaneous (including alimony, amortizable bond premium, special deduction for the blind, etc.)		$	
	Total Miscellaneous Deductions		
	TOTAL DEDUCTIONS		$

TAX COMPUTATION—FOR PERSONS NOT USING TAX TABLE ON PAGE 2

1. Enter amount shown in item 5, page 1. This is your Adjusted Gross Income ..... $
2. Enter DEDUCTIONS (if deductions are itemized above, enter the total of such deductions; if adjusted gross income (line 1, above) is $5,000 or more and deductions are not itemized, enter the standard deduction of $500) .....
3. Subtract line 2 from line 1. Enter the difference here. This is your Net Income ..... $
4. Enter your Surtax Exemptions ($500 for each person listed in item 1, page 1) .....
5. Subtract line 4 from line 3. Enter the difference here. This is your Surtax Net Income ..... $
6. Use the Surtax Table in instruction sheet to figure your Surtax on amount entered on line 5. Enter the amount here ..... $
7. Copy the figure you entered on line 3, above. (If line 3 includes partially tax-exempt interest, see Tax Computation Instructions) ..... $
8. Enter your Normal-Tax Exemption ($500 if return includes income of only one person; otherwise see Tax Computation Instructions) .....
9. Subtract line 8 from line 7, and enter the difference here ..... $
10. Enter here 3 percent of line 9. This is your Normal Tax ..... $
11. Add the figures on lines 6 and 10, and enter the total here. (If alternative tax computation is made on separate Schedule D, enter here tax from line 15 of Schedule D) ..... $

If you used the $500 standard deduction in line 2, disregard lines 12, 13, & 14, and copy on line 15 the same figure you entered on line 11

12. Enter here any income tax payments to a foreign country or U. S. possession (attach Form 1116) ..... $
13. Enter here any income tax paid at source on tax-free covenant bond interest .....
14. Add the figures on lines 12 and 13 and enter the total here .....
15. Subtract line 14 from line 11. Enter the difference here and in item 6, page 1. This is your tax ..... $

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If you use this table, tear off this page and file only pages 1 and 3

TAX TABLE—FOR INCOMES UNDER $5,000

Read down the shaded columns below until you find the line covering the total income you entered in item 5, page 1. Then read across to the column headed by the number corresponding to the number of persons listed in item 1, page 1. Enter the tax you find there in item 6, page 1.
Husband and wife see Special Rule at end of table.

If total income in item 5, page 1, is—		And the number of persons listed in item 1, page 1, is—				
		1	2	3	4	5 or more
At least	But less than	Your tax is—				
80	$550	$0	$0	$0	$0	$0
550	575	1	0	0	0	0
575	600	7	1	1	1	1
600	625	12	2	2	2	2
625	650	17	2	2	2	2
650	675	22	3	3	3	3
675	700	27	4	4	4	4
700	725	32	4	4	4	4
725	750	38	5	5	5	5
750	775	43	6	6	6	6
775	800	48	6	6	6	6
800	825	53	7	7	7	7
825	850	58	8	8	8	8
850	875	64	8	8	8	8
875	900	69	9	9	9	9
900	925	74	10	10	10	10
925	950	79	10	10	10	10
950	975	84	11	11	11	11
975	1,000	89	12	12	12	12
1,000	1,025	95	12	12	12	12
1,025	1,050	100	13	13	13	13
1,050	1,075	105	14	14	14	14
1,075	1,100	110	14	14	14	14
1,100	1,125	115	15	15	15	15
1,125	1,150	120	20	16	16	16
1,150	1,175	126	26	16	16	16
1,175	1,200	131	31	17	17	17
1,200	1,225	136	36	18	18	18
1,225	1,250	141	41	18	18	18
1,250	1,275	146	46	19	19	19
1,275	1,300	152	52	20	20	20
1,300	1,325	157	57	20	20	20
1,325	1,350	162	62	21	21	21
1,350	1,375	167	67	22	22	22
1,375	1,400	172	72	22	22	22
1,400	1,425	177	77	23	23	23
1,425	1,450	183	83	24	24	24
1,450	1,475	188	88	24	24	24
1,475	1,500	193	93	25	25	25
1,500	1,525	198	98	26	26	26
1,525	1,550	203	103	27	27	27
1,550	1,575	208	108	27	27	27
1,575	1,600	214	114	28	28	28
1,600	1,625	219	119	29	29	29
1,625	1,650	224	124	29	29	29
1,650	1,675	229	129	30	30	30
1,675	1,700	234	134	34	31	31
1,700	1,725	239	139	39	31	31
1,725	1,750	245	145	45	32	32
1,750	1,775	250	150	50	33	33
1,775	1,800	255	155	55	33	33
1,800	1,825	260	160	60	34	34
1,825	1,850	265	165	65	35	35
1,850	1,875	271	171	71	35	35
1,875	1,900	276	176	76	36	36
1,900	1,925	281	181	81	37	37
1,925	1,950	286	186	86	37	37
1,950	1,975	291	191	91	38	38
1,975	2,000	296	196	96	39	39
2,000	2,025	302	202	102	39	39
2,025	2,050	307	207	107	40	40
2,050	2,075	312	212	112	41	41
2,075	2,100	317	217	117	41	41
2,100	2,125	322	222	122	42	42
2,125	2,150	327	227	127	43	43
2,150	2,175	333	233	133	43	43
2,175	2,200	338	238	138	44	44
2,200	2,225	343	243	143	45	45
2,225	2,250	348	248	148	48	45
2,250	2,275	353	253	153	53	46
2,275	2,300	359	259	159	59	47

If total income in item 5, page 1, is—		And the number of persons listed in item 1, page 1, is—								
		1	2	3	4	5	6	7	8	9 or more
At least	But less than	Your tax is—								
$2,300	$2,325	$364	$264	$164	$64	$47	$47	$47	$47	$47
2,325	2,350	369	269	169	69	48	48	48	48	48
2,350	2,375	374	274	174	74	49	49	49	49	49
2,375	2,400	379	279	179	79	49	49	49	49	49
2,400	2,425	384	284	184	84	50	50	50	50	50
2,425	2,450	390	290	190	90	51	51	51	51	51
2,450	2,475	395	295	195	95	51	51	51	51	51
2,475	2,500	400	300	200	100	52	52	52	52	52
2,500	2,525	405	305	205	105	53	53	53	53	53
2,525	2,550	410	310	210	110	54	54	54	54	54
2,550	2,575	415	315	215	115	54	54	54	54	54
2,575	2,600	421	321	221	121	55	55	55	55	55
2,600	2,625	426	326	226	126	56	56	56	56	56
2,625	2,650	431	331	231	131	56	56	56	56	56
2,650	2,675	436	336	236	136	57	57	57	57	57
2,675	2,700	441	341	241	141	58	58	58	58	58
2,700	2,725	446	346	246	146	58	58	58	58	58
2,725	2,750	452	352	252	152	59	59	59	59	59
2,750	2,775	457	357	257	157	60	60	60	60	60
2,775	2,800	462	362	262	162	62	60	60	60	60
2,800	2,825	468	367	267	167	67	61	61	61	61
2,825	2,850	473	372	272	172	72	62	62	62	62
2,850	2,875	479	378	278	178	78	62	62	62	62
2,875	2,900	485	383	283	183	83	63	63	63	63
2,900	2,925	490	388	288	188	88	64	64	64	64
2,925	2,950	496	393	293	193	93	64	64	64	64
2,950	2,975	502	398	298	198	98	65	65	65	65
2,975	3,000	507	403	303	203	103	66	66	66	66
3,000	3,050	516	411	311	211	111	67	67	67	67
3,050	3,100	527	422	322	222	122	68	68	68	68
3,100	3,150	538	432	332	232	132	69	69	69	69
3,150	3,200	549	442	342	242	142	71	71	71	71
3,200	3,250	561	453	353	253	153	72	72	72	72
3,250	3,300	572	463	363	263	163	73	73	73	73
3,300	3,350	583	473	373	273	173	75	75	75	75
3,350	3,400	594	484	384	284	184	84	76	76	76
3,400	3,450	606	496	394	294	194	94	77	77	77
3,450	3,500	617	507	404	304	204	104	79	79	79
3,500	3,550	628	518	415	315	215	115	80	80	80
3,550	3,600	639	529	425	325	225	125	82	82	82
3,600	3,650	651	541	435	335	235	135	83	83	83
3,650	3,700	662	552	446	346	246	146	84	84	84
3,700	3,750	673	563	456	356	256	156	86	86	86
3,750	3,800	684	574	466	366	266	166	87	87	87
3,800	3,850	696	586	477	377	277	177	88	88	88
3,850	3,900	707	597	487	387	287	187	90	90	90
3,900	3,950	718	608	498	397	297	197	97	91	91
3,950	4,000	729	619	509	408	308	208	108	92	92
4,000	4,050	741	631	521	418	318	218	118	94	94
4,050	4,100	752	642	532	429	329	229	129	95	95
4,100	4,150	763	653	543	439	339	239	139	96	96
4,150	4,200	774	664	554	449	349	249	149	98	98
4,200	4,250	786	676	566	460	360	260	160	99	99
4,250	4,300	797	687	577	470	370	270	170	100	100
4,300	4,350	808	698	588	480	380	280	180	102	102
4,350	4,400	819	709	599	491	391	291	191	103	103
4,400	4,450	831	721	611	501	401	301	201	104	104
4,450	4,500	842	732	622	512	411	311	211	111	106
4,500	4,550	853	743	633	523	422	322	222	122	107
4,550	4,600	864	754	644	534	432	332	232	132	109
4,600	4,650	876	766	656	546	442	342	242	142	110
4,650	4,700	887	777	667	557	453	353	253	153	111
4,700	4,750	898	788	678	568	463	363	263	163	113
4,750	4,800	909	799	689	579	473	373	273	173	114
4,800	4,850	921	811	701	591	484	384	284	184	115
4,850	4,900	932	822	712	602	494	394	294	194	117
4,900	4,950	943	833	723	613	504	404	304	204	118
4,950	5,000	954	844	734	624	515	415	315	215	119

SPECIAL RULE FOR HUSBAND AND WIFE

If item 5, page 1, includes the incomes of both husband and wife, reduce the tax you found in the table by 3 percent of the smaller of the two incomes but not by more than $15. For an example, see last paragraph of page 2 of Instructions.

INSTRUCTIONS FOR FORM 1040, U. S. INDIVIDUAL INCOME TAX RETURN 1944

GENERAL INSTRUCTIONS

These instructions will help you to understand and fill out Form 1040, the U. S. Individual Income Tax Return, for 1944. They give the information most commonly needed by taxpayers. You may obtain additional information from the collector of internal revenue for your district or from any of his branch offices.

Purpose of Return

Under the pay-as-you-go system of income tax collection, most individuals pay all or a substantial part of their income tax during the year in which they receive their income. The tax is withheld from their wages or paid in quarterly installments as estimated tax, or both. However, these payments do not exactly equal the actual tax liability. It is necessary for each taxpayer to file a return at the end of the year showing his actual tax liability, so that any additional amount due may be collected or any overpayment may be refunded.

Form of Return

There are three methods of making your return:

1. *Withholding Receipt.*—You may use your Withholding Receipt, Form W-2 (Rev.), as your return, if your total income was less than $5,000, consisting wholly of wages shown on Withholding Receipts or of such wages and not more than $100 of other wages, dividends, and interest.

2. *Short-form Return.*—You may make a *Short-form Return* on Form 1040 if your income was less than $5,000, by using the tax table on the form and tearing off pages 2 and 4. If your income was wholly from salaries, wages, dividends, and interest, you need fill out only page 1. If you had other income, you must also use page 3.

3. *Long-form Return.*—You must make a *Long-form Return* on Form 1040 if your income was $5,000 or more or if you claim deductions amounting to more than 10 percent of your income. In either of these cases you must use page 4 instead of the tax table on page 2.

If you use a Withholding Receipt as your return, or make a Short-form Return on Form 1040, your tax is figured from a tax table provided by law which automatically allows about 10 percent of your total income for charitable contributions, interest, taxes, casualty losses, medical expenses, and miscellaneous expenses. Therefore, if you use either of those methods of making a return, you should not deduct any such expenses on your return. If you make a Long-form Return on Form 1040 and your income is $5,000 or more, you may either take a standard deduction of $500 for such expenses or claim them in detail, whichever is to your advantage.

Other Forms.—Forms 1040B and 1040NB are for use by nonresident aliens and Form 1041 by fiduciaries of estates or trusts.

Who Must File

A return must be filed by every citizen or resident of the United States (including a minor) who had $500 or more gross income in 1944.

In deciding whether you must file a return, you should exclude from your income any items which are wholly exempt from tax. The principal wholly exempt items are listed on this page under the heading "Exclusions from Gross Income." For instance, the first $1,500 of active-service pay received each year by a member of the armed forces is exempt from tax. Consequently, most members of the armed forces are not required to file returns.

Joint Return.—A husband and wife may make a joint return even though one has no income. In a joint return the aggregate income, deductions, and credits are treated as though husband and wife were one person. Exemptions are allowed for both. A joint return must be signed by both husband and wife.

Income under $500.—If you had income of less than $500, any part of which was from wages subject to withholding, you should file a return in order to get a refund of tax withheld. If you are married and either husband or wife had income of less than $500, you should file a joint return in order to get the full benefit of exemptions.

When to File

You must file your return on or before March 15, 1945, unless you have established a fiscal year which is different from the calendar year. If you have such a fiscal year, you must file by the fifteenth day of the third month after the close of your year.

Members of the Armed Forces.—If you are in the armed forces and, on the filing date, are on sea duty or outside the continental United States, you may postpone filing your return until the fifteenth day of the fourth month after you come back to the United States, but not beyond the fifteenth day of the third month after the end of the war.

Civilians Outside the United States.—If you are a civilian and are outside the Americas for more than 90 days, you may postpone filing your return until 90 days after you come back to the Americas but not beyond the fifteenth day of the third month after the end of the war. If you are outside the United States but *within* the Americas, you may defer filing your return for 3 months after the regular filing date but will have to pay interest on your unpaid tax at the rate of 6 percent per year.

Where to File Your Return and Pay Your Tax

You should take or mail your return to the collector of internal revenue for the district in which you live or have your place of business. If you have no legal residence or place of business in the United States, file with the Collector of Internal Revenue, Baltimore 2, Maryland.

If your return on Form 1040 shows a *balance of tax due*, you should pay it in full with your return. Checks or money orders should be made payable to "Collector of Internal Revenue."

Income Tax Rates and Exemptions

The income tax includes a "normal tax" and a "surtax." Both are figured as percentages of your income, but with different rates and exemptions.

The normal tax is at a flat rate of 3 percent. The surtax is at graduated rates ranging from 20 to 91 percent.

For normal tax, you are allowed a flat exemption of $500 if your return includes the income of only one person. In a joint return of husband and wife the combined normal-tax exemption is $1,000 if each had income of $500 or more; but if the income of either was less than $500, the combined normal-tax exemption is $500 plus the actual amount of the smaller of the two incomes.

For surtax, you are allowed (subject to the restrictions stated under the heading "Your Exemptions" on page 2 of these instructions) an exemption of $500 for yourself, $500 for your wife, and $500 for each dependent relative.

Exclusions From Gross Income

Income from any source whatsoever is subject to income tax unless excluded by some specific provision of law. The exclusions are described in sections 22 (b) and 116 of the Internal Revenue Code. The principal exclusions are listed below.

1. *Armed Forces, etc.*—Members and veterans of the armed forces and their families should exclude from their income:
   - (*a*) The first $1,500 of annual pay for active service.
   - (*b*) Mustering-out pay.
   - (*c*) Contributions by the Government to monthly family allowances.
   - (*d*) Pensions and disability compensation to war veterans and their families.
   - (*e*) Disability retirement pay (but other retirement pay is taxable).
   - (*f*) Interest on adjusted-service bonds.

2. *Social Security Benefits.*—Exclude benefit payments received from the Federal Government or from a State under the Federal social security program.

3. *Sickness and Injury Benefits.*—Exclude amounts received as compensation for bodily injury or sickness, whether in the form of health and accident insurance, workmen's compensation, or damages. However, reimbursements on account of medical and dental expenses which were claimed as a deduction in a prior year should be reported as income up to the amount of such deduction.

4. *Tax-exempt Interest.*—Exclude interest on obligations of a State or political subdivision; interest on obligations of the United States issued prior to March 1, 1941, if made wholly exempt from taxation by the Act authorizing their issuance; and interest on not exceeding $5,000 of United States savings bonds (at cost) and Treasury bonds (at face value) which were issued before March 1, 1941.

5. *Gifts.*—All bona fide gifts should be excluded, but so-called "gifts" received as compensation for personal services rendered are taxable.

6. *Bequests, Inheritances, etc.*—Property acquired by bequest, devise, or inheritance should be excluded, but any income earned by the property is taxable.

7. *Life Insurance.*—Proceeds payable on account of death of the insured should be excluded, but if the proceeds are held by the insurer under an agreement to pay interest, the interest is taxable. Payments on a life or endowment policy (other than annuity payments) during the lifetime of the insured should be excluded until they equal the amount paid for the policy; the remaining payments are taxable.

8. *Recoveries of Bad Debts, etc.*—Recoveries of bad debts, of prior-year taxes, or of payments on account of tax delinquencies, should be excluded if deductions for these items did not reduce the income tax liability of the taxpayer for any prior year.

Cash or Accrual Basis of Reporting Income

Your return must be on the "cash basis"—which means on the basis of cash receipts and payments—unless you keep accounts on the "accrual basis." However, cash receipts include the full amount of your wages or salary even though a part was deducted for taxes, war bonds, union dues, etc. They also include uncashed salary or dividend checks, bank interest credited to your account, matured bond coupons, and similar items which you can immediately turn into cash. If you keep accounts on the accrual basis, your return must be made accordingly.

Farmers

Farming is regarded as a business and the instructions applicable to returns of farmers may be found on page 3 under "Schedule C.—Business or Profession."

Penalties

Severe penalties are provided by law for failure to file a required return, for filing late, and for filing a false or fraudulent return.

Information at Source

Every person who made payments of salary, wages, interest, rents, commissions, or other fixed or determinable income of $500 or more during the calendar year 1944 to an individual, partnership, or fiduciary, must make a return on Forms 1096 and 1099. This requirement does not apply to salary or wages reported on a Withholding Receipt (Form W-2).

HOW TO FILL OUT FORM 1040

In preparing Form 1040, you are required to fill out only those lines and pages which apply to your particular circumstances. Thus, if your income is all from wages or salary, you should disregard items 3 and 4 on page 1 and the whole of page 3. Likewise, if you use the tax table on page 2, you should disregard all of page 4.

Specific instructions for filling out particular lines and schedules on the form are given in the following pages. The specific instructions have been so arranged that they may be placed alongside the corresponding items on the form, for easy reference.

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INSTRUCTIONS FOR PAGE 1 OF FORM 1040

Place alongside page 1 of Form 1040 for easy reference

Your Exemptions

1. List the names called for in item 1, in order to get credit for your exemptions.

If you were married at the end of the year and you and your wife make a joint return, you may list your wife's name. In case you make a separate return, you may list your wife's name only if she had no income and did not receive her chief support from another person closely related to her. If your wife died during the year, you may list her name if she had no income and did not receive her chief support from another person closely related to her. If you were divorced at the end of the year, do not include your former wife.

List the names of other close relatives with 1944 incomes of less than $500 who received more than one-half of their support from you.

"Close relative" means: Your son, daughter, or a descendent of either; your stepson, stepdaughter, son-in-law, daughter-in-law; your father, mother, or ancestor of either; your stepfather, stepmother, father-in-law, or mother-in-law; your brother, sister, stepbrother, stepsister, half brother, half sister, brother-in-law, or sister-in-law; your uncle, aunt, nephew, or niece. Do not include an uncle, aunt, nephew, or niece if related to you only by marriage.

The above relationships apply to a legally adopted child the same as though he or she were a child by blood. Do not claim a citizen of a foreign country as a dependent unless he or she was a resident of the United States, Canada, or Mexico. Do not claim an exemption for any relative who files a joint return with another person.

Your Income

2. **Wages and Salaries.**—If this return includes wages of both husband and wife, list wages and employers of each. Do not include earnings of anyone else.

Members of the armed forces should exclude mustering-out payments and the first $1,500 of active service pay.

If, in connection with your employment, you claim deductions for traveling or reimbursed expenses, itemize actual expenses on a separate sheet of paper, subtract them from your total compensation and allowances, and enter the balance in item 2. Attach the itemized list securely to your return.

You must also include any "gift" which is really compensation for services.

If you receive payment in any form other than money, such as merchandise, room, or board, you must include the fair market value in item 2. However, if it is necessary for you to live on your employer's premises in order to fulfill your duties, do not include the value of the board and room furnished you. A minister of the gospel should not include the rental value of a dwelling furnished him as a part of his compensation.

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3. **Dividends and Interest.**—Enter the *total* of any dividends or interest unless wholly exempt from tax. See General Instructions under "Exclusions from Gross Income." Allowance for any partial exemption or amortizable bond premium is made in the tax table and in the standard deduction of $500. If you do not use the tax table or the standard deduction, these items may be deducted in the tax computation on page 4 (line 7). The increase in value of a War Bond (Series E or F) or United States savings bond (Series A, B, C, or D) need not be reported until the bond is cashed. However, you may at any time adopt the practice of reporting each year the annual increase in value; but if you do so, you must report in the first year the entire increase to date and must continue to report the annual increase each year thereafter.

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4. **Other Income.**—If you had any income from annuities, rents, royalties, a business or profession, farming, transactions in securities or other property partnerships, estates and trusts, or other sources, explain on page 3 and enter the total in item 4, page 1.

Tax Due or Refund

6. **Your Tax.**—This is your total tax liability before taking credit for tax withheld from your wages and payments on your 1944 Declaration of Estimated Tax.

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7. **Payments.**—(A) Enter the amount of income tax withheld from your wages by your employer. Attach to your return originals of receipts for tax withheld (Form W-2 or Form W-2, Rev.). If you have lost any receipt, obtain a copy from your employer. If you cannot furnish a receipt or copy, attach a statement to your return showing amount withheld by your employer.

(B) If you filed a 1944 Declaration of Estimated Tax (Form 1040-ES), enter the total amount of estimated tax paid, including any prior year's credit which you applied against your estimated tax. You can determine the amount paid or credited from the retained copy of your declaration, your canceled checks, or other personal records.

If husband and wife filed a joint declaration but are now filing separate returns, they may divide the payments of estimated tax between them in any proportion they desire.

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8. **Balance of Tax Due.**—Any tax owed in excess of payments must be shown in item 8. *This amount must be paid in full at the time your return is filed.* If payments exceed tax, leave item 8 blank.

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9. **Refund or Credit.**—If you have overpaid your tax and ask for a refund in item 9, any refund found due will be made as promptly as possible without any further action on your part. Refunds will bear interest at 6 percent from March 15, 1945.

Do not ask that any overpayment on this return be credited on your 1945 estimated tax unless you expect to file a Declaration of Estimated Tax (Form 1040-ES) showing an estimated tax against which the overpayment can be applied.

Signature

You must sign your return. If husband and wife are filing a joint return, both must sign. If you cannot sign because you are ill or out of the United States, an authorized agent may sign for you, but the agent must attach a power of attorney on Form 935 to show that he is empowered to sign for you.

INSTRUCTIONS FOR TAX TABLE ON PAGE 2 OF FORM 1040

Purpose of Table.—The table is a short-cut method of finding your income tax. It is provided by law and saves you the trouble of itemizing deductions and computing your tax on page 4 of the return. The table allows for: (a) Your normal-tax exemption of $500; (b) your surtax exemptions—$500 for each person listed in item 1, page 1; and (c) charitable contributions, interest, taxes, etc., approximating 10 percent of your income.

Arrangement of Table.—The table contains income columns and exemption columns. The income columns are headed by the words "At least—But less than." The exemption columns are headed by the numbers 1, 2, 3, 4, etc.

How to Find Your Tax.—Read down the income columns until you find the line that fits the income you reported in item 5 on page 1. Then read across that line until you come to the exemption column which is headed by a number corresponding to the number of persons you listed in item 1 on page 1. The figure you find there is your tax. EXAMPLE.—If your income was $2,245 and you were entitled to three exemptions, you would find your tax opposite the income line "At least $2,225 But less than $2,250." You would read over to the column headed by the figure "3" and thus find your tax was $148.

If Both Husband and Wife Have Income.—If you are filing a joint return containing the separate incomes of both husband and wife (see entries under item 5, page 1), subtract from the tax you find in the table an amount equal to 3 percent of the smaller of the two incomes, *but do not subtract more than $15.* EXAMPLE.—If your return includes $3,000 income of the husband and $300 income of the wife, or a total of $3,300, you will find your tax opposite the income line "At least $3,300 But less than $3,350." If you have no dependents, you will read over to the column headed by the figure "2," and find a tax figure of $473. But since the table allows only one normal-tax exemption and your return includes the incomes of both husband and wife, you are allowed to subtract an amount equal to 3 percent of the smaller income. Three percent of $300 is $9, reducing the joint tax in this example to $464.

INSTRUCTIONS FOR PAGE 3 OF FORM 1040

Place alongside page 3 of Form 1040 for easy reference

Since these instructions relate to special types of income, they may be disregarded by persons whose income is all from salaries, wages, dividends, and interest

Schedule A.—Annuities and Pensions

If you received a pension or annuity which you bought or to which you contributed, you are entitled to recover your cost tax-free. However, an amount equal to 3 percent of your total cost must be reported as income each year until you have recovered your total cost tax-free. Thereafter, the entire amount received each year must be reported as income.

If you have not recovered your total cost tax-free in prior years, fill in all the lines of Schedule A to determine how much of the amount you received in 1944 is taxable.

On line 1, enter the total amount you paid for the annuity or the total amount of your contributions to the pension or retirement fund. If you received the annuity by gift, or as the survivor of a deceased annuitant, enter the cost to the donor or deceased annuitant. However, an employer's contribution to an employee's pension is not a gift and should not be included in line 1.

On line 2, enter the total of the amounts received in all prior years, less 3 percent of line 1 for each year during which the annuity has been received since 1933.

If the payments received in 1944 were for less than 12 months, compute 1/12 of 3 percent of the amount on line 1 and multiply by the number of months for which payments were received; then enter on line 6 either the amount so computed or the amount on line 5, whichever is greater.

If you have recovered your cost tax-free in prior years, or if the entire cost of your pension or annuity is borne by a former employer, you may omit lines 1 to 5, inclusive, and enter directly on line 6 the total amount received in 1944.

Schedule B.—Rents and Royalties

Fill in all applicable columns of Schedule B whether the transactions resulted in a profit or a loss. If rent was received in property or crops instead of money, except under a crop-sharing arrangement, enter the fair market value of the property or crops received. In the case of crops received as rent under a crop-sharing arrangement by a taxpayer who reports his income on the cash basis, the value of the crop rent should be reported in the year in which the commodities received as rent are disposed of. Include in "Other expenses" taxes and interest chargeable against rental or royalty income.

List as repairs, expenditures for the upkeep of rental or royalty property, but do not include expenditures which materially prolong the life of the property and therefore should be added to its cost and recovered by annual depreciation allowances. Do not include taxes levied for paving, sewers, or other local improvements which tend to increase the value of the property. Deductions for depreciation, repairs, and other expenses should be entered as totals in Schedule B and explained in detail in Schedules F and G. If more space is needed, use separate sheet and attach securely to your return.

Schedule C.—Business or Profession

Profit or loss from a business or profession must be explained in Schedule C, except that farmers who keep no books or who keep books on the cash basis must obtain Form 1040F and fill it in instead of Schedule C. Farmers who keep books on the accrual basis may also substitute Form 1040F for Schedule C if they so desire. If you include in your income loans received from the Commodity Credit Corporation, attach a statement explaining the details.

If you sell merchandise on the installment plan and your return is made on that basis, attach a schedule showing separately for the years 1941, 1942, 1943, and 1944 the following: (*a*) Gross sales; (*b*) cost of goods sold; (*c*) gross profit; (*d*) percentage of gross profit to gross sales; (*e*) amount collected; (*f*) gross profit on amount collected.

If you make your return on the accrual basis, you may deduct either (*a*) the amount of accounts receivable arising from sales or services, which became wholly worthless within the taxable year or (*b*) a reasonable addition to a duly established reserve for bad debts. On either the cash or the accrual basis you may deduct the amount of any business loans which became wholly worthless during the taxable year. A debt which became partially worthless may be deducted to the extent charged off during the year.

List as repairs, expenditures for the upkeep of business property, but do not include expenditures which materially prolong the life of the property and therefore should be added to its cost and recovered by annual depreciation allowances.

Do not include taxes levied for paving, sewers, or other local improvements which tend to increase the value of the property.

Do not include in your costs or other business deductions any salary or other compensation for yourself. Do not deduct any wage or salary determined to be in contravention of the Wage and Salary Stabilization Act of October 2, 1942, or of the rules, regulations, or orders issued under the Act.

Do not include losses from worthless bonds and similar obligations or nonbusiness bad debts, which should be entered in separate Schedule D.

For computation of net operating loss deduction, including net operating loss carry-back and carry-over, see section 122 of the Internal Revenue Code.

Schedule D.—Gains and Losses from Sales or Exchanges of Capital Assets, etc.

If you sold or exchanged any capital assets or other property during the year, fill in the separate sheet entitled Schedule D (Form 1040), in accordance with the detailed instructions thereon. The totals from the separate sheet should then be entered on lines 1 and 2 of Schedule D of your return. Be sure to attach the separate sheet to your return.

Schedule E.—Income from Partnerships, Estates and Trusts, and Other Sources

Partnerships.—Include in your return your share of the net profit (whether received by you or not) or loss of a partnership, pool, syndicate or the like, whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the "ordinary" net income or loss, excluding the following items:

1. Capital gains and losses, which should be entered in separate Schedule D.
2. Interest on obligations of the United States or its instrumentalities, which should be included in item 3, page 1.
3. Contributions, income taxes paid to a foreign government, and income taxes paid at source on tax-free covenant bond interest—all of which should be omitted if you use the tax table on page 2 or take the standard deduction, but should be entered in the proper spaces on page 4 if you itemize your deductions.

Estates and Trusts.—Include in your return your share of the distributable income (whether received by you or not) of an estate or trust whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the income of the estate or trust after the exclusion of the following items:

1. Interest on obligations of the United States or its instrumentalities, which should be included in item 3, page 1.
2. Income taxes paid to a foreign government and income taxes paid at source on tax-free covenant bond interest—which taxes should be omitted if you use the tax table on page 2 or take the standard deduction, but should be entered in the proper spaces on page 4 if you itemize your deductions.

Other Sources.—List and explain other income, such as amounts received from alimony or separate maintenance, rewards or prizes, recoveries of bad debts for which a deduction was taken in a prior year, and health and accident insurance benefits received as reimbursement for medical expenses for which a deduction was taken in a prior year.

Schedule F.—Explanation of Deduction for Depreciation Claimed in Schedules B and C

Depreciation.—In determining net rents (Schedule B) or business profits or losses (Schedule C), you may deduct each year as depreciation a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in a trade or business or held for the production of income. The depreciation must be based on the useful life of the property and on its cost if purchased after February 28, 1913. For further information regarding depreciation, see Bulletin "F" of the Bureau of Internal Revenue and section 114 of the Internal Revenue Code.

Depletion.—For information about depletion allowances in connection with oil and gas wells, mines, timber, and other natural resources, see sections 23 (m) and 114 of the Internal Revenue Code.

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INSTRUCTIONS FOR PAGE 4 OF FORM 1040

Place alongside page 4 of Form 1040 for easy reference

DEDUCTIONS.—The following instructions describe the classes of expenditures and losses which you may itemize and claim as deductions if you neither use the tax table on page 2 nor take the standard deduction of $500 on line 2 of the Tax Computation on page 4 of Form 1040. If your expenditures and losses of these classes amounted to more than 10 percent of your total income, or more than $500 if your total income was over $5,000, it will ordinarily be to your advantage to itemize them on page 4 of Form 1040. If you do so, you must compute your tax as indicated at the bottom of that page.

Contributions

The deduction for contributions cannot exceed 15 percent of the income you reported in item 5, page 1. Deduct only contributions of money or property (not services) to organizations operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals; veterans' organizations; or governmental organizations for use exclusively for public purposes.

Do not deduct gifts to relatives or other individuals, or to organizations any part of whose earnings is for the use or benefit of private individuals, or to organizations which devote a substantial part of their activities to carrying on propaganda or otherwise attempting to influence legislation.

Interest

Itemize interest paid on personal debts, such as bank loans or home mortgages. Do not deduct in this schedule interest paid on business debts; such interest should be reported in Schedule B or C. Do not deduct interest on loans obtained to buy tax-exempt securities or a single-premium life insurance or endowment contract. Do not deduct interest paid on behalf of another person unless you were legally liable to make the payment. In figuring the interest paid on a mortgage or installment contract, be careful to distinguish between interest and other charges such as financing fees, taxes, or insurance.

Taxes

Only certain taxes may be deducted. You may deduct State income taxes, personal property taxes, and real estate taxes except those levied for paving, sewers, or other improvements which tend to increase the value of your property. You may deduct State or local retail sales taxes (including gasoline taxes) if under the laws of your State or locality they are imposed directly upon the consumer or if they are imposed directly upon the retailer and the amount of the tax is separately stated by the retailer to the consumer.

Do not deduct Federal income tax, or any estate, inheritance, legacy, succession, or gift taxes, or taxes on your shares in a corporation which are paid for you by the corporation. Do not deduct in this schedule taxes on business or rental property, but report such taxes in Schedule B or C. Do not deduct in this schedule Federal import duties or Federal excise or stamp taxes; but any such taxes attributable to your business activities may be deducted in Schedule B or C. Federal social security taxes are not deductible by employees.

Losses From Fire, Storm, Shipwreck, or Other Casualty, or Theft

You may deduct the net amount of actual property losses resulting from war, accident, fire, storm, shipwreck, or other casualty, or from theft. Do not deduct here any losses claimed elsewhere in your return. Compute loss by determining value of the property just before the loss (ordinarily, cost less depreciation sustained) and subtracting both (*a*) salvage value, and (*b*) any insurance or other reimbursement received. Attach a statement fully explaining the nature of the loss, describing the property, and showing date acquired, cost, subsequent improvements, depreciation, insurance, and salvage value.

Medical and Dental Expenses

You may deduct the net amount of any medical, hospital, or dental expenses paid by you during the year for yourself, your wife (or husband), or a dependent, over and above 5 percent of the total income you reported in item 5, page 1. However, this deduction is limited to $1,250 if you claimed only one exemption in item 1, page 1, or $2,500 if you claimed more than one. Expenses for eyeglasses, artificial limbs, hearing aids, etc., may be included. Also include any amounts paid for health, accident, or hospitalization insurance.

List names of those to whom payments were made and state amounts and dates of payment. Find your "Net expenses" by subtracting the total of all insurance and other amounts received as reimbursement for the expenses itemized. From the net expenses subtract 5 percent of the total income you reported in item 5, page 1, since only the excess is deductible.

Miscellaneous

Itemize all allowable deductions not claimed elsewhere on your return, including: (*a*) Expenses incurred in the production or collection of taxable income or in the management of property held for the production of taxable income; (*b*) alimony and separate maintenance payments which are taxable to the wife; (*c*) gambling losses not exceeding gambling gains reported for the same year; (*d*) amortizable bond premium for the taxable year (see section 125 of the Internal Revenue Code); (*e*) your share of the interest and real estate taxes paid by a cooperative apartment corporation in which you are a tenant-stockholder; and (*f*) the $500 special deduction for the blind.

TAX COMPUTATION INSTRUCTIONS FOR TAXPAYERS NOT USING THE TAX TABLE ON PAGE 2 OF FORM 1040

Surtax Table

From the following table figure your surtax on the surtax net income on line 5, page 4, of the return:

If the surtax net income is:	The surtax is:
Not over $2,000	20% of the surtax net income.
Over $2,000 but not over $4,000	$400, plus 22% of excess over $2,000.
Over $4,000 but not over $6,000	$840, plus 26% of excess over $4,000.
Over $6,000 but not over $8,000	$1,360, plus 30% of excess over $6,000.
Over $8,000 but not over $10,000	$1,960, plus 34% of excess over $8,000.
Over $10,000 but not over $12,000	$2,640, plus 38% of excess over $10,000.
Over $12,000 but not over $14,000	$3,400, plus 43% of excess over $12,000.
Over $14,000 but not over $16,000	$4,260, plus 47% of excess over $14,000.
Over $16,000 but not over $18,000	$5,200, plus 50% of excess over $16,000.
Over $18,000 but not over $20,000	$6,200, plus 53% of excess over $18,000.
Over $20,000 but not over $22,000	$7,260, plus 56% of excess over $20,000.
Over $22,000 but not over $26,000	$8,380, plus 59% of excess over $22,000.
Over $26,000 but not over $32,000	$10,740, plus 62% of excess over $26,000.
Over $32,000 but not over $38,000	$14,460, plus 65% of excess over $32,000.
Over $38,000 but not over $44,000	$18,360, plus 69% of excess over $38,000.
Over $44,000 but not over $50,000	$22,500, plus 72% of excess over $44,000.
Over $50,000 but not over $60,000	$26,820, plus 75% of excess over $50,000.
Over $60,000 but not over $70,000	$34,320, plus 78% of excess over $60,000.
Over $70,000 but not over $80,000	$42,120, plus 81% of excess over $70,000.
Over $80,000 but not over $90,000	$50,220, plus 84% of excess over $80,000.
Over $90,000 but not over $100,000	$58,620, plus 87% of excess over $90,000.
Over $100,000 but not over $150,000	$67,320, plus 89% of excess over $100,000.
Over $150,000 but not over $200,000	$111,820, plus 90% of excess over $150,000.
Over $200,000	$156,820, plus 91% of excess over $200,000.

Adjustment on Line 7, Page 4, for Partially Tax-exempt Interest

If you take the standard deduction, enter on line 7 the same figure as appears on line 3, page 4, since the standard deduction makes allowance for any portion of your net income which is exempt from normal tax. However, if you itemize your deductions, you may subtract partially tax-exempt interest, less amortizable bond premium for the taxable year, from the amount shown on line 3, page 4, and enter only the balance on line 7. If you subtract any such amounts, attach an explanatory statement.

Items that may be subtracted in line 7 are (*a*) interest on the excess over $5,000 of United States savings bonds (at cost) and Treasury bonds (at face value) issued prior to March 1, 1941; (*b*) interest on obligations of instrumentalities of the United States issued prior to March 1, 1941 (other than Federal land banks, Federal intermediate credit banks, and joint stock land banks); and (*c*) dividends on share accounts in Federal savings and loan associations if the shares were issued prior to March 28, 1942.

Normal-tax Exemption on Line 8, Page 4

If husband and wife combine their incomes in a joint return, the normal-tax exemption (line 8, page 4) is $500 plus the amount of the smaller of the two incomes shown under item 5, page 1, but not more than $1,000 for both.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 21, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 15, 1944.

The Secretary of the Treasury, by this public notice, invites tenders for $ **1,200,000,000**, or thereabouts, of **91**-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated **September 21, 1944**, and will mature **December 21, 1944**, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, **Monday, September 18, 1944**. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, September 15, 1944.
9-14-44

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated September 21, 1944, and will mature December 21, 1944, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 21, 1944.

43-32

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, Press Service
~~Saturday, July~~ 15, 1944. No. ~~42-69~~ 43-33
Friday, Sept.

During the month of ~~June~~ Sept., 1944, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net ~~purchases~~ sales of ~~$20,475,000,~~ $18,992,500 Secretary Morgenthau announced today.

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September 7, 1944

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TO MR. D. W. BELL:

During the month of August, 1944, the following market transactions took place in direct and guaranteed securities of the Government:

Sales	$19,007,000
Purchases	14,500
Net sales	$18,992,500

(s) J. G.

HNaud
9/7/44

TREASURY DEPARTMENT

Bureau of Accounts

To Mr. Shaeffer

Public Relations

R.4408

D. Mand

MR. GREENBERG

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, Friday, September 15, 1944.

Press Service No. 43-33

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TREASURY DEPARTMENT
Washington

Immediate
FOR RELEASE, ~~MORNING NEWSPAPERS~~
~~Friday~~, September ~~15~~, 1944
Saturday 16

Press Service
No. 43-34

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Belgian franc currency and coins have been made available to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in Luxembourg, under arrangements completed some time ago between officials of the United States and the British Governments and representatives of the Luxembourg and Belgian Governments in London in anticipation of the operations of the Allied Forces now progressing within Luxembourg. This currency and coin is the same as is being used by the Allied Forces in Belgium. Before the war, Belgian currency was used in every-day transactions in Luxembourg, and was freely interchangeable with Luxembourg currency.

The rates of exchange selected by the Belgian Government for use in Belgium, 43.773 Belgian francs to $1 and 176.625 Belgian francs to £1, have been made applicable in Luxembourg at the instance of the Luxembourg Government. Complete records are being kept and a detailed accounting procedure has been set up in connection with the use of the Belgian currency in Luxembourg by the Allied Military forces. These records will be used in the future in reaching intergovernmental settlements for Allied expenditures in Luxembourg.

Arrangements have been made whereby U. S. military personnel may remit all or any portion of their pay which they receive in Belgian francs to the United States against payment here in dollars. United States soldiers leaving Luxembourg may exchange Belgian franc currency held by them for dollar currency. When United States forces obtain Belgian francs for military expenditures, the relevant Army appropriation will be charged for the dollar equivalent thereof. In this manner the control of Congress over the expenditures of the United States Army is maintained.

DWB

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, September 16, 1944.

Press Service
No. 43-34

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Belgian franc currency and coins have been made available to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in Luxembourg, under arrangements completed some time ago between officials of the United States and the British Governments and representatives of the Luxembourg and Belgian Governments in London in anticipation of the operations of the Allied Forces now progressing within Luxembourg. This currency and coin is the same as is being used by the Allied Forces in Belgium. Before the war, Belgian currency was used in every-day transactions in Luxembourg, and was freely interchangeable with Luxembourg currency.

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43-35

TREASURY DEPARTMENT
Washington

Immediate
FOR RELEASE, ~~MORNING NEWSPAPERS~~ Press Service
~~Friday~~, September ~~15~~ 16, 1944 No.
Sat

JOINT STATEMENT BY TREASURY AND WAR DEPARTMENTS

Netherlands currency and coin have been made available by the Netherlands Government to the Supreme Commander, Allied Expeditionary Forces, for the use of the Allied Liberation Forces in the Netherlands. These arrangements were completed some time ago between officials of the United States and the British Governments and representatives of the Netherlands Government in London in anticipation of the operations of the Allied Forces now progressing within the Netherlands. The currency and coin supplied by the Netherlands Government include currency recently printed in the United States and new series of one guilder, twenty-five cent, and ten cent coins minted for the Netherlands Government by the United States Mint.

The rates of exchange which have been established for the Netherlands are 2.64957 guilders to $1 and 10.691 guilders to £1. These rates were selected by the Netherlands Government in London. Complete records are being kept and a detailed accounting procedure has been set up in connection with the use of the guilder currency by the Allied Military forces. These records will be used in the future in reaching intergovernmental settlements for Allied expenditures in the Netherlands.

Arrangements have been made whereby U. S. military personnel may remit all or any portion of their pay which they receive in guilders to the United States against payment here in dollars. United States soldiers leaving the Netherlands may exchange guilder currency held by them for dollar currency. When United States forces obtain guilders for military expenditures, the relevant Army appropriation will be charged for the dollar equivalent thereof. In this manner the control of Congress over the expenditures of the United States Army is maintained.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, September 16, 1944.

Press Service
No. 43-35

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oOo

Surely, we Legionnaires are entitled to great pride in the accomplishments of this man, our former comrade. And our pride in his accomplishments is tempered only by our sadness in the tragedy that he did not live to see the Navy his vision and his aggressiveness helped create, drive the aggressors from the Seven Seas. Unable to present to him the award he richly deserved, we are happy and proud in the presence here today of the gallant lady who since their marriage in 1898 had been his true helpmate, sharing his sacrifices and his responsibilities -- Mrs. Annie Reid Knox.

Mrs. Knox, here in Chicago where your husband reached the peak of his brilliant career in business and journalism, here in the presence of his friend and assistant and successor, Jim Forrestal, who helped your husband build the greatest Navy in the world, here in this company of the representatives of 1,400,000 of your husband's comrades, I hand you this Distinguished Service Medal of the American Legion. This medal your husband won by a lifetime of devoted and distinguished service to his country. I ask you to accept this medal as a symbol of the respect, the loyalty and the genuine affection the men and women of the American Legion will always have for your husband. So long as there remains an American Legion the memory of Frank Knox will remain bright. And if we, of the American Legion succeed in our avowed purpose of passing on to posterity the traditions and the ideals that have made America great, then so long as fighting men with fighting hearts sail the seas in the fighting ships of the United States Navy, the spirit of your husband, Frank Knox, will live.

As a buck private in the Rough Riders, he fought against Spain under the leadership of his idol, Teddy Roosevelt. He fought the Boche in '18 as a major in France. In 1940, though he had been the last Republican candidate for the Vice Presidency and was one of the leaders of the opposition party, he did not hestiate to sacrifice his own personal, business, and political interests, but promptly responded to the call of President Franklin Delano Roosevelt and became the Secretary of the Navy. To this man in 1940 -- as throughout his life - the nation's need was his paramount concern.

He was a charter member of the American Legion. He helped organize the Legion in New Hampshire and became its first Department Commander. For twenty-six years he was not only one of the Legion's finest friends and best boosters -- he was one of our finest Legionnaires.

For forty years in civilian life he was always found in the advance guard of those who sought to awaken and mould public opinion in the national interest. In three states where he spent most of his adult life, Michigan, New Hampshire and Illinois, he was always recognized as an energetic, forthright, honorable leader of men. Few men in America foresaw the awful certainty of our becoming involved in this war as clearly as he -- and few men did as much to prepare the nation for that contingency.

In one of the most difficult periods of American history he became one of the greatest Secretaries the Navy has ever had. In less than four years of his administration the personnel of the Navy increased from 190,000 officers and men to more than 3,155,000 persons. When he took office the Navy had 2,112 aircraft. At the end of his administration it had 42,600 airplanes. During his administration the United States Navy rose from third place to by far the most powerful aggregation of ships, planes, equipment and personnel in the naval history of the world.

inspiration that can be found in the lives of the champions of Liberty, that the American Legion established its Distinguished Service Medal Award. In the last twenty-two years, this medal has been awarded to eighteen great men -- everyone of whom has exemplified the highest traditions of the American Legion:

General Pershing	General Diaz of Italy
Admiral Coontz	Admiral Beatty
Admiral Sims	General Lord Allenby of Great Britain
Judge Landis	General Josef Haller
General MacArthur	Premier Paderewski of Poland
Marshall Foch	Admiral King
Charles Bertrand	General Marshall
Comte DeJean of France	General Arnold
General Jacques of Belgium	Henry Ford

This is the roster of the recipients of the Legion's Distinguished Service Medal, -- these are the men who bear our accolade, the men we teach our children and grandchildren to honor and to emulate.

Today we add to this list a name not only worthy of the company it joins, but a name which adds luster to this award.

The man who bore that name possessed the ideals and the character that made America great. He served his country in three wars and was definitely a war casualty of the present conflict. When he died America lost one of her finest patriots - and I lost one of my dearest friends. For me - as for so many others - he had long been a source of strength and inspiration. He died - as he had lived, - giving the last full measure of his very being to the service of his country.

> He scarce had need to doff his pride or slough the dross of
> Earth --
> E'en as he trod that day to God so walked he from his birth,
> In simpleness and gentleness and honour and clean mirth.

at the 26th Annual Convention of the American Legion, in the

Presentation of the Distinguished Service Medal of the American Legion Awarded to the late Secretary of the Navy, Frank Knox, by Assistant Secretary of the Treasury, John L. Sullivan, Chicago, September 20, 1944, at 12:30 p.m. The Medal to be accepted by Mrs. Annie Reid Knox, widow of the late Secretary of the Navy.

Twenty-six years ago American veterans returning from the first World War determined to continue to serve their country, and associated themselves together in the American Legion. In a spirit of consecration to the bright, constant flame of love of country which was our heritage, we pledged to serve our country as faithfully, as loyally and as tirelessly in peace as we had in war.

The years from 1918 to 1944 were neither easy nor uneventful. At many times the road has been rough and the future obscure. But not once have the men and women of the American Legion faltered. Not once have we deviated from our high purpose.

The American Legion meets here today in our twenty-sixth annual convention. We do not meet as has-beens. We do not meet as a group who, having fought in one war, and having assumed more than our share of responsibility in civilian affairs for a quarter of a century, are now content to rest on our record. We meet as Americans who first learned to love our country by offering our lives to preserve it, as a group who through twenty-six years of devoted and soul-satisfying service to our communities, states, and nation have learned to appreciate and to cherish our country and our way of life. We meet as a thoroughly tested and loyal group who look forward to many remaining years of the prime of our lives to devote to the continuing service of the greatest country this world has ever known -- our beloved America. It is not for us to talk about what we as a group have accomplished. Rather our job is to plan and to work for those greater things we are yet to do.

The experience of our generation warns us that difficult problems lie ahead and that our country will need us. However, we can draw strength and determination from our own past achievements, and from the personal example a few great men have set us. Perhaps it was because of the need of that

The New York Times.

MAR 9 1944

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

Presentation of the Distinguished Service Medal of the American Legion awarded to the late Secretary of the Navy, Frank Knox, by Assistant Secretary of the Treasury, John L. Sullivan, at the 26th Annual Convention of the American Legion, in the Coliseum, Chicago, September 20, 1944, at 12:30 P.M., Central War Time. The medal to be accepted by Mrs. Annie Reid Knox, widow of the lastSecretary of the Navy.

Twenty six years ago, etc.

43-36

TREASURY DEPARTMENT

Washington

FOR RELEASE ON DELIVERY

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Mrs. Knox, here in Chicago where your husband reached the peak of his brilliant career in business and journalism, here in the presence of his friend and assistant and successor, Jim Forrestal, who helped your husband build the greatest Navy in the world, here in this company of the representatives of 1,400,000 of your husband's comrades, I hand you this Distinguished Service Medal of the American Legion. This medal your husband won by a lifetime of devoted and distinguished service to his country. I ask you to accept this medal as a symbol of the respect, the loyalty and the genuine affection the men and women of the American Legion will always have for your husband. So long as there remains an American Legion the memory of Frank Knox will remain bright. And if we, of the American Legion succeed in our avowed purpose of passing on to posterity the traditions and the ideals that have made America great, then so long as fighting men with fighting hearts sail the seas in the fighting ships of the United States Navy, the spirit of your husband, Frank Knox, will live.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 19, 1944.

Press Service
No-42-30

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated September 21 and to mature December 21, 1944, which were offered on September 15, were opened at the Federal Reserve Banks on September 18.

The details of this issue are as follows:

Total applied for - $2,088,342,000
Total accepted - 1,215,528,000 (includes $63,050,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.910 Equivalent rate of discount approx. 0.356% per annum
Low - 99.905 " " " " " 0.376% " "

(53 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 47,205,000	$ 27,512,000
New York	1,446,282,000	802,372,000
Philadelphia	40,165,000	25,219,000
Cleveland	28,890,000	23,380,000
Richmond	18,815,000	15,737,000
Atlanta	8,093,000	7,952,000
Chicago	313,656,000	178,978,000
St. Louis	22,967,000	14,719,000
Minneapolis	5,055,000	5,050,000
Kansas City	21,575,000	18,779,000
Dallas	12,569,000	11,629,000
San Francisco	123,070,000	84,201,000
TOTAL	$2,088,342,000	$1,215,528,000

DWB

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 19, 1944.
9-18-44

Press Service
No. 43-37

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated September 21 and to mature December 21, 1944, which were offered on September 15, were opened at the Federal Reserve Banks on September 18.

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Richmond	18,815,000	15,737,000
Atlanta	8,093,000	7,952,000
Chicago	313,656,000	178,978,000
St. Louis	22,967,000	14,719,000
Minneapolis	5,055,000	5,050,000
Kansas City	21,575,000	18,779,000
Dallas	12,569,000	11,629,000
San Francisco	123,070,000	84,201,000
TOTAL	$2,088,342,000	$1,215,528,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, September 20, 1944.

Press Service

43-38

Secretary of the Treasury Morgenthau today announced that on Monday, September 25th, an offering will be made, through the Federal Reserve Banks, of 7/8 percent Treasury Certificates of Indebtedness of Series G-1945, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series F-1944, maturing October 1, 1944. Cash subscriptions will not be received.

The certificates now offered will be dated October 1, 1944, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable semiannually on April 1 and October 1, 1945. They will mature October 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular to be released September 25.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

There are now outstanding $3,519,047,000 of the Series F-1944 certificates.

The text of the official circular will be made public on September 25th.

DWB

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, September 20, 1944.
9-19-44

Press Service
No. 43-38

Secretary of the Treasury Morgenthau today announced that on Monday, September 25th, an offering will be made, through the Federal Reserve Banks, of 7/8 percent Treasury Certificates of Indebtedness of Series G-1945, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series F-1944, maturing October 1, 1944. Cash subscriptions will not be received.

The certificates now offered will be dated October 1, 1944, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable semiannually on April 1 and October 1, 1945. They will mature October 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular to be released September 25.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

There are now outstanding $3,519,047,000 of the Series F-1944 certificates.

The text of the official circular will be made public on September 25th.

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If hope means courage and willingness to face our problems squarely, it is its own best promise that we shall make real progress.

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Bretton Woods there was much discussion of details but there was complete unity of purpose among some 40 nations to make effective concerted plans for economic harmony and for world-wide industrial and economic development. Agreement was reached for a plan of currency stabilization, among the most basic of needs for expanded and healthy world commerce, and also for an international bank which, under the auspices and with the participation of all the member nations, will supervise, guarantee or make loans for economic development in all lands.

These plans are intended to lay the basis for exchanges of goods and for supplies of capital where it can be most useful in building modern economies which can yield high standards of living. Their purpose is reconstruction and new economic development for war-wasted lands. For the United States they will mean, when they and companion measures have been made effective by legislation, more prosperous and therefore better customers and better neighbors.

Americans generally look toward the future with high hope. They have been derided for it. But derision has not stopped us in the past, nor have the prophets of gloom often been good prophets.

dustrialized production and world-wide trade. The industrially under-developed nations have some right to expect of us that we show them how to convert this knowledge into higher standards of living for them as well as for us.

Our opportunity lies in the evident fact that our best hope of domestic prosperity is in a prosperous world, a world of increased demand and higher standards of living.

This most destructive of wars, which has revealed the basest aspects of human nature and the blackest depths of barbarism among peoples wearing the outer clothing of civilization, has also its brighter side. It has shown us possibilities for material advancement of which we had scarcely dreamed, and it has shown us also that a common humanity and a common hatred of cruelty and tyranny can still bring men together to battle for their mutual protection and for the general good.

The unity of the United and Associated Nations is not a mere front. The power and sincerity behind it has been shown, not only in war collaboration, but in successive conferences to plan for the peace to come. The monetary conference called by the President this summer and held under Secretary Morgenthau's leadership at Bretton Woods, New Hampshire, in July, is probably the most notable example of this. At

The groundwork for such a policy was laid in the Atlantic Charter of August, 1941, and it was further advanced in the Lend-Lease agrements of 1942, which speak of "the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundation of the liberty and welfare of all peoples," * * * "the elimination of all forms of discriminatory treatment in international commerce," and "the reduction of tariffs and other trade barriers."

These declarations in favor of opening up the channels of trade in the interest of world prosperity have their basis in experience more than in theory. They reflect the sad experience of the economic warfare which preceded the war of arms, a warfare in which trade quotas, tariffs, exchange controls and competitive depreciation of currencies first helped to create a depression and then to prolong it.

In the very fact of the extension of their buying and their selling, their production and their distribution throughout the world, the world-trading nations, of which the United States has been one since colonial days and the era of the clipper ship, have incurred responsibility as well as opportunity. We have shown the world the possibilities of in-

The problem is not merely domestic; we have seen enough of the interdependence of nations to know that it is international. Our experience has shown us that we certainly can not hope to solve it by ill-considered attempts at national self-sufficiency and the imposition of barriers against international trade. Both our domestic experience and our foreign trade experience indicate that the remedy is in just the opposite direction. They point to the conclusion that improvement in transportation, improvement in communications, the development of backward areas, the multiplication of demand, the further subdivision and specialization in productive effort -- all these will increase world prosperity and ours with it.

There is significance in the composition of the trade of this country before the war. The great bulk and the most remunerative part of our trade was with the nations most advanced industrially. It would seem then that we need not foresee any danger in supplying less advanced nations with the machinery for development. The process should merely make them better customers.

the supply of goods -- productive power as expressed in output -- towers above the normal needs -- the normal consumption -- of our people. We have learned that we are capable of producing just about twice as much of useful goods and services as we produced in any year before the war. If basic human needs are not adequately met, it is not for lack of productive capacity.

The lesson of the productiveness of the modern industrial machine and modern agriculture has not been confined to the United States. Other industrialized countries have made the same discovery, the discovery that the earth can be made to yield abundance for all. The demonstration of that fact will probably be held in the future to have been one of the most important developments of this era.

The very fact that we have solved so brilliantly one great economic problem, the problem of production, leads some to be pessimistic about our ability to solve another equally important, that of making abundance available to those who need it. I don't know why this should be so. It would seem that we ought to be encouraged by the triumph -- the relatively recent triumph -- in one field, to hope for as brilliant progress in another.

to the machinery of production. It might have been expected that the huge demands for war supplies and equipment would have reduced very greatly the supplies of civilian goods and forced us to live on short rations and with few luxuries.

Actually nothing of the kind has occurred. We are producing for civilian use in quantities as great as for any non-war year. We are not going ragged; we are not starving; we are not even denying ourselves in any important or significant way to meet the war's demands. We have plenty of the necessities of life and a considerable proportion of us are more amply supplied with luxuries than ever before. The supplies of some foods and a few other commodities are limited and there is rationing, not generally because of reduced supply but because of increased demand. Further than that, we are not setting ourselves any difficult task of reconstruction through using up any considerable part of our capital goods. Much of the increase in plant capacity for war purposes may be fact be useful for peacetime production.

With all this abundance of consumer goods we are producing materials of war in quantity and value only slightly less than the record abundance we are producing for domestic use. The unescapable drama of the situation is the manner in which

route and that the greatest possible freedom for and stimulation of world trade is the first necessary step in that direction.

American soldiers with their allies on the continent of Europe are now engaged in dealing the death blows to the most menacing tyranny the modern world has seen. The spectacular victories they have won under able leaders give certain evidence of their courage, their versatility, their excellent training and their patriotic devotion. But they reflect something more. Like the equally splendid victories of our men in the southwest Pacific and on the continent of Asia they tell the story of an immense productive achievement by the American people that is perhaps the most amazing development of this war.

Our foes are being overcome by the might of armed forces supplied with weapons and equipment which in sheer weight and volume exceed anything ever before thought to be possible.

As a war achievement this assures us victory and fills us with pride. But it has significance in another way. For it has within it promise of the satisfaction of the material wants of humanity on a far more liberal and abundant scale than has ever been enjoyed before. Normally our productive equipment operates to supply current needs, with some additions

To adapt ourselves to a world of further restricted international trade or even to a world of static trade would require us to face a program of wholesale reorganization of our productive habits and processes. If we wish to see growth along the lines to which our agriculture and our industry have adjusted themselves our interest is in expanding trade and an expanding world economy.

There seems to have been prevalent in the past an illusion about world trade -- an illusion as fallacious as that which treats of national income and national productive power as definitely limited amounts for which labor and capital, proprietor and consumer must struggle to get each his fair share. The illusion about world trade is that there are closely limited markets in which we can expand our business only by taking business away from other nations. In this country we have learned that to create a market for a new product and to enlarge its sales does not mean taking something out of national income; on the contrary, it is more likely to mean creating employment, creating purchasing power and adding to national income. America has prospered by creating and satisfying new wants. There seems not the slightest reason to doubt that the path of world prosperity lies along the same

Our exports, amounting in normal years before the war, to something like 10 per cent of our output of movable goods, are also of very great importance to us. Since the home market takes 90 per cent of our goods it might be thought we could improve the domestic market to take the other 10 per cent. But the matter is not so simple. Industries have grown up largely dependent on the foreign market. If they are ruined others largely dependent on them get into difficulties. Our experience in 1929 and the years immediately following it ought to have shown how that works.

The loss of 10 per cent or much less than 10 per cent of the market for our products, if translated into an equivalent amount of unemployment, could easily mean the difference between a relatively high employment level and a low employment level. It is a great mistake to think of ours as a balanced economy, spilling over a little of its surplus production to foreign countries and buying a few of their products in exchange. We have only to think of cotton, tobacco, food products, petroleum, chemicals, steel, automobiles, machinery, agricultural implements, typewriters, sewing machines, electrical goods -- to say nothing of our great new industry of aircraft building -- to realize what a mistake that would be.

the same world at all. It is a wholly different world. There is no room on it any more for a country or a civilization which can develop independently of the rest of the world.

We here in the United States are subject to the influence of political events in Europe, Asia or Africa; we are subject also to the influence of economic events in any of those continents. We have learned this the hard way; that is, by bitter experience. We have learned also that mistakes we make react against us. We can expect this to be even more true in the future than in the past.

This country is probably more nearly self-sufficient than any other country in the world, and it may well continue to be so. We have here nearly all the natural resources requisite to the needs of a modern civilization, and certainly we are skillful enough to make anything that can be manufactured. We have nearly all we need, but not all; and what we lack is important to us. Some of it, such as rubber and certain metals, is essential to our manufactures. Some of it consists of food products and other articles that are the growth or manufacture of others which we are accustomed to enjoying and feel we must continue to have.

continued persistently.

The development of international air transport -- of transoceanic air transport -- for passengers and precious freight, has burst on us suddenly. The war has given it tremendous impetus. We can't yet appraise its full effect, nor the full effect of other mechanical developments that will tend to increase transport speeds and reduce costs. But certainly we can deduce that the effect will not be to promote isolation, but rather to promote intercommunication and increased trade.

We have seen in the way this war burst upon us and in developments since how unimportant are the wide oceans which surround us as barriers against an aggressor and how closely we are tied in, for better or for worse, with the political systems of the whole world. We have learned that the first outbreak of civil persecution, savagery and oppression anywhere in the world is a sign of danger to us, just as an uncontrolled fire anywhere in a city might menace all its inhabitants. How can we expect that in the economic field the situation can be any different? In fact we know that it is not. The plain fact is that the world in which we live is not the world of 1776, or 1800 or even of 1844, Physically it is just not

Possibly we don't always appreciate the part that transportation development has played in the growth and cohesion, even the political unity, of the United States. Increasing speed, reductions in cost, have promoted regional interdependence. This trend has meant not only sharing of specialties, overcoming climatic and soil limitations, but has promoted productive efficiency and prosperity. It has contributed to increases in the standard of living. These developments have been made possible by the absence of political barriers between states and regions and by positive governmental steps such as the creation of a unified monetary system and encouragement to investment and to settlement.

International trade has followed the same trend and been subject to some of the same influences. The exchange of products on a large scale has promoted specialization and efficiency and has contributed to higher standards of living in many areas all around the world. But of course the parallel with our progress in the United States is far from complete. Instead of one government whose support has been given toward actions that promoted cohesion and unity, in the world area there have been many governments and their influence has often been exerted toward division and separatism. In spite of actions of this sort the trend toward interdependence has

It has become an old saying that the earth is constantly shrinking, because of improvements in the methods of travel. That was said in the days of the clipper ships out of Boston, said again in the days of railroad building and again with the coming of fast ocean liners. But perhaps we should revise our thoughts and think of time as having attained a new quality. At least the time-space equation is greatly modified.

A hundred years ago there was muttering in Boston and Philadelphia and along the Potomac and the James about the admission of any more States in the west. We read quotations such as these: "What do those wild men out there know about our affairs? What have we in common with them? Is it possible that so vast an area can be governed as one Nation?"

It was transport that knit it together and defeated the expectations of those who looked to see three or four or a half-dozen colonies or republics spring up between Canada and Mexico. That and the spirit of adventure. From the standpoint of the movement of goods and persons distance is measured by time and cost. They are both being whittled down; time most spectacularly right now.

by Robert E. Gaston, Assistant Secretary of the Treasury
43-39

Draft of Speech for Christ Church Forum
New York, N.Y., September 20-21, 1944.

Just before this war started New York was separated from England and France by a space of about one week, if you came or went by a good ship. The separation now by a common route of travel is about 24 hours. It will be less.

It is not exactly a secret that out at LaGuardia Field the big planes are leaving daily for trans-Atlantic trips -- often several in a day -- and are arriving as frequently.

I talked not so long ago to an officer of another government who had remained at work in an office in the British Isles until after midnight, had breakfasted in Montreal, put in approximately a full working day there, had dinner in New York and spent an hour or two in conference there, and had been able to keep a late appointment in Washington -- all in one calendar day, with the benefit of five extra time-differential hours.

This is the picture of a full day in the life of a busy man, but it also gives you a vivid conception of what is happening to world transport.

If hope means courage and willingness to face our problems squarely, it is its own best promise that we shall continue to make real progress, toward an ever-advancing goal.

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Insert p 9'4

Another step in international collaboration designed to bridge the transition from a wartime to a peacetime economy, is the United Relief and Rehabilitation Administration. This is a service agency set up by 44 member governments to help solve the urgent problems of relief and rehabilitation for liberated countries. Although the program of UNRRA, as it is commonly known, deals only with a short time phase of the world's war-disrupted affairs and is not designed to enter into postwar reconstruction, it is a significant harbinger of economic humane collaboration among nations.

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But even the loss of 10 per cent ~~or much less than 10 per cent~~ of the market for our products, ~~if translated into an equivalent amount of unemployment,~~ could easily mean the difference between a relatively high employment level and a low employment level. It is a great mistake to think of ours as a balanced economy, spilling over a little of its surplus production to foreign countries and buying a few of their products in exchange. We have only to think of cotton, tobacco, food products, petroleum, chemicals, steel, automobiles, machinery, agricultural implements, business machines, ~~typewriters, sewing machines,~~ electrical goods -- to say nothing of our great new industry of aircraft building -- to realize what a mistake that would be.

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This country is probably more nearly self-sufficient than any other country in the world, and it may well continue to be so. We have here nearly all the natural resources requisite to the needs of a modern civilization, and ~~certainly~~ we are skillful enough to make ~~anything that can be~~ any of the manufactured goods that we need. We have nearly all we need, but not all; and what we lack is important to us. Some of ~~it, such as rubber and certain metals, is~~ the metals and other materials are essential to our ~~manufactures~~ manufacturing. Then there are ~~Some of it consists~~ of food products and other articles that are the growth or manufacture of others which we are accustomed to enjoying and feel we must continue to have.

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3

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2nd draft

6

~~Draft of Speech for Christ Church Forum~~
~~New York, N.Y., September 20-21, 1944.~~

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It is not exactly a secret that out at LaGuardia Field the big planes are leaving daily for trans-Atlantic trips -- often several in a day -- and are arriving as frequently.

I talked not so long ago to an officer of another government who had remained at work in an office in the British Isles until after midnight, had breakfasted in Montreal, put in approximately a full working day there, had dinner in New York and spent an hour or two in conference there, and had been able to keep a late appointment in Washington -- all in one calendar day, with the benefit of five extra time-differential hours.

This is the picture of a full day in the life of a busy man, but it also gives you a vivid conception of what is happening to world transport.

TREASURY DEPARTMENT
Washington

3 cpies

Press Service
No. 43-39

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, September 21, 1944.

3 cpies

Address of Herbert E. Gaston, Assistant Secretary of the Treasury, to be delivered at the evening session of the Christ Church Forum, New York, New York, Wednesday, September 20, 1944.

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OUR INTEREST IN WORLD PROSPERITY

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This is the picture of a full day in the life of a busy man, but it also gives you a vivid conception of what is happening to world transport.

It has become an old saying that the earth is constantly shrinking, because of improvements in the methods of travel. That was said in the days of the clipper ships out of Boston, said again in the days of railroad building and again with the coming of fast ocean liners. But perhaps we should revise our thoughts and think of time as having attained a new quality. At least the time-space equation is greatly modified.

A hundred years or so ago there was muttering in Boston and Philadelphia and along the Potomac and the James about the admission of any more States in the west. We read quotations such as these: "What do those wild men out there know about our affairs? What have we in common with them? Is it possible that so vast an area can be governed as one Nation?"

It was transport that knit it together and defeated the expectations of those who looked to see three or four or a half-dozen colonies or republics spring up between Canada and Mexico. That and the spirit of adventure. From the standpoint of the movement of goods and persons distance is measured by time and cost. They are both being whittled down; time most spectacularly right now.

Possibly we don't always appreciate the part that transportation development has played in the growth and cohesion, even the political unity, of the United States. Increasing speed, reductions in cost, have promoted regional interdependence. This trend has meant not only wide markets for specialized products, overcoming climatic and soil limitations, but has promoted productive efficiency and prosperity. It has contributed to increases in the standard of living. These developments have been made possible by a minimum of political and trade barriers between states and regions and by positive governmental steps such as the creation of a unified monetary system and encouragement to investment and to settlement.

International trade has followed the same trend and been subject to some of the same influences. The exchange of products on a large scale has promoted specialization and efficiency and has contributed to higher standards of living in many areas all around the world.

But of course the parallel with our progress in the United States is far from complete. Instead of one government whose support has been given toward actions that promoted cohesion and unity, in the world area there have been many governments and their influence has often been exerted toward division and separatism. In spite of actions of this sort the trend toward interdependence has continued persistently.

The development of international air transport -- of transoceanic air transport -- for passengers and precious freight, has burst on us suddenly. The war has given it tremendous impetus. We can't yet appraise its full effect, nor the full effect of other mechanical developments that will tend to increase transport speeds and reduce costs. But certainly we can deduce that the effect will not be to promote isolation, but rather to promote intercommunication and increased trade.

We have seen in the way our enemies struck in this war and in developments since then how unimportant are the wide oceans which surround us as barriers against an aggressor and how closely we are tied in, for better or for worse, with the political systems of the whole world. We have learned that the first outbreak of civil persecution, savagery and oppression anywhere in the world is a sign of danger to us, just as an uncontrolled fire anywhere in a city might menace all its inhabitants.

How can we expect that in the economic field the situation can be any different? In fact we know that it is not. The plain fact is that the world in which we live is not the world of 1776, or 1800 or even of 1844. Physically it is just not the same world at all. It is a wholly different world. There is no room on it any more for a country or a civilization to live and develop independently of the rest of the world.

We here in the United States are subject to the influence of political events in Europe, Asia or Africa; we are subject also to the influence of economic events in any of those continents. We have learned this the hard way; that is, by bitter experience. We have learned also that mistakes we make react against us. We can expect this to be even more true in the future than in the past.

This country is probably more nearly self-sufficient than any other country in the world, and it may well continue

to be so. We have here nearly all the natural resources requisite to the needs of a modern civilization, and we are skillful enough to make any of the manufactured goods that we use. We have nearly all we need, but not all; and what we lack is important to us. Some of the metals and other materials are essential to our manufacturing. Then there are food products and other articles that are the growth or manufacture of others which we are accustomed to enjoying and feel we must continue to have.

Our exports, amounting in normal years before the war to something like 10 per cent of our output of movable goods, are also of very great importance to us. Since the home market takes 90 per cent of our goods it might be thought we could improve the domestic market to take the other 10 per cent. But the matter is not so simple. We need for one thing, to find markets for a far greater output than the pre-war production. Also, some of our important industries have grown up largely dependent on the foreign market. If they are ruined others dependent on them get into difficulties. Our experience in 1929 and the years immediately following it ought to have shown how that works. We couldn't sacrifice that 10 per cent without losing far more.

But even the loss of 10 per cent of the market for our products could easily mean the difference between a relatively high employment level and a low employment level. It is a great mistake to think of ours as a balanced economy, spilling over a little of its surplus production to foreign countries and buying a few of their products in exchange. We have only to think of cotton, tobacco, food products, petroleum, chemicals, steel, automobiles, machinery, agricultural implements, business machines, electrical goods -- to say nothing of our great new industry of aircraft building -- to realize what a mistake that would be.

To adapt ourselves to a world of further restricted international trade or even to a world of static trade would require us to face a program of wholesale reorganization of our productive habits and processes. If we wish to see growth along the lines to which our agriculture and our industry have adjusted themselves our interest is in expanding trade and an expanding world economy.

There seems to have been prevalent in the past an illusion about world trade -- an illusion as fallacious as that which treats of national income and national productive power as definitely limited amounts for which labor and capital, proprietor and consumer must struggle to get each his fair share. The illusion about world trade is that there are closely limited markets in which we can expand our business only by taking business away from other nations. In this country we have learned that to create a market for a new product and to enlarge its sales does not mean taking something out of national income; on the contrary, it is more likely to mean creating employment, creating purchasing power and adding to national income. America has prospered by creating and satisfying new wants. There seems not the slightest reason to doubt that the path of world prosperity lies along the same route and that the greatest possible freedom for and stimulation of world trade is the first necessary step in that direction.

American soldiers with their allies on the continent of Europe are now engaged in dealing the death blows to the most menacing tyranny the modern world has seen. The spectacular victories they have won under able leaders give certain evidence of their courage, their versatility, their excellent training and their patriotic devotion. But they reflect something more. Like the equally splendid victories of our men in the southwest Pacific and on the continent of Asia they tell the story of an immense productive achievement by the American people that is perhaps the most amazing development of this war.

Our foes are being overcome by the might of armed forces supplied with weapons and equipment which in sheer weight and volume exceed anything ever before thought to be possible.

As a war achievement this assures us victory and fills us with pride. But it has significance in another way. For it has within it promise of the satisfaction of the material wants of humanity on a far more liberal and abundant scale than has ever been enjoyed before, Normally our productive equipment operates to supply current needs, with some additions to the machinery of production. It might have been expected that the huge demands for war supplies and equipment would have reduced very greatly the supplies of civilian goods and forced us to live on short rations and with few luxuries.

Actually nothing of the kind has occurred. We are producing for civilian use in quantities as great as for any non-war year. We are not going ragged; we are not starving; we are not even denying ourselves in any important or significant way to meet the war's demands. We have plenty of the necessities of life and a considerable proportion of us are more amply supplied with luxuries than ever before. The supplies of some foods and a few other commodities are limited and there is rationing, sometimes because of reduced supply due to military need but mostly because of increased civilian demand. Further than that, we are not setting ourselves any difficult task of reconstruction through using up any considerable part of our capital goods. Much of the increase in plant capacity for war purposes may in fact be useful for peactime production.

With all this abundance of consumer goods we are producing materials of war in quantity and value only slightly less than the record abundance we are producing for domestic use. The unescapable drama of the situation is the manner in which the supply of goods -- productive power as expressed in output -- towers above the normal needs -- the normal consumption -- of our people. We have learned that we are capable of producing nearly twice as much of goods and services as we produced in any year before the war. If basic human needs are not adequately met, it is not for lack of productive capacity.

The lesson of the productiveness of the modern industrial machine and modern agriculture has not been confined to the United States. Other industrialized countries have made the

same discovery, the discovery that the earth can be made to yield abundance for all. The demonstration of that fact will probably be held in the future to have been one of the most important developments of this era.

The very fact that we have solved so brilliantly one great economic problem, the problem of production, leads some to be pessimistic about our ability to solve another equally important, that of making abundance available to those who need it. I don't know why this should be so. It would seem that we ought to be encouraged by the triumph -- the relatively recent triumph -- in one field, to hope for as brilliant progress in another.

The problem is not merely domestic; we have seen enough of the interdependence of nations to know that it is international. Our experience has shown us that we certainly can not hope to solve it by ill-considered attempts at national self-sufficiency and the imposition of barriers against international trade. Both our domestic experience and our foreigh trade experience indicate that the remedy is in just the opposite direction. They point to the conclusion that improvement in transportation, improvement in communications, the development of backward areas, the multiplication of demand, the further subdivision and specialization in productive effort -- all these will increase world prosperity and ours with it.

There is significance in the composition of the trade of this country before the war. The great bulk and the most remunerative part of our trade was with the nations most advanced industrially. It would seem then that we need not foresee any danger in supplying less advanced nations with the machinery for development. The process should merely make them better customers.

The groundwork for such a policy was laid in the Atlantic Charter of August, 1941, and it was further advanced in the Lend-Lease agreements of 1942, which speak of "the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundation of the liberty and welfare of all people," * * * "the elimination of all forms of discriminatory treatment in international commerce," and "the reduction of tariffs and other trade barriers."

These declarations in favor of opening up the channels of trade in the interest of world prosperity have their basis in experience more than in theory. They reflect the sad experience of the economic warfare which preceded the war of arms, a warfare in which trade quotas, tariffs, exchange controls and competitive depreciation of currencies first helped to create a depression and then to prolong it.

In the very fact of the extension of their buying and their selling, their production and their distribution throughout the world, the world-trading nations, of which the United States has been one since colonial days and the era of the clipper ship, have incurred responsibility as well as opportunity. We have shown the world the possibilities of industrialized production and world-wide trade. The industrially and under-developed nations have some right to expect of us that we show them how to convert this knowledge into higher standards of living for them as well as for us.

Our opportunity lies in the evident fact that our best hope of domestic prosperity is in a prosperous world, a world of increased demand and higher standards of living.

This most destructive of wars, which has revealed the basest aspects of human nature and the blackest depths of barbarism among peoples wearing the outer clothing of civilization, has also its brighter side. It has shown us possibilities, for material advancement of which we had scarcely dreamed, and it has shown us also that a common humanity and a common hatred of cruelty and tyranny can still bring men together to battle for their mutual protection and for the general good.

The unity of the United and Associated Nations is not a mere front. The power and sincerity behind it has been shown, not only in war collaboration, but in successive conferences to plan for the peace to come. The monetary conference called by the President this summer and held under Secretary Morgenthau's chairmanship at Bretton Woods, New Hampshire, in July, is probably the most notable example of this. At Bretton Woods there was much discussion of details but there was complete unity of purpose among some 40 nations to make effective concerted plans for economic harmony and for world-wide industrial and economic development. Agreement was

reached for a plan of currency stabilization, among the most basic of reeds for expanded and healthy world commerce, and also for an international bank which, under the auspices and with the participation of all the member nations, will encourage and facilitate international investment for economic development in all lands.

These plans are intended to lay the basis for international trade and international investment that can be useful in building modern economies capable of yielding high standards of living. Their purpose is reconstruction and new economic development for war-wasted lands. For the United States they will mean, when they and companion measures with the same great objective have been made effective by legislation, more prosperous and therefore better customers and better neighbors.

Another step in international collaboration designed to bridge the transition from a wartime to a peacetime economy is the United Relief and Rehabilitation Administration. This is a service agency set up by 44 member governments to help solve the urgent problems of relief and rehabilitation for liberated countries. Although the program of UNRRA, as it is commonly known, deals only with a short time phase of the world's war-disrupted affairs and is not designed to enter into postwar reconstruction, it is a significant harbinger of economic humane collaboration among nations.

Americans generally look toward the future with high hope. They have been derided for it. But derision has not stopped them in the past, nor have the prophets of gloom often been good prophets. Perhaps the chief reason for that is that Americans have never yet been willing to accept defeat and that their aspirations for a world of wider opportunity and greater justice are a living force that has been handed down from generation to generation.

If hope means courage and willingness to face our problems squarely, it is its own best promise that we shall continue to make real progress toward an ever-advancing goal.

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43-40

FOR IMMEDIATE RELEASE
September 19, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 9, 1944	1,198,107,280
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	September 16, 1944 2/	31,382,186
Cuba	13,949,562	September 9, 1944	8,477,821
Dominican Republic	20,881,883	September 16, 1944 2/	19,073,628
Ecuador	26,155,330	September 16, 1944 2/	22,089,097
El Salvador	104,621,321	September 16, 1944 2/	100,762,497
Guatemala	93,287,384	September 16, 1944 2/	89,983,798
Haiti	47,951,373	September 9, 1944	42,104,285
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	September 16, 1944 2/	28,864,593
Peru	4,359,288	September 9, 1944	3,596,361
Venezuela	73,234,872	September 9, 1944	43,166,864
Non-Signatory Countries:	61,900,935	September 9, 1944	4,459,775

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, September 19, 1944.

Press Service
No. 43-40

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1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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COTTON CARD STRIPS, 2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent 2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 September 9, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to Sept. 9, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	29,398	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	29,398	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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FOR IMMEDIATE RELEASE
September ~~19~~ 20, 1944

43-41

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 20, 1943, to September 9 and 16, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to Sept. 9, 1944	Established Quota 45,656,420	Imports Sept. 20, 1943, to Sept. 16, 1944
Egypt and the Anglo-Egyptian Sudan	783,816	-		33,357,533
Peru	247,952	73,576		1,917,073
British India	2,003,483	-		-
China	1,370,791	-		-
Mexico	8,883,259	8,883,259		-
Brazil	618,723	417,580		-
Union of Soviet Socialist Republics	475,124	-		-
Argentina	5,203	-		-
Haiti	237	-		-
Ecuador	9,333	-		-
Honduras	752	-		-
Paraguay	871	-		-
Colombia	124	-		-
Iraq	195	-		-
British East Africa	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados	-	-		-
Other British West Indies 1/	21,321	-		-
Nigeria	5,377	-		-
Other British West Africa 2/	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia	-	-		-
	14,516,882	9,374,415	45,656,420	35,274,606

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, September 20, 1944.

Press Service
No. 43-41

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Colombia.....	124	-		-
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British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados.....	-	-		-
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Nigeria.....	5,387	-		-
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Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips 2/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

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1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 28, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 22, 1944 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated September 28, 1944 (4), and will mature December 28, 1944 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, September 25, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

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Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War Time, Monday, September 25, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 28, 1944.

43-42

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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between ignorant change on one hand, and ignorant opposition to change on the other."

We are today experiencing a great acceleration in those economic and social forces which, as Mr. Mill says "flow like a tide over communities which are only half conscious of that which is befalling them." We must hold fast to the good. We must also adjust thought and action to the present extremity and to the prospect of that world which, not without promise, lies beyond the horizon of war.

In conclusion, may I be permitted to quote once more a few sentences written by one of our classic economists a great many years ago. It seems to compress a great deal of wisdom into a fery few words. The author is John Stuart Mill, and he said:

"History shows that great economic and social forces flow like a tide over communities only half conscious of that which is befalling them. Wise statesmen foresee what time is thus bringing, and try to shape institutions and mold men's thoughts in accordance with the change that is silently coming on. The unwise are those who bring nothing constructive to the process, and who greatly imperil the future of mankind by leaving great questions to be fought out

often difficult business of making loans, supplying the necessary credit of the community and exerting leadership in an independent and competitive economy.

I trust I shall not be misunderstood here. I am certainly not suggesting that the bankers of this country should assume the role of the entrepreneur and go into the business of providing venture capital. I am not inviting any extension of credit which can not be justified by proper banking standards. But short of such a reckless abuse of a banker's trusteeship there lies a broad field in the coming postwar world which should be diligently explored and covered. The extent to which this field is pre-empted will determine the future of private banking in the American scene.

Finally, and most important of all, there remains the general question of just what role the banks of these United States will play in the postwar world. They are in splendid condition to meet an issue which is fundamental. If we are to have a society of free enterprise and personal initiative, of individualism in the American tradition, we need a banking system alive to its responsibilities for providing credit for industry and agriculture, and determined to do such a good job that it will require an ever diminishing amount of support from either Federal or State authorities. The proper function of banking is not the enjoyment of a comfortable security in the form of income from government obligations and government guaranteed paper, but rather the hard and

of millions of service men who are anxious to re-establish themselves in business and in agriculture. A great debt is owed these men by society. The Federal Government has recognized the impelling nature of it by passing legislation designed to assist them in their endeavors to pick up the threads of their lives where they were dropped. Some of this legislation provides for a partial assumption of risk by the Federal Government of credit extended to returning veterans. We are not yet familiar with the regulations which are to be laid down by the Veterans' Bureau in these matters, but the supervisory authorities as well as the banks themselves are certain to be confronted with very delicate questions growing out of this general situation. We should be giving thought to this matter.

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Thirdly, there is developing for banks a problem in public relations growing out of the return

immediate concern is that this back log -- a guarantee of future ultimate consuming power and employment -- be not used until reconversion has supplied goods to buy.

The second problem which it occurs to me we might discuss among ourselves is that of bank capitalization. Generally speaking, banks today are in very strong position. Their assets are largely composed of government bonds, government guaranteed paper and cash. Their risk assets are few. Their earnings are satisfactory. But the exigencies of war financing have greatly increased deposits without a commensurate increase in capital protection. All of this has been inevitable, and so recognized by all

in of these securities to storm a market for goods which can not be immediately produced. The Secretary of the Treasury has expressed his confidence in the good sense of the American people in this regard. The Secretary feels that people generally have been taught to save and that they are not going to be so quick to spend after the war is over. May I ask that the weight of your influence be used to support this hope and expectation, and thus to prevent the fostering of black markets and the further unnecessary absorption of government securities by the banks. There is, of course, an impressive back log of purchasing power in these 47 billion dollars of individual savings which may be of significant service in the future. Our

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the problems which now confront them. It is our duty, of course, to help them do this, and I should like to take advantage of my early position on the program of this conference to lay before you for thought and discussion some of the matters which, in my judgment, will be of interest and concern to banks and banking during the impending conversion period. It is possible that through the exchange of ideas we may be able to develop a program which will be of assistance during this trying time.

It is generally agreed that one of the main difficulties in the transition of our economy from war to peace will be the necessity of holding within proper

to look back for a minute and think how well banking as an institution has survived its many perils - among others the pirates who threatened it in the days of the Hanseatic League, the royal repudiations of the Sixteenth and Seventeenth Centuries, the first impact of the business cycle which came with the Industrial Revolution, and in this country the terrors of wildcat days and depreciated paper currencies which followed the destruction of the Second Bank of the United States. This history of survival through all the vicissitudes from infancy to present maturity suggests that banking institutions are essential to our world, and that they will find, by trial and error, the means to cope with

processes of its economy, as we are, must do original thinking. We must emancipate ourselves from the dead wood of the past; we must invent new wisdom for a new age.

Banks are the nerve centers of commerce and business, and the banking structure in its entirety is an indissoluble part of any economy, whether it be free or controlled. If we were not conversant with the stimulating history of banking throughout the many years in which it has grown and become an integral part of our everyday existence, we might well doubt its capacity to meet the test of this reconversion period. Certainly its leaders will require all the fibre which has distinguished their predesessors. But it is reassuring

the emotional urge which carried us forward into hostilities. We need to find a "moral equivalent" for the glamour and exciting tension which makes all things possible when our borders are threatened. Into this transition from war to peace we may now expect to find the clash of opinion, the conflict of economic theories, the selfishness of partisan groups and all those frictions which are temporarily submerged in the common effort during external conflict.

Because this war has laid such a malignant hand upon the lives of all men we must reconcile ourselves to the fact that we are not simply going back to the world as we knew it. It has been shaken too badly, and all who are concerned with the major

Never has the world so organized itself for the exclusive business of war as it has in this totalitarian struggle which was forced upon us by these mad men of Germany and Japan; never has there been such a complete and violent change in the whole economic organization of these United States. This metamorphosis from peace to war was made under the compelling necessity of compressing great changes into a minimum of time -- with the enemy already on the march. With what expedition, and how well it was accomplished, the world acknowledges today. It is one important reason why the Allies stand on the threshold of success.

The road back to peace from this intense and close organization for war will lack the stimulus and

vicious forces which threatened to engulf us. We now look forward to peace. Nothing could be more welcome than this peace and the opportunity which it gives us to turn our thought and effort toward building up a civilization which at one time it seemed we could entirely lose.

Yet this peace brings with it adjustments and problems which will require high qualities for their solution, and which concern all of the elements of our complex economic and social life. It is, of course, obvious that these adjustments and problems reach into the financial field in which we are primarily interested. Let us not underestimate the extent and the depth of the change with which we are confronted in this impending transition from war to peace.

The following is scheduled for delivery

~~Address by Honorable Preston Delano, Comptroller of the Currency, before the National Association of Supervisors of State Banks at Milwaukee, Wisconsin, on Thursday, September 28, 1944 at 11:00 A.M. For release on delivery.~~

It is with a great deal of interest that I come to meet with the National Association of Supervisors of State Banks this Autumn of 1944. It seems to me it is a particularly pertinent time for us to foregather for a discussion of our responsibilities in the field of bank examination and supervision. The pace of things is swift indeed. Since we met for counsel a year ago there has developed a deeply satisfying change in the war situation. The armies of the Allied Nations are everywhere successful, and the crescendo of this success is now rising to such an extent that we may conservatively look forward to an early elimination of those

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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TREASURY DEPARTMENT

Washington

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43-43

OFFICE OF
THE COMPTROLLER OF THE CURRENCY

9-22-44

Mr. Dillon:

Attached is final and approved copy of Mr. Delano's address in Milwaukee. Will you do the necessary as to processing? I would appreciate it if this office could be furnished with 25 mimeographed copies.

Miss Cotter

TREASURY DEPARTMENT

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Thirdly, there is developing for banks a problem in public relations growing out of the return of millions of service men who are anxious to re-establish themselves in business and in agriculture. A great debt is owed these men by society. The Federal Government has recognized the impelling nature of it by passing legislation designed to assist them in their endeavors to pick up the threads of their lives where they were dropped. Some of this legislation provides for a partial assumption of risk by the Federal Government of credit extended to returning veterans. We are not yet familiar with the regulations which are to be laid down by the Veterans' Bureau in these matters, but the supervisory authorities as well as the banks themselves are certain to be confronted with very delicate questions growing out of this general situation. We should be giving thought to this matter.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 26, 1944.

Press Service

4 3-44

Secretary of the Treasury Morgenthau announced today that the subscription books for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series G-1945, open to the holders of Treasury Certificates of Indebtedness of Series F-1944 maturing October 1, 1944, will close at the close of business Wednesday, September 27, except for the receipt of subscriptions from holders of $100,000 or less of the maturing certificates. The subscription books will close for the receipt of subscriptions of the latter class at the close of business Saturday, September 30.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before midnight of the respective closing days will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and their division among the several Federal Reserve Districts will be made later.

DWB

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 26, 1944.
9-25-44

Press Service
No. 43-44

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TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR IMMEDIATE RELEASE
Tuesday, September 26, 1944

PressService
No. 43-45

The Comptroller of the Currency, Preston Delano, today announced the appointment of L. H. Sedlacek as District Chief National Bank Examiner for the Fourth Federal Reserve District, Cleveland, Ohio.

At the same time it was announced that J. L. Robertson had been appointed a Deputy Comptroller of the Currency to take the place being vacated by Mr. Sedlacek.

Mr. Sedlacek is a native of Spencer, Nebraska. He entered the bank examination field in 1924 as an Assistant National Bank Examiner, was later promoted to National Bank Examiner, then Ninth District Chief National Bank Examiner in Minneapolis, and since August, 1941 has been serving as a Deputy Comptroller of the Currency. He was called to Washington from the field in 1933 to assist in the reorganization of banks after the banking holiday.

Mr. Robertson was born in Broken Bow, Nebraska in October, 1907. He was educated in Grinnell College in Iowa and George Washington University in the District of Columbia. He holds

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 26, 1944.

Press Service
4-3-46

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated September 28 and to mature December 28, 1944, which were offered on September 22, were opened at the Federal Reserve Banks on September 25.

The details of this issue are as follows:

Total applied for - $2,244,401,000
Total accepted - 1,218,104,000 (includes $55,103,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount approx. 0.364% per annum
Low - 99.905 " " " " " 0.376% " "

(48 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 52,915,000	$ 32,375,000
New York	1,514,808,000	788,836,000
Philadelphia	61,385,000	34,466,000
Cleveland	42,355,000	33,515,000
Richmond	22,668,000	19,782,000
Atlanta	8,780,000	8,530,000
Chicago	326,388,000	165,474,000
St. Louis	32,057,000	17,237,000
Minneapolis	9,447,000	6,327,000
Kansas City	15,568,000	13,436,000
Dallas	13,490,000	12,606,000
San Francisco	144,540,000	85,520,000
TOTAL	$2,244,401,000	$1,218,104,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, September 26, 1944.
9-25-44

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San Francisco	144,540,000	85,520,000
TOTAL	$2,244,401,000	$1,218,104,000

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~~Expenses of Loans A&E -~~

Commercial
~~Private~~ Wire

Sept. 25, 1944

Mr. Nelson B. O'Neal
Stevens Hotel
Chicago, Illinois

Federal Reserve Banks submitted today statistics as to number of banks eligible and qualified for payment of savings bonds, as follows:

Federal Reserve District	Eligible banks	Qualified banks	% Qualified
Boston	991	644	65
New York	1143	955	84
Philadelphia	860	697	81
Cleveland	1180	878	74
Richmond	971	670	69
Atlanta	1050	619	59
Chicago	2422	1815	75
St. Louis	1457	810	56
Minneapolis	1270	909	72
Kansas City	1755	1120	64
Dallas	937	693	74
San Francisco	535	325	61
TOTAL	14571	10135	70

~~The~~ Federal Reserve bank provides San Francisco ~~advises~~ supplemental information that that district has total of 1728 eligible banking offices (including branches) and 1403 of them are qualified or established for paying bonds. ~~The above is a gratifying report~~.

~~HE:lj~~

To reimburse them at least in part for the cost

Banks will receive modest compensation from the Treasury ~~for~~ handling the redemptions.

The following compilation ~~by the Federal Reserve Banks~~ shows the number of banks eligible and so far qualified under the regulations, by Federal Reserve districts.

43-47

PROPOSED PRESS RELEASE

More than 10,000 banks, 70 percent of all such institutions that are eligible, already have qualified to participate in the Treasury's plan for simplifying redemption of Series E War Bonds, and Series A, B, C, and D Savings Bonds, Secretary Morgenthau announced today.

The new plan, which becomes effective October 2, permits banks to make immediate payment upon satisfactory identification of the applicant owner, in redeeming the bonds. Heretofore payments were handled by check through the Federal Reserve banks or upon direct application to the Treasury, a procedure involving some delay.

Secretary Morgenthau termed the response of the nation's banking industry to the new program "extremely gratifying."

At the same time the Secretary expressed hope that the simplification of redemption procedure will not encourage bond owners to present bonds for payment except in cases of absolute necessity. Mr. Morgenthau pointed out that huge sums still are required for war emergency expenditures. He said every bond owner should remember that the bonds increase in value the longer they are held.

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(x) The new redemption procedure does not apply to Series F and G Savings Bonds.

The system does not effect the stipulation that Savings Bonds are non-transferable, nor does it alter the requirement that bonds be held 60 days from the issue date before they become redeemable.

Treasury Department
Office of the Under Secretary

Date: 9/25

To: Mr. Braughton

From:

Will you & Zig. look this over.

DWB

COMMISSIONER OF THE PUBLIC DEBT

Mr Bell

Mr Ziegler & I think the statement might well end at point marked (X) — & that no distinct details be furnished

9/23 —

[illegible]

He also think — very total figures should be given

Mr O'Neal

[illegible]

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, September 26, 1944.

Press Service
No. 43-47

More than 10,000 banks, 70 percent of all such institutions that are eligible, already have qualified to participate in the Treasury's plan for simplifying redemption of Series E War Bonds, and Series A, B, C, and D Savings Bonds, Secretary Morgenthau announced today.

The new plan, which becomes effective October 2, permits banks to make immediate payment upon satisfactory identification of the applicant owner, in redeeming the bonds. Heretofore payments were handled by check through the Federal Reserve banks or upon direct application to the Treasury, a procedure involving some delay.

Secretary Morgenthau termed the response of the nation's banking industry to the new program "extremely gratifying."

At the same time the Secretary expressed hope that the simplification of redemption procedure will not encourage bond owners to present bonds for payment except in cases of absolute necessity. Mr. Morgenthau pointed out that huge sums still are required for war emergency expenditures. He said every bond owner should remember that the bonds increase in value the longer they are held.

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43-48

FOR IMMEDIATE RELEASE
September 26, 1944.

The Bureau of Customs announced today that the quota of 8,883,259 pounds of cotton having a staple length of less than 1-1/8" (other than harsh or rough cotton of less than 3/4" in staple length and chiefly used in the manufacture of blankets and blanketing, and other than linters) the product of Mexico, was filled on September 20, 1944, the opening day of the quota for the period September 20, 1944 through September 19, 1945.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, September 27, 1944.

Press Service
No. 43-48

The Bureau of Customs announced today that the quota of 8,883,259 pounds of cotton having a staple length of less than 1-1/8" (other than harsh or rough cotton of less than 3/4" in staple length and chiefly used in the manufacture of blankets and blanketing, and other than linters) the product of Mexico, was filled on September 20, 1944, the opening day of the quota for the period September 20, 1944 through September 19, 1945.

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COTTON CARD STRIPS, 2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips 2/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 Sept. 19, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to Sept. 19, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	-	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

Public Relations Office
Received at 9:20 a.m.
Date 9-22-44

FOR IMMEDIATE RELEASE
September 26, 1944

43-49

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the quota year September 20, 1943, to September 19, 1944, inclusive.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to Sept. 19, 1944	Established Quota	Imports Sept. 20, 1943, to Sept. 19, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-	.....	33,669,318
Peru.....	247,952	73,576	.....	1,917,073
British India.....	2,003,483	-	.....	-
China.....	1,370,791	-	.....	-
Mexico.....	8,883,259	8,883,259	.....	-
Brazil.....	618,723	417,580	.....	-
Union of Soviet Socialist Republics..	475,124	-	.....	-
Argentina.....	5,203	-	.....	-
Haiti.....	237	-	.....	-
Ecuador.....	9,333	-	.....	-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa....	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/..	689	-		-
Algeria and Tunisia.....	-	-		-
	14,516,882	9,374,415	45,656,420	35,586,391

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, September 27, 1944

Press Service
No. 43-49

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the quota year September 20, 1943, to September 19, 1944, inclusive.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1943, to Sept. 19, 1944	Established Quota 45,656,420	Imports Sept. 20, 1943, to Sept. 19, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-		33,669,318
Peru.....	247,952	73,576		1,917,073
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	417,580		-
Union of Soviet Socialist Republics.	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa...	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia...	-	-		-
	14,516,882	9,374,415	45,656,420	35,586,391

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

(Over)

COTTON CARD STRIPS, 2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips 2/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1943 Sept. 19, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1943, to Sept. 19, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	-	-	-
France.....	227,420		75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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Public Relations Office
Received at 9:24 AM
Date 9-27-44

43-50

FOR IMMEDIATE RELEASE
September 26, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 16, 1944	1,251,755,170
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	September 23, 1944 2/	31,382,555
Cuba	13,949,562	September 16, 1944	8,477,835
Dominican Republic	20,881,883	September 23, 1944 2/	19,114,165
Ecuador	26,155,330	" 2/	22,152,193
El Salvador	104,621,321	" 2/	100,761,509
Guatemala	93,287,384	" 2/	90,543,357
Haiti	47,951,373	September 16, 1944	42,104,293
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	September 23, 1944 2/	28,863,818
Peru	4,359,288	September 16, 1944	3,596,361
Venezuela	73,234,872	"	43,166,864
Non-Signatory Countries:	61,900,935	"	4,459,775

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, September 27, 1944.

Press Service
No. 43-50

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
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Non-Signatory Countries:	61,900,935	"	4,459,775

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 5, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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43-51

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 29, 1944 (b).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,200,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 5, 1944 (4), and will mature January 4, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, October 2, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 29, 1944.
9-28-44

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 5, 1944, and will mature January 4, 1945, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War time, Monday, October 2, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 5, 1944.

43-51

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States or by any local taxing authority. For purposes of taxation the the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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43-5-2

Secretary Morgenthau announced today that the Sixth War Loan will start on November 20, 1944.

The goal will be $14 billion dollars, of which $5 billion will come from the sale of bonds to individuals.

The Secretary said that subscriptions for Savings Bonds and Savings Notes processed through the Federal Reserve Banks between November 1 and December 31 will be counted towards the drive in order that the millions of persons employed in the nation's industrial corporations may be permitted to participate in the drive through the purchase of bonds acquired by weekly or semi-monthly deductions from their pay during this period.

The marketable securities which are to be offered during the drive and which are purchased primarily by large investors and corporations will be on sale from December 1 to December 16. Further details concerning the terms and characteristics of the marketable securities will be announced next week.

The Secretary pointed out that the financial demands of the war in the next few months will be very high and will continue at a substantially unchanged level until long after the defeat of Germany.

HMJ

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Thursday, September 28, 1944.

Press Service
No. 43-52

Secretary Morgenthau announced today that the Sixth War Loan will start on November 20, 1944.

The goal will be $14,000,000,000, of which $5,000,000,000 will come from the sale of bonds to individuals.

The Secretary said that subscriptions for Savings Bonds and Savings Notes processed through the Federal Reserve Banks between November 1 and December 31 will be counted towards the drive in order that the millions of persons employed in the nation's industrial corporations may be permitted to participate in the drive through the purchase of bonds acquired by weekly or semi-monthly deductions from their pay during this period.

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43-53

Mr. Frederik Smith, Assistant to Secretary Morgenthau since May, 1943, has resigned to accept a position with the Blue Network as Director of Advertising and Promotion, it was announced today.

Secretary Morgenthau said Mr. Smith will return to the Department for service during the Sixth War Loan, scheduled to start in November, and will assist in a consultive capacity "whenever I need him."

Before his appointment as Assistant to the Secretary, Mr. Smith for several months gave technical assistance to the War Finance Division. He came to the Treasury from the advertising firm of Young & Rubicam, Incorporated, New York City, where he was head of the agency's public relations division.

Mr. Smith will assume his position with the Blue Network immediately.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS
Friday, September 29, 1944.

Press Service
No. 43-53

Mr. Frederik Smith, Assistant to Secretary Morgenthau since May, 1943, has resigned to accept a position with the Blue Network as Director of Advertising and Promotion, it was announced today.

Secretary Morgenthau said Mr. Smith will return to the Department for service during the Sixth War Loan, scheduled to start in November, and will assist in a consultive capacity "whenever I need him."

Before his appointment as Assistant to the Secretary, Mr. Smith for several months gave technical assistance to the War Finance Division. He came to the Treasury from the advertising firm of Young & Rubicam, Incorporated, New York City, where he was head of the agency's public relations division.

Mr. Smith will assume his position with the Blue Network immediately.

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Assets and liabilities of all active banks in the United States and possessions, by classes, June 30, 1944 - Contd.

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial)	Banks other than national: Mutual savings	Banks other than national: Private
LIABILITIES						
Demand deposits of individuals, partnerships, and corporations	$58,420,660	$32,745,584	$25,675,076	$25,526,270	$22,375	$126,431
Time deposits of individuals, partnerships, and corporations	33,440,899	11,056,548	22,384,351	9,947,604	12,419,213	17,534
U. S. Government and postal savings deposits	19,650,768	10,825,128	8,825,640	8,824,165	1,208	267
Deposits of States and political subdivisions	5,043,991	2,998,352	2,045,639	2,041,990	1,296	2,353
Deposits of banks 3/	11,240,113	7,403,551	3,836,562	3,796,622	315	39,625
Other deposits (certified and cashiers' checks, etc.)	1,570,816	804,090	766,726	763,909	1,472	1,345
Total deposits 3/	129,367,247	65,833,253	63,533,994	50,900,560	12,445,879	187,555
Bills payable, rediscounts, and other liabilities for borrowed money	87,116	6,205	80,911	79,025	14	1,872
Acceptances executed by or for account of reporting banks	64,690	37,869	26,821	20,430	-	6,391
Other liabilities	685,111	413,009	272,102	228,923	42,697	482
Total liabilities	130,204,164	66,290,336	63,913,828	51,228,938	12,488,590	196,300
CAPITAL ACCOUNTS						
Capital notes and debentures	86,569	-	86,569	81,853	4,716	-
Preferred stock	235,612	112,220	123,392	123,392	-	-
Common stock	2,714,712	1,441,358	1,273,354	1,266,859	-	6,495
Surplus	4,229,164	1,692,172	2,536,992	1,598,866	925,956	12,170
Undivided profits	1,522,165	604,198	917,967	568,691	348,940	336
Reserves (and retirement account for preferred stock and capital notes and debentures)	567,279	260,661	306,618	262,281	42,028	2,309
Total capital accounts	9,355,501	4,110,609	5,244,892	3,901,942	1,321,640	21,310
Total liabilities and capital accounts	139,559,665	70,400,945	69,158,720	55,130,880	13,810,230	217,610

3/ Excludes reciprocal interbank demand balances with banks in the United States.

Assets and liabilities of all active banks in the United States and possessions, by classes, June 30, 1944 1/

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial) 2/	Banks other than national: Mutual savings	Banks other than national: Private
Number of banks	14,598	5,042	9,556	8,973	536	47
ASSETS						
Loans on real estate	$8,798,273	$2,038,770	$6,759,503	$2,408,132	$4,349,063	$2,308
Other loans, including rediscounts and overdrafts	16,706,065	9,190,910	7,515,155	7,405,499	55,894	53,762
Total loans	25,504,338	11,229,680	14,274,658	9,813,631	4,404,957	56,070
U. S. Government securities:						
Direct obligations	75,144,235	38,156,365	36,987,870	29,629,355	7,288,541	69,974
Guaranteed obligations	985,642	634,504	351,138	345,208	5,744	186
Obligations of States and political subdivisions	3,639,392	2,032,998	1,606,394	1,424,458	159,283	22,653
Other bonds, notes and debentures	3,401,421	1,318,488	2,082,933	1,135,956	936,531	10,446
Corporate stocks, including stocks of Federal Reserve banks	545,901	146,168	399,733	236,417	157,461	5,855
Total securities	83,716,591	42,288,523	41,428,068	32,771,394	8,547,560	109,114
Currency and coin	1,623,191	820,570	802,621	725,298	75,304	2,019
Balances with other banks, including reserve balances 3/	26,705,352	15,239,164	11,466,188	10,965,786	457,955	42,447
Bank premises owned, furniture and fixtures	1,102,148	532,377	569,771	464,298	104,908	565
Real estate owned other than bank premises	251,975	25,582	226,393	77,342	148,541	510
Investments and other assets indirectly representing bank premises or other real estate	94,766	49,356	45,410	33,924	11,455	31
Customers' liability on acceptances	57,830	34,003	23,827	17,725	-	6,102
Other assets	503,474	181,690	321,784	261,482	59,550	752
Total assets	139,559,665	70,400,945	69,158,720	55,130,880	13,810,230	217,610

1/ Excludes banks in Guam and The Philippines on account of the war.
2/ Includes trust companies and stock savings banks.
3/ Excludes reciprocal interbank demand balances with banks in the United States.

Comparison of assets and liabilities of all banks - Continued. (In thousands of dollars)

	June 30, 1944	Dec. 31, 1943	June 30, 1943
LIABILITIES			
Deposits of individuals, partnerships, and corporations:			
Demand	$58,420,660	$59,384,625	$54,286,973
Time	33,440,899	30,725,252	28,417,460
U. S. Government and postal savings deposits	19,650,768	10,532,131	8,163,576
Deposits of States and political subdivisions	5,043,991	4,972,081	4,855,015
Deposits of banks 1/	11,240,113	11,031,848	10,904,248
Other deposits (certified and cashiers' checks, etc.)	1,570,816	1,690,189	1,156,827
Total deposits 1/	129,367,247	118,336,126	107,784,099
Bills payable, rediscounts, and other liabilities for borrowed money	87,116	51,650	31,657
Acceptances executed by or for account of reporting banks	64,690	60,157	69,075
Interest, discount, rent, and other income collected but not earned	)	(45,390)	
Interest, taxes, and other expenses accrued and unpaid	685,111	(208,391)	576,880
Other liabilities	)	(374,573)	
Total liabilities	130,204,164	119,076,287	108,461,711
CAPITAL ACCOUNTS			
Capital notes and debentures	86,569	90,142	94,691
Preferred stock	235,612	253,545	270,175
Common stock	2,714,712	2,667,913	2,614,581
Surplus	4,229,164	4,105,016	3,871,503
Undivided profits	1,522,165	1,370,352	1,406,340
Reserves and retirement account for preferred stock and capital notes and debentures	567,279	558,723	533,405
Total capital accounts	9,355,501	9,045,691	8,790,695
Total liabilities and capital accounts	139,559,665	128,121,978	117,252,406

1/ Excludes reciprocal interbank demand balances with banks in the United States.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

Page 3

Assets and Liabilities of all Active Banks in the United States and Possessions on June 30, 1944, December 31, 1943, and June 30, 1943

(Amounts in thousands of dollars)

	June 30, 1944	Dec. 31, 1943	June 30, 1943
Number of banks	14,598*	14,621*	14,661*
ASSETS			
Loans on real estate	$8,798,273	$8,941,065	$9,155,381
Other loans, including overdrafts	16,706,065	14,733,474	13,168,672
Total loans	25,504,338	23,674,539	22,324,053
U. S. Government securities:			
Direct obligations	75,144,235	63,690,025	55,176,155
Guaranteed obligations	985,642	2,569,359	2,786,903
Obligations of States and political subdivisions	3,639,392	3,564,275	3,775,406
Other bonds, notes, and debentures	3,401,421	3,351,967	3,554,741
Corporate stocks, including stocks of Federal Reserve banks	545,901	550,620	591,727
Total securities	83,716,591	73,726,246	65,884,932
Currency and coin	1,623,191	1,612,252	1,606,564
Balances with other banks, including reserve balances 1/.	26,705,352	26,999,933	25,210,347
Bank premises owned, furniture and fixtures	1,102,148	1,128,014	1,162,458
Real estate owned other than bank premises	251,975	332,110	443,677
Investments and other assets indirectly representing bank premises or other real estate	94,766	101,589	111,317
Customers' liability on acceptances outstanding	57,830	49,488	61,279
Interest, commissions, rent, and other income earned or accrued but not collected	503,474	(220,194)	447,779
Other assets		(277,613)	
Total assets	139,559,665	128,121,978	117,252,406

*Excludes banks in Guam and The Philippines on account of the war.

Loans and discounts amounted to $25,504,000,000, an increase of $3,180,000,000, or 14.24 percent, since June 1943.

Cash and balances with other banks, including reserve balances, on June 30, 1944 amounted to $28,329,000,000, which was an increase of $1,512,000,000 in the year, but a decrease of $283,000,000 since December 1943.

Total capital accounts on June 30, 1944 were $9,356,000,000, compared with $8,791,000,000 on June 30, 1943, an increase of $565,000,000.

The complete tables are attached:

O.K. H.M.K.

TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY
Washington

FOR RELEASE, Morning Newspapers
Wednesday, October 4, 1944

Press Service
No. 43-57

The total assets of all commercial and savings banks in the United States and possessions on June 30, 1944 reached a new peak of $139,560,000,000, Comptroller of the Currency Preston Delano announced today. This figure, which covers the returns of the 14,598 active banks of all classes, exceeds by $22,308,000,000, or 19.03 percent, the total assets of banks on June 30, 1943. Consolidated figures for all active banks are made possible through the co-operation of State supervisory authorities who furnish the Comptroller with summaries of the returns of banks under their supervision.

The total deposits of banks on June 30, 1944 amounted to $129,367,000,000, also a new peak, in comparison with $107,784,000,000 at the end of June in 1943, an increase of $21,583,000,000, or 20.02 percent. Demand deposits of individuals, partnerships and corporations were $58,421,000,000, an increase of $4,134,000,000 in the year, or 7.62 percent; time deposits of individuals, partnerships and corporations were $33,441,000,000, an increase of $5,024,000,000, or 17.68 percent, and deposits of U. S. Government, including postal savings, were $19,651,000,000, an increase of $11,487,000,000, or 140.70 percent.

At the end of June 1944 the banks held obligations of the U. S. Government, direct and guaranteed, of $76,130,000,000, as compared to $57,963,000,000 at the end of the previous June, an increase of $18,167,000,000. Obligations of States and political subdivisions held on June 30, 1944 amounted to $3,640,000,000, a decrease for the year of $135,000,000, but an increase of $76,000,000 since the end of December 1943. Other securities held decreased $199,000,000 in the year, and amounted to $3,947,000,000. The aggregate of all securities held by the banks on June 30, 1944 was $83,717,000,000 and represented 59.99 percent of their total assets.

M. Kane

Br. 477

For - Wed Ans

CB

DELIVER TO

M	DIRECTOR
ROOM	PUBLIC RELATIONS

REMARKS

Please furnish the Statistical Division of the Comptroller's Office, Room 5039, 250 copies of the attached press release, 6 pages.

FROM Kane

(Name, not initials)

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE MORNING NEWSPAPERS
Wednesday, October 4, 1944

Press Service
No. 43-54

The total assets of all commercial and savings banks in the United States and possessions on June 30, 1944 reached a new peak of $139,560,000,000, Comptroller of the Currency Preston Delano announced today. This figure, which covers the returns of the 14,598 active banks of all classes, exceeds by $22,308,000,000, or 19.03 percent, the total assets of banks on June 30, 1943. Consolidated figures for all active banks are made possible through the cooperation of State supervisory authorities who furnish the Comptroller with summaries of the returns of banks under their supervision.

The total deposits of banks on June 30, 1944 amounted to $129,367,000,000, also a new peak, in comparison with $107,784,000,000 at the end of June in 1943, an increase of $21,583,000,000, or 20.02 percent. Demand deposits of individuals, partnerships and corporations were $58,421,000,000, an increase of $4,134,000,000 in the year, or 7.62 percent; time deposits of individuals, partnerships and corporations were $33,441,000,000, an increase of $5,024,000,000, or 17.68 percent, and deposits of U. S. Government, including postal savings, were $19,651,000,000, an increase of $11,487,000,000, or 140.70 percent.

At the end of June 1944 the banks held obligations of the U. S. Government, direct and guaranteed, of $76,130,000,000, as compared to $57,963,000,000 at the end of the previous June, an increase of $18,167,000,000. Obligations of States and political subdivisions held on June 30, 1944 amounted to $3,640,000,000, a decrease for the year of $135,000,000, but an increase of $76,000,000 since the end of December 1943. Other securities held decreased $199,000,000 in the year, and amounted to $3,947,000,000. The aggregate of all securities held by the banks on June 30, 1944 was $83,717,000,000 and represented 59.99 percent of their total assets.

Loans and discounts amounted to $25,504,000,000, an increase of $3,180,000,000, or 14.24 percent, since June 1943.

Cash and balances with other banks, including reserve balances, on June 30, 1944 amounted to $28,329,000,000, which was an increase of $1,512,000,000 in the year, but a decrease of $283,000,000 since December 1943.

Total capital accounts on June 30, 1944 were $9,356,000,000, compared with $8,791,000,000 on June 30, 1943, an increase of $565,000,000.

The complete tables are attached:

Assets and Liabilities of all Active Banks in the United States and Possessions on June 30, 1944, December 31, 1943, and June 30, 1943

(Amounts in thousands of dollars)

	June 30, 1944	Dec. 31, 1943	June 30, 1943
Number of banks	14,598*	14,621*	14,661*
ASSETS			
Loans on real estate	$8,798,273	$8,941,065	$9,155,381
Other loans, including overdrafts	16,706,065	14,733,474	13,168,672
Total loans	25,504,338	23,674,539	22,324,053
U. S. Government securities:			
Direct obligations	75,144,235	63,690,025	55,176,155
Guaranteed obligations	985,642	2,569,359	2,786,903
Obligations of States and political subdivisions	3,639,392	3,564,275	3,775,406
Other bonds, notes, and debentures	3,401,421	3,351,967	3,554,741
Corporate stocks, including stocks of Federal Reserve banks	545,901	550,620	591,727
Total securities	83,716,591	73,726,246	65,884,932
Currency and coin	1,623,191	1,612,252	1,606,564
Balances with other banks, including reserve balances 1/	26,705,352	26,999,933	25,210,347
Bank premises owned, furniture and fixtures	1,102,148	1,128,014	1,162,458
Real estate owned other than bank premises	251,975	332,110	443,677
Investments and other assets indirectly representing bank premises or other real estate	94,766	101,589	111,317
Customers' liability on acceptances outstanding	57,830	49,488	61,279
Interest, commissions, rent, and other income earned or accrued but not collected	503,474	(220,194)	447,779
Other assets		(277,613)	
Total assets	139,559,665	128,121,978	117,252,406

*Excludes banks in Guam and The Philippines on account of the war.

Comparison of assets and liabilities of all banks - Continued. (In thousands of dollars)

	June 30, 1944	Dec. 31, 1943	June 30, 1943
LIABILITIES			
Deposits of individuals, partnerships, and corporations:			
Demand	$58,420,660	$59,384,625	$54,286,973
Time	33,440,899	30,725,252	28,417,460
U. S. Government and postal savings deposits	19,650,768	10,532,131	8,163,576
Deposits of States and political subdivisions	5,043,991	4,972,081	4,855,015
Deposits of banks 1/	11,240,113	11,031,848	10,904,248
Other deposits (certified and cashiers' checks, etc.)	1,570,816	1,690,189	1,156,827
Total deposits 1/	129,367,247	118,336,126	107,784,099
Bills payable, rediscounts, and other liabilities for borrowed money	87,116	51,650	31,657
Acceptances executed by or for account of reporting banks	64,690	60,157	69,075
Interest, discount, rent, and other income collected but not earned	)	(45,390)	
Interest, taxes, and other expenses accrued and unpaid	) 685,111	(208,391)	576,880
Other liabilities	)	(374,573)	
Total liabilities	130,204,164	119,076,287	108,461,711
CAPITAL ACCOUNTS			
Capital notes and debentures	86,569	90,142	94,691
Preferred stock	235,612	253,545	270,175
Common stock	2,714,712	2,667,913	2,614,581
Surplus	4,229,164	4,105,016	3,871,503
Undivided profits	1,522,165	1,370,352	1,406,340
Reserves and retirement account for preferred stock and capital notes and debentures	567,279	558,723	533,405
Total capital accounts	9,355,501	9,045,691	8,790,695
Total liabilities and capital accounts	139,559,665	128,121,978	117,252,406

1/ Excludes reciprocal interbank demand balances with banks in the United States.

Assets and liabilities of all active banks in the United States and possessions, by classes, June 30, 1944 1/

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial) 2/	Banks other than national: Mutual savings	Banks other than national: Private
Number of banks	14,598	5,042	9,556	8,973	536	47
ASSETS						
Loans on real estate	$8,798,273	$2,038,770	$6,759,503	$2,408,132	$4,349,063	$2,308
Other loans, including rediscounts and overdrafts	16,706,065	9,190,910	7,515,155	7,405,499	55,894	53,762
Total loans	25,504,338	11,229,680	14,274,658	9,813,631	4,404,957	56,070
U. S. Government securities:						
Direct obligations	75,144,235	38,156,365	36,987,870	29,629,355	7,288,541	69,974
Guaranteed obligations	985,642	634,504	351,138	345,208	5,744	186
Obligations of States and political sub-divisions	3,639,392	2,032,998	1,606,394	1,424,458	159,283	22,653
Other bonds, notes and debentures	3,401,421	1,318,488	2,082,933	1,135,956	936,531	10,446
Corporate stocks, including stocks of Federal Reserve banks	545,901	146,168	399,733	236,417	157,461	5,855
Total securities	83,716,591	42,288,523	41,428,068	32,771,394	8,547,560	109,114
Currency and coin	1,623,191	820,570	802,621	725,298	75,304	2,019
Balances with other banks, including reserve balances 3/	26,705,352	15,239,164	11,466,188	10,965,786	457,955	42,447
Bank premises owned, furniture and fixtures	1,102,148	532,377	569,771	464,298	104,908	565
Real estate owned other than bank premises	251,975	25,582	226,393	77,342	148,541	510
Investments and other assets indirectly representing bank premises or other real estate	94,766	49,356	45,410	33,924	11,455	31
Customers' liability on acceptances	57,830	34,003	23,827	17,725	-	6,102
Other assets	503,474	181,690	321,784	261,482	59,550	752
Total assets	139,559,665	70,400,945	69,158,720	55,130,880	13,810,230	217,610

1/ Excludes banks in Guam and The Philippines on account of the war.
2/ Includes trust companies and stock savings banks.
3/ Excludes reciprocal interbank demand balances with banks in the United States.

Assets and liabilities of all active banks in the United States and possessions, by classes, June 30, 1944 - Contd.

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial)	Banks other than national: Mutual savings	Banks other than national: Private
LIABILITIES						
Demand deposits of individuals, partnerships, and corporations	$58,420,660	$32,745,584	$25,675,076	$25,526,270	$22,375	$126,431
Time deposits of individuals, partnerships, and corporations	33,440,899	11,056,548	22,384,351	9,947,604	12,419,213	17,534
U. S. Government and postal savings deposits	19,650,768	10,825,128	8,825,640	8,824,165	1,208	267
Deposits of States and political subdivisions	5,043,991	2,998,352	2,045,639	2,041,990	1,296	2,353
Deposits of banks. 3/	11,240,1138	7,403,551	3,836,562	3,796,622	315	39,625
Other deposits (certified and cashiers' checks, etc.)	1,570,816	804,090	766,726	763,909	1,472	1,345
Total deposits 3/	129,367,247	65,833,253	63,533,994	50,900,560	12,445,879	187,555
Bills payable, rediscounts, and other liabilities for borrowed money	87,116	6,205	80,911	79,025	14	1,872
Acceptances executed by or for account of reporting banks	64,690	37,869	26,821	20,430	-	6,391
Other liabilities	685,111	413,009	272,102	228,923	42,697	482
Total liabilities	130,204,164	66,290,336	63,913,828	51,228,938	12,488,590	196,300
CAPITAL ACCOUNTS						
Capital notes and debentures	886,569	-	86,569	81,853	4,716	-
Preferred stock	235,612	112,220	123,392	123,392	-	-
Common stock	2,714,712	1,441,358	1,273,354	1,266,859	-	6,495
Surplus	4,229,164	1,692,172	2,536,992	1,598,866	925,956	12,170
Undivided profits	1,522,165	604,198	917,967	568,691	348,940	336
Reserves (and retirement account for preferred stock and capital notes and debentures)	567,279	260,661	306,618	262,281	42,028	2,309
Total capital accounts	9,355,501	4,110,609	5,244,892	3,901,942	1,321,640	21,310
Total liabilities and capital accounts	139,559,665	70,400,945	69,158,720	55,130,880	13,810,230	217,610

3/ Excludes reciprocal interbank demand balances with banks in the United States.

43-55

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 3, 1944.

Press Service

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated October 5, 1944, and to mature January 4, 1945, which were offered on September 29, were opened at the Federal Reserve Banks on October 2.

The details of this issue are as follows:

Total applied for - $2,307,978,000
Total accepted - 1,217,995,000 (includes $56,097,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905 Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount approx. 0.364% per annum
Low - 99.905 " " " " " 0.376% " "

(47 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 70,970,000	$ 35,884,000
New York	1,482,251,000	722,937,000
Philadelphia	40,425,000	25,373,000
Cleveland	58,955,000	40,337,000
Richmond	29,045,000	23,731,000
Atlanta	5,145,000	4,986,000
Chicago	341,662,000	168,591,000
St. Louis	25,002,000	15,144,000
Minneapolis	16,815,000	10,455,000
Kansas City	73,153,000	65,362,000
Dallas	21,335,000	17,625,000
San Francisco	143,220,000	87,570,000
TOTAL	$2,307,978,000	$1,217,995,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 3, 1944.
10-2-44

Press Service
No. 43-55

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated October 5, 1944, and to mature January 4, 1945, which were offered on September 29, were opened at the Federal Reserve Banks on October 2.

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Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.908 Equivalent rate of discount approx. 0.364% per annum
Low - 99.905 Equivalent rate of discount approx. 0.376% per annum

(47 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 70,970,000	$ 35,884,000
New York	1,482,251,000	722,937,000
Philadelphia	40,425,000	25,373,000
Cleveland	58,955,000	40,337,000
Richmond	29,045,000	23,731,000
Atlanta	5,145,000	4,986,000
Chicago	341,662,000	168,591,000
St. Louis	25,002,000	15,144,000
Minneapolis	16,815,000	10,455,000
Kansas City	73,153,000	65,362,000
Dallas	21,335,000	17,625,000
San Francisco	143,220,000	87,570,000
TOTAL	$2,307,978,000	$1,217,995,000

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43-56

~~October 2, 1944~~

TREASURY DEPARTMENT

WASHINGTON, D.C.

JOINT TREASURY-WAR DEPARTMENT
PRESS RELEASE

For Immediate Release

Press Service

~~For release Tuesday~~ morning.

Military forces under General Eisenhower are using Allied military marks in German territory. Allied military marks circulate at par with Reichsmarks. No general rate of exchange between the Allied military mark or Reichsmark and the dollar has been established. For purposes of computing the pay of troops, however, a provisional basis of 10 marks to the dollar is being used. The Union of Soviet Socialist Republics has been ~~previously consulted in~~ kept fully informed concerning this action.

O.P.F.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Tuesday, October 3, 1944

Press Service
No. 43-56

JOINT TREASURY-WAR DEPARTMENT PRESS RELEASE

Military forces under General Eisenhower are using Allied military marks in German territory. Allied military marks circulate at par with Reichsmarks. No general rate of exchange between the Allied military mark or Reichsmark and the dollar has been established. For purposes of computing the pay of troops, however, a provisional basis of 10 marks to the dollar is being used.

The Union of Soviet Socialist Republics has been kept fully informed concerning this action.

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EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS IN THE SIX MONTH PERIODS ENDED JUNE 30, 1944 AND JUNE 30, 1943, AND THE YEAR ENDED DECEMBER 31, 1943

(Amounts in thousands of dollars)

	6 months ended		Year ended Dec. 31, 1943
	June 30, 1944	June 30, 1943	
Number of banks	5,042	5,066	5,046
Capital stock, par value 1/	1,554,061	1,498.680	1,532,096
Capital funds 1/	4,110,609	3,825,405	3,959,442
Earnings from current operations:			
Interest and dividends on securities	300,055	232,085	504,069
Interest and discount on loans	177,656	182,994	365,597
Service charges on deposit accounts	30,277	25,454	53,594
Other service charges, commissions, fees, and collection and exchange charges	21,555	16,109	36,487
Trust department	16,778	15,004	34,307
Other current earnings	35,953	33,612	67,709
Total earnings from current operations	582,274	505,258	1,061,763
Current operating expenses:			
Salaries and wages of officers and employees, and fees paid to directors for attendance at board or committee meetings	162,877	151,040	314,712
Interest on time deposits (including savings deposits)	46,161	42,280	84,606
Interest and discount on borrowed money	181	46	169
Taxes, including income taxes	84,835	60,664	131,564
Other current operating expenses	105,991	94,101	191,594
Total current operating expenses	400,045	348,131	722,645
Net earnings from current operations	182,229	157,127	339,118
Recoveries:			
On securities	31,376	16,207	59,652
On loans	29,390	23,673	52,900
All other	11,155	8,171	20,669
Total recoveries	71,921	48,051	133,221
Profits on securities sold or redeemed	34,489	23,998	54,122
Total recoveries and profits on securities sold or redeemed	106,410	72,049	187,343
Losses and charge-offs:			
On securities	36,374	31,866	66,008
On loans	18,173	15,610	43,101
All other, including depreciation on banking house, furniture and fixtures	26,310	24,262	66,895
Total losses and charge-offs	80,857	71,738	176,004
Net profits before dividends	207,782	157,438	350,457
Dividends:			
On preferred stock	2,785	3,198	6,158
On common stock:			
Cash dividends	66,198	61,836	125,357
Stock dividends	22,887	2,270	41,378
Total dividends	91,870	67,304	172,893
Annual rate of net profits:	Percent	Percent	Percent
To capital stock 1/	26.74	21.01	22.87
To capital funds 1/	10.11	8.23	8.85
Annual rate of cash dividends:			
To capital stock 1/	8.88	8.68	8.58
To capital funds 1/	3.36	3.40	3.32

1/ At end of period.

Cash dividends declared on common and preferred stock totaled $68,983,000, in comparison with $65,034,000 in the first half of 1943. The annual rate of cash dividends was 3.36 percent of capital funds.

On June 30, 1944 there were 5,042 national banks in operation as compared to 5,066 in 1943.

TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY
Washington

FOR RELEASE, Morning Newspapers, Thursday Aug Oct 5, 1944.

Press Service No. 43-57

Comptroller of the Currency Preston Delano announced today that the national banks in the United States and possessions reported net operating earnings of $182,229,000 for the six months ended June 30, 1944, an increase of $25,102,000 over the first half of 1943.

Adding, to the net operating earnings, profits on securities sold of $34,489,000 and recoveries on loans and investments, etc., previously charged off of $71,921,000, and deducting therefrom losses and depreciation of $80,857,000, the net profits before dividends for the six months ended June 30, 1944, amounted to $207,782,000, which at an annual rate amounts to 10.11 percent of capital funds. This figure of net profits before dividends was $50,344,000 more than the amount reported for the six months ended June 30, 1943.

The principal items of operating earnings in the six month period ended June 30, 1944, were $177,656,000 from interest and discount on loans, a decrease of $5,338,000 under the corresponding period in 1943; and $300,055,000 from interest and dividends on bonds and securities, an increase of $67,970,000. The principal operating expenses were $162,877,000 for salaries and wages of officers and employees and fees paid to directors; $46,161,000 expended in the form of interest on time and savings deposits; and $84,835,000 for taxes, including income taxes. Gross earnings of $582,274,000 were reported for this six month period. This represents an increase of $77,016,000 over the gross earnings for the first six months of 1943. Operating expenses were $400,045,000 as against $348,131,000 for the first half of 1943.

DELIVER TO

M DIRECTOR

ROOM PUBLIC RELATIONS

REMARKS

Please furnish the Statistical Division of the Comptroller's Office, Room 5039, 200 copies of the attached press release.

FROM .....

(Name, not initials)

TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, October 5, 1944.
10-3-44

Press Service
No. 43-57

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Cash dividends declared on common and preferred stock totaled $68,983,000, in comparison with $65,034,000 in the first half of 1943. The annual rate of cash dividends was 3.36 percent of capital funds.

On June 30, 1944 there were 5,042 national banks in operation as compared to 5,066 in 1943.

EARNINGS, EXPENSES, AND DIVIDENDS OF NATIONAL BANKS IN THE SIX MONTH PERIODS ENDED JUNE 30, 1944 AND JUNE 30, 1943, AND THE YEAR ENDED DECEMBER 31, 1943
(Amounts in thousands of dollars)

	6 months ended		Year ended
	June 30, 1944	June 30, 1943	Dec. 31, 1943
Number of banks	5,042	5,066	5,046
Capital stock, par value 1/	1,554,061	1,498,680	1,532,096
Capital funds 1/	4,110,609	3,825,405	3,959,442
Earnings from current operations:			
Interest and dividends on securities	300,055	232,085	504,069
Interest and discount on loans	177,656	182,994	365,597
Service charges on deposit accounts	30,277	25,454	53,594
Other service charges, commissions, fees, and collection and exchange charges	21,555	16,109	36,487
Trust department	16,778	15,004	34,307
Other current earnings	35,953	33,612	67,709
Total earnings from current operations	582,274	505,258	1,061,763
Current operating expenses:			
Salaries and wages of officers and employees, and fees paid to directors for attendance at board or committee meetings	162,877	151,040	314,712
Interest on time deposits (including savings deposits)	46,161	42,280	84,606
Interest and discount on borrowed money	181	46	169
Taxes, including income taxes	84,835	60,664	131,564
Other current operating expenses	105,991	94,101	191,594
Total current operating expenses	400,045	348,131	722,645
Net earnings from current operations	182,229	157,127	339,118
Recoveries:			
On securities	31,376	16,207	59,652
On loans	29,390	23,673	52,900
All other	11,155	8,171	20,669
Total recoveries	71,921	48,051	133,221
Profits on securities sold or redeemed	34,489	23,998	54,122
Total recoveries and profits on securities sold or redeemed	106,410	72,049	187,343
Losses and charge-offs:			
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Net profits before dividends	207,782	157,438	350,457
Dividends:			
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Stock dividends	22,887	2,270	41,378
Total dividends	91,870	67,304	172,893
Annual rate of net profits:	Percent	Percent	Percent
To capital funds 1/	10.11	8.23	8.85
Annual rate of cash dividends:			
To capital funds 1/	3.36	3.40	3.32

1/ At end of period.

43-58

FOR IMMEDIATE RELEASE
October ~~3~~ 4, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 23, 1944	1,277,596,452
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	September 30, 1944 2/	31,639,872
Cuba	13,949,562	September 23, 1944	8,477,845
Dominican Republic	20,881,883	September 30, 1944 2/	19,114,165
Ecuador	26,155,330	" 2/	22,396,366
El Salvador	104,621,321	" 2/	100,827,600
Guatemala	93,287,384	" 2/	92,395,197
Haiti	47,951,373	September 23, 1944	43,636,450
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	September 30, 1944 2/	28,863,818
Peru	4,359,288	September 23, 1944	3,718,624
Venezuela	73,234,872	"	43,166,864
Non-Signatory Countries:	61,900,935	"	4,459,776

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

2/ Per telegraphic reports.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, October 4, 1944.

Press Service
No. 43-58

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Non-Signatory Countries:	61,900,935	"	4,459,776

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2/ Per telegraphic reports.

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43-59

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, October 4, 1944.

Press Service

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series G-1945.

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

Federal Reserve District	Total Subscriptions Received and Allotted
Boston	$ 104,639,000
New York	1,894,026,000
Philadelphia	95,968,000
Cleveland	176,159,000
Richmond	82,717,000
Atlanta	99,139,000
Chicago	441,483,000
St. Louis	92,644,000
Minneapolis	82,425,000
Kansas City	117,005,000
Dallas	66,992,000
San Francisco	235,674,000
Treasury	2,818,000
TOTAL	$3,491,689,000

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, October 4, 1944

Press Service
No. 43-59

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Kansas City	117,005,000
Dallas	66,992,000
San Francisco	235,674,000
Treasury	2,818,000
TOTAL	$3,491,689,000

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 13, 1944 (7).

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,300,000,000 (2), or thereabouts, of 90 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 13, 1944 (4), and will mature January 11, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, October 9, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944.
10-5-44

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 90-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 13, 1944, and will mature January 11, 1945, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 13, 1944.

43-60

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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October 4, 1944

STATUTORY DEBT LIMITATION
AS OF SEPTEMBER 30, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$260,000,000,000
Outstanding as of September 30, 1944:			
Interest-bearing:			
Bonds -			
Treasury	$81,270,101,850		
Savings (Maturity value)*	46,175,557,200		
Depositary	488,809,250		
Adjusted Service	715,988,307	$128,650,456,607	
Treasury notes	35,849,041,000		
Certificates of Indebtedness	36,259,875,000		
Treasury Bills (Maturity value)	15,747,367,000	87,856,283,000	
		$216,506,739,607	
Matured obligations on which interest has ceased		232,048,475	
Bearing no interest			
U.S. Savings stamps	168,253,280		
Excess profits tax refund bonds	326,933,661	495,186,941	217,233,975,023
Face amount of obligations issuable under above authority			$ 42,766,024,977

Reconcilement with Daily Statement of the United States Treasury September 30, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act.		$217,233,975,023
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		8,852,280,840
		208,381,694,183
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Postal Savings, etc.,)	$195,917,540	
Matured obligations on which interest has ceased	7,506,865	
Bearing no interest	910,599,959	1,114,024,364
Total gross debt outstanding as of September 30, 1944		$209,495,718,547

*Approximate maturity value, Principal amount (current redemption value) according to preliminary public debt statement $37,323,276,360.

RHM/bf

October 5, 1944

STATUTORY DEBT LIMITATION
AS OF SEPTEMBER 30, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

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as of December 15, 1944 in available denominations, and accrued interest will be charged from December 1 to December 15 on the new securities.

Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to own the 2-1/2% Bonds offered in the drive until December 1, 1954, nor to own the 2% Bonds (other than those acquired in exchange for the called 4% Bonds) until December 18, 1944, except for a limited investment of time deposits in these issues under a formula to be prescribed in the official offering circulars.

The 2-1/2% Bonds to be offered in the drive will be dated December 1, 1944, due March 15, 1971, callable March 15, 1966. The bonds will be issued in coupon or registered form at the option of the buyers, in denominations from $500 to $1,000,000.

The 2% Bonds will be dated December 1, 1944, due December 15, 1954, callable December 15, 1952, and will be issued in coupon or registered form at the option of the buyers, in denominations of $500 to $1,000,000.

The 1-1/4% Notes will be dated December 1, 1944, due September 15, 1947, and will be issued in denominations of $1,000 to $1,000,000 and in coupon form only.

The 7/8% Certificates of Indebtedness will be dated December 1, 1944, due December 1, 1945, and will be issued in denominations of $1,000 to $1,000,000 and in coupon form only.

The Treasury will request that there be no trading in the marketable securities and no purchases of such securities other than on direct subscription until after the closing of the drive.

The procedure for handling subscriptions of dealers and brokers will be similar to that prescribed in the Fifth War Loan Drive.

To avoid unnecessary transfers of funds from one locality to another, the Treasury again urges that all subscriptions by corporations and firms be entered and paid for through the banking institutions where funds are located. This request is made to prevent disturbance to the money market and the banking situation. The Treasury will undertake, as in the Fifth War Loan Drive, to see that statistical credit is given to any locality for such subscriptions as the purchaser may request; except that subscriptions from insurance companies will be credited to the State of the Home office as in the past.

In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942. However, the Treasury requests the banks not to make loans for the purpose of acquiring the drive securities later for their own account.

(attached)

Concurrently with the drive, but not as a part of it, the holders of the Certificates maturing December 1, 1944 will be offered on or about November 20th a 0.90% Treasury Note dated December 1, 1944 and maturing January 1, 1946, in exchange for such Certificates. also the commercial bank holders of the 4% Treasury Bonds of 1944-54 called for redemption on December 15, 1944 will be offered on or about November 20 the 1-1/4% Note and the 2% Bond offered in the drive, in exchange for such bonds; all other holders will be offered the 1-1/4% Note, the 2% Bond and the 2-1/2% Bond. The exchanges for the 4% bonds will be made

O.K. H.M.J.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944

Press Service
No. 43-6

Henry Morgenthau, Jr., Secretary of the Treasury, announced today the terms of the securities to be sold in the Sixth War Loan which will start on November 20 and will run through December 16. The goal will be $14,000,000,000, of which $5,000,000,000 is to come from sales to individuals and $9,000,000,000 to other non-bank investors.

"Since January 1, 1944," the Secretary said, "the direct costs of the war have exceeded $69,000,000,000. The critical phases of the war are still ahead of us, and for that reason we can not expect any material decline in expenditures during the next several months. The $14,000,000,000 is, therefore, urgently needed."

The Secretary pointed out that the major emphasis throughout the entire period of the drive will be placed on the quota of $5,000,000,000 for individuals.

During the period from November 20 to December 1, only sales to individuals will be reported by the Treasury, although subscriptions will be received from all non-banking investors during the entire period of the drive. The campaign to sell to individuals will be supplemented starting December 1 with an intensive campaign to sell all other non-banking investors.

The Secretary said that subscriptions for Savings Bonds and Savings Notes processed through the Federal Reserve Banks between November 1 and December 31 will be counted towards the drive in order that the millions of persons employed in the nation's industrial corporations may be permitted to participate in the drive through the purchase of bonds acquired by weekly or semi-monthly deductions from their pay during this period.

The goal and the securities to be offered were determined by the Treasury after consultation with a group of chairmen of the State War Finance Committees, officials of the Federal Reserve System, a Committee of the American Bankers Association, and other investment authorities.

The securities, which will be sold under the direction of the State War Finance Committees, are as follows:

- Series E, F and G Savings Bonds
- Series C Savings Notes
- X 2-1/2% Bonds of 1966-71
- 2% Bonds of 1952-54
- 1-1/4% Notes of 1947
- 7/8% Certificates of Indebtedness

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944.

Press Service
No. 43-62

Henry Morgenthau, Jr., Secretary of the Treasury, announced today the terms of the securities to be sold in the Sixth War Loan which will start on November 20 and will run through December 16. The goal will be $14,000,000,000, of which $5,000,000,000 is to come from sales to individuals and $9,000,000,000 to other non-bank investors.

"Since January 1, 1944," the Secretary said, "the direct costs of the war have exceeded $69,000,000,000. The critical phases of the war are still ahead of us, and for that reason we cannot expect any material decline in expenditures during the next several months. The $14,000,000,000 is, therefore, urgently needed."

The Secretary pointed out that the major emphasis throughout the entire period of the drive will be placed on the quota of $5,000,000,000 for individuals.

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The securities, which will be sold under the direction of the State War Finance Committees, are as follows:

Series E, F and G Savings Bonds
Series C Savings Notes
2-1/2% Bonds of 1966-71
2% Bonds of 1952-54
1-1/4% Notes of 1947
7/8% Certificates of Indebtedness

The 2-1/2% Bonds to be offered in the drive will be dated December 1, 1944, due March 15, 1971, callable March 15, 1966. The bonds will be issued in coupon or registered form at the option of the buyers, in denominations from $500 to $1,000,000.

The 2% Bonds will be dated December 1, 1944, due December 15, 1954, callable December 15, 1952, and will be issued in coupon or registered form at the option of the buyers, in denominations of $500 to $1,000,000.

The 1-1/4% Notes will be dated December 1, 1944, due September 15, 1947, and will be issued in denominations of $1,000 to $1,000,000 and in coupon form only.

The 7/8% Certificates of Indebtedness will be dated December 1, 1944, due December 1, 1945, and will be issued in denominations of $1,000 to $1,000,000 and in coupon form only.

The Treasury will request that there be no trading in the marketable securities and no purchases of such securities other than on direct subscription until after the closing of the drive.

The procedure for handling subscriptions of dealers and brokers will be similar to that prescribed in the Fifth War Loan Drive.

To avoid unnecessary transfers of funds from one locality to another, the Treasury again urges that all subscriptions by corporations and firms be entered and paid for through the banking institutions where funds are located. This request is made to prevent disturbance to the money market and the banking situation. The Treasury will undertake, as in the Fifth War Loan Drive, to see that statistical credit is given to any locality for such subscriptions as the purchaser may request; except that subscriptions from insurance companies will be credited to the State of the Home office as in the past.

In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942. (Attached) However, the Treasury requests the banks not to make loans for the purpose of acquiring the drive securities later for their own account.

Concurrently with the drive, but not as a part of it, the holders of the Certificates maturing December 1, 1944 will be offered on or about November 20th a 0.90% Treasury Note dated December 1, 1944 and maturing January 1, 1946, in exchange for such Certificates. Also the commercial bank holders of the 4% Treasury Bonds of 1944-54 called for redemption on December 15, 1944 will be offered on or about November 20 the 1-1/4% Note and the 2% Bond offered in the drive, in exchange for such bonds; all other holders will be offered the 1-1/4% Note, the 2% Bond and the 2-1/2% Bond. The exchanges for the 4% bonds will be made as of December 15, 1944 in available denominations, and accrued interest will be charged from December 1 to December 15 on the new securities.

Commercial banks, which are defined for the purpose as banks accepting demand deposits, will not be permitted to own the 2-1/2% Bonds offered in the drive until December 1, 1954, nor to own the 2% Bonds (other than those acquired in exchange for the called 4% Bonds) until December 18, 1944, except for a limited investment of time deposits in these issues under a formula to be prescribed in the official offering circulars.

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The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Executive Committee of the National Association of Supervisors of State Banks make the following statement of their examination and supervisory policy with special reference to investments in and loans upon Government securities.

1. There will be no deterrents in examination or supervisory policy to investments by banks in Government securities of all types, except those securities made specifically ineligible for bank investment by the terms of their issue.

2. In connection with Government financing, individual subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowingsfrom banks. Such loans will not be subject to criticism but should be on a short term or amortization basis fully repayable within periods not exceeding six months.

3. Banks will not be criticized for utilizing their idle funds as far as possible in making such investments and loans and availing themselves of the privilege of temporarily borrowing from or selling Treasury bills to the Federal Reserve Banks when necessary to restore their required reserve positions.

43-63

Joseph D. Nunan, Jr. Commissioner of Int ernal Revenue, Today made the following statement:

"The Republican candidate for President made a fifteen-minute radio address to the nation Tuesday evening on taxes. In the course of that address he said: 'A Treasury agent of this Administration went into the plant of the Lincoln Electric Company and announced that a man who worked with his hands should not be paid as much as five thousand dollars a year'.

"Mr Dewey was evidently quoting James F. Lincoln, President of the Lincoln Electric Company, who accused Jesse F. Gregory, head of the Central Division of the Technical Staff , Cleveland, Ohio, of making such a statement. Mr. Gregory has denied making any such statement and is supported in his denial by two employees of his office present at the time he was supposed to have made the statement.

"The Treasury Department has never had any such rule. In fact, in this case the Government's final notice to the taxpayer, the Lincoln Electric Company, permitted deductions for payments in excess of five thousand dollars each to 129 factory workers and 41 foremen who worked with their hands. Every dollar of wwages actually paid to employees by this company was allowed as a legitimate operating expense.

"The tax dispute with the Lincoln Electric Company is not over wages actually paid, regardless of their amount, but relates to the validity of certain deductions for annuity premiums and shares in a profit sharing trust.

"Mr. Lincoln, President of the company, informed representatives of the Bureau of Internal Revenue that if they did not concede his position he would try the case in the public press. Evidently he is using Mr. Dewey for that purpose."

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944.
10-5-44

Press Service
No. 43-63

Joseph D. Nunan, Jr. Commissioner of Internal Revenue, today made the following statement:

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least a year and a half to defeat Japan after Germany is beaten. And we shall be able to do it in that time only if we put every bit of our strength into the effort. The enemy has short, interior lines of communication, while we must move men and materials across the vast distances of the Pacific before we can bring our power to bear. The costs of this kind of warfare will certainly be very high, higher even than they were in Europe.

You cannot rest on your laurels. The Sixth War Loan campaign lies immediately ahead. Its challenge must be confronted just as resolutely as in the past. And I tell you frankly that even on the most optimistic assumption there will have to be a Seventh Loan. Your job is to make the people of America understand that there can be no let-down on the Home Front now, that the time has not yet come to relax or celebrate. I know that America can count upon you to see your job through to its end.

battle had to be fought and won in the field -- fought and won by sustained, unstinting, tireless service. You have given that service. You have given it with a resourcefulness and enthusiasm and good cheer that have overridden every difficulty. You have given it at real sacrifice of time and comfort and self-interest. I think that the job that you have done is beyond my praise. I know that the richest reward you can receive for it is the knowledge that it has been done supremely well, that it has played an indispensable part in our forward march to victory. Still, I should like, on behalf of the Treasury Department to say one simple word to you -- Thanks. I shall venture nothing more than this. But I know that this one word is echoed, and will be reechoed, by every one of your fellow-Americans.

When you enlisted in this program, you enlisted for the duration. The term of your service has not yet reached its end. The truth is that the toughest part of your job still lies ahead.

Let us look at the future realistically. The war news of late has been extremely good. The enemy in Europe is on the run. How soon he will collapse, none of us can tell. But even when that great day comes, there will still be a hard and costly victory to be won in Asia. Our military and naval authorities made the grim assertion just recently that it will take us at

least a year

do to help?' Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale."

The desire of the people "to help," the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us -- the voice of the President of the United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real

There is one aspect of the War Bond program in which I take particular pride and upon which I want to offer my warm congratulations to you. ~~Every phase of this~~ Throughout, the program has been conducted on a genuinely voluntary, democratic basis. From the beginning, we were resolved to avoid certain high-pressure sales tactics which, unavoidably, attended the fund-raising of World War I. It was determined that there should be no compulsion, no hysteria, no slacker lists and no invidious comparisons between those who bought Bonds and those who did not. There was to be room in this program for the individual with special burdens and responsibilities who could contribute only in very small amounts -- and even for the individual who could not share at all. I think you know, and the whole Nation knows, how scrupulously this policy has been observed.

There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: "There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, 'What can I

holders of marketable securities in the event of decline in market value. In short, they are more likely to be retained as investments.

It is worth while to recall the experience following World War I when Liberty Bonds plunged down into the eighties, and frightened buyers, inexperienced as investors, unloaded. They felt that their trust in their Government had been betrayed. Later they awoke to find that their loss had been the gain of the speculators and the wealthy who then owned their Bonds at prices that brought them truly handsome yields ~~in~~ for the safest securities in the world.

The Series E War Bonds will have an immense value, I believe, not only for the individual holders, but for the economy of the country as a whole when the war is ended. They will constitute an invaluable back log of purchasing power in the post-war decade. Only a part, and I believe the smaller part of this purchasing power will come from cashing the Bonds themselves. The most important part will come from the greater spending of current incomes growing out of the sense of security afforded to individuals by their War Bond holdings. They will provide, therefore, a strong bulwark against the sort of deflation which struck this nation so disastrously in 1920 and 1921.

When the enemy struck, the machinery was ready and in operation for the people's financing of the war. Defense Bonds became War Bonds and through your efforts they have been put into the hands of ~~eighty-five million~~ 85,000,000 individual Americans. I congratulate you on the accomplishment. Think of it! Out of every thirteen men, women, children and babies in the United States, more than eight have purchased Bonds of their Government. Today there are approximately ~~23 billion dollars~~ $23,000,000,000 of Series E Bonds -- the people's Bond -- outstanding all held by individual investors.

This Series E Bond was tailored specifically to meet the need of the average American citizen able to set aside modest savings for investment purposes. As all of you know, it is non-negotiable and through arrangements which have recently been inaugurated, it is payable on demand 60 days after issue date, at any bank. Its investment yield if held to maturity, ~~is~~ 2.9%, ~~and~~ is the highest obtainable ~~in~~ for any United States Government security.

We designed this security in order to protect the small investor against any possibility of loss as a result of fluctuations in market value. Non-negotiable securities with guaranteed redemption values are not subject to panicky liquidation which, experience shows, develops among small

We in the Treasury wanted to give every American a direct personal stake in the maintenance of sound Federal finances. ~~We wanted to bring the Treasury into direct contact with all the banks of the country. The public debt, we felt, should go through something of the same sort of mutualization that had enriched and expanded the life insurance industry in this country.~~ Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocketbook from pressure blocs and special interest groups. In short, we wanted the ownership of America to be in the hands of the American people.

We had made only a start in this direction, you will remember, when war broke out in Europe and threatened the security of the United States. But the foundation had been laid for real popular participation in an American preparedness program. Savings Bonds became known as Defense Bonds. And, as you all know, they played an important part in making the Nation ready for the great crisis which came upon us at the end of 1941. They served not only as a vital factor in financing the rearmament of our fighting forces but, what seems to me even more important, they gave to the average citizen a sense of the war's meaning and of the urgent nature of the national danger.

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43-64

~~10-5-44~~
War Finance Speech
Sec. Morgenthau
Atlantic City
10-7-44

You may not be aware of it but this meeting today is a kind of birthday celebration -- a very important birthday in my calendar. Just about ten years ago the first United States Savings Bonds -- they used to be called Baby Bonds in those days -- were sold to the American public. And in just a few months -- next March to be precise -- the oldest of these Bonds will reach its maturity and be presented to the Treasury of the United States for redemption.

A birthday is a family affair. And I am especially happy to be able to celebrate this birthday with members of the immediate family that made savings bonds the most popular and most widely held form of investment ever conceived in the United States. I think you can be very proud of your adopted child. When the history of this war comes to be written I ~~think~~ believe, indeed, that the savings bond program will have a highly honored place in it and that the job which you have done so generously and so effectively will be recorded as one of the major contributions to our victory.

I should like to go back with you for a few minutes to those early days, a decade ago, when War Bonds were Baby Bonds. They were conceived then with a very definite purpose in view. That purpose was, in a phrase, to democratize public finance in the United States.

TREASURY DEPARTMENT
Washington

FOR RELEASE AT 1:30 P.M., E.W.T.
Saturday, October 7, 1944.

Press Service
No. 43-64

(The following address by Secretary Morgenthau at a War Bond Rally at the Hotel Claridge, Atlantic City, is scheduled for delivery at 1:30 P.M., EWT, Saturday, October 7, 1944, and is for release at that time.)

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There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: "There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, 'What can I do to help?' Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale."

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many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us -- the voice of the President of the United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

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When you enlisted in this program, you enlisted for the duration. The term of your service has not yet reached its end. The truth is that the toughest part of your job still lies ahead.

Let us look at the future realistically. The war news of late has been extremely good. The enemy in Europe is on the run. How soon he will collapse, none of us can tell. But even when that great day comes, there will still be a hard and costly victory to be won in Asia. Our military and naval authorities made the grim assertion just recently that it will take us at least a year and a half to defeat Japan after Germany is beaten. And we shall be able to do it in that time only if we put every bit of our strength into the effort. The enemy has short, interior lines of communication, while we must move men and materials across the vast distances of the Pacific before we can bring our power to bear. The costs of this kind of warfare will certainly be very high, higher even than they were in Europe.

You cannot rest on your laurels. The Sixth War Loan campaign lies immediately ahead. Its challenge must be confronted just as resolutely as in the past. And I tell you frankly that even on the most optimistic assumption there will have to be a Seventh Loan. Your job is to make the people of America understand that there can be no let-down on the Home Front now, that the time has not yet come to relax or celebrate. I know that America can count upon you to see your job through to its end.

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Your job is to ~~make the people of America understand this -- to~~ overcome any disposition among the American people to relax before final victory has been achieved.

I know that you will do this job as you have done the job in the past. The success of the War Bond program up to the present time has been your handiwork. It has been brought about because you tackled it with fervor and resourcefulness and devotion. I know that you have done your job only at real sacrifice of time and comfort and self-interest. And I know also that the only reward that you have sought for your services has been the knowledge that you have played an indispensable part in the nation's progress to victory. I convey to you the very warm thanks of the Treasury Department, and I know that the work which you have done commands the gratitude of all of your fellow Americans.

~~communication. In order to crack these we shall have to move men and supplies across the tremendous distances of the Pacific. We can afford no let-down in our production of ships and planes and munitions until the Eastern end of the Axis has been beaten into unconditional surrender.~~

Let me remind you, too, that war expenditures do not stop abruptly with enemy capitulation. During the first six months following the Armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice. Completed and partially completed products must be paid for. Enemy countries must be occupied. Some relief for Allied Nations will certainly be necessary. The Armed Forces must be brought home and demobilized and, in the meantime, they must be paid and clothed and fed. I am sure that no American will want to fail in these responsibilities. They are costs that must be met if we are to make our victory complete and real. And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

The Sixth War Loan campaign, immediately ahead of us, is one essential step in the performance of this job. ~~Frankly, I think there is no doubt at all that we shall have to have a seventh loan before we can think of getting back to normal.~~

would have been almost a certainty, the likelihood of a post-war depression.

I have discussed the problems of War Finance and economic stabilization in such detail because I feel that you have been and must continue to be vital partners in their solution. The record so far is one of which we can all be proud. It has been good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

But the kind of post-war world which we desire must still be hacked from the enemy on the fields of battle. The time has not yet come for us to indulge in day dreaming or celebration. I am not going to offer any predictions about the end of the war in Europe. I should like to remind you, however, that much more competent military authorities than I have declared that even after the European war is won it will take us at least a year and a half to subdue our enemy in the far East. The war that faces us there is bound to be a long and tough and costly one -- in certain respects more costly than the war against Germany.

~~The Japanese have the asset of interior lines of~~

inflationary pressures, has already amounted, by June 30 of this year, to 70 billion dollars.

But the greatest and most important saving has been that among the people themselves. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced 15 percent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise

I feel confident that most of those who bought them will make every effort to hold them to maturity. But possession of the Bonds will give to these people a sense of security about the future which will permit them to spend their current incomes more freely than would otherwise be possible. We shall find this purchasing power immensely helpful during the reconversion period. It will prove, I am certain, a vital asset in warding off the sort of deflation which struck this nation so disastrously in 1920 and 1921 when we turned from War to peace production.

Our fiscal policy of siphoning off excess buying power by taxing and borrowing from the general public has been one of two buttresses supporting the structure of economic stabilization. The other buttress, of course, has consisted of direct controls including rationing, price ceilings, allocations, etc.

During this war the country has devoted twice as large a proportion of its resources to war purposes as in World War I. In consequence, inflationary pressures have been very much greater. The fact is, however, that prices have been held under much closer control. Based on actual studies of price changes in World War I as compared with World War II, the savings to the Government, as a result of more effective control of

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The Series E Bonds have another virtue which will be of benefit not only to those who have purchased them but to the entire national economy. When the war is over they will provide an invaluable backlog of purchasing power.

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only by its absolute magnitude but also by its rate of increase.

Now, I do not think there has been anything confusing about this. The American people, recognizing the need for greatly increased Government revenues, have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer. A sharp rise in taxes was absolutely necessary for the maintenance of economic stability.

But even after these record collections there remained the giant sum of 137 billion dollars, expended during the last three years, that had to be raised through some other means than taxation.

This money had to be raised by borrowing. It would have been relatively easy, of course, to raise it by borrowing from the banks. But in order to avoid inflation, it was essential that a ~~large~~ major part of the increased debt be borrowed outside of the banking system -- that is from the general public.

In selecting the Series E Bonds as our primary vehicle for mass borrowing, we had in mind first of all the protection of the interests of the small investor. ~~These Series E Bonds, non-negotiable, and now payable upon demand sixty days after issue date at any bank, were tailored to meet the needs of the average American citizen able to set aside modest savings for investment purposes. I need hardly remind this audience that by their nature they were guaranteed against fluctuations in market value and that their investment yield, if held to maturity, is 2.9 percent, the highest attainable on any United States Government obligation.~~

dollars, making a total government outlay for the course of the war to date of 224 billions. ¶ Where has this tremendous sum come from? Well, 87 billion dollars, or 39 percent of the total bill, has come from revenue. ~~For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenue.~~

During the fiscal year just ended, expenditures were slightly more than 95 billion dollars and net receipts climbed to a little over 44 billions, or 46 percent. This means that there has been an upward trend in our coverage of war costs through taxation. It is a trend which may be surprising to some and which certainly should be encouraging to all.

I want to put some emphasis on this trend since there have been charges of late that the Treasury has confused the public by persistent increases in the tax burden. In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than 5 1/2 billion dollars. The 44 billion-dollar total which, as I have just told you the Government took in during the past year, was an eight-fold increase -- a larger increase than has taken place in the revenue collection of any other major belligerent of this war. This is an important thing to remember in international comparisons because the burden of taxation must be measured not

War Bond Speech No. 2
Secretary Morgenthau
Chicago, Illinois
10-10-44

Wars, now as always, are won on battle fields. But in modern war, which is total war, the Home Front is intimately involved. Economic stability at home is one of the absolute requisites to victory. For without economic stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. I should like this afternoon to review with you in some detail the manner in which this task has been executed. Our problem has been something much more difficult than the mere raising of vast sums of money ~~-- a task of sums so tremendous as those required for the present conflict.~~ The nub of the problem has been to raise these sums in such a way as to ~~maintain stable economic conditions at home -- in such a way, in other words, as to~~ strengthen, rather than weaken, the national economy.

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about 208 billion dollars. During this same period, non-war expenditures have been kept down to 16 billion

I know that you will do this job as you have done the job in the past. The success of the War Bond program up to the present time has been your handiwork. It has been brought about because you tackled it with fervor and resourcefulness and devotion. I know that you have done your job only at real sacrifice of time and comfort and self-interest. And I know also that the only reward that you have sought for your services has been the knowledge that you have played an indispensable part in the nation's progress to victory. I convey to you the very warm thanks of the Treasury Department, and I know that the work which you have done commands the gratitude of all of your fellow Americans.

dreaming or celebration. I am not going to offer any predictions about the end of the war in Europe. I should like to remind you, however, that much more competent military authorities than I have declared that even after the European war is won it will take us at least a year and a half to subdue our enemy in the far East. The war that faces us there is bound to be a long and tough and costly one -- in certain respects more costly than the war against Germany.

Let me remind you, too, that war expenditures do not stop abruptly with enemy capitulation. During the first six months following the Armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice. Completed and partially completed products must be paid for. Enemy countries must be occupied. Some relief for Allied Nations will certainly be necessary. The Armed Forces must be brought home and demobilized and, in the meantime, they must be paid and clothed and fed. I am sure that no American will want to fail in these responsibilities. They are costs that must be met if we are to make our victory complete and real. And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

The Sixth War Loan campaign, immediately ahead of us, is one essential step in the performance of this job.
Your job is to overcome any disposition among the American people to relax before final victory has been achieved.

that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a postwar depression.

I have discussed the problems of War Finance and economic stabilization in such detail because I feel that you have been and must continue to be vital partners in their solution. The record so far is one of which we can all be proud. It has been good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

But the kind of post-war world which we desire must still be hacked from the enemy on the fields of battle. The time has not yet come for us to indulge in day

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But the greatest and most important saving has been that among the people themselves. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced 15 percent. It is fair to say, I think,

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I want to put some emphasis on this trend since there have been charges of late that the Treasury has confused the public by persistent increases in the tax burden. In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than $5,500,000,000 ~~1/2 billion dollars~~. The $44,000,000,000 ~~billion dollar~~ total which, as I have just told you the Government took in during the past year, was an eight-fold increase -- a larger increase than has taken place in the revenue collection of any other major belligerent of this war. This is an important thing to remember in international comparisons because the burden of taxation must be measured not only by its absolute magnitude but also by its rate of increase.

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~~War Bond Speech No. 2~~
~~By Secretary Morgenthau~~
~~Chicago, Illinois~~
~~October 10, 1944~~

Wars, now as always, are won on battle fields. But in modern war, which is total war, the Home Front is intimately involved. Economic stability at home is one of the absolute requisites to victory. For without economic stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. I should like this afternoon to review with you in some detail the manner in which this task has been executed. Our problem has been something much more difficult than the mere raising of vast sums of money. The nub of the problem has been to raise these sums in such a way as to strengthen, rather than weaken, the national economy.

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about $208,000,000,000 ~~billion dollars~~. During this same period, non-war expenditures have been kept down to $16,000,000,000 ~~billion dollars~~, making a total government outlay for the course of the war to date of $224,000,000,000 ~~billions~~.

Where has this tremendous sum come from? Well, $87,000,000,000 ~~billion dollars~~, or 39 percent of the total bill, has come from revenue.

TREASURY DEPARTMENT

Washington

FOR RELEASE AT 1.~~30~~ 45 P.M., ~~E~~ C.W.T.
~~Saturday~~ Tuesday, October ~~7~~ 10, 1944.

Press Service
No. ~~43-64~~ 43-65

(The following address by Secretary Morgenthau at a War Bond Rally at the Hotel ~~Claridge,~~ Drake ~~Atlantic City~~ Chicago, is scheduled for delivery at 1.~~30~~ 45 P.M., ~~E~~CWT, ~~Saturday,~~ October ~~7~~ 10, 1944, and is for release at that time.)

Tuesday

prediction

TREASURY DEPARTMENT
Washington

Thursday FOR RELEASE ~~AT 1:45 P.M., C.W.T~~ afternoon newspapers
~~Tuesday~~, October 12, 1944.

Press Service
No. 43-65

(The following address by Secretary Morgenthau is an at a War Bond Rally at the Hotel ~~Drake~~, Roosevelt, New Orleans, ~~Chicago,~~ ~~is scheduled for delivery at 1:45 P.M.~~, CWT, ~~Tuesday, October 12, 1944,~~ ~~and is for release at that time.~~) Thursday (etet)

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TREASURY DEPARTMENT
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FOR RELEASE, AFTERNOON NEWSPAPERS,
Thursday, October 12, 1944.

Press Service
No. 43-65

(FOR RADIO RELEASE 1:45 P.M., CWT)

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It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a postwar depression.

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But the kind of postwar world which we desire must still be hacked from the enemy on the fields of battle. The time has not yet come for us to indulge in day dreaming or celebration. I am not going to offer any predictions about the end of the war in Europe. I should like to remind you, however, that much more competent military authorities than I have declared that even after the European war is won it will take us at least a year and a half to subdue our enemy in the far East. The war that faces us there is bound to be a long and tough and costly one -- in certin respects more costly than the war against Germany.

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And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

The Sixth War Loan campaign, immediately ahead of us, is one essential step in the performance of this job. Your job is to overcome any disposition among the American people to relax before final victory has been achieved.

I know that you will do this job as you have done the job in the past. The success of the War Bond program up to the present time has been your handiwork. It has been brought about because you tackled it with fervor and resourcefulness and devotion. I know that you have done your job only at real sacrifice of time and comfort and self-interest. And I know also that the only reward that you have sought for your services has been the knowledge that you have played an indispensable part in the nation's progress to victory. I convey to you the very warm thanks of the Treasury Department, and I know that the work which you have done commands the gratitude of all of your fellow Americans.

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TREASURY DEPARTMENT
Washington

FOR RELEASE AT 12:15 P.M. E.W.T.
Monday, October 9, 1944.

Press Service
No. 43-66

(The following address by Herbert E. Gaston, Assistant Secretary of the Treasury, before the 31st National Foreign Trade Convention at the Hotel Pennsylvania, New York City, is scheduled for delivery at 12:15 P.M., EWT, Monday, October 9, 1944, and is for release at that time.)

As we meet here today to discuss the foreign trade problems that we shall face after the war, none of us can fail to be acutely aware of the fact that the victory is not yet won, that the greatest battle in the world's history is being waged just around that bend in the earth and across a narrowing sea, and another of equal ferocity and even wider geographical scope is going on at the opposite curve of the earth.

These are the projects of the immediate present which take precedence over all others. None of us would wish to spare any energies that could possibly be devoted to advancing them. But fortunately our resources have been so well organized for war that we can look ahead toward the peace without taking anything from the war effort. In fact we should be able to contribute to the purposes for which we fight, if we lay plans to organize the peace in such fashion that some of the causes of war may be removed and liberty-loving nations may be made strong to resist aggression.

It surely is not too soon to plan for peace. If the victory is not here, if we are unable to prophesy even as to the European battle whether the end is a matter of days or weeks or months, we do know that victory will come. We know that it will come, because it has been demonstrated that the forces of democracy and liberty have attained definite military superiority over the forces of militarism, tyranny and aggression.

In attaining that superiority we here in the United States -- and the same thing is true in Great Britain -- have developed economic powers -- productive powers -- that have exceeded our own expectations and even our own most enthusiastic prophecies. This is not merely something to boast about. It is a fact that must affect our whole economic future, and our private and public planning as well.

It has been said that we are devoting half of our whole national product to war. But that hardly tells the story. It seems to create a picture of self-denial, of restriction of home consumption, which has not in fact occurred. With some allowance for special instances, we have not been called upon to deny ourselves consumption goods. Instead what we have done has been approximately to double our national production and to devote the increase to war. This great production achievement has been made possible by practically unlimited government orders for goods, by production engineering and management of the very highest order, by a great upsurge of American inventive genius, by an increase in hours and numbers of persons employed, and generally by a popular will to build a tremendous production record in support of our military forces.

I think all of us will agree that this great production momentum and production potential and their economic and social consequences here in the United States are among the extremely significant and important facts with which we shall deal in the new economy, the new trade situation with which we shall be faced -- to a very considerable extent after the European victory and before the victory over the Japanese, and to an increasing extent thereafter.

There will be other striking and even revolutionary factors in the situation. There is, for instance, the great fleet of ships constructed in American yards to meet the war's transport needs, and the men trained to operate them. There is the advance that has been gained in air travel, under which it has become commonplace to make in a day the journey that used to take a week; and in three days or four the journey that used to be an affair of months. Do you not think that this facility in travel -- this shrinking of the earth, as it is the custom to speak of it -- will make some difference not only in the character of international transactions, but in their volume? I feel sure of it.

But another difference in the economic situation will, we may suppose, be of transcending importance for a time. That difference is in the lamentable ruin that the enemies of civilization have wreaked, east and west, in their invasion of peaceful lands. There is an enormous job of reconstruction and supply to be done. A part of that job will be the function of UNRRA, the international organization for broad-scale relief. But probably a much greater part of it will become the responsibility of the people of the countries which have been devastated and will translate itself into a greatly enchanced volume of international trade, including a heavy demand for American products, if appropriate means of financing the demand are found.

In the special situation that will exist at the war's end, foreign markets may and should offer a means of transition, of conversion from war production and war supply to a normal peace economy. It is certainly highly appropriate that we should seek ways by which exports will aid us in the problem of conversion. Our war supply program has been a program of manufacturing for export -- export of the equipment for victory which happens also to be the tools of destruction. It will fit well into the picture if this particular export program should be tapered off in exports of the tools and equipment for reconstruction.

But this does not mean that our foreign trade can be a one-way street and that our interest in it is merely in getting rid of a surplus of production and productive capacity. All of us know how deeply our imports as well as our exports have been tied in to our whole economy. We know that the world's interest is in a prosperous America which will be one of the world's best customers. We need to buy more as well as to sell more -- in the long run to buy more to be able to sell more. Our own domestic history has taught us that markets have no fixed limits; that they are expanded by creating and satisfying new wants and thus enhancing the standard of living. We know too that our best customers have been those with the most advanced modern economies. We have a solid interest in developing the economies of the less advanced nations.

If I were to ask you if your interest in a revived export trade would stop with the era of reconstruction after this war, I think I should get a very positive answer. Probably no group in the nation has suffered a more violent distortion of its business -- distortion may not be the right word -- than the foreign trader. Most of you who were engaged in foreign trade and shipping have simply had to find something else to do, which in a very great many cases has taken the form of service to the government in its foreign trading business or in some other branch of fighting a war. You will not be content, I am sure, with going back into the export and import business again on a temporary basis. And indeed, I think there is no reason why you should.

The Treasury has reached certain conclusions on this matter of foreign trade, conclusions which are wholly consistent with those reached by other agencies of the Government and by private business, as revealed by a consensus of expressions of business leaders among which there doesn't seem to be a dissenting voice.

The Treasury's main conclusion has been expressed in actions already taken. It is most obvious that that conclusion is that it is urgently desirable that our foreign trade be not merely revived but very greatly expanded and that to achieve that objective many obstacles which now hamper foreign trade ought to be removed -- obstacles created by governments in the past which have been hobbles to free enterprise.

The Treasury has taken the lead in proposing certain definite measures for the protection and encouragement of free enterprise in the development of world-wide trade, measures which will apply to the merchants and traders of all lands and will be the responsibility of many free governments acting together. The further conclusion has been reached that as a matter of course war restrictions on trade ought to be removed at the earliest possible moment consistent with the protection of our people.

The conviction that permanently increased foreign trade will be good for this country and for the countries with which it trades, that it will tend to promote world-wide prosperity, is not the consequence of any new theory, but rather of observation of events with which you as merchants and bankers, exporters and importers, are all familiar. You know that a high volume of world trade has accompanied prosperity and that restrictions on trade such as high tariff barriers, trade quotas, competitive depreciation and currency restrictions which have reduced trade have worked economic hardships on all nations. The international economic history of the thirties ought, it seems to many, to be sufficient evidence that the policy of choking world trade through governmental restrictions is the wrong road to follow.

Secretary Morgenthau's specific proposals so far advanced for dealing with the situation are as you all know embodied in the agreements reached at the Bretton Woods conference at which he presided. Those of you who attend the Banking Session this afternoon will hear these projects discussed by men who have been working directly on them, and are much better qualified than I am to talk about them.

Two points about the Bretton Woods agreements, however, seem to me to be worth emphasizing. The first is that they are not proposed as a rounded program for the future or a cure-all for the ills that in the past have afflicted international trade. They are meant instead to deal effectively with two outstanding needs of the postwar situation, the need for mutual stabilization of currencies and the need for international loans for reconstruction and development. The second and most important point

is that they represent agreements among the representatives of 44 nations who thereby testify to their desire to work together and to their faith in international action as a means of solving problems in the economic as well as the political sphere.

We shall have need of cooperation. After five years of blood and suffering the mood of much of the world is one of defeatism, cynicism and despair. We are in danger even of being infected by it here. But never, I think, has America's opportunity to serve its own future and to serve humanity been greater than it will be at this war's end.

Because the world is sick to death of wars, shall we say that wars can not be prevented? Because we have learned how to produce in abundance for the wants of man shall we say that a surplus of productive ability must result in unemployment and want?

It doesn't make sense. The intelligence and the courage that are equal to beating down the most powerful of aggressors can surely serve to organize the world against future aggression. The genius that has solved the problems of production can surely make abundance available for relieving the world of want.

We have the raw materials with which to organize peace. We have the raw materials with which to organize world prosperity. What do we lack? Nothing, I believe, but the quality that is variously called courage, confidence, determination -- the quality that chiefly explains all that we have done -- the refusal to recognize defeat -- the spirit that is represented in the two words that have been, as much as any, our national motto: "Can do."

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 10, 1944.

Press Service
43-67

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 90-day Treasury bills to be dated October 13, 1944, and to mature January 11, 1945, which were offered on October 6, were opened at the Federal Reserve Banks on October 9.

The details of this issue are as follows:

Total applied for - $2,196,968,000
Total accepted - 1,312,571,000 (includes $58,704,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.906/ Equivalent rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.910 Equivalent rate of discount 0.360% per annum
Low - 99.906 " " " " [redacted]. 0.376% per annum

(57 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 64,350,000	$ 39,226,000
New York	1,471,024,000	871,979,000
Philadelphia	41,470,000	28,700,000
Cleveland	35,950,000	26,462,000
Richmond	23,235,000	11,297,000
Atlanta	18,635,000	15,178,000
Chicago	337,740,000	195,133,000
St. Louis	10,157,000	7,653,000
Minneapolis	7,820,000	5,650,000
Kansas City	26,407,000	12,267,000
Dallas	23,660,000	14,671,000
San Francisco	136,520,000	84,355,000
TOTAL	$2,196,968,000	$1,312,571,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 10, 1944.
10-9-44

Press Service
No. 43-67

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Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 64,350,000	$ 39,226,000
New York	1,471,024,000	871,979,000
Philadelphia	41,470,000	28,700,000
Cleveland	35,950,000	26,462,000
Richmond	23,235,000	11,297,000
Atlanta	18,635,000	15,178,000
Chicago	337,740,000	195,133,000
St. Louis	10,157,000	7,653,000
Minneapolis	7,820,000	5,650,000
Kansas City	26,407,000	12,267,000
Dallas	23,660,000	14,671,000
San Francisco	136,520,000	84,355,000
TOTAL	$2,196,968,000	$1,312,571,000

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NAME OF OFFICER OR EMPLOYEE	NAME OF CORPORATION	STATE
Tobin, Frederick M.	Tobin Packing Co. Inc.	New York
Tone, Franchot	Universal Pictures Company, Inc.	New York
Tracy, Spencer	Loew's Incorporated	New York
Trumbo, Dalton	Loew's Incorporated	New York
Turner, Lana	Loew's Incorporated	New York
Van Dyke, W. S.	Loew's Incorporated	New York
Vidor, King	Loew's Incorporated	New York
Wanger, Walter F.	Universal Pictures Company, Inc.	New York
Weingarten, L.	Loew's Incorporated	New York
Wilson, Carey	Loew's Incorporated	New York
Wise, William F.	The Aviation Corporation	New York
Wolfson, P. J.	Columbia Pictures Corporation	New York
Woodhead, Harry	Consolidated Vultee Aircraft Corporation	California
Work, Cliff	Universal Pictures Company, Inc.	New York
Young, Loretta	Columbia Pictures Corporation	New York
Young, Robert	Loew's Incorporated	New York
Zimbalist, Sam	Loew's Incorporated	New York

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NAME OF OFFICER OR EMPLOYEE	NAME OF CORPORATION	STATE
Katz, Sam	Loew's Incorporated	New York
Klopman, William	Burlington Mills Corporation	North Carolina
Koster, Henry	Universal Pictures Company, Inc.	New York
Kyser, Kay	Loew's Incorporated	New York
Laddon, I. M.	Consolidated Vultee Aircraft Corporation	California
Laughton, Charles	Loew's Incorporated	New York
Lawrence, Vincent	Loew's Incorporated	New York
Leonard, Robert Z.	Loew's Incorporated	New York
Le Roy, Mervyn	Loew's Incorporated	New York
Lewin, Albert	Loew's Incorporated	New York
Lichtman, Al.	Loew's Incorporated	New York
Loos, Anita	Loew's Incorporated	New York
Love, J. Spencer	Burlington Mills Corporation	North Carolina
Mandl, Hedwig K.	Loew's Incorporated	New York
Mankiewiez, Joseph	Loew's Incorporated	New York
Mannix, E. J.	Loew's Incorporated	New York
Marcus, Charles	Bendix Aviation Corporation	Michigan
Mayer, J. G.	Loew's Incorporated	New York
Mayer, Louis B.	Loew's Incorporated	New York
McCrea, Joel	Columbia Pictures Corporation	New York
McGuinness, James J.	Loew's Incorporated	New York
McHugh, Thomas J.	The Atlantic Lumber Company	Massachusetts
McLeod, Norman	Loew's Incorporated	New York
McLucas, W. S.	National Bank of Detroit	Michigan
Montague, Abraham	Columbia Pictures Corporation	New York
Morgan, Frank	Loew's Incorporated	New York
Murphy, George	Loew's Incorporated	New York
Nauheim, Milton J.	Schenley Distillers Corporation	New York
Obici, A.	Planters Nut and Chocolate Company	Virginia
Ole Oleson & Chic Johnson (2)	Universal Pictures Company, Inc.	New York
O'Neil, W.	The General Tire & Rubber Company	Ohio
Parish, Richard L.	American Flange & Mfg. Co. Inc.	New York
Pasternak, Joseph	Loew's Incorporated	New York
Peruzzi, M.	Planters Nut and Chocolate Company	Virginia
Pidgeon, Walter	Loew's Incorporated	New York
Powell, William	Loew's Incorporated	New York
Prutzman, Charles D.	Universal Pictures Company, Inc.	New York
Rapf, Harry	Loew's Incorporated	New York
Raphaelson, Samson	Loew's Incorporated	New York
Ratoff, Gregory	Loew's Incorporated	New York
Riskin, Everett	Loew's Incorporated	New York
Robinson, Edward G.	Columbia Pictures Corporation	New York
Rodgers, William F.	Loew's Incorporated	New York
Rooney, Mickey	Loew's Incorporated	New York
Rubin, J. Robert	Loew's Incorporated	New York
Ruggles, Wesley	Loew's Incorporated	New York
Schary, Dore	Loew's Incorporated	New York
Schenck, Nicholas M.	Loew's Incorporated	New York
Schneider, Abraham	Columbia Pictures Corporation	New York
Scott, Randolph	Universal Pictures Company, Inc.	New York
Seidelman, Joseph	Universal Pictures Company, Inc.	New York
Seiter, Wm.	Columbia Pictures Corporation	New York
Sidney, Louis K.	Loew's Incorporated	New York
Sothern, Ann	Loew's Incorporated	New York
Stevens, George	Columbia Pictures Corporation	New York
Taurog, Norman	Loew's Incorporated	New York
Taylor, Robert	Loew's Incorporated	New York
Thau, Benjamin	Loew's Incorporated	New York
Thorp, Richard	Loew's Incorporated	New York

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NAME OF OFFICER OR EMPLOYEE	NAME OF CORPORATION	STATE
Bud Abbott & Lou Costello (2)	Universal Pictures Company, Inc.	New York
Aherne, Brian	Columbia Pictures Corporation	New York
Arnold, Edward	Loew's Incorporated	New York
Astaire, Fred	Columbia Pictures Corporation	New York
~~Barzage, Frank~~	Universal Pictures Company, Inc.	New York
Beech, Walter H.	Beech Aircraft Corporation	Kansas
Beery, Wallace	Loew's Incorporated	New York
Berkeley, Busby	Loew's Incorporated	New York
Berman, Pandro S.	Loew's Incorporated	New York
Bernstein, David	Loew's Incorporated	New York
Bischoff, Samuel	Columbia Pictures Corporation	New York
Blumberg, N. J.	Universal Pictures Company, Inc.	New York
Borzage, Frank	Loew's Incorporated	New York
Boyer, Charles	Universal Pictures Company, Inc.	New York
Breech, E. R.	Bendix Aviation Corporation	Michigan
Brown, Clarence	Loew's Incorporated	New York
Buchman, Sidney	Columbia Pictures Corporation	New York
Bunker, Dumont	Burlington Mills Corporation	North Carolina
Buzzell, Edward	Loew's Incorporated	New York
Carrillo, Leo	Universal Pictures Company, Inc.	New York
Coburn, Charles	Columbia Pictures Corporation	New York
Coffee, Lenore	Loew's Incorporated	New York
Cohn, Harry	Columbia Pictures Corporation	New York
Cohn, Jack	Columbia Pictures Corporation	New York
Cohn, J. J.	Loew's Incorporated	New York
Considine, J. W., Jr.	Loew's Incorporated	New York
Conway, Jack	Loew's Incorporated	New York
Cowdin, J. Cheever	Universal Pictures Company, Inc.	New York
Crawford, Joan	Loew's Incorporated	New York
Cukor, George	Loew's Incorporated	New York
Cummings, John S.	Loew's Incorporated	New York
Del Ruth, Roy	Loew's Incorporated	New York
Dieterle, William	Loew's Incorporated	New York
Dietz, Howard	Loew's Incorporated	New York
Donlevy, Brian	Loew's Incorporated	New York
Dorsey, Tommy	Loew's Incorporated	New York
Douglas, Donald W.	Douglas Aircraft Company, Inc.	California
Dunne, Irene	Loew's Incorporated	New York
Durbin, Edna Mae	Universal Pictures Company, Inc.	New York
Duvivier, Julian H.	Universal Pictures Company, Inc.	New York
Eckman, Sam, Jr.	Loew's Incorporated	New York
Emanuel, Victor	The Aviation Corporation	New York
Fleming, Victor	Loew's Incorporated	New York
Franklin, Sidney	Loew's Incorporated	New York
Freed, Arthur	Loew's Incorporated	New York
French, Edward V.	The Atlantic Lumber Company	Massachusetts
Garnett, Tay	Loew's Incorporated	New York
Garson, Greer	Loew's Incorporated	New York
Gibbons, Cedric	Loew's Incorporated	New York
Gibson, C. J.	Gibson Refrigerator Company	Michigan
Girdler, T. M.	Consolidated Vultee Aircraft Corporation	California
Goetz, Ben	Loew's Incorporated	New York
Graessle, W. F.	T. M. Duche & Sons, Inc.	New York
Gumm, Frances	Loew's Incorporated	New York
Hall, Al	Columbia Pictures Corporation	New York
Heintz, Ralph M.	Jack & Heintz, Inc.	Ohio
Hepburn, Katherine	Loew's Incorporated	New York
Hornblow, Arthur, Jr.	Loew's Incorporated	New York
Jack, Wm. R.	Jack & Heintz, Inc.	Ohio
Jack, Wm. S.	Jack & Heintz, Inc.	Ohio
Jacobi, Lester E.	Schenley Distillers Corporation	New York
James, Harry	Loew's Incorporated	New York
Jenanyan, E. H.	Planters Nut and Chocolate Company	Virginia

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NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK						
LOEW'S INCORPORATED	8/31/43					
Weingarten, L.		169,000.00	53,534.79			222,534.79
Wilson, Carey		107,000.00				107,000.00
Young, Robert		108,500.00				108,500.00
Zimbalist, Sam		94,208.33				94,208.33
SCHENLEY DISTILLERS CORPORATION	8/31/43					
Jacobi, Lester E.						75,260.00
Nauheim, Milton J.						75,040.00
TOBIN PACKING CO., INC.	11/30/43					
Tobin, Frederick M.		65,000.00		90,000.00		155,000.00
UNIVERSAL PICTURES COMPANY, INC.	10/31/43					
Bud Abbott & Lou Costello		208,000.00			581,628.89	789,628.89
Barzage, Frank		95,833.33				95,833.33
Blumberg, N. J.		112,666.68			126,553.69	239,220.37
Boyer, Charles		80,000.00				80,000.00
Carrillo, Leo		87,208.35				87,208.35
Cowdin, J. Cheever		112,671.68			126,553.69	239,225.37
Durbin, Edna Mae		282,250.00				282,250.00
Duvivier, Julian H.		130,000.00				130,000.00
Koster, Henry		103,000.00				103,000.00
Ole Oleson & Chic Johnson		100,000.00			51,795.37	151,795.37
Scott, Randolph		132,187.50				132,187.50
Prutzman, Charles D.		73,200.00			62,959.51	136,159.51
Seidelman, Joseph		73,200.00			62,959.51	136,159.51
Tone, Franchot		101,111.01				101,111.01
Wanger, Walter F.		77,500.00			632,872.03	710,372.03
Work, Cliff		99,666.67			62,959.51	162,626.18
NORTH CAROLINA						
BURLINGTON MILLS CORPORATION	9/30/43					
Bunker, Dumont		109,641.37				109,641.37
Klopman, William		96,891.37				96,891.37
Love, J. Spencer		110,783.29				110,783.29
OHIO						
THE GENERAL TIRE & RUBBER COMPANY	11/30/43					
O'Neil, W.		10,000.00	87,000.00			97,000.00
JACK & HEINTZ, INC.	10/31/43					
Heintz, Ralph M.		125,000.00				125,000.00
Jack, Wm. R.		125,000.00				125,000.00
Jack, Wm. S.		125,000.00				125,000.00
VIRGINIA						
PLANTERS NUT AND CHOCOLATE COMPANY	9/30/43					
Jenanyan, E. H.		4,800.00	89,400.39			94,200.39
Obici, A.		5,000.04	369,337.15		400.00	374,737.19
Peruzzi, M.		7,500.00	148,127.49		400.00	156,027.49

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK						
LOEW'S INCORPORATED	8/31/43					
Coffee, Lenore		87,780.00				87,780.00
Cohn, J. J.		118,416.67				118,416.67
Considine, J. W., Jr.		123,500.00				123,500.00
Conway, Jack		209,118.41				209,118.41
Crawford, Joan		194,615.27				194,615.27
Cukor, George		90,850.00				90,850.00
Cummings, John S.		104,000.00				104,000.00
Del Ruth, Roy		83,375.00				83,375.00
Dieterle, William		156,000.00				156,000.00
Dietz, Howard		65,000.00			13,000.00	78,000.00
Donlevy, Brian		141,250.00				141,250.00
Dorsey, Tommy		165,817.91				165,817.91
Dunne, Irene		200,000.00				200,000.00
Eckman, Sam, Jr.		100,000.00				100,000.00
Fleming, Victor		212,500.00				212,500.00
Franklin, Sidney		182,000.00				182,000.00
Freed, Arthur		104,000.00				104,000.00
Garnett, Tay		90,101.42				90,101.42
Garson, Greer		159,083.33				159,083.33
Gibbons, Cedric		91,000.00				91,000.00
Goetz, Ben		105,145.42				105,145.42
Gumm, Frances		89,666.66				89,666.66
Hepburn, Katherine		110,333.37				110,333.37
Hornblow, Arthur, Jr.		183,060.01				183,060.01
James, Harry		128,559.69				128,559.69
Katz, Sam		156,000.00	214,139.14			370,139.14
Kyser, Kay		99,999.93				99,999.93
Lawrence, Vincent		100,333.33				100,333.33
Laughton, Charles		128,562.50				128,562.50
Leonard, Robert Z.		208,000.00				208,000.00
Le Roy, Mervyn		182,000.00				182,000.00
Lewin, Albert		90,333.34				90,333.34
Lichtman, Al.		156,000.00	160,604.36			316,604.36
Loos, Anita		86,625.00				86,625.00
McGuinness, James J.		91,000.00				91,000.00
McLeod, Norman		92,560.00				92,560.00
Mandl, Hedwig K.		88,250.00				88,250.00
Mankiewiez, Joseph		153,000.00				153,000.00
Mannix, E. J.		158,600.00	214,139.14			372,739.14
Mayer, J. G.		78,000.00				78,000.00
Mayer, Louis B.		104,500.00	1,034,492.47			1,138,992.47
Morgan, Frank		185,680.50				185,680.50
Murphy, George		83,666.66				83,666.66
Pasternak, Joseph		143,000.00				143,000.00
Pidgeon, Walter		99,333.33				99,333.33
Powell, William		251,250.00				251,250.00
Rapf, Harry		80,375.00	29,472.76			109,847.76
Raphaelson, Samson		78,750.00				78,750.00
Ratoff, Gregory		151,388.64				151,388.64
Riskin, Everett		104,000.00				104,000.00
Rooney, Mickey		81,166.66		75,000.00		156,166.66
Rodgers, William F.		104,000.00			11,400.00	115,400.00
Rubin, J. Robert		88,400.00	213,927.54		15,600.00	317,927.54
Ruggles, Wesley		210,600.00				210,600.00
Schary, Dore		97,750.00				97,750.00
Schenck, Nicholas M.		105,300.00	382,391.33		24,700.00	512,391.33
Sidney, Louis K.		76,750.00				76,750.00
Sothern, Ann		84,333.32				84,333.32
Taurog, Norman		156,000.00				156,000.00
Taylor, Robert		176,983.07				176,983.07
Thau, Benjamin		91,000.00	107,069.57			198,069.57
Thorp, Richard		91,000.00				91,000.00
Tracy, Spencer		219,871.82				219,871.82
Trumbo, Dalton		76,250.00				76,250.00
Turner, Lana		87,000.00				87,000.00
Van Dyke, W. S.		109,083.33				109,083.33
Vidor, King		208,000.00				208,000.00

Sheet pg 2

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
CALIFORNIA						
CONSOLIDATED VULTEE AIRCRAFT CORPORATION	11/30/43					
Girdler, T. M.		119,166.67				119,166.67
Laddon, I. M.		81,666.67			5.00	81,671.67
Woodhead, Harry		81,666.67			5.00	81,671.67
Note: The compensation of T. M. Girdler shown above of $119.166.67 was paid to the Republic Steel Corporation and not direct to Mr. Girdler.						
DOUGLAS AIRCRAFT COMPANY, INC.	11/30/43					
Douglas, Donald W.		120,000.00			500.00	120,500.00
KANSAS						
BEECH AIRCRAFT CORPORATION	9/30/43					
Beech, Walter H.		40,000.06	22,220.75	20,000.00	769.23	82,990.04
MASSACHUSETTS						
THE ATLANTIC LUMBER COMPANY	12/31/42					
French, Edward V.		146,642.66				146,642.66
McHugh, Thomas J.		146,642.66				146,642.66
MICHIGAN						
BENDIX AVIATION CORPORATION	9/30/43					
Breech, E. R.		79,999.92		58,000.00		137,999.92
Marcus, Charles		54,999.96		32,000.00		86,999.96
GIBSON REFRIGERATOR COMPANY	7/31/43					
Gibson, C. J.		100,000.00		5,833.09		105,833.09
NATIONAL BANK OF DETROIT	12/31/42					
McLucas, W. S.		50,000.00			30,400.00	80,400.00
NEW YORK						
AMERICAN FLANGE & MFG. CO., INC.	11/30/43					
Parish, Richard L.		125,000.00				125,000.00
THE AVIATION CORPORATION	11/30/43					
Emanuel, Victor		90,000.00				90,000.00
Wise, William F.		51,999.99			28,227.50	80,227.49
COLUMBIA PICTURES CORPORATION	6/30/43					
Aherne, Brian		144,958.33				144,958.33
Astaire, Fred		75,635.86				75,635.86
Bischoff, Samuel		91,000.00				91,000.00
Buchman, Sidney		115,250.00				115,250.00
Coburn, Charles		91,666.67				91,666.67
Cohn, Harry		130,000.00			20,788.96	150,788.96
Cohn, Jack		78,000.00			10,394.48	88,394.48
Hall, Al		108,458.33				108,458.33
McCrea, Joel		118,750.00				118,750.00
Montague, Abraham		78,000.00				78,000.00
Robinson, Edward G.		129,166.67				129,166.67
Schneider, Abraham		78,000.00				78,000.00
Seiter, Wm.		130,000.00				130,000.00
Stevens, George		101,282.00				101,282.00
Wolfson, P. J.		87,500.00				87,500.00
Young, Loretta		85,000.00				85,000.00
T. M. DUCHE & SONS, INC.	11/30/43					
Graessle, W. F.		3,120.00			96,963.05	100,083.05
LOEW'S INCORPORATED	8/31/43					
Arnold, Edward		99,583.34				99,583.34
Beery, Wallace		150,000.00				150,000.00
Berkeley, Busby		109,875.00				109,875.00
Berman, Pandro S.		156,000.00				156,000.00
Bernstein, David		93,600.00	229,434.80		10,400.00	333,434.80
Borzage, Frank		79,625.00				79,625.00
Brown, Clarence		201,933.33				201,933.33
Buzzell, Edward		78,000.00				78,000.00

Fri am
Oct 13,

43-68

REPORT OF PAYMENTS OF SALARY, COMMISSION
BONUS OR OTHER COMPENSATION PAID IN EXCESS
OF $75,000.00 COMPILED FROM INCOME RETURNS,
SCHEDULE F-1, FILED FOR THE CALENDAR YEAR
1942 AND FISCAL YEARS ENDED IN 1943

SUPPLEMENTAL #1

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 13, 1944.

Press Service
No. 43-68

A supplemental list of 140 individuals who received from corporations compensation in excess of $75,000 for personal services in the calendar year 1942 or fiscal year ending in 1943 was made public today by Henry Morgenthau, Jr., Secretary of the Treasury.

The publication, made in conformance with a provision of the Internal Revenue Code, augments an earlier listing of several hundred names last July.

The list comprises large corporations which requested, and were granted, additional time in filing their voluminous income tax returns.

Under the code, the Secretary of the Treasury is required by Section 148 (f), as amended by Section 407 of the Revenue Act of 1939, to make public the names of such individuals as were reported by employing corporations in their income tax returns. The list compiled shows the amounts paid to officers and employees by reporting corporations in the form of salary, commission, bonus, or other compensation for personal services.

Section 148 (f) of the Internal Revenue Code, as amended by Section 407 of the Revenue Act of 1939, is as follows:

> "Compensation of Officers and Employees: -- Under regulations prescribed by the Commissioner with the approval of the Secretary, every corporation subject to taxation under this chapter shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered, if the aggregate amount so paid to the individual is in excess of $75,000.
>
> "The Secretary shall compile from the returns made a list containing the names of, and the amounts paid to, each such officer and employee and the name of the paying corporation and shall make such list available to the public. It shall be unlawful for any person to sell, offer for sale, or circulate, for any consideration whatsoever, any copy or reproduction of any list, or part thereof, authorized to be made public by this Act or by any prior Act relating to the publication of information derived from income tax returns; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding $1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court: Provided, That nothing in this sentence shall be construed to be applicable with respect to any newspaper, or other periodical publication entitled to admission to the mails as second-class matter."

The names of the corporations and of the officers and employees who received compensation in excess of $75,000, as reported to the Secretary by the Bureau of Internal Revenue, are as follows:

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
CALIFORNIA						
CONSOLIDATED VULTEE AIRCRAFT CORPORATION	11/30/43					
Girdler, T. M.		119,166.67				119,166.67
Laddon, I. M.		81,666.67			5.00	81,671.67
Woodhead, Harry		81,666.67			5.00	81,671.67
Note: The compensation of T. M. Girdler shown above of $119,166.67 was paid to the Republic Steel Corporation and not direct to Mr. Girdler.						
DOUGLAS AIRCRAFT COMPANY, INC.	11/30/43					
Douglas, Donald W.		120,000.00			500.00	120,500.00
KANSAS						
BEECH AIRCRAFT CORPORATION	9/30/43					
Beech, Walter H.		40,000.06	22,220.75	20,000.00	769.23	82,990.04
MASSACHUSETTS						
THE ATLANTIC LUMBER COMPANY	12/31/42					
French, Edward V.		146,642.66				146,642.66
McHugh, Thomas J.		146,642.66				146,642.66
MICHIGAN						
BENDIX AVIATION CORPORATION	9/30/43					
Breech, E. R.		79,999.92		58,000.00		137,999.92
Marcus, Charles		54,999.96		32,000.00		86,999.96
GIBSON REFRIGERATOR COMPANY	7/31/43					
Gibson, C. J.		100,000.00		5,833.09		105,833.09
NATIONAL BANK OF DETROIT	12/31/42					
McLucas, W. S.		50,000.00			30,400.00	80,400.00

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OF FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK						
AMERICAN FLANGE & MFG. CO., INC.	11/30/43					
Parish, Richard L.		125,000.00				125,000.00
THE AVIATION CORPORATION	11/30/43					
Emanuel, Victor		90,000.00				90,000.00
Wise, William F.		51,999.99			28,227.50	80,227.49
COLUMBIA PICTURES CORPORATION	6/30/43					
Aherne, Brian		144,958.33				144,958.33
Astaire, Fred		75,635.86				75,635.86
Bischoff, Samuel		91,000.00				91,000.00
Buchman, Sidney		115,250.00				115,250.00
Coburn, Charles		91,666.67				91,666.67
Cohn, Harry		130,000.00			20,788.96	150,788.96
Cohn, Jack		78,000.00			10,394.48	88,394.48
Hall, Al		108,458.33				108,458.33
McCrea, Joel		118,750.00				118,750.00
Montague, Abraham		78,000.00				78,000.00
Robinson, Edward G.		129,166.67				129,166.67
Schneider, Abraham		78,000.00				78,000.00
Seiter, Wm.		130,000.00				130,000.00
Stevens, George		101,282.00				101,282.00
Wolfson, P. J.		87,500.00				87,500.00
Young, Loretta		85,000.00				85,000.00
T. M. DUCHE & SONS, INC.	11/30/43					
Graessle, W. F.		3,120.00			96,963.05	100,083.05
LOEW'S INCORPORATED	8/31/43					
Arnold, Edward		99,583.34				99,583.34
Beery, Wallace		150,000.00				150,000.00
Berkeley, Busby		109,875.00				109,875.00
Berman, Pandro S.		156,000.00				156,000.00

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (CONTINUED)						
LOEW'S INCORPORATED (CONTINUED)	8/31/43					
Bernstein, David		93,600.00	229,434.80		10,400.00	333,434.80
Borzage, Frank		79,625.00				79,625.00
Brown, Clarence		201,933.33				201,933.33
Buzzell, Edward		78,000.00				78,000.00
Coffee, Lenore		87,780.00				87,780.00
Cohn, J. J.		118,416.67				118,416.67
Considine, J.W., Jr.		123,500.00				123,500.00
Conway, Jack		209,118.41				209,118.41
Crawford, Joan		194,615.27				194,615.27
Cukor, George		90,850.00				90,850.00
Cummings, John S.		104,000.00				104,000.00
Del Ruth, Roy		83,375.00				83,375.00
Dieterle, William		156,000.00				156,000.00
Dietz, Howard		65,000.00			13,000.00	78,000.00
Donlevy, Brian		141,250.00				141,250.00
Dorsey, Tommy		165,817.91				165,817.91
Dunne, Irene		200,000.00				200,000.00
Eckman, Sam, Jr.		100,000.00				100,000.00
Fleming, Victor		212,500.00				212,500.00
Franklin, Sidney		182,000.00				182,000.00
Freed, Arthur		104,000.00				104,000.00
Garnett, Tay		90,101.42				90,101.42
Garson, Greer		159,083.33				159,083.33
Gibbons, Cedric		91,000.00				91,000.00
Goetz, Ben		105,145.42				105,145.42
Gumm, Frances		89,666.66				89,666.66
Hepburn, Katherine		110,333.37				110,333.37
Hornblow, Arthur, Jr.		183,060.01				183,060.01
James, Harry		128,559.69				128,559.69
Katz, Sam		156,000.00	214,139.14			370,139.14

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (CONTINUED)						
LOEW'S INCORPORATED (CONTINUED)	8/31/43					
Kyser, Kay		99,999.93				99,999.93
Lawrence, Vincent		100,333.33				100,333.33
Laughton, Charles		128,562.50				128,562.50
Leonard, Robert Z.		208,000.00				208,000.00
Le Roy, Mervyn		182,000.00				182,000.00
Lewin, Albert		90,333.34				90,333.34
Lichtman, Al.		156,000.00	160,604.36			316,604.36
Loos, Anita		86,625.00				86,625.00
McGuinness, James J.		91,000.00				91,000.00
McLeod, Norman		92,560.00				92,560.00
Mandl, Hedwig K.		88,250.00				88,250.00
Mankiewiez, Joseph		153,000.00				153,000.00
Mannix, E. J.		158,600.00	214,139.14			372,739.14
Mayer, J. G.		78,000.00				78,000.00
Mayer, Louis B.		104,500.00	1,034,492.47			1,138,992.47
Morgan, Frank		185,680.50				185,680.50
Murphy, George		83,666.66				83,666.66
Pasternak, Joseph		143,000.00				143,000.00
Pidgeon, Walter		99,333.33				99,333.33
Powell, William		251,250.00				251,250.00
Rapf, Harry		80,375.00	29,472.76			109,847.76
Raphaelson, Samson		78,750.00				78,750.00
Ratoff, Gregory		151,388.64				151,388.64
Riskin, Everett		104,000.00				104,000.00
Rooney, Mickey		81,166.66		75,000.00		156,166.66
Rodgers, William F.		104,000.00			11,400.00	115,400.00
Rubin, J. Robert		88,400.00	213,927.54		15,600.00	317,927.54
Ruggles, Wesley		210,600.00				210,600.00
Schary, Dore		97,750.00				97,750.00
Schenck, Nicholas M.		105,300.00	382,391.33		24,700.00	512,391.33

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (CONTINUED)						
LOEW'S INCORPORATED (CONTINUED)	8/31/43					
Sidney, Louis K.		76,750.00				76,750.00
Sothern, Ann		84,333.32				84,333.32
Taurog, Norman		156,000.00				156,000.00
Taylor, Robert		176,983.07				176,983.07
Thau, Benjamin		91,000.00	107,069.57			198,069.57
Thorp, Richard		91,000.00				91,000.00
Tracy, Spencer		219,871.82				219,871.82
Trumbo, Dalton		76,250.00				76,250.00
Turner, Lana		87,000.00				87,000.00
Van Dyke, W. S.		109,083.33				109,083.33
Vidor, King		208,000.00				208,000.00
Weingarten, L.		169,000.00	53,534.79			222,534.79
Wilson, Carey		107,000.00				107,000.00
Young, Robert		108,500.00				108,500.00
Zimbalist, Sam		94,208.33				94,208.33
SCHENLEY DISTILLERS CORPORATION	8/31/43					
Jacobi, Lester E.						75,260.00
Nauheim, Milton J.						75,040.00
TOBIN PACKING COMPANY, INC.	11/30/43					
Tobin, Frederick M.		65,000.00		90,000.00		155,000.00
UNIVERSAL PICTURES COMPANY, INC.	10/31/43					
Bud Abbott & Lou Costello		208,000.00			581,628.89	789,628.89
Barzage, Frank		95,833.33				95,833.33
Blumberg, N. J.		112,666.68			126,553.69	239,220.37
Boyer, Charles		80,000.00				80,000.00
Carrillo, Leo		87,208.35				87,208.35
Cowdin, J. Cheever		112,671.68			126,553.69	239,225.37
Durbin, Edna Mae		282,250.00				282,250.00
Duvivier, Julian H.		130,000.00				130,000.00
Koster, Henry		103,000.00				103,000.00
Ole Oleson & Chic Johnson		100,000.00			51,795.37	151,795.37

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (CONTINUED)						
UNIVERSAL PICTURES COMPANY, INC. (CONTINUED)	10/31/43					
Scott, Randolph		132,187.50				132,187.50
Prutzman, Charles D.		73,200.00			62,959.51	136,159.51
Seidelman, Joseph		73,200.00			62,959.51	136,159.51
Tone, Franchot		101,111.01				101,111.01
Wanger, Walter F.		77,500.00			632,872.03	710,372.03
Work, Cliff		99,666.67			62,959.51	162,626.18
NORTH CAROLINA						
BURLINGTON MILLS CORPORATION	9/30/43					
Bunker, Dumont		109,641.37				109,641.37
Klopman, William		96,891.37				96,891.37
Love, J. Spencer		110,783.29				110,783.29
OHIO						
THE GENERAL TIRE & RUBBER COMPANY	11/30/43					
O'Neil, W.		10,000.00	87,000.00			97,000.00
JACK & HEINTZ, INC.	10/31/43					
Heintz, Ralph M.		125,000.00				125,000.00
Jack, Wm. R.		125,000.00				125,000.00
Jack, Wm. S.		125,000.00				125,000.00
VIRGINIA						
PLANTERS NUT AND CHOCOLATE COMPANY	9/30/43					
Jenanyan, E. H.		4,800.00	89,400.39		[illegible]	94,200.39
Obici, A.		5,000.04	369,337.15		400.00	374,737.19
Peruzzi, M.		7,500.00	148,127.49		400.00	156,027.49

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43-69

FOR IMMEDIATE RELEASE
October 10, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1943, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,621,630,479	September 30, 1944	1,293,406,196
Colombia	549,261,936	(Import quota filled)	
Costa Rica	34,873,774	September 30, 1944	31,639,546
Cuba	13,949,562	"	8,769,436
Dominican Republic	20,881,883	"	19,114,772
Ecuador	26,155,330	"	22,395,598
El Salvador	104,621,321	"	100,824,519
Guatemala	93,287,384	"	92,390,836
Haiti	47,951,373	"	43,930,544
Honduras	3,486,928	(Import quota filled)	
Mexico	82,825,279	(Import quota filled)	
Nicaragua	34,001,943	September 30, 1944	28,861,275
Peru	4,359,288	"	3,718,624
Venezuela	73,234,872	"	44,317,438
Non-Signatory Countries:	61,900,935	"	4,459,875

1/ Quotas as established by action of the Inter-American Coffee Board on April 21, 1944.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, October 11, 1944

Press Service
No. 43-69

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Commodity	Established Quota		Unit of Quantity	Imports as of September 30, 1944
	Period and Country	Quantity		
Silver or black foxes, furs and articles: Foxes valued under $250 each and whole furs and skins	May - Nov. 1944 All countries	59,174	Number	30,318
Tails	12 months from Dec. 1, 1943	5,000	Piece	198
Paws, heads, or other separated parts	"	500	Pound	487
Piece plates	"	550	Pound	-
Articles, other than piece plates	"	500	Unit	64

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43-70

FOR IMMEDIATE RELEASE,
October 10, 1944.

The Bureau of Customs announced today preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to September 30, 1944, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of September 30, 1944
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	5,282
Cream, fresh or sour	Calendar year	1,500,000	Gallon	764
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	18,210,658	Pound	Quota filled
White or Irish potatoes:	12 months from Sept. 15, 1944			
Certified seed		90,000,000	Pound	-
Other		60,000,000	Pound	31,883,384
Red cedar shingles	Calendar year	2,153,984	Square	1,095,908
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	Quota filled
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	296,054

(Over)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, October 11, 1944.

Press Service
No. 43-70

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White or Irish potatoes:	12 months from Sept. 15, 1944			
Certified seed		90,000,000	Pound	-
Other		60,000,000	Pound	31,883,384
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Paws, heads, or other separated parts	"	500	Pound	487
Piece plates	"	500	Pound	-
Articles, other than piece plates	"	500	Unit	64

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COTTON CARD STRIPS made from cottons having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips made from cottons having a staple less than 1-3/16 inches in length and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1944 to Sept. 30, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1944 to Sept. 30, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	-	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

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FOR IMMEDIATE RELEASE
October 10, 1944.

43-71

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, as amended by the proclamations of December 19, 1940, March 31, 1942, and June 29, 1942, during the period September 20, 1944, to September 30, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1944, to Sept. 30, 1944	Established Quota 45,656,420	Imports Sept. 20, 1944, to Sept. 30, 1944
Egypt and the Anglo-Egyptian Sudan.....	783,816	-		751,502
Peru.....	247,952	-		46,803
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	-		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/	16,004	-		-
Other French Africa 3/..	689	-		-
Algeria and Tunisia.....	-	-		-
	14,516,882	8,883,259	45,656,420	798,305

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

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No. 43-71

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, as amended by the proclamations of December 19, 1940, March 31, 1942, and June 29, 1942, during the period September 20, 1944, to September 30, 1944.

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 20, 1944, to Sept. 30, 1944	Established Quota 45,656,420	Imports Sept. 20, 1944, to Sept. 30, 1944
Egypt and the Anglo-Egyptian Sudan ..	783,816	-		751,502
Peru.....	247,952	-		46,803
British India.....	2,003,483	-		-
China.....	1,370,791	-		-
Mexico.....	8,883,259	8,883,259		-
Brazil.....	618,723	-		-
Union of Soviet Socialist Republics	475,124	-		-
Argentina.....	5,203	-		-
Haiti.....	237	-		-
Ecuador.....	9,333	-		-
Honduras.....	752	-		-
Paraguay.....	871	-		-
Colombia.....	124	-		-
Iraq.....	195	-		-
British East Africa	2,240	-		-
Netherlands East Indies.....	71,388	-		-
Barbados.....	-	-		-
Other British West Indies 1/.....	21,321	-		-
Nigeria.....	5,377	-		-
Other British West Africa 2/.....	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia	-	-		-
	14,516,882	8,883,259	45,656,420	798,305

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

COTTON CARD STRIPS made from cottons having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, and ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than card strips made from cottons having a staple less than 1-3/16 inches in length and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany, and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 20, 1944 to Sept.30, 1944	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 20, 1944 to Sept. 30, 1944 1/
United Kingdom.....	4,323,457	-	1,441,152	-
Canada.....	239,690	-	-	-
France.....	227,420	-	75,807	-
British India.....	69,627	-	-	-
Netherlands.....	68,240	-	22,747	-
Switzerland.....	44,388	-	14,796	-
Belgium.....	38,559	-	12,853	-
Japan.....	341,535	-	-	-
China.....	17,322	-	-	-
Egypt.....	8,135	-	-	-
Cuba.....	6,544	-	-	-
Germany.....	76,329	-	25,443	-
Italy.....	21,263	-	7,088	-
TOTALS	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

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Wed. FOR IMMEDIATE RELEASE
October 10, 1944.

43-72
Press Service
No. 43-72

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1944 as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat and similar wheat produc	
	Established Quota	Imports May 29, 1944, to Sept. 30, 1944	Established Quota	Imports May 29, 194 to Sept. 30, 1
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	35,794
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	35,794

TREASURY DEPARTMENT
WASHINGTON

FOR IMMEDIATE RELEASE
Wednesday, October 11, 1944.

Press Service
No. 43-72

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1944, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1944, to Sept. 30, 1944	Established Quota	Imports May 29, 1944 to Sept. 30, 1944
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	35,794
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	35,794

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43-73

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FOR IMMEDIATE RELEASE
October 11, 1944

Press Rel
No. 43-73

The Bureau of Customs announced today that the tariff rate quota of white or Irish potatoes, other than certified seed potatoes, was 83% filled as of October 7, 1944. Preliminary data before the Bureau show that approximately 50,000,000 pounds of such potatoes were imported during the period September 15 to October 7, 1944, inclusive, an average of 2½ million pounds per day. Importers are required to deposit estimated duties at the full tariff rate on all importations for consumption of other than certified seed potatoes during the period October 10, 1944, through September 14, 1945, pending determination of the quota status of such importations.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, October 11, 1944.

Press Service
No. 43-73

The Bureau of Customs announced today that the tariff rate quota of white or Irish potatoes, other than certified seed potatoes, was 83% filled as of October 7, 1944. Preliminary data before the Bureau show that approximately 50,000,000 pounds of such potatoes were imported during the period September 15 to October 7, 1944, inclusive, an average of 2½ million pounds per day. Importers are required to deposit estimated duties at the full tariff rate on all importations for consumption of other than certified seed potatoes during the period October 10, 1944, through September 14, 1945, pending determination of the quota status of such importations.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 19, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

43-74

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 13, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,300,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 19, 1944 (4), and will mature January 18, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, October 16, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 13, 1944.
10-12-44

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 19, 1944, and will mature January 18, 1945, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War time, Monday, October 16, 1944. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 19, 1944.

43-74

(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other dispostion of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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ON PAGE 9 FIRST PARAGRAPH AT END OF SENTENCCE THE WORD QUESTIONMARK WAS USED INSTEAD OF SYMBOL THE SIGN FOR QUETION MARK IS OF CORXX COURS CORRECT

PAGE 13 LAST WORD IN FIRST PARAGRAPH IS BENEFICIARY

TO WA 194 DID U UNDERSTAND THE CORRECTIONS THAT WERE MADE AS THE MESSAGE WAS BEING WRITTEN GA

YES MOM PLS OK

ALL FIFTEEN PAGES RECEIVED WILSON GA

TO LA DID YOU GET THE CORRECTIONS OK GA

YES WITH ON XX ONE EXCEPTION

WILL YOU PLEASE REPEAT THE LAST LINE ON PAGE 12 WHICH BEGINS QUOTE AT ALMOST EXACTLY END QUOTE GA

OK QUOTE AT ALMOST EXACTLY THE-ALL-TIME HIGH LEVEL OF 1929. UNQUOTE GET IT GA

YES OK TAXX THANKS
OK SORRELS END OR GA WA 194
WILSON END
END OR GA 4- LA
GRUBE END

SORRELS END V

SECRET SERVICE WA WILSON
OK TO LA ANC LS
SECRET SERVICE LA GRUBE
THIS IS SORRELS TO WA 194 COPY OF THIS SPEECH TO BE DELIVERED TO MR SCHAEFFER IN PUBLIC RELATIONS ACK WA 194

OK WILL DELIVER WB
TO 4 TO LA 321 COPY OF THIS SPEECH IS TO BE DELIVERED TO MR THEODORE R GAMBLE UPON HIS ARRIVAL IN LA ACK LA
IS MR GAMBLE WITH THE SECRETARY GA
YES TO BOTH WA AND LA THIS MESSAGE WILL BE LENGTHY AND CORRECTIONS WILL BE MADE AT END

MESSAGE AS FOLLOWS

LOS ANGELES SPEECH

FOR THE LAST WEEK I HAVE BEEN ADDRESSING AX NUMBER OF MEETINGS SUCH AS THIS IN VARIOUS PATXX PARTS OF THE COUNTRY. DURING EHXX THE COURSE OF THESE TALKS, I HAVE ENDEAVORED TO OUTLINE BRIEFLY SOME OF THE PHILOSOPHY BEHIND AMERICAN WAR FINANCE AS WE AT THE TREASURY DEPARTMENT VIEW ITM
THXX THE DEMOCRATIC MANNER IN WHICH THE FINANCING OF THE WAR HAS BEEN HANDLED, I DESCRIBED LAST SATURDAY AT ATLANTIC CTXX CITY. ABOUT 85 JX MILLION INDIVIDUAL AMERICANS HAVE BOUGHT BONDS OF THEIR GOVERNMENT. THEY HAVE BOUGHT THEM NOT AS A RESULT OF COMPLXXXCOMPULSION BUT FOR PRXX PURELY PATRIOTIC REASONS AND BECAUSE THEY ARE THE BEST INVES XX INVESTMENT IN THE WORLD.

PAGE 2

THURSDAY, ADDRESSING A GATHERING SIMILAR TO THIS AT NEW ORLEANS, I EMPHASIZED THE PART WHICH WAR FINANCE HAS PLAYED IN ECONOMIC STABILIZATION. THE HEAVY TAX BURDENS WHICH THE AMERICAN PEOPLE, GENERALLY SPEAKING, HAVE ACCEPTED WITH EXTRA-ORDINARILY GOOD GRACE AND THE LARGE PROPORTION OF THE INCREASE IN THE PUBLIC DEBT WHICH HAS BEEN ABSORBED BY THE MEN AND WOMEN OF THIS COUNRY, HAVE PLAYED A EXX VERY IMPORTANT PART IN HOLDING INFLATION IN CHECK. THE OPA HAS ESTIMATED THAT IF PRICES DURING THIS WAR HAD RISEN AS SHARPLY AS IN WORLD WAR 1, THERE WOULD HAVE BEEN APPROXIMATELY A 70 BILLION DOLLAR INCREASE IN GOVERNMENT COSTS -- A 70 BILLION DOLLAR ADDITIONAL BURDEN FASTENED ONTO THE COUNTRY.

PAGE 3

TODAY I WOULD LIKE TO CONCLUDE THIS RESUME WITH A QUICK EXAMINATION OF INTEREST RATES AND A GLANCE AT THE POSTWAR PUBLIC DEBT PROBLEM AS I SEE IT.

THE GREAT EXPANSION IN THE FEDERAL DEBT HAS BEEN ACHIEVED WITH VIRTUALLY STABLE INTEREST RATES-- THANKS LAGXX LARGELY TO YOUR EFFORTS. SUCH CHANGE AS HAS OCCURRED HAS BEEN TO SLIGHTLY LOWER LEVELS. THIS CONTRASTS WITH WORLD WAR 1 WHEN ALMOST EACH NEW SERXX SERIES OF BONDS CARRIED A HIGHER INTEREST RATE, SO THAT THE COST TREND WAS ALMOST CONSTANTLY UPWARD. AS A RESULT, THE AVERAGE INTEREST COST HAS BEEN

ONLY 1-3/4 PER CENT ON THE WARTIME INCREASE IN THE PUBLIC DEBT. THIS CONTRASTS WITH 4-1/4 PERCENT FOR WORLD WAR 1.

PAGE 4

THE RESULTING INTEREST SAVING APPROXIMATES 4 BILLION DOLLARS A YEAR -- QUITE A TIDY SUM TO HAVE SAVED FOR THE TAXPAYERS OF THIS NATION. REALIZATION OF YOUR PART IN THIS SAVING, I BELIEVE, SHOULD GIVE YOU, AS IT HAS US AT THE TREASURY, A FEELING OF REAL ACCOMPLISHMENT.

MOREOVER, AND THIS IS A POINT DESERVING OF PARTICULAR EMPHAIS, THE INTEREST ON ALL SE CXX SECURITIES SOLD DURING THE WAR HAS BEEN FULLY TAXABLE WHILE THE ISSUES MARKETED DURING WORLD WAR 1 WERE ALL EITHER WHOLLY OR PARTIALLY TAX-EXEMPT. THIS HAS RESULTED IN A FRXX FURTHER NET SAVING TO THE TREASURY AMOUNTING TO SEVERAL HUNDRED MILLION DOLLARS A YEAR.

PAGE 5

FURTHER, THROUGH THE REMOVAL OF TAX EXEMPTION, ALL PURCHASERS OF GOVERNMENT SECURITIES ARE TAXED THEIR SHARE OF THE WAR COST IN PROPORTION TO THEIR ABILITY TO PAY. THIS IS A POINT WHICH MAY NOT HAVE OCCURRED TO YOU BUT WHIH XX WHICH SHOULD BE OF HELP IN THE SALE OF E BONDS.

INCIDENTALLY, THE GOVERNMENT IN ELIMINATING TAX EXEMPTION RELINQUISHED ANY "UNFAIR" ADVANTAGE IT MIGHT HAVE HAD OVER PRIVATE BORROWERS IN SECURING CREDIT. IT THEREBY SERVED TO STRENGTHEN THE PRIVATE ENTERPRISE SYSTEM.

PRESIDENT ROOSEVELT, IN HIS 1945 BUDGET MESSAGE, SUMMARIZED THE SITUATION AS FOLLOWS--

"THE PRIMARY ACHIEVEMENT OF OUR DEBT POLICY HAS BEEN THE MAINTENANCE OF LOW AND STABLE RATES OF INTEREST.

PAGE 6

AVERAGE INTEREST RATES PAYABLE ON THE PUBLIC DEBT NOW ARE LESS THAN 2 PERCENT. INTEREST RECEIVED FROM ALL NEW ISSUES IS FULLY TAXABLE. AS A RESULT, THE NET COST PER DOLLAR BORROWED SINCE PEARL HARBOR HAS BEEN ABOUT A THIRD THE COST OF BORROWING IN THE FIRST WORLD WAR."

PERSONALLY, I DO NOT ANTICIPATE A RISE IN INTEREST RATES IN THE FORESEEABLE FUTURE. SAVINGS ARE ABUNDANT AND PROMISE TO BE ADEQUATE TO MEET ALL LIKELY DEMANDS. WE BELIEVE, THEREFORE, THAT WE SHALL BE ABLE TO REFUND OUR OBLIGATIONS, AS THEY COME DUE, AT RATES COMPARABLE TO THOSE NOW PREVAILING. THUS, THE SAVING TO THE TREASURY WILL CONTINUE OEXX OVER A LONG PERIOD OF YEARS.

PAGE 7

AT THE SAME TIME THE PEOPLE TO WHOM YOU HAVE SOLD THE WAR BONDS WILL CONTINUE TO BE SATISFIED RATHER THAN DISGRUNTLED CUSTOMERS.

MOREOVER, QUITE APATXX APATXX APSXX APART FROM ITS VALUE TO THE TREAUSXX TREASURY -- AND, HENCE TO THE TAXPAYERS -- THE CONTINUANCE OF LOW INTEREST RATES, WILL PROVIDE A STIMULUS TO THE NATIONAL ECONOMY IN THE POSTWAR PERIOD. HIGH INTEREST RATES LIMIT ENTERPRISE AND DISCOURAGE EMPLOYMENT. LOW INTEREST RATES STIMU-

LATE BUSINESS AND MAKE FOR EXPANDING EMPLOYMENT.

JUST AS I SEE NO REASON FOR SUBSTANTIALLY HIGHER INTEREST RAEXX RATES IN THE POSTWAR PERIOD, I DO NOT SEE ANY NEED FOR A WHOLESALE POSTWAR FUNDING OF THE PUBLIC DEBT INTO LONG-TERM BONDS.

PAGE 8

IN THE FIRST PLACE, IT WOULD COST THE TAXPAYERS MORE IN INTEREST. NEXT, IT WOULD SHIFT WHATEVER RISK THERE IS INHERENT IN FLUCTUATING INTEREST RATES FROM THE GOVERNMENT, WHICH SXX IS ABLE TO BEAR IT, TO INDIVIDUALS, INSTITUTIONS AND CORPORATIONS. CERTAINLY THE DAY IS PAST WHEN THE UNITED STATES GOVERNMENT NEED ASK ITS CITIZENS OR ITS BUSINESS ENTERPRISES TO INSURE IT AGAINST CHANGES IN THE RATE OF INTEREST.

FINALLY, WE HAVE ENDEAVORED TO TAILOR THE DEBT STRUCTURE TO THE NEEDS OF THOSE WHO LEND US THE MONEY AND OF THE NATIONAL ECONOMY.

THE SMALL INVESTOR WHO PURCHASES THE SERIES E SAVINGS BONDS PLACES HIS AXX FAITH IN HIS GOVERNMENT.

PAGE 9

COULD WE DO LESS THAN SEE TO IT THAT THE SECURITIE XX SECURITIES OFFERED HIM WERE SUITED TO HIS NEEDS? ~~QUESTION MARK~~

THE SAVINGS BONDS, WHILE NOT A WAR DEVELOPMENT, HAVING BEEN FIRST OFFERED TEN YEARS AGO, HAVE PROVED AN ADMIRABLE WAR FIAXX FINANCE MEDIUM WHICH WE EXPECT TO CARRY OVER INTO THE POSTWAR PERIOD. WE HOPE THAT MANY MILLIONS OF PEOPLE WILL CONTINUE TO HOLD A FINANCIAL STAKE IN THEIR GOVERNMENT.

INDUSTRIAL CORPORATIONS, AS YOU KNOW, HAVE PRINCIPALLY PURCHASED CERTIFICATES OF INDEBTEDNESS AND SERIES C NOTES. THESE CONSTITUTE A SUBSTANTIAL PART OF THEIR RESERVES FOR RECONVERSION AND POSTWAR DEVELOPMENT. IT IS CLEARLY ADVANTAGEOUS NOT ONLY TO THE CORPORATIONS BUT TO THE WHOLE ECONOMY THAT THESE RESERVES BE LIQUID.

PAGE 10

THE CORPORATIONS THUS KNOW THAT THE MONEY WILL BE AVAILABLE AND WITHOUT LOSS WHENEVER HXX THEY NEED IT. WHEN THE PROPER TIME COMES THEY CAN PROCEED FULL SPEED NOT ONLY WITH THEIR CONEXX CONVERSION BUT WITH ANY EXPANSION PLANS THEY MAY HAVE.

FINALLY, THERE ARE THE GOVERNMENT SECURITIES WHICH NOW CONSTITUTE A LARGE PROPORTION OF THE ASSETS OF THE COMMERCIAL BANKS. MANY OF YOU ARE BANKERS. YOU KNOW IT HAS BEEN OUR POLICY TO ENCOURAGE THE AXX BANKS TO PURCHASE ISSUES OF SHORT MATURITY. AS A CONSEQUENCE, ABOUT HALF THE SECURITIES ACQUIRED BY THE COMMERCIAL BANKING SYSTEM SINCE THE BEGINNING OF THE WAR HAVE BEEN BILLS AND CERTIFICATES MATURING WITHIN ONE YAR XXX YEAR AND PRACTICALLY ALL HAVE HAD A MATURITY OF TEN YEARS OR UNDER.

PAGE 11

THE RESULT IS THAT THE BANKING SYSTEM OF THE COUNTRY IS IN A POSITION OF UNPARALLELED LIQUIDITY. THIS, WE BELIEVE, AFFORDS ASSURANCE AGAINST A RECURRENCE OF SUCH UNSETTLING DEFLATION AS CAME IN THE AFTERMATH OF WORLD WAR1. FURTHER, IT PLACES THE BANKING SYSTEM IN A STRONG POSITION TO MEET THE SHIFTS IN DEPOSITS THAT MANY OF YOU ANTICIPATE WITH RECONVERSION AND THE NEW BUSINESS DEMANDS FOR FUNDS

THAT SHOULD ACCOMPANY THE DEVELOPMENT OF A HEALTHY, EXPANDING ECONOMY.

IN A WORD, THE BANKS PART IN WAR FINANCE, GREAT AS IT HAS BEEN, INSTEAD OF HAMSTRINGING THEM, HAS LEFT THEM IN A POSITION TO SERVICE ENTHUSIASTICALLY A VIRILE PRIVATE ENTERPRISE SYSTEM.

PAGE 12

I MIGHT POINT OUT THAT THE BANKS HAVE NOT ONLY BEEN ABLE TO MAINTAIN A STRONGLY LIQUID POSITION AS A EXX RESULT OF THE MANNER IN WHICH THE NATIONS WAR FINANEXXX FINANCE HAS BEEN HANDLED, BUT ALSO THEY HAVE FOUND AN OPPORTUNITY FOR PUBLIC SERVIEXX SERVICE. THIS HAS ENHANCED THE ESTEEM WITH WHICH THEY ARE HELD IN THEIR EXX RESPECTIVE COMMUNITIES. MOREOVER, WHILE THEY HAVE BEEN MAKING THIS CONTRIBUTION TO THE WAR EFFORT THEY HAVE ENJOYED AN INCREASE IN EARNINGS. NET PROFITS OF ALL MEMBER BANKS OF THE FEDERAL RESERVE SYSTEM LAST YEAR WERE BACK AT ALMOST EXACTLY THE-ALL-TIME HIGH LEVEL OF 1929.

PAGE 13

I WANT TO THANK YOU WHO HAVE BEEN THE LEADERS IN THE WAR FINANCE WORK IN THESE GREAT WESTERN STATES -- THANK YOU UPON THE PART OF THE TREASURY, WHOSE JOB IT HAS BEEN TO DIRECT THE PROGRAM, AND, MORE IMPORTANT, THANK YOU ON BEHALF OF THE UNITED STATES OF AMERICA, WHICH, OF COURSE, IS THE REAL BENEFICIARY.

I AM NO PROPHET AS TO THE DURATION OF THE WAR, BUT TODAY WE ARE HOPEFUL THAT UNCONDITIONAL SURRENDER BY GERMANY MAY NOT BE FAR AWAY. AT SUCH TIME ALL EYES WILL TURN TO THE WEST. THE ~~SEVENTEEN~~ eleven STATES REPRESENTED AT THIS MEETING WILL TAKE ON NEW OXX IMPORTANCE IN THE WAR. THE PACIFIC COAST WILL BECOME THE SPRINGBOARD FOR THE ALL-OUT OFFENSIVE AGAINST JAPAN.

PAGE 14

THIS SHOULD PROMPT YOU WHO HAVE THE JOB OF RAISING THE NECESSARY MONEY TO REDOUBLE YOUR EFFORTS.

OUR IMMEDIATE TASK IS TO PUT OVER THE SIXTH WAR LOAN, TO DO SO JUST AS DECISIVELY AS OUR FIGHTING MEN ARE ESTABLISHING THEIR POSITIONS IN EUROPE AND IN THE ISLANDS OF THE PACIFIC.

I KNOW YOU UNDERSTAND THE IMPORTANCE OF THIS ABSOLUTELY ESSENTIAL LINK IN THE WAR EFFORT. BUT YOU MUST DO MORE THAN UNDERSTAND IT, YOU MUST MAKE THE PEOPLE UNDERSTAND IT, THE MEN AND THE WOMEN IN STORES AND OFFICES, IN FACTORIES, ON THE FARMS AND IN THEIR HOMES.

PAGE 15

THESE PEOPLE MUST UNDERSTAND, AS YOU DO, THAT THE TIME HAS NOT YET COME TO RELAX OR CELEBRATE, THAT WE MUST SPEED WEAPONS AND SUPPLIES FAR ACROSS THE PACIFIC TO OUR ARMED FORCES WHO KNOW FULL WELL THAT A HARD FIGHT STILL LIES AHEAD BEFORE THEY CAN BRING US VICTORY OVER THE JAPANESE -- AND THESE WEAPONS AND SUPPLIES MUST BE PAID FOR. THAT IS OUR TASK -- I KNOW AMERICA CAN COUNT UPON YOU EXCLAMATION POINT END OF SPEECH

MOM PLS
ON PAGE 4 SECOND PARAGRAPH SECOND LINE SECOND WORD IS EMPHASIS

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

A. N. WILLIAMS
PRESIDENT

1201

SYMBOLS

DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

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CHARLES SHAEFFER=

DIRECTOR OF PUBLIC RELATIONS TREASURY DEPT WASHDC=

1944 OCT 12 PM 10 34

JUST TO BE SURE THAT NUMBER OF STATES REPRESENTED AT LOS ANGELES MEETING IS CHANGED FROM SEVENTEEN TO ELEVEN IN WASHINGTON RELEASE OF SPEECH=

HENRY MURPHY.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS,
Saturday, October 14, 1944.

Press Service
No. 43-75

(FOR RADIO RELEASE 1:45 P.M., PWT)

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For the last week I have been addressing a number of meetings such as this in various parts of the country. During the course of these talks, I have endeavored to outline briefly some of the philosophy behind American war finance as we at the Treasury Department view it.

The democratic manner in which the financing of the war has been handled, I described last Saturday at Atlantic City. About 85,000,000 individual Americans have bought bonds of their government. They have bought them not as a result of compulsion but for purely patriotic reasons and because they are the best investment in the world.

Thursday, addressing a gathering similar to this at New Orleans, I emphasized the part which war finance has played in economic stabilization. The heavy tax burdens which the American people, generally speaking, have accepted with extraordinarily good grace and the large proportion of the increase in the public debt which has been absorbed by the men and women of this country, have played a very important part in holding inflation in check. The OPA has estimated that if prices during this war had risen as sharply as in World War I, there would have been approximately a $70,000,000,000 increase in government costs -- a $70,000,000,000 additional burden fastened onto the country.

Today I would like to conclude this resume with a quick examination of interest rates and a glance at the postwar public debt problem as I see it.

The great expansion in the Federal debt has been achieved with virtually stable interest rates—thanks largely to your efforts. Such change as has occurred has been to slightly lower levels. This contrasts with World War I when almost each new

series of bonds carried a higher interest rate, so that the cost trend was almost constantly upward. As a result, the average interest cost has been only 1-3/4 percent on the wartime increase in the public debt. This contrasts with 4-1/4 percent for World War I.

The resulting interest saving approximates $4,000,000,000 a year -- quite a tidy sum to have saved for the taxpayers of this nation. Realization of your part in this saving, I believe, should give you, as it has us at the Treasury, a feeling of real accomplishment.

Moreover, and this is a point deserving of particular emphasis, the interest on all securities sold during the war has been fully taxable while the issues marketed during World War I were all either wholly or partially tax-exempt. This has resulted in a further net saving to the Treasury amounting to several hundred million dollars a year. Further through removal of tax exemption, all purchasers of Government securities are taxed their share of the war cost in proportion to their ability to pay. This is a point which may not have occurred to you but which should be of help in the sale of E Bonds.

Incidentally, the Government in eliminating tax exemption relinquished any "unfair" advantage it might have had over private borrowers in securing credit. It thereby served to strengthen the private enterprise system.

President Roosevelt, in his 1945 Budget Message summarized the situation as follows--

> "The primary achievement of our debt policy has been the maintenance of low and stable rates of interest. Average interest rates payable on the public debt now are less than 2 percent. Interest received from all new issues is fully taxable. As a result, the net cost per dollar borrowed since Pearl Harbor has been about a third the cost of borrowing in the first World War."

Personally, I do not anticipate a rise in interest rates in the foreseeable future. Savings are abundant and promise to be adequate to meet all likely demands. We believe, therefore, that we shall be able to refund our obligations, as they come due, at rates comparable to those now prevailing. Thus, the saving to the Treasury will continue over a long period of years. At the same time the people to whom you have sold the war bonds will continue to be satisfied rather than disgruntled customers.

Moreover, quite apart from its value to the Treasury -- and, hence to the taxpayers -- the continuance of low interest rates, will provide a stimulus to the national economy in the postwar period. High interest rates limit enterprise and discourage employment. Low interest rates stimulate business and make for expanding employment.

Just as I see no reason for substantially higher interest rates in the postwar period, I do not see any need for a wholesale postwar funding of the public debt into long-term bonds.

In the first place, it would cost the taxpayers more in interest. Next, it would shift whatever risk there is inherent in fluctuating interest rates from the Government, which is able to bear it, to individuals, institutions and corporations. Certainly the day is past when the United States Government need ask its citizens or its business enterprises to insure it against changes in the rate of interest.

Finally, we have endeavored to tailor the debt structure to the needs of those who lend us the money and of the national economy.

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Finally, there are the Government securities which now constitute a large proportion of the assets of the commercial banks. Many of you are bankers. You know it has been our policy to encourage the banks to purchase issues of short maturity. As a

consequence, about half the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year and practically all have had a maturity of ten years or under.

The result is that the banking system of the country is in a position of unparalleled liquidity. This, we believe, affords assurance against a recurrence of such unsettling deflation as came in the aftermath of World War I. Further, it places the banking system in a strong position to meet the shifts in deposits that many of you anticipate with reconversion and the new business demands for funds that should accompany the development of a healthy, expanding economy.

In a word, the banks' part in war finance, great as it has been, instead of hamstringing them, has left them in a position to service enthusiastically a virile private enterprise system.

I might point out that the banks have not only been able to maintain a strongly liquid position as a result of the manner in which the nation's war finance has been handled, but also they have found an opportunity for public service. This has enhanced the esteem with which they are held in their respective communities. Moreover, while they have been making this contribution to the war effort they have enjoyed an increase in earnings. Net profits of all member banks of the Federal Reserve system last year were back at almost exactly the-all-time high level of 1929.

I want to thank you who have been the leaders in the war finance work in these great western states -- thank you upon the part of the Treasury, whose job it has been to direct the program, and, more important, thank you on behalf of the United States of America, which, of course, is the real beneficiary.

I am no prophet as to the duration of the war, but today we are hopeful that unconditional surrender by Germany may not be far away. At such time all eyes will turn to the West. The eleven states represented at this meeting will take on new importance in the war. The Pacific coast will become the springboard for the all-out offensive against Japan.

This should prompt you who have the job of raising the necessary money to redouble your efforts.

Our immediate task is to put over the Sixth War Loan, to do so just as decisively as our fighting men are establishing their positions in Europe and in the islands of the Pacific.

I know you understand the importance of this absolutely essential link in the war effort. But you must do more than understand it, you must make the people understand it, the men and the women in stores and offices, in factories, on the farms and in their homes.

These people must understand, as you do, that the time has not yet come to relax or celebrate, that we must speed weapons and supplies far across the Pacific to our armed forces who know full well that a hard fight still lies ahead before they can bring us victory over the Japanese -- and these weapons and supplies must be paid for. That is our task -- I know America can count upon you!

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I want to put some emphasis on this trend since there have been charges of late that the Treasury has confused the public by persistent increases in the tax burden. In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than $5,500,000,000. The $44,000,000,000 total which, as I have just told you the Government took in during the past year, was an eightfold increase -- a larger increase than has taken place in the revenue collection of any other major belligerent of this war. This is an important thing to remember in international comparisons because the burden of taxation must be measured not only by its absolute magnitude but also by its rate of increase.

Now, I do not think there has been anything confusing about this. The American people, recognizing the need for greatly increased Government revenues, have submitted to the highest taxes in the nation's history with remarkably good grace and good cheer. A sharp rise in taxes was absolutely necessary for the maintenance of economic stability.

But even after these record collections there remained the giant sum of $137,000,000,000, expended during the last three years, that had to be raised through some other means than taxation.

This money had to be raised by borrowing. It would have been relatively easy, of course, to raise it by borrowing from the banks. But in order to avoid inflation, it was essential that a major part of the increased debt be borrowed outside of the banking system -- that is from the general public.

In selecting the Series E Bonds as our primary vehicle for mass borrowing, we had in mind first of all the protection of the interests of the small investor. The Treasury Department has considered itself a trustee for the men and women who purchased Government Securities primarily to help their country in time of stress. Such investors place their faith in their Government. We wanted, therefore, to protect them, through a nonnegotiable bond, against the kind of liquidation which, experience shows, develops among small holders of securities in the event of a decline in market value.

After World War I, Liberty Bonds dropped in value down into the 80's, and many persons who had bought them during the war became frightened and sold them. They discovered later that their loss had been the gain of the speculators and the wealthy

TREASURY DEPARTMENT
Washington

Saturday FOR RELEASE, AFTERNOON NEWSPAPERS, ~~Thursday~~, October ~~12~~ 14, 1944.

Press Service
No. ~~43-65~~ 43-75

(FOR RADIO RELEASE 1:45 P.M., ~~CWT~~ PWT)

(The following address by Secretary Morgenthau at a War Bond Rally at the Hotel ~~Roosevelt, New Orleans~~ Los Angeles Biltmore, is scheduled for delivery at 1:45 P.M., ~~C~~PWT, ~~Thursday~~ Saturday, October ~~12~~ 14, 1944.)

Wars, now as always, are won on battlefields. But in modern war, which is total war, the Home Front is intimately involved. Economic stability at home is one of the absolute requisites to victory. For without economic stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. I should like this afternoon to review with you in some detail the manner in which this task has been executed. Our problem has been something much more difficult than the mere raising of vast sums of money. The nub of the problem has been to raise these sums in such a way as to strengthen, rather than weaken, the national economy.

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about $208,000,000,000. During this same period, non-war expenditures have been kept down to $16,000,000,000, making a total government outlay for the course of the war to date of $224,000,000,000.

Where has this tremendous sum come from? Well, $87,000,000,000, or 39 percent of the total bill, has come from revenue.

During the fiscal year just ended, expenditures were slightly more than $95,000,000,000, and net receipts climbed to a little over $44,000,000,000, or 46 percent. This means that there has been an upward trend in our coverage of war costs through taxation. It is a trend which may be surprising to some and which certainly should be encouraging to all.

TREASURY DEPARTMENT
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Saturday, October 14, 1944.

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TREASURY DEPARTMENT
WASHINGTON

Press Release
No.

FOR RELEASE, MORNING NEWSPAPERS
October 17, 1944

Press Service
No. 43-76

The Treasury Department today announced that the restrictions under the Trading with the enemy Act against commercial and business communication with liberated Italy have been lifted. This significant step toward the resumption of normal business relations with Italy is in accordance with the joint statement of President Roosevelt and Prime Minister Churchill that the application of the Trading with the enemy Act should be modified so as to enable business contacts with Italy to be resumed for the benefit of the Italian people.

~~Under Public Circular No. 25, issued by the Treasury today, communications of a business, financial or commercial nature, which are not actual business or financial transactions, may be transmitted to and from liberated Italy without Treasury license. For example, banks and other financial institutions~~ may reply to requests for information from their depositors in liberated Italy without Treasury license; documents such as birth, death and marriage certificates, wills and legal notices may be transmitted.

Italian and United States concerns may exchange business information and correspond with respect to the resumption of business relationships without obtaining a specific Treasury license. Since trade with Italy now being carried on only through governmental agencies, licenses will not be granted for private trade transactions until arrangements for the resumption of private trade have been made.

Treasury officials stated that the usual freezing regulations remain in effect with respect to Italian property in the United States, and that Treasury licenses will continue to be required to effect any financial or property transactions on behalf of or involving persons in Italy. Accordingly, persons desiring to send powers of attorney, proxies, payment orders and similar documents to Italy should apply to their Federal Reserve Bank for an appropriate license. It was emphasized that the status of Italian assets in the United States is not affected by today's action.

Facilities for sending living expense remittances to liberated Italy have previously been made available by Treasury General License No. 32A. Treasury officials stated that these facilities remain the same, and that the sending to Italy of currency, securities, money orders, checks, drafts or other negotiable instruments is still prohibited.

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Cleared with Norman Davis

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TREASURY DEPARTMENT
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Treasury Department
FOREIGN FUNDS CONTROL
October 17, 1944

PUBLIC CIRCULAR NO. 25

UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED, EXECUTIVE ORDER NO. 9193, SECTIONS 3(a) AND 5(b) OF THE TRADING WITH THE ENEMY ACT, AS AMENDED BY THE FIRST WAR POWERS ACT, 1941, RELATING TO FOREIGN FUNDS CONTROL.*

(1) Exemption from General Ruling No. 11 of certain communications with liberated Italy and certain acts and transactions. There are hereby exempted from the provisions of General Ruling No. 11:

(a) Any communication of a financial, commercial or business character with any person within any part of the territory of Italy controlled or occupied by the armed forces of any of the United Nations;

(b) Any act or transaction involving any such communication;

(c) Any act or transaction for the benefit or on behalf of any such person.

(2) Certain general licenses not applicable to Italy. The provisions of General Licenses Nos. 32 and 33 shall not be deemed to authorize any remittances to any person within the territory of Italy.

D. W. BELL
Acting Secretary of the Treasury

* Appendix B; - Sec. 3(a), 40 Stat. 412; Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; 55 Stat. 838; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, Dec. 9, 1941, and Ex. Order 8998, Dec. 26, 1941; Ex. Order 9193, July 6, 1942; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 17, 1944.

Press Service
43-77

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated October 19, 1944, and to mature January 18, 1945, which were offered on October 13, were opened at the Federal Reserve Banks on October 16.

The details of this issue are as follows:

Total applied for - $2,183,869,000
Total accepted - 1,313,861,000 (includes $59,721,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.909 Equivalent rate of discount 0.360% per annum
Low - 99.905 " " " " approx. 0.376% per annum

(55 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 27,160,000	$ 17,215,000
New York	1,450,315,000	830,530,000
Philadelphia	49,550,000	34,250,000
Cleveland	27,471,000	26,706,000
Richmond	31,868,000	28,763,000
Atlanta	29,735,000	20,384,000
Chicago	316,900,000	180,078,000
St. Louis	38,327,000	25,277,000
Minneapolis	10,560,000	8,300,000
Kansas City	41,618,000	39,188,000
Dallas	19,235,000	15,140,000
San Francisco	141,130,000	88,030,000
TOTAL	$2,183,869,000	$1,313,861,000

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(COPY)

October 7, 1944

TO MR. D. W. BELL:

During the month of September, 1944, the following market transactions took place in direct and guaranteed securities of the Government:

Sales	$28,100,000
Purchases	none
Net sales	$28,100,000

(Sgd) Joseph Greenberg

Joseph Greenberg
Assistant Commissioner of Accounts

HNaud

TREASURY DEPARTMENT

Bureau of Accounts

To Mr. Shaeffer

att: Mrs. McCarthy

R4408

MR. GREENBERG

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, October 17, 1944.

Press Service
No. 43-78

During the month of September, 1944, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $28,100,000, Secretary Morgenthau announced today.

-oOo-

You are well aware that problems of tax policy, of eliminating hardships, and of plugging up loopholes are responsible for many of the complexities in our tax laws. Your sense of values does not permit you to place simplicity above everything else.

More than any other group faced with handling the tax law and applying it to the individual taxpayer, you are in a position to know what simplification is feasible and possible. I know that you know because many of your recommendations have been helpful in the past. We in the Treasury, along with all the other groups interested in postwar tax revision, are relying upon you to help resolve the complexities in our Federal corporate tax structure.

The next few years promise to be an auspicious time to promote simplification in the corporate tax structure. As revenue requirements recede, it will be possible to make some tax reductions. The task of reducing the number of taxes and eliminating provisions which cause major difficulties will be easier after the war when reductions are being made than during the war when revenue requirements are so high.

Tax simplification is a laudable goal for tax policy when it is placed in its proper perspective among other objectives. Gains from simplification must always be balanced against any resulting sacrifices of equity or of desirable economic effects. As accountants, you are familiar with the difficulties encountered under present tax laws. You also know that simplicity is a derivative problem -- one that cannot be discussed in isolation.

Not all of the technical problems under consideration involve simplification but probably most of them do. This work is highly technical and too much should not be expected too soon. ~~Consideration is being given, for example, to the provisions on interest for overassessments or deficiencies.~~

Meantime, groups of taxpayers pressing Congress for special provisions to ease real or allegedly excessive burdens in the tax structure present a constantly recurring problem. A large proportion of the technical complications of the law have stemmed from efforts of these groups in the past. As long as pressures for changes of this sort persist, we can hope for little more progress toward simplification than two steps forward for every one we slip back. Indeed, there is the possibility that our progress in this field may be in reverse, and that for every step forward we may go two steps back.

The Treasury Department sometime ago began an examination of the problems of Federal tax revision in the transition and postwar years. Last June the Congressional Joint Committee on Internal Revenue Taxation, consisting of ranking members of both major parties of the House Committee on Ways and Means and the Senate Finance Committee from both parties, asked its staff and the Treasury staff to work together on a study of postwar taxation and report to the Joint Committee. This study has been in progress since that time and we hope that preliminary reports can be made to the Joint Committee soon. At the present stage less attention is being given to technical matters than to the basic structure of the system.

In the past few weeks an ~~Advisory Technical Committee on the income tax, composed of~~ advisory group of accountants and lawyers, has been formed ~~set up to~~ assist the Treasury staff in preparing suggestions for ~~on~~ technical modifications of the law.

~~Is the accounting profession prepared to accept this heavy responsibility?~~ Congress surely ~~will~~ would be unwilling to entertain such an idea until it is assured that it ~~will~~ would not lead to a substantial amount of tax avoidance.

The problem of simplification of corporate tax structure is so many-faceted that I can only touch upon its Federal aspects today. Corporations are subject to state and local as well as Federal taxes. Of great importance for ultimate simplification is coordination of taxes levied by the various political units within the country.

Conclusion

Simplification of the corporate tax structure is one of the objectives of the studies of postwar taxation now going on in Washington.

If the proposal that the Government should accept the accountant's determination of income is intended merely to place the responsibility upon the accountant and not upon the Government, uncertainty would not be substantially reduced. The problems of measuring income for tax purposes would be the same in one case as in another. But tax rulings, instead of being issued by one body, would be issued by every accountant in the country. Hopeless confusion would result unless ~~In passing, I should like to suggest that the accounting profession, before sponsoring such a proposal, should carefully consider to what extent it really desires to wield a stick over itself, for there is no question but that careful policing would be required.~~ accountants really controlled their clients' accounts - which is not always the case - and unless the accounting profession adopted uniform accounting principles and policed the less public-spirited accountants. The clients of reputable accounting concerns and accountants themselves would not look with favor on an unregulated accounting profession when the stakes were as high as they would be if the responsibility for determining taxable income were entirely upon the accountants' shoulders.

~~If the proposal is of the first variety, that is, if it means that income for tax purposes should simply be income for accounting purposes, it should be [illegible] tax income~~

In considering this suggestion it must be borne in mind that income for tax purposes takes into consideration factors which would be inappropriate in defining income for certain other purposes. Policy considerations may dictate the exemption or partial taxation of some income. Moreover, the ~~The~~ amount of income which a company makes during the year is not an invariable concept. The concept and, hence, the amount of income ~~absolute and fixed quantity. It~~ depends in part on the purpose for which the determination of income is being made. Time does not permit a lengthy discussion of the point, but it would appear ~~For example, if income is being measured for the purpose of dividend payments, it may not be the same as if it is being measured for the purpose of bank credit. I realize that some members of the accounting profession will take issue with this statement. But I am convinced~~ that the requirements of taxation make it neither feasible nor ~~undesirable~~ to ~~substitute the definition of~~ income as determined for ordinary accounting purposes ~~for the measure of income for tax purposes~~.

use without change for tax purposes

The suggestion has been made in some quarters that the taxpayers' task would be simplified if the Government should accept a public accountant's determination of income for tax purposes in lieu of [illegible]. Just how significant this proposal is, I do not know. [illegible] that the Government should accept the ordinary definition of income as the definition for tax purposes. Or it may be [illegible] that, regardless of the definition [illegible] used for tax purposes, the accountant should work out that income and his determination should be accepted for tax purposes by the Government.

making a determination

At least two different ideas may be intended. One

accounting

another meaning may be

Although some people believe that too much attention has been paid to ~~this aspect of~~ tax loopholes, we must recognize that the willingness of taxpayers generally to comply with the tax law rests on their belief in its fairness and equity. Attempts to achieve a high degree of equity frequently have been misconstrued as attempts to reform or penalize business. For example, Section 102 may appear to be unduly harsh to the few corporations caught in its meshes, but without such a provision the great majority of taxpayers would have a legitimate grievance against a tax law which permitted a minority to take advantage of the corporate form of organization to avoid individual taxes.

Differences of opinion on the facts of specific transactions

I believe that a basic source of uncertainty, and one which cannot be eliminated by statute, regulations, or court interpretation, is differences of opinion on questions of ~~fact.~~ accounting

In some cases the law attempts to remedy the situation through specific language reducing the fringes of uncertainty surrounding the general rules. The regulations further attempt to reduce these areas of doubt in the taxpayer's mind. Both steps create more certainty, and therefore basically simplify the tax structure, although they also complicate the language of the law and regulations. But if the law and regulations fail to remove doubt -- and every possible transaction cannot be anticipated -- certainty can be only reached by one or a series of judicial opinions. I think you will agree that this is getting certainty the hard way.

Attempts in the law or regulations to close up loopholes may also create uncertainty in the minds of those engaged in bona fide business transactions.

Uncertainty of the law

But perhaps the major cause of complaint is not so much one of complexity ~~25~~ as it is one of perplexity.

~~The complaint of many taxpayers is not so much over the difficulties of complying with the law as with the uncertainties of its operations~~ The operations of the law is uncertain in many cases. Although most of these uncertainties have long been present in the law, they have become particularly important in recent years because, with increased rates, taxes exercise a greater influence on general business decisions. ~~Low tax rates do not carry the same implication~~. Uncertainties with respect to a 10-percent tax liability do not seriously affect business decisions. But if tax rates are high, vagueness in the law will expand the area of uncertainty within which managerial decisions must be made.

~~Uncertainties of the law~~

The uncertainties of tax law arise largely because taxpayers are not sure how a given transaction will be treated, ~~in given ways~~.

Insert A

~~introduced by~~ The necessity of valuing certain property as of the date the income tax first went into effect -- March 1, 1913 introduces further complicat~~. Somewhat sim-~~ ~~ilar~~ Difficult problems are also posed ~~in~~ by segregating dividends paid to shareholders into taxable and non-taxable categories.

Insert A

The general rule ~~in this section~~ for these transactions is that every sale or exchange of property gives rise to a gain or loss which should be recognized for income-tax purposes. However in a great many transactions, such as the exchange of like property for like property, ~~the~~ certain transfers or exchanges in connection with a reorganization or transfers on liquidation of a subsidiary, the general rule is modified to ~~provide either~~ a ~~deferment only~~ disregard certain transactions otherwise ~~resulting~~ affecting taxable income.

Differences of opinion on questions of accounting are bound to arise in many situations. They are not limited to the Government and a taxpayer. They ~~will be~~ are of course found among private accountants as well. They cannot be eliminated by statute, regulations, or court interpretation. But the consequences of these differences can be significantly reduced through a satisfactory averaging device.

~~Complexing~~

~~[illegible] business transactions produce complex tax provisions~~

Complexity of the law

~~The law itself is extremely complex in many instances. I do not refer to mere language complexity, but rather to complicating concepts adopted for one reason or another over the past. For instance, the law dealing with the determination and recognition of gain and loss from sale or other disposition of property, has complex rules to give recognition to the number and variety of transactions coming under this designation and the desire to tax some and not others. Further complications are~~

Much corporate tax complexity arises from the attempt to spell out rules covering the taxability of a great variety of complex business transactions;

Under more or less fixed tax rates, the carry-overs would achieve most of what could be achieved through complete averaging.

The difficulties and, to a great extent, the complications of these provisions would dissolve, if we had a real averaging system which made the allocation of income and deductions to specific years less important. Of course, complete averaging, of itself, would involve substantial changes in the policy of taxation, and would considerably complicate the law. But if some simple averaging technique could be developed, on balance its adoption would make the tax structure less rather than more complex.

The techniques for averaging income are not as simple as they might seem; in fact, no really satisfactory method has yet been found. An extension of the carry-over of losses, however, would not seriously complicate the law, and would considerably reduce the importance of allocating certain items to particular years.

Income determination

2 5

~~The~~ A basic accounting problem is determination of income year by year. You are well aware of the difficulties of allocation and of the weaknesses of an allocation which makes it impossible to ascertain what the income in a particular year may be. Either the taxpayer or the Government (which in the end means the other taxpayers) may find itself discriminated against, if income is not properly apportioned among the years.

The provisions in the tax law for allocating charges for depreciation, depletion, changing inventory value, determination of bad debts and so on, were introduced for the purpose of achieving as correct a statement of income as possible.

These forms of income continue to be computed as they were before. although They constitute minor components of individual income, ~~but~~ they are the bulk of corporation income. Thus individual tax simplification accomplishes least in the area from which ~~Since the~~ corporation tax complexity ~~of corporation taxes~~ stems largely, namely, from the problems surrounding the determination of business income. to ~~following the pattern of individual income tax simplificati~~ ~~would not substantially simplify corporation taxes. Thus, the real problem of simplifying the corporation tax structure lies largely outside the scope of the methods applied to achieve individual income tax simplification. The two problems cannot be considered as parallels. Where, then, does the corporate tax difficulty lie?~~

This Act reduced the deduction problem -- a major one because most taxpayers keep inadequate records -- by permitting a presumptive deduction of 10 percent of income with a limit of $500. It simplified tax computation by reducing the number of taxes and extending the tables which translate income into income tax liability. It adopted a basic exemption of $500 per person and eliminated the earned income credit which had complicated the task of filling out the return. Thus it made possible a simple tax table which retained two exemptions systems -- one which recognized dependents and one which did not.

But before concluding that all of the complexities of the individual income tax were removed by the Individual Income Tax Act of 1944, we should note that relatively little was done to simplify the returns of ~~those~~ taxpayers with large incomes or taxpayers reporting business income or capital gains and losses.

It seems clear, therefore, that the net result of complete coordination of corporation and individual income taxes would be a tax structure more complicated than the present law would be after the streamlining that is possible.

Difference between simplification for individuals and corporations

Certain things could be done, as we have seen. If we could reduce the corporation income tax structure to a single income concept and to a single tax rate, the task of filing a tax return would be simpler, especially for small corporations. But whereas the basic requirement of simplicity for most individual taxpayers could be met by simplifying the structure and the return, for the corporation complicated computations and returns are only a part ~~and a relatively small part~~ of the tax complexities. ~~of corporation taxation.~~ For many corporations, especially the larger ones, these are a very small part. ~~Some people have reasoned that since individual income tax~~

The difference between simplification of individual and corporation tax ~~returns appears~~ can be seen most clearly from an examination of the changes made by the Individual Income Tax Act of 1944.

simplification was readily achieved, corporate tax simplification could be realized with equal ease and should be accomplished now.

Other suggestions for the coordination of individual and corporate levies ~~would~~ do not go quite so far. Some would treat a flat-rate corporation tax as a source collection on dividends ultimately to be credited against the personal taxes of the dividend recipients. Although total income would not need to be allocated currently as under the partnership method, such a system would present the additional complication of allocating to the individual shareholder the tax paid by the corporation. Other proposals would allow a credit for dividend payments at the corporation level. This method would not necessitate allocation of either taxes or income to individual shareholders, but it would raise some difficult problems related to the definition of distributed and retained earnings.

~~Postwar corporate tax policy may, of course, move in an entirely new direction.~~ During recent months a number of proposals have been advanced ~~for~~ which would modify the tax structure to give greater coordination of corporation and individual income taxes. How these proposals, if adopted, would affect tax simplification is a factor in testing their merits. ~~For example, it has been suggested~~ Perhaps the most far-reaching suggestion is that we should give up taxing corporations as such and treat them as we now do partnerships and proprietorships. No tax would be levied on the corporation, but the stockholder would include his allocable portion of corporate income in his individual income tax return.

This method of taxing corporate income, ~~however,~~ would not be a step in the direction of tax simplification, ~~desirable as it~~ whatever its merits ~~might be~~ on other grounds. Although we would, by the partnership method, escape ~~the~~ many undue complications -- for example, those arising from the taxation of undue accumulations of surplus ~~and of dividend receipts by corporations, the partnership treatment would not avoid the complications of tax-exempt securities and would pose the complex problem~~ we would become involved in the enormously greater complexities of income allocation to individual shareholders.

To the corporate taxpayer the complication lies in deciding what investment and dividend policies to follow to avoid the tax. There can be no denying that Section 102 is very difficult to administer, since no definite general rules have been found ~~can be laid down~~ as to what is ~~or~~ and what is not an unreasonable accumulation of earnings. This is one of the so-called "penalty" taxes; yet its purpose is not to penalize, but rather to encourage corporations to adopt dividend policies that will result in a fair distribution of the tax burden. Some proposals for the postwar tax structure call for strengthening this tax; others would retain it as at present; few, if any, would repeal it.

From the preceding discussion it seems clear that a good deal of simplification of the present corporation tax structure could be accomplished by a few relatively minor changes in the tax law, but that most of these changes involve policy issues far transcending simplification.

Perhaps a method involving a single computation might be worked out using, for example, bracket rates.

Some people have gone so far as to recommend the abolition of the 2-percent tax on consolidated returns as a simplification measure. ~~In this connection I am tempted to ask: Simplification for whom?~~ This is a case where simplicity would seem to be a minor consideration. In 1942 only about 600 corporations filed consolidated returns. Since these corporations reported an average of $3 million net income, we may assume that making this additional computation did not appreciably add to the burden of making out their tax returns. Some of the 600 and others that do not file consolidated returns must, of course, consider the benefits of consolidated returns compared to the higher tax rate. But the decision to retain, repeal, or modify this tax will undoubtedly be decided on grounds other than simplification.

The tax on undue accumulations of surplus also contributes to the structural complexity of the tax law.

Elimination of graduated rates would help ~~be the most direct method of~~ simplify~~ing~~ tax computation for corporate taxpayers with incomes of under $25,000, comprising 86 percent of taxable returns in 1942, and for taxpayers with incomes between $25,000 and $50,000, comprising 5 percent of taxable returns in the same year. A flat rate tax on all taxable income would reduce the mechanical operations for the latter group of taxpayers from five to one. It is unlikely, however, that Congress would consider the removal of graduated rates solely from the viewpoint of simplification. It has long been a policy of Congress that small corporate enterprise should bear a lower-than-standard corporate tax load either through a specific exemption or through rate graduation. Most proposals for permanent postwar taxation have indicated a desire to retain graduated rates within the present limited range.

The right of partial tax exemption has already been denied to Federal securities issued since March 1, 1941, so except for a few special classes of securities such as shares in Federal Savings and Loan Associations, partially tax-exempt securities will all have been retired by 1965. The Senate voted to repeal the capital-stock and declared-value excess-profits taxes in 1942. The conferees did not sustain the ~~House refused to concur in the~~ Senate action ~~at that time,~~ But Congress might act differently when circumstances are ~~were~~ such as to permit tax reduction rather than to require tax increases. ~~Although~~ Congress has not recently expressed itself on the issue of the dividend-received credit, but it may be noted in passing that most of the ~~recently proposed~~ recently proposed by business & professional groups postwar tax programs call for the ~~a~~ full exemption of dividends.

Even though the income concepts dealt with on the return could be reduced from five to one, many of the complications surrounding the computation of the tax would still remain.

These different concepts of net income result from the special tax treatment accorded partially tax-exempt securities, the 85-percent credit for dividends received, the special allowance for dividends on certain preferred stock of public utilities, and the declared-value excess-profits tax.

These five concepts of net income could be reduced to one if the contractual exemption from normal tax were given in the form of a tax credit, if dividends received by corporations were fully taxable or fully tax-exempt, and if the declared-value excess-profits tax were repealed, and the public-utility preferred dividend deduction were repealed. While all of these possibilities present issues broader than simplification, it is not unlikely that Congress in resolving those other issues ~~will~~ may advance the cause of simplification in at least some cases.

Having once more flashed this oft-whipped horse, which somehow is still in the running, I suggest that the

~~In the final analysis, perhaps, simplification of the~~ capital-stock and declared-value excess-profits taxes ~~could most readily take the form~~ be simplified in the manner urged by the Treasury for some years -- and unanimously opposed by brokers namely, repeal.

The corporation income tax

The ~~two~~ ~~major~~ taxes in the corporation tax structure remaining for discussion are the corporation normal and surtax. In the fiscal year 1944, 476,000 corporation income tax returns were filed. Of this number 264,000 were subject to income tax ~~and 212,000 were not.~~

Probably the most conspicuous complication on the present corporation income tax return is the number of concepts of net income employed: net income, adjusted net income, surtax net income, normal tax net income, and net income for declared-value excess-profits tax computation. In addition, there are capital gains, which stand in a category by themselves.

Had the deficits been anticipated, it would have been unnecessary to declare any substantial amount of capital-stock value and, accordingly, the capital-stock tax would have been nominal. In practice the only deficit corporations which are really hit by the capital-stock tax are those which could not forecast the deficit.

I have heard one interesting argument (how serious its proponent is I have no way of knowing) made for these two taxes -- that they provide a remarkable statistic on business expectations in the middle of the year, plus a check on whether or not these anticipations are later realized. In other words, they form a basis for the construction of the cycle of business hopes and fears. Which only goes to show that taxes imposed for revenue only may serve ends which their orthodox proponents never even dreamed of.

These complications and difficulties would be more acceptable if the declared-value capital-stock and declared-value excess-profits taxes achieved a rational distribution of tax burdens. Actually, they bear more heavily on small than on big business. They favor those firms with relatively stable earnings and penalize those with fluctuating income.

One of the arguments for a capital-stock tax is that corporations which use the services of the Government should pay taxes regardless of whether they are in the black or red. Since, as we have already seen, only three fourths of the capital-stock tax returns are taxable returns, the capital-stock tax in its present form clearly fails to achieve this end. True, there are some payments by corporations with deficits. But these payments are from corporations which did not anticipate deficits.

Moreover, they impose the burden of preparing one additional return and, even more important, the torment of searching the crystal ball for figures that can be defended to boards of directors and stockholders.

If income could be accurately forecast, these taxes, although superfluous, probably would give rise to few complaints. Since the declared-value excess-profits tax is imposed on income in excess of ten percent of the declared value of the capital stock, the total of the two taxes is minimized if capital stock is declared at a figure ten times expected income. To achieve this minimum consistently, calendar year corporations would have to be able to estimate in the middle of the year their exact income as of the end of the year. It is to the necessity for guessing and the difficulty of guessing accurately that the unpopularity of these taxes can be attributed.

The capital-stock and declared-value excess-profits tax

Next on the list of corporation taxes are the capital-stock tax and the declared-value excess-profits tax. Some 510,000 capital stock tax returns were filed during the fiscal year 1944; of this number 377,000 showed a tax. In addition, a separate computation for the declared-value excess-profits tax is required on the income tax return.

When profits can be forecast accurately, the capital-stock and declared-value excess-profits taxes represent, ~~at best,~~ roughly an additional levy on profits of 1/4 of 1 percent on corporations with excess-profits, and of 3/4 of 1 percent on corporations with no excess profits. Corporations with deficits may pay no tax. But profits commonly cannot be forecast accurately. ~~At worst,~~ These taxes are a capricious penalty on inability to forecast income, with a greater penalty for undervaluation of capital stock than for overvaluation.

The list is by no means exhausted. I merely want to point out that these special adjustments all make for complication and they have generally been inserted at taxpayers' urging.

Much could be said about simplification of the excess-profits tax. But postwar tax planners ~~are~~ appear to be unanimous on one point. No plan thus far observed calls for retention of the wartime excess-profits tax in our permanent peacetime tax structure. It appears that simplification of the excess-profits tax will come by erasure rather than by erosion. Changes in the interest of simplicity at this stage would probably augment rather than reduce the total complications of a tax with a short life expectancy. ~~So~~ Little would be gained from a discussion here of the particular features of the excess-profits tax which could be altered to reduce complexity.

Even if all the data needed to make a return were easily available, the mere computation of the tax is no small job. First, the choice of credit -- average-earnings and invested-capital -- introduces a complication into the law. Second, the mathematical computations are numerous and appear involved to many small taxpayers. Third, further complications are introduced by the host of relief adjustments which were insisted upon by one group of taxpayers or another for reasons of equity or incentive. You are all familiar with the formula for increased earnings in the last half of the base period, the 75-percent rule, the 80-percent limit, the carry-overs and carry-backs, Section 722, abnormal deductions in the base period and abnormal income in the current year, accelerated production of natural resources, installment sales and long-term contracts, the domestic corporation doing business abroad, capital-gains treatment for timber operations, and special treatment of bonus income for excess mining and timber output.

How these proposals affect general public understanding of the tax system is an additional factor of significance. Four major Federal taxes are levied upon corporations at the present time -- the income tax (both normal tax and surtax), the capital-stock tax, its companion tax the declared-value excess-profits tax, and the true excess-profits tax. It is within this framework that we must approach the problem of corporate tax simplification.

The excess-profits tax

Today I want to give first consideration to the excess-profits tax. In the fiscal year 1944, 140,000 corporations filed excess-profits tax returns, on 70,000 of which taxable excess profits were shown.

No one will deny that the excess-profits tax is complex; in fact, the major complexities of corporation taxation at the present time can be laid at its door.

Law indexed

In truth, however, the kind of detailed provisions which the periodicals waggishly quote reduce rather than increase tax complications. They add precision and thereby reduce litigation.

Any broad view of tax simplification must distinguish between the complications which affect the many and those which affect the few. Many of the specialized technical provisions of the law which cause the loudest complaints apply to a limited number of taxpayers. Simplification of our corporate tax structure must take into account both those complexities which affect all corporate taxpayers and those which affect the relatively few.

Simplifying the mechanics of the structure

The importance of various simplification proposals is determined in part by the number of taxpayers involved and in part by the amount of benefit which would accrue~~s~~ to a given taxpayer.

~~This basic cause of difficulty affects not only individual taxpayers, but corporation taxpayers as well.~~

Then, too, what some people look upon as difficulty with the return is often in fact difficulty with the accounting and record-keeping which are necessary before the return can be prepared. In grappling with the problem of simplifying the individual income tax, the Treasury found that the recording and listing of deductions constituted the greatest complication for many, perhaps most, taxpayers.

To other people simplification means simpler language in the law and regulations. Newspapers and magazines rely on quotations from the Internal Revenue Code to supply their publications with humorous "filler." Many of these quotations are highly amusing and I should be the last to deny anyone any amusement he can get from taxation. Moreover, I am inclined to agree that in some instances ~~the economy of words~~ same clearness of statement could be achieved ~~with more words~~ with easier understanding, if more words and less involved sentence structure were used.

Both conditions have required complicating remedial provisions. Moreover, public determination to permit no excessive war profits gave rise to an excess profits tax. Such a tax is inevitably complicated and when the tax is imposed at high rates -- as in the case of our wartime excess profits tax -- careful and complicated adjustment is required to prevent serious hardships upon taxpayers and harm to our economic structure.

Simplification is a broad concept. It means different things to different people. For the great mass of taxpayers it means a return which is easy to fill out. Tax computations are often troublesome for people who are out of practice in arithmetic. Moreover, a multiplicity of income concepts, credits and deductions makes for confusion. Returns under a given law can often be simplified but, for the most part, the difficulty of the return stems from the policy laid down by the law.

Many complications are unnecessary, to be sure, but others -- most of them -- are the price we pay for equity or to avoid undesirable economic incentives.

Concern with complexity has intensified in recent years because of the great increase in revenue required to finance the war. On the one hand, expanding revenue requirements have necessitated broadening the individual income tax base. In 1940, four million taxable individual income returns were filed; in the fiscal year 1944 the figure had grown to forty million. This tenfold increase has brought into contact with the income tax many persons who faced the new task of filling out returns with little experience or training in the concepts or computations required. They have demanded and they have received a simple income tax.

On the other hand, rates have been greatly increased and new taxes have been added. These factors have magnified hardships and intensified the search for loopholes.

This universally-professed desire for simple taxes has been accompanied by a never-ending chorus of complaint at tax complexities. Much of the grumbling has served to let off steam generated by resistance to the tax burden itself; but much of it is soundly based. Despite the complaints, however, the tax system, generally speaking, has grown more rather than less complicated with the passing years.

Basically, most tax complexity derives from the necessity of applying an equitable form of taxation to a complicated situation in which many specific refinements are necessary to meet charges of unfairness. The fact that the income tax law of 1913 covered but 19 pages, while the Revenue Act of 1942 added 157 pages of amendments to already lengthy statutes applying to income and profits taxes, does not reflect sadism on the part of Congress. It rather indicates a prodigious effort to be fair.

SIMPLIFICATION OF CORPORATE TAX STRUCTURE

Introduction

Tax policy is a field where prize-fights are more common than love-feasts. But in this arena there is one goal -- simplification -- toward which we can at least start with a united front. (There is no difference of opinion here;) We are all for simplification. Taxpayers are for simplification. They demand it in the taxes with which they personally come in contact. And they want it for the rest of the system so they may understand what it is all about. Tax administrators are for simplification. They seek simple laws in order to ease their task. Tax practitioners are for simplification. (It is greatly to their credit that) The men who make their livings, or at least better livings, because of tax complications have formally resolved in favor of simplification and, from time to time, have presented many constructive suggestions to simplify taxes.

TREASURY DEPARTMENT
Washington

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familiar with the difficulties encountered under present tax laws. You also know that simplicity is a derivative problem -- one that cannot be discussed in isolation. You are well aware that problems of tax policy, of eliminating hardships, and of plugging up loopholes are responsible for many of the complexities in our tax laws. Your sense of values does not permit you to place simplicity above everything else.

More than perhaps any other group faced with handling the tax law and applying it to the individual taxpayer, you are in a position to know what simplification is feasible and possible. ~~I know that you know because~~ Many of your recommendations have been helpful in the past. We in the Treasury, along with ~~all the~~ other groups interested in postwar tax revision, are relying upon you to help resolve the complexities in our Federal corporate tax structure.

oOo

~~The problem of simplification of corporate tax structure is so many-faceted that I can only touch upon its Federal aspects today. Corporations are subject to state and local as well as Federal taxes. Of great importance for ultimate simplification is coordination of taxes levied by the various political units within the country.~~

Conclusion

Simplification of the corporate tax structure is one of the objectives of the studies of postwar taxation now going on in Washington. The Treasury Department sometime ago began an examination of the problems of Federal tax revision in the transition and postwar years. Last June the Congressional Joint Committee on Internal Revenue Taxation, consisting of ranking members of the House Committee on Ways and Means and the Senate Finance Committee from both parties, asked its staff and the Treasury staff to work together on a study of postwar taxation and report to the Joint Committee. This study has been in progress since that time and we hope that preliminary reports can be made to the Joint Committee soon. At the present stage less attention is being given to technical matters than to the basic structure of the system. We recently had the pleasure of hearing from a committee of this association as well as from numerous other organizations and persons.

In the past few weeks an advisory group of accountants and lawyers has been formed to assist the Treasury staff in preparing suggestions for technical modifications of the law. Not all of the technical problems under consideration involve simplification but probably most of them do. This work is highly technical and too much should not be expected too soon.

Meantime, groups of taxpayers continue to press~~ing~~ Congress for special provisions to ease real or allegedly excessive burdens in the tax structure. ~~present a constantly recurring problem.~~ A large proportion of the technical complications of the law have stemmed from efforts of these groups in the past. As long as pressures for changes of this sort persist, we can hope for little more progress toward simplification than two steps forward for every one we slip back. Indeed, there is the possibility that our progress in this field may be in reverse, and that for every step forward we may go two steps back.

The next few years promise to be an auspicious time to promote simplification in the corporate tax structure. As revenue requirements recede, it will be possible to make some tax reductions. The task of reducing the number of taxes and eliminating provisions which cause major difficulties will be easier after the war when reductions are being made than during the war when revenue requirements are so high.

Tax simplification is a laudable goal for tax policy when it is placed in its proper perspective among other objectives. Gains from simplification must always be balanced against any resulting sacrifices of equity or of desirable economic effects. As accountants, you are

II But it should be understood that the technical problems are not the hardest problems of tax simplification. The really hard problem is that almost every simplifying change adversely affects someone's interest and will be resisted.

Uncertainty of the law

~~But~~ Perhaps the major cause of complaint is not so much one of complexity as it is one of perplexity. The operation of the law is uncertain in many cases. Although ~~most of these~~ uncertainties have long been present in the law, they have become particularly important in recent years because, with increased rates, taxes exercise a greater influence on general business decisions. Uncertainties with respect to a 10-percent tax liability do not seriously affect business decisions. But if tax rates are high, vagueness in the law will expand the area of uncertainty within which managerial decisions must be made.

The uncertainties of tax law arise largely because taxpayers are not sure how ~~a given~~ transactions will be treated. In some cases the law attempts to remedy the situation through specific language reducing the fringes of uncertainty surrounding the general rules. The regulations further attempt to reduce these areas of doubt in the taxpayer's mind. Both steps create more certainty, and therefore basically simplify the tax structure, although they also complicate the language of the law and regulations. But if the law and regulations fail to remove doubt, ~~and every possible transaction cannot be anticipated~~ certainty can ~~only~~ be reached by one or a series of judicial opinions. I think you will agree that this is getting certainty the hard way.

Attempts in the law or regulations to close up loopholes may also create uncertainty in the minds of those engaged in bona fide business transactions. Although some people believe that too much attention has been paid to tax loopholes, we must recognize that the willingness of taxpayers generally to comply with the tax law rests on their belief in its fairness and equity. Attempts to achieve a high degree of equity frequently have been misconstrued as attempts to reform or penalize business. For example, Section 102 may appear to be unduly harsh to the few corporations caught in its meshes, but without such a provision the great majority of taxpayers would have a legitimate grievance against a tax law which permitted a minority to take advantage of the corporate form of organization to avoid individual taxes.

The suggestion has been made in some quarters that the taxpayers' task would be simplified if the Government should accept the ordinary accounting definition of income as the definition for tax purposes. In considering this suggestion it must be borne in mind that income for tax purposes takes into consideration factors which would be inappropriate in defining income for certain other purposes. Policy considerations may dictate the exemption or partial taxation of some income. Moreover, the amount of income which a company makes during the year is not an invariable concept. The concept and, hence, the amount of income depends in part on the purpose for which the determination of income is being made. Time does not permit a lengthy discussion of the point, but it would appear that the requirements of taxation make it neither feasible nor desirable to use without change for tax purposes income as determined for ordinary accounting purposes.

¶ Accountants need not be told that the determination of business income is a complicated process and will remain so, regardless of tax simplification measures.

Income determination

A basic accounting problem is determination of income year by year. You are well aware of the difficulties ~~of allocation~~ and ~~of the~~ weaknesses of ~~an~~ allocation, which makes it impossible to determine with assurance ~~ascertain what~~ the income ~~in~~ a particular year ~~may be~~. Either the taxpayer or the Government (which in the end means the other taxpayers) may find itself discriminated against, if income is not properly apportioned among the years.

The provisions in the tax law for allocating charges for depreciation, depletion, changing inventory value, determination of bad debts, and so on, were introduced for the purpose of achieving as correct an annual ~~a~~ statement of income as possible. The importance of accruals and with it ~~difficulties~~ and, to a great extent, the complications of applying these provisions would diminish ~~dissolve~~, if we had a real averaging system which made the allocation of income and deductions to specific years less ~~important~~. Of course, complete averaging, of itself, would involve substantial changes in the policy of taxation, and would considerably complicate the law.

No factor in determining taxpayer's liability.

The benefits of averaging are partially achieved at present through the carry-over and carry-back of losses.

The techniques for averaging income are not as simple as they might seem; in fact, no really satisfactory method has yet been found. An extension of the carry-over of losses, however, would not seriously complicate the law, and would considerably reduce the importance of allocating certain items to particular years. Under ~~more or less fixed~~ relatively stable tax rates, ~~the~~ a long carry-over period would achieve most of what could be achieved through complete averaging.

Note Differences of opinion on questions of accounting are bound to arise in many situations. They are not limited to the Government and a taxpayer. They are, of course, found among private accountants as well. They cannot be eliminated by statute, regulations, or court interpretation. ~~But the consequences of these differences can be significantly reduced through a satisfactory averaging device.~~

Complexity of the law

Much corporate tax complexity arises from the attempt to spell out rules covering the taxability of a great variety of complex business transactions, for example, the law dealing with the determination of gain and loss from sale or other disposition of property. The general rule for these transactions is that every sale or exchange of property gives rise to a gain or loss which should be recognized for income tax purposes. However, in a great many transactions, such as the exchange of like property for like property, certain transfers or exchanges in connection with a reorganization, or transfers on liquidation of a subsidiary, the general rule is modified to disregard certain transactions otherwise affecting taxable income. The necessity of valuing certain property as of the date the income tax first went into effect -- March 1, 1913 -- introduces further complications. Difficult problems are also posed by segregating dividends paid to shareholders into taxable and non-taxable categories. A long story could be made of various provisions of the law where similar complications appear, but time does not permit its telling.

against the personal taxes of the dividend recipients. Although total income would not need to be allocated currently as under the partnership method, such a system would present the additional complication of allocating to the individual shareholder the tax paid by the corporation. Other proposals would allow a credit for dividend payments at the corporation level. This method would not necessitate allocation of either taxes or income to individual shareholders, but it would raise some difficult problems related to the definition of distributed and retained earnings. It seems clear, therefore, that the net result of complete coordination of corporation and individual income taxes would be a tax structure more complicated than the present law would be after the streamlining that is possible.

Difference between simplification for individuals and corporations

Some people have reasoned that since individual income tax simplification was readily achieved, corporate tax simplification could be realized with equal ease and should be accomplished now. Certain things could be done, as we have seen. If we could reduce the corporation income tax structure to a single income concept and to a single tax rate, the task of filing a tax return would be simpler, especially for small corporations. But whereas the basic requirement of simplicity for most individual taxpayers could be met by simplifying the structure and the return, for the corporation complicated computations and returns are only a part of tax complexities. For many corporations, especially the larger ones, they are a very small part.

The difference between simplification of individual and corporation taxes can be seen ~~most clearly~~ from an examination of the changes made by the Individual Income Tax Act of 1944. This Act reduced the deduction problem -- a major one because most individual taxpayers keep inadequate records -- by permitting a presumptive deduction of 10 percent of income with a limit of $500. It simplified tax computation by reducing the number of taxes. ~~and extending the tables which translate income into income tax liability.~~ It adopted a basic exemption of $500 per person and limited ~~eliminated~~ the earned income credit[1] which had complicated the task of filling out the return. There changes ~~Thus it~~ made possible a simple ~~tax table which retained two exemption systems -- one which recognized dependents and one which did not.~~ for use up to $5,000 of income.

However, ~~But before concluding that all of the complexities of the individual income tax were removed by the Individual Income Tax Act of 1944, we should note that~~ relatively little was done to simplify the returns of taxpayers with large income or taxpayers reporting business income or capital gains and losses. These forms of income continue to be computed as they were before. Although they constitute minor components of individual income, they are the bulk of corporation income. Thus individual tax simplification accomplished least in the area from which corporation tax complexity largely stems, namely, from the problems surrounding the determination of business income.

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[1] Repeal of the earned income credit took place in the Revenue Act of 1943, but did not affect any tax returns prior to passage of the Individual Income Tax Act of 1944.

for permanent postwar taxation have indicated a desire to retain graduated rates within the present limited range. Perhaps a method involving a single computation might be worked out using, for example, bracket rates.

Some people have gone so far as to recommend as a simplification measure the abolition of the 2-percent tax on consolidated returns. This is a case where simplicity would seem to be a minor consideration. In 1942 only about 600 corporations filed consolidated returns. Since these corporations reported an average of $3 million net income, we may assume that making this additional computation did not appreciably add to the burden of making out their tax returns. Some of the 600 and others that do not file consolidated returns must, of course, consider the benefits of consolidated returns compared to the higher tax rate. But the decision to retain, repeal, or modify this tax will undoubtedly be decided on grounds other than simplification.

The tax on undue accumulations of surplus also contributes to the structural complexity of the tax law. To the corporate taxpayer the complication lies in deciding what investment and dividend policies to follow to avoid the tax. There can be no denying that Section 102 is very difficult to administer, since no definite general rules have been found as to what is and what is not an unreasonable accumulation of earnings. This is one of the so-called "penalty" taxes; yet its purpose is not to penalize, but rather to encourage corporations to adopt dividend policies that will result in a fair distribution of the tax burden. Some proposals for the postwar tax structure call for strengthening this tax; others would retain it as at present; few, if any, would repeal it.

From the preceding discussion it seems clear that a good deal of simplification of the present corporation tax structure could be accomplished by a few changes in the tax law, but that most of these changes involve policy issues far transcending simplification. During recent months a number of proposals have been advanced which would modify the tax structure to give greater coordination of corporation and individual income taxes. How these proposals, if adopted, would affect tax simplification is a factor in testing their merits.

Perhaps the most far-reaching suggestion is that we should give up taxing corporations as such and treat them as we now do partnerships and proprietorships. No tax would be levied on the corporation, but the stockholder would include his allocable portion of corporate income in his individual income tax return. Whatever its merits on other grounds, this method of taxing corporate income would not be a step in the direction of tax simplification. Although by the partnership method we would escape many complications -- for example, those arising from the taxation of undue accumulations of surplus -- we would become involved in the enormously greater complexities of income allocation to individual shareholders.

Other suggestions for the coordination of individual and corporate levies do not go quite so far. Some would treat a flat-rate corporation tax as a source collection on dividends, ultimately to be credited

by the Treasury for some years and unanimously concurred in by business -- namely, repeal.

The corporation income tax

The major taxes in the corporation tax structure remaining for discussion are the corporation normal and surtax. In the fiscal year 1944, 476,000 corporation income tax returns were filed. Of this number 264,000 were subject to income tax.

Probably the most conspicuous complication on the present corporation income tax return is the number of concepts of net income employed: net income, adjusted net income, surtax net income, normal tax net income, and net income for declared-value excess-profits tax computation. In addition, there are capital gains, which stand in a category by themselves. These different concepts of net income result from the special tax treatment accorded partially tax-exempt securities, the 85-percent credit for dividends received, the special allowance for dividends on certain preferred stock of public utilities, and the declared-value excess-profits tax.

of partially exempt securities

Thus, for example,

These five concepts of net income could be reduced to one if the declared-value excess-profits tax were repealed, if the contractual exemption from normal tax were given in the form of a tax credit, if dividends received by corporations were fully taxable or fully tax-exempt, and if the public-utility preferred dividend deduction were repealed. While all of these possibilities present issues broader than simplification, it is not unlikely that Congress in resolving those other issues may advance the cause of simplification in at least some cases. The right of partial tax exemption has already been denied to Federal securities issued since March 1, 1941, so except for a few special classes of securities such as shares in Federal Savings and Loan Associations, partially tax-exempt securities will all have been retired by 1965. The Senate voted to repeal the capital-stock and declared-value excess-profits taxes in 1942. The conferees did not sustain the Senate action. But Congress might act differently when circumstances are such as to permit tax reduction rather than to require tax increases.

Even though the income concepts dealt with on the return could be reduced from five to one, many of the complications surrounding the computation of the tax would still remain. Elimination of graduated rates would help simplify tax computation for corporate taxpayers with incomes of under $25,000, comprising 86 percent of taxable returns in 1942, and for taxpayers with incomes between $25,000 and $50,000, comprising 5 percent of taxable returns in the same year. A flat rate tax on all taxable income would reduce the mechanical operations for the latter group of taxpayers from five to one. It is unlikely, however, that Congress would consider the removal of graduated rates solely from the viewpoint of simplification. It has long been a policy of Congress that small corporate enterprise should bear a lower-than-standard corporate tax load either through a specific exemption or through rate graduation. Most proposals

¶ The capital-stock and declared-value excess-profits taxes are a prime example of the close relation between simplicity and certainty. If income could be forecast accurately, these taxes, although superfluous, would give rise to few complaints. They

The capital-stock and declared-value excess-profits tax

Next on the list of corporation taxes are the capital-stock tax and the declared-value excess-profits tax. Some 510,000 capital stock tax returns were filed during the fiscal year 1944; of this number 377,000 showed a tax. In addition, a separate computation for the declared-value excess-profits tax is required on the income tax return.

~~When profits can be forecast accurately, the capital-stock and declared-value excess-profits taxes~~ represent roughly an additional levy on profits of 1/4 of 1 percent ~~on~~ for corporations with excess-profits, and of 3/4 of 1 percent ~~on~~ for corporations with no excess profits. Corporations with deficits ~~may~~ would pay no tax. But profits commonly cannot be forecast accurately. These taxes are a capricious penalty on inability to forecast income. ~~with a greater penalty for undervaluation of capital stock than for overvaluation. Moreover,~~ They impose the burden of preparing one additional return and, much more important, the torment of searching the crystal ball for figures that can be defended to boards of directors and stockholders.

~~If income could be accurately forecast, these taxes, although superfluous, probably would give rise to few complaints. Since the declared-value excess-profits tax is imposed on income in excess of ten percent of the declared value of the capital stock, the total of the two taxes is minimized if capital stock is declared at a figure ten times expected income. To achieve this minimum consistently, calendar year corporations would have to be able to estimate in the middle of the year their exact income as of the end of the year. It is to the necessity for guessing and the difficulty of guessing accurately that the unpopularity of these taxes can be attributed.~~

Stet

These complications and difficulties would be more acceptable if the declared-value capital-stock and declared-value excess-profits taxes achieved a rational distribution of tax burdens. Actually, they have no relation to any accepted principle of tax distribution. They bear more heavily on small than on big business. They favor those firms with relatively stable earnings and penalize those with fluctuating income.

One of the arguments for a capital-stock tax is that corporations which use the services of the Government should pay taxes regardless of whether they are in the black or red. Since, as we have already seen, only three-fourths of the capital-stock tax returns are taxable returns, the capital-stock tax in its present form clearly fails to achieve this end. True, there are some payments by corporations with deficits. But these payments are from corporations which did not anticipate deficits. Had the deficits been anticipated, it would have been unnecessary to declare any substantial amount of capital-stock value and, accordingly, the capital-stock tax would have been nominal. In practice the only deficit corporations which are really hit by the capital-stock tax are those which could not forecast the deficit. ¶ Having once more lashed this oft-whipped horse, which somehow is still in the running, I suggest that the capital-stock and declared-value excess-profits taxes be simplified in the manner urged

Corporate tax simplification involves State and local taxes as well as Federal taxes. I shall consider here only the Federal side.

Simplifying the mechanics of the structure

The relative importance of various simplification proposals is determined in part by the number of taxpayers involved and in part by the amount of benefit which would accrue to an affected taxpayer. How these proposals affect general public understanding of the tax system is an additional factor of significance. Four major Federal taxes are levied upon corporations at the present time -- the income tax (both normal tax and surtax), the capital-stock tax, its companion tax the declared-value excess-profits tax, and the true excess-profits tax. It is within this framework that we must approach the problem of corporate tax simplification.

The excess-profits tax

Let us consider first the excess-profits tax. In the fiscal year 1944, 140,000 corporations filed excess-profits tax returns, on 70,000 of which taxable excess profits were shown.

No one will deny that the excess-profits tax is complex; in fact, the major complexities of corporation taxation at the present time can be laid at its door. Even if all the data needed to make a return were easily available, the mere computation of the tax is no small job. First, the choice of credit -- average-earnings and invested-capital -- introduces a complication into the law. Second, the mathematical computations are numerous and appear involved to many small taxpayers. Third, further complications are introduced by the host of relief adjustments which were insisted upon by one group of taxpayers or another for reasons of equity or incentive. You are all familiar with the formula for increased earnings in the last half of the base period, the 75-percent rule, the 80-percent limit, the carry-overs and carry-backs, Section 722, abnormal deductions in the base period and abnormal income in the current year, accelerated production of natural resources, installment sales and long-term contracts, the domestic corporation doing business abroad, capital-gains treatment for timber operations, and special treatment of bonus income for excess mining and timber output. The list is by no means exhausted. I merely want to point out that these special adjustments all make for complication and they have generally been inserted at taxpayers' urging.

Much could be said about simplification of the excess-profits tax. But postwar tax planners appear to be unanimous on one point. No plan thus far observed calls for retention of the wartime excess-profits tax in our permanent peacetime tax structure. It appears that simplification of the excess-profits tax will come by erasure rather than by erosion. Unless the basic provisions were to be modified or eliminated, the possible simplification is perhaps more superficial than real. Changes in the interest of simplicity at this stage would probably augment rather than reduce the total complications of a tax with a short life expectancy. Little would be gained from a discussion here of the particular features of the excess-profits tax which could be altered to reduce complexity.

This tenfold increase has brought into contact with the income tax many persons who faced the new task of filling out returns with little experience or training in the concepts or computations required. They have demanded and they have received a simple income tax.

On the other hand, rates have been greatly increased and new taxes have been added. These factors have magnified hardships and intensified the search for loopholes. Both conditions have required complicating remedial provisions. Moreover, public determination to permit no excessive war profits gave rise to an excess profits tax. Such a tax is inevitably complicated and when the tax is imposed at high rates -- as in the case of our wartime excess profits tax -- careful and complicated adjustment is required to prevent serious hardships upon taxpayers and harm to our economic structure.

Simplification is a broad concept. It means different things to different people. For the great mass of taxpayers it means a return which is easy to fill out. Tax computations are often troublesome for people who are out of practice in arithmetic. Moreover, a multiplicity of income concepts, credits and deductions makes for confusion. Returns under a given law can often be simplified but, for the most part, the difficulty of the return stems from the policy laid down by the law.

Then, too, what some people look upon as difficulty with the return is often in fact difficulty with the accounting and record-keeping which are necessary before the return can be prepared. In grappling with the problem of simplifying the individual income tax, the Treasury found that the recording and listing of deductions constituted the greatest complication for many, perhaps most, taxpayers.

To other people simplification means simpler language in the law and regulations. Newspapers and magazines rely on quotations from the Internal Revenue Code to supply their publications with humorous "filler." Many of these quotations are highly amusing and I should be the last to deny anyone any amusement he can get from taxation. Moreover, I am inclined to agree that in ~~some~~ many instances the same exactness of statement could be achieved with easier understanding, if more words and less involved sentence structure were used. In truth, however, the kind of detailed provisions which the periodicals waggishly quote reduce rather than increase tax complications. They add precision and thereby reduce litigation.

Any broad view of tax simplification must distinguish between the complications which affect the many and those which affect the few. Many of the specialized technical provisions of the law which cause the loudest complaints apply to a limited number of taxpayers. Simplification of our corporate tax structure must take into account both those complexities which affect all corporate taxpayers and those which affect the relatively few.

Re-run

TREASURY DEPARTMENT
Washington

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This universally-professed desire for simple taxes has been accompanied by a never-ending chorus of complaint at tax complexities. Much of the grumbling has served to let off steam generated by resistance to the tax burden itself; but much of it is soundly based. Despite the complaints, however, the tax system, generally speaking, has grown more rather than less complicated with the passing years.

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TO:

1. p. m.
Oct. 21

Mr. Blough's corrected speech to be restenciled and rerun. Needed before 5:30 Saturday, October 21, 1944.

Mr. Shaeffer

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Washington

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Simplification is a broad concept. It means different things to different people. For the great mass of taxpayers it means a return which is easy to fill out. Tax computations are often troublesome for people who are out of practice in arithmetic. Moreover, a multiplicity of income concepts, credits and deductions makes for confusion. Returns under a given law can often be simplified but, for the most part, the difficulty of the return stems from the policy laid down by the law.

Then, too, what some people look upon as difficulty with the return is often in fact difficulty with the accounting and record-keeping which are necessary before the return can be prepared. In grappling with the problem of simplifying the individual income tax, the Treasury found that the recording and listing of deductions constituted the greatest complication for many, perhaps most, taxpayers.

To other people simplification means simpler language in the law and regulations. Newspapers and magazines rely on quotations from the Internal Revenue Code to supply their publications with humorous "filler." Many of these quotations are highly amusing and I should be the last to deny anyone any amusement he can get from taxation. Moreover, I am inclined to agree that in many instances the same exactness of statement could be achieved with easier understanding, if more words and less involved sentence structure were used. In truth, however, the kind of detailed provisions which the periodicals waggishly quote reduce rather than increase tax complications. They add precision and thereby reduce litigation.

Any broad view of tax simplification must distinguish between the complications which affect the many and those which affect the few. Many of the specialized technical provisions of the law which cause the loudest complaints apply to a limited number of taxpayers. Simplification of our corporate tax structure must take into account both those complexities which affect all corporate taxpayers and those which affect the relatively few.

Simplifying the mechanics of the structure

The relative importance of various simplification proposals is determined in part by the number of taxpayers involved and in part by the amount of benefit which would accrue to an affected taxpayer. How these proposals affect general public understanding of the tax system is an additional factor of significance. Corporate tax simplification involves state and local taxes as well as Federal taxes. I shall consider here only the Federal side.

Four major Federal taxes are levied upon corporations at the present time -- the income tax (both normal tax and surtax), the capital-stock tax, its companion tax the declared-value excess-profits tax, and the true excess-profits tax. It is within this framework that we must approach the problem of corporate tax simplification.

The excess-profits tax

Let us consider first the excess-profits tax. In the fiscal year 1944, 140,000 corporations filed excess-profits tax returns, on 70,000 of which taxable excess profits were shown.

No one will deny that the excess-profits tax is complex; in fact, the major complexities of corporation taxation at the present time can be laid at its door. Even if all the data needed to make a return were easily available, the mere computation of the tax is no small job. First, the choice of credit -- average-earnings and invested-capital -- introduces a complication into the law. Second, the mathematical computations are numerous and appear involved to many small taxpayers. Third, further complications are introduced by the host of relief adjustments which were insisted upon by one group of taxpayers or another for reasons of equity or incentive. You are all familiar with the formula for increased earnings in the last half of the base period, the 75-percent rule, the 80-percent limit, the carry-overs and carry-backs, Section 722, abnormal deductions in the base period and abnormal income in the current year, accelerated production of natural resources, installment sales and long-term contracts, the domestic corporation doing business abroad, capital-gains treatment for timber operations, and special treatment of bonus income for excess mining and timber output. The list is by no means exhausted. I merely want to point out that these special adjustments all make for complication and they have generally been inserted at taxpayers' urging.

Much could be said about simplification of the excess-profits tax. But postwar tax planners appear to be unanimous on one point. No plan thus far observed calls for retention of the wartime excess-profits tax in our permanent peacetime tax structure. It appears that simplification of the excess-profits tax will come by erasure rather than by erosion. Unless the basic provisions were to be modified or eliminated, the possible simplification is perhaps more superficial than real. Changes in the interest of simplicity at this stage would probably augment rather than reduce the total complications of a tax with a short life expectancy. Little would be gained from a discussion here of the particular features of the excess-profits tax which could be altered to reduce complexity.

The capital-stock and declared-value excess-profits tax

Next on the list of corporation taxes are the capital-stock tax and the declared-value excess-profits tax. Some 510,000 capital stock tax returns were filed during the fiscal year 1944; of this number 377,000 showed a tax. In addition, a separate computation for the declared-value excess-profits tax is required on the income tax return.

The capital-stock and declared-value excess-profits taxes are a prime example of the close relation between simplicity and certainty. If income could be forecast accurately, these taxes, although superfluous, would give rise to few complaints. They would represent roughly an additional levy on profits of 1/4 of 1 percent for corporations with excess-profits, and of 3/4 of 1 percent for corporations with no excess profits. Corporations with deficits would pay no tax. But profits commonly cannot be forecast accurately. These taxes are a capricious penalty on inability to forecast income. They impose the burden of preparing one additional return and, much more important, the torment of searching the crystal ball for figures that can be defended to boards of directors and stockholders.

If income could be accurately forecast, these taxes, although superfluous, probably would give rise to few complaints. Since the declared-value excess-profits tax is imposed on income in excess of ten percent of the declared value of the capital stock, the total of the two taxes is minimized if capital stock is declared at a figure ten times expected income. To achieve this minimum consistently, calendar year corporations would have to be able to estimate in the middle of the year their exact income as of the end of the year. It is to the necessity for guessing and the difficulty of guessing accurately that the unpopularity of these taxes can be attributed.

These complications and difficulties would be more acceptable if the declared-value capital-stock and declared-value excess-profits taxes achieved a rational distribution of tax burdens. Actually, they have no relation to any accepted principle of tax distribution. They bear more heavily on small than on big business. They favor those firms with relatively stable earnings and penalize those with fluctuating income.

One of the arguments for a capital-stock tax is that corporations which use the services of the Government should pay taxes regardless of whether they are in the black or red. Since, as we have already seen, only three-fourths of the capital-stock tax returns are taxable returns, the capital-stock tax in its present form clearly fails to achieve this end. True, there are some payments by corporations with deficits. But these payments are from corporations which did not anticipate deficits. Had the deficits been anticipated, it would have been unnecessary to declare any substantial amount of capital-stock value and, accordingly, the capital-stock tax would have been nominal. In practice the only deficit corporations which are really hit by the capital-stock tax are those which could not forecast the deficit.

Having once more lashed this oft-whipped horse, which somehow is still in the running, I suggest that the capital-stock and declared-value excess-profits taxes be simplified in the manner urged by the Treasury for some

years and unanimously concurred in by business -- namely, repeal. The Senate voted to repeal the capital-stock and declared-value excess-profits taxes in 1942. The conferees did not sustain the Senate action. But Congress might act differently when circumstances are such as to permit tax reduction rather than to require tax increases.

The corporation income tax

The major taxes in the corporation tax structure remaining for discussion are the corporation normal and surtax. In the fiscal year 1944, 476,000 corporation income tax returns were filed. Of this number 264,000 were subject to income tax.

Probably the most conspicuous complication on the present corporation income tax return is the number of concepts of net income employed: net income, adjusted net income, surtax net income, normal tax net income, and net income for declared-value excess-profits tax computation. In addition, there are capital gains, which stand in a category by themselves. These different concepts of net income result from the special tax treatment accorded partially tax-exempt securities, the 85-percent credit for dividends received, the special allowance for dividends on certain preferred stock of public utilities, and the declared-value excess-profits tax.

These five concepts of net income could be reduced to one if the declared-value excess-profits tax were repealed, if the contractual exemption from normal tax of partially exempt securities were given in the form of a tax credit, if dividends received by corporations were fully taxable or fully tax-exempt, and if the public-utility preferred dividend deduction were repealed. While all of these possibilities present issues broader than simplification, it is not unlikely that Congress in resolving those other issues may advance the cause of simplification in at least some cases. Thus, for example, the right of partial tax exemption has already been denied to Federal securities issued since March 1, 1941, so except for a few special classes of securities such as shares in Federal Savings and Loan Associations, partially tax-exempt securities will all have been retired by 1965.

Even though the income concepts dealt with on the return could be reduced from five to one, many of the complications surrounding the computation of the tax would still remain. Elimination of graduated rates would help simplify tax computation for corporate taxpayers with incomes of under $25,000, comprising 86 percent of taxable returns in 1942, and for taxpayers with incomes between $25,000 and $50,000, comprising 5 percent of taxable returns in the same year. A flat rate tax on all taxable income would reduce the mechanical operations for the latter group of taxpayers from five to one. It is unlikely, however, that Congress would consider the removal of graduated rates solely from the viewpoint of simplification. It has long been a policy of Congress that small corporate enterprise should bear a lower-than-standard corporate tax load either through a specific exemption or through rate graduation. Most proposals

for permanent postwar taxation have indicated a desire to retain graduated rates within the present limited range. Perhaps a method involving a single computation might be worked out using, for example, bracket rates.

Some people have gone so far as to recommend as a simplification measure the abolition of the 2-percent tax on consolidated returns. This is a case where simplicity would seem to be a minor consideration. In 1942 only about 600 corporations filed consolidated returns. Since these corporations reported an average of $3 million net income, we may assume that making this additional computation did not appreciably add to the burden of making out their tax returns. Some of the 600 and others that do not file consolidated returns must, of course, consider the benefits of consolidated returns compared to the higher tax rate. But the decision to retain, repeal, or modify this tax will undoubtedly be decided on grounds other than simplification.

The tax on undue accumulations of surplus also contributes to the structural complexity of the tax law. To the corporate taxpayer the complication lies in deciding what investment and dividend policies to follow to avoid the tax. There can be no denying that Section 102 is very difficult to administer, since no definite general rules have been found as to what is and what is not an unreasonable accumulation of earnings. This is one of the so-called "penalty" taxes; yet its purpose is not to penalize, but rather to encourage corporations to adopt dividend policies that will result in a fair distribution of the tax burden. Some proposals for the postwar tax structure call for strengthening this tax; others would retain it as at present; few, if any, would repeal it.

From the preceding discussion it seems clear that a good deal of simplification of the present corporation tax structure could be accomplished by a few changes in the tax law, but that most of these changes involve policy issues far transcending simplification.

During recent months a number of proposals have been advanced which would modify the tax structure to give greater coordination of corporation and individual income taxes. How these proposals, if adopted, would affect tax simplification is a factor in testing their merits.

Perhaps the most far-reaching suggestion is that we should give up taxing corporations as such and treat them as we now do partnerships and proprietorships. No tax would be levied on the corporation, but the stockholder would include his allocable portion of corporate income in his individual income tax return. Whatever its merits on other grounds, this method of taxing corporate income would not be a step in the direction of tax simplification. Although by the partnership method we would escape many complications -- for example, those arising from the taxation of undue accumulations of surplus -- we would become involved in the enormously greater complexities of income allocation to individual shareholders.

Other suggestions for the coordination of individual and corporate levies do not go quite so far. Some would treat a flat-rate corporation tax as a source collection on dividends, ultimately to be credited

against the personal taxes of the dividend recipients. Although total income would not need to be allocated currently as under the partnership method, such a system would present the additional complication of allocating to the individual shareholder the tax paid by the corporation. Other proposals would allow a credit for dividend payments at the corporation level. This method would not necessitate allocation of either taxes or income to individual shareholders, but it would raise some difficult problems related to the definition of distributed and retained earnings. It seems clear, therefore, that the net result of complete coordination of corporation and individual income taxes would be a tax structure more complicated than the present law would be after the streamlining that is possible.

Difference between simplification for individuals and corporations

Some people have reasoned that since individual income tax simplification was readily achieved, corporate tax simplification could be realized with equal ease and should be accomplished now. Certain things could be done, as we have seen. If we could reduce the corporation income tax structure to a single income concept and to a single tax rate, the task of filing a tax return would be simpler, especially for small corporations. But whereas the basic requirement of simplicity for most individual taxpayers could be met by simplifying the structure and the return, for the corporation complicated computations and returns are only a part of tax complexities. For many corporations, especially the larger ones, they are a very small part.

The difference between simplification of individual and corporation taxes can be seen from an examination of the changes made by the Individual Income Tax Act of 1944. This Act reduced the deduction problem -- a major one because most individual taxpayers keep inadequate records -- by permitting a presumptive deduction of 10 percent of income with a limit of $500. It simplified tax computation by reducing the number of taxes. It adopted a basic exemption of $500 per person and omitted the earned income credit 1/ which had complicated the task of filling out the return. These changes made possible a simple tax table for use up to $5,000 of income.

However, relatively little was done to simplify the returns of taxpayers with large income or taxpayers reporting business income or capital gains and losses. These forms of income continue to be computed as they were before. Although they constitute minor components of individual income, they are the bulk of corporation income. Thus individual tax simplification accomplished least in the area from which corporation tax complexity largely stems, namely, from the problems surrounding the determination of business income.

1/ Repeal of the earned income credit took place in the Revenue Act of 1943, but did not affect any tax returns prior to passage of the Individual Income Tax Act of 1944.

Income determination

Accountants need not be told that the determination of business income is a complicated process and will remain so, regardless of tax simplification measures. Differences of opinion on questions of accounting are bound to arise in many situations. They are not limited to the Government and a taxpayer. They are, of course, found among private accountants as well. They cannot be eliminated by statute, regulations, or court interpretation.

A basic accounting problem is determination of income year by year. Either the taxpayer or the Government (which in the end means the other taxpayers) may find itself discriminated against, if income is not properly apportioned among the years. You are well aware of the difficulties and weaknesses of allocation, which make it impossible to determine with assurance the income of a particular year.

The provisions in the tax law for allocating charges for depreciation, depletion, changing inventory value, determination of bad debts, and so on, were introduced for the purpose of achieving as correct an annual statement of income as possible. The importance of accuracy and with it to a great extent, the complications of applying these provisions would diminish, if we had a real averaging system which made the allocation of income and deductions to specific years less of a factor in determining tax liability. Of course, complete averaging, of itself, would involve substantial changes in the policy of taxation, and would considerably complicate the law.

The techniques for averaging income are not as simple as they might seem; in fact, no really satisfactory method has yet been found. The benefits of averaging are partially achieved at present through the carry-over and carry-back of losses. Carry-backs involve fairly serious complications. An extension of the carry-over of losses, however, would not seriously complicate the law, and would considerably reduce the importance of allocating certain items to particular years. Under fairly stable tax rates, a long carry-over period would achieve most of what could be achieved through complete averaging.

Complexity of the law

Much corporate tax complexity arises from the attempt to spell out rules covering the taxability of a great variety of complex business transactions. For example, consider the law dealing with the determination of gain and loss from sale or other disposition of property. The general rule for these transactions is that every sale or exchange of property gives rise to a gain or loss which should be recognized for income tax purposes. However, in a great many transactions, such as the exchange of like property for like property, certain transfers or exchanges in connection with a reorganization, or transfers on liquidation of a subsidiary, the general rule is modified to disregard certain transactions otherwise affecting taxable income. The necessity of valuing certain property as of the date the income tax first went into effect -- March 1, 1913 -- introduces further complications. Difficult problems are also posed by segregating dividends paid to shareholders into taxable and non-taxable categories. A long story could be made of various provisions of the law where similar complications appear, but time does not permit its telling.

Uncertainty of the law

Perhaps the major cause of complaint, however, is not so much one of complexity as it is one of perplexity. A common complaint is that the operation of the law is uncertain in too many cases. Although uncertainties have long been present in the law, they have become particularly important in recent years because, with increased rates, taxes exercise a greater influence on general business decisions. Thus uncertainties with respect to a 10-percent tax liability do not seriously affect business decisions. But if tax rates are high, vagueness in the law will expand the area of uncertainty within which managerial decisions must be made.

The uncertainties of tax law arise largely because among the numerous possible transactions are some regarding which the tax law makes no specific provision. Taxpayers are not sure how such transactions will be treated. In some cases the law attempts to remedy the situation through specific language reducing the fringes of uncertainty surrounding the general rules. The regulations further attempt to reduce these areas of doubt in the taxpayer's mind. Both steps create more certainty, and therefore basically simplify the tax structure, although they also complicate the language of the law and regulations. But if the law and regulations fail to remove doubt, certainty can be reached only by one or a series of judicial decisions and opinions. I think you will agree that in practice this is getting certainty the hard way.

Attempts in the law or regulations to close up loopholes may also create uncertainty in the minds of those engaged in bona fide business transactions. Although some people believe that too much attention has been paid to tax loopholes, we must recognize that the willingness of taxpayers generally to comply with the tax law rests on their belief in its fairness and equity. Attempts to achieve a high degree of equity frequently have been misconstrued as attempts to reform or penalize business. For example, Section 102 may appear to be unduly harsh to the few corporations caught in its meshes, but without such a provision the great majority of taxpayers would have a legitimate grievance against a tax law which permitted a minority to take advantage of the corporate form of organization to avoid individual taxes.

The suggestion has been made in some quarters that the taxpayers' task would be simplified if the Government should accept the ordinary accounting definition of income as the definition for tax purposes. In considering this suggestion it must be borne in mind that income for tax purposes takes into consideration factors which would be inappropriate in defining income for certain other purposes. Policy considerations may dictate the exemption or partial taxation of some income. Moreover, the amount of income which a company makes during the year is not an invariable concept. The concept and, hence, the amount of income depends in part on the purpose for which the determination of income is being made. Time does not permit a lengthy discussion of the point, but it would appear that the requirements of taxation make it neither feasible nor desirable to use without change for tax purposes income as determined for ordinary accounting purposes.

Conclusion

Simplification of the corporate tax structure is one of the objectives of the studies of postwar taxation now going on in Washington. The Treasury Department some time ago began an examination of the problems of Federal tax revision in the transition and postwar years. Last June the Congressional Joint Committee on Internal Revenue Taxation, consisting of ranking members of the House Committee on Ways and Means and the Senate Finance Committee from both parties, asked its staff and the Treasury staff to work together on a study of postwar taxation and report to the Joint Comittee. This study has been in progress since that time and we hope that preliminary reports can be made to the Joint Committee soon. At the present stage less attention is being given to technical matters than to the basic structure of the system. We recently had the pleasure of hearing from a committee of this association as well as from numerous other organizations and persons.

In the past few weeks an advisory group of accountants and lawyers has been formed to assist the Treasury staff in preparing suggestions for technical modifications of the law. Not all of the technical problems under consideration involve simplification but probably most of them do. This work is highly technical and too much should not be expected too soon.

But it should be understood that the technical problems are not the hardest problems of tax simplification. The really hard problem is that almost every simplifying change adversely affects someone's interest and will be resisted.

Meantime, groups of taxpayers continue to press Congress for special provisions to ease real or allegedly excessive burdens in the tax structure. A large proportion of the technical complications of the law have stemmed from efforts of these groups in the past. As long as pressures for changes of this sort persist, we can hope for little more progress toward simplification than two steps forward for every one we slip back. Indeed, there is the possibility that our progress in this field may be in reverse, and that for every step forward we may go two steps back.

The next few years promise to be an auspicious time to promote simplification in the corporate tax structure. As revenue requirements recede, it will be possible to make some tax reductions. The task of reducing the number of taxes and eliminating provisions which cause major difficulties will be easier after the war when reductions are being made than during the war when revenue requirements are so high.

Tax simplification is a laudable goal for tax policy when it is placed in its proper perspective among other objectives. Gains from simplification must always be balanced against any resulting sacrifices of equity or of desirable economic effects. As accountants, you are familiar with the difficulties encountered under present tax laws. You also know that simplicity is a derivative problem -- one that cannot be discussed in isolation. You are well aware that problems of tax policy, of eliminating hardships, and of plugging up loopholes are responsible for many of the complexities in our tax laws. Your sense of values does not permit you to place simplicity above everything else.

More than perhaps any other group faced with handling the tax law and applying it to the individual taxpayer, you are in a position to know what simplification is feasible and possible. Many of your recommendations have been helpful in the past. We in the Treasury, along with other groups interested in postwar tax revision, are relying upon you to help resolve the complexities in our Federal corporate tax structure.

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43-80

FOR IMMEDIATE RELEASE
October 17, 1944.

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,414,691,820	October 7, 1944	13,298,340
Colombia	479,169,810	"	86,466,186
Costa Rica	30,423,480	"	128,852
Cuba	12,169,392	"	400,008
Dominican Republic	18,254,088	"	40,409
Ecuador	22,817,610	"	2,058,872
El Salvador	91,270,440	"	545,728
Guatemala	81,382,809	"	155,656
Haiti	41,832,285	"	45,843
Honduras	3,042,348	"	834,319
Mexico	72,255,765	"	4,849,363
Nicaragua	29,662,893	"	156
Peru	3,802,935	"	-
Venezuela	63,889,308	"	657,973
Non-signatory Countries:	54,001,677	"	78

1/ Quotas as established by action of the Inter-American Coffee Board on April 20, 1944

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, October 18, 1944.

Press Service
No. 43-80

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 26, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 20, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,300,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated October 26, 1944 (4), and will mature January 25, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, October 23, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

43-81

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 20, 1944.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 26, 1944.

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(Over)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, October 23, 1944.

Press Service
no. 43-82

Secretary of the Treasury Morgenthau today released the official circulars containing the detailed terms and conditions of the 2-1/2 percent and 2 percent Treasury bonds, the 1-1/4 percent Treasury notes and the 7/8 percent Treasury certificates of indebtedness, which will be sold, together with Series E, F and G Savings Bonds and Treasury savings notes, during the Sixth War Loan Drive beginning November 20.

The texts of the official circulars are attached.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS, Monday, October 23, 1944.

Press Service No. 43-82

Secretary of the Treasury Morgenthau today released the official circulars containing the detailed terms and conditions of the 2-1/2 percent and 2 percent Treasury bonds, the 1-1/4 percent Treasury notes and the 7/8 percent Treasury certificates of indebtedness, which will be sold, together with Series E, F and G Savings Bonds and Treasury savings notes, during the Sixth War Loan Drive beginning November 20.

The texts of the official circulars are attached.

UNITED STATES OF AMERICA

2-1/2 PERCENT TREASURY BONDS OF 1966-71

Dated and bearing interest from December 1, 1944 Due March 15, 1971

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER MARCH 15, 1966

Interest payable March 15 and September 15

1944
Department Circular No. 755

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 20, 1944.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2-1/2 percent Treasury Bonds of 1966-71. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: a commercial bank holding savings deposits or issuing time certificates of deposit (as each is defined in Regulation Q of the Board of Governors of the Federal Reserve System) may subscribe to the bonds offered hereunder, to the 2 percent Treasury Bonds of 1952-54 offered simultaneously herewith under Treasury Department Circular No. 756, and to Series F-1944 and Series G-1944 United States Savings Bonds, under Treasury Department Circular No. 654, Second Revision, as amended, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the combined amount of time certificates of deposit (but only those issued in the names of individuals, and of corporations, associations and other organizations not operated for profit), and of savings deposits, as shown on the bank's books as of the date of the most recent call statement required by the

supervising authorities prior to the date of subscription for such bonds, or $500,000, whichever is less, except that the aggregate amount of Series F and Series G Savings Bonds (Series 1944) held by such bank may not exceed the annual limitation of $100,000 (issue price).

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1944, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1971, but may be redeemed at the option of the United States on and after March 15, 1966, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the

Secretary of the Treasury. Except as provided in Section I of this circular, these bonds may not, before December 1, 1954, be transferred to or be held by commercial banks, which are defined for this purpose as banks accepting demand deposits; however, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before December 1, 1954, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,1/ Provided:

(a) that the bonds were actually owned by the decedent at the time of his death; and
(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at _____ for credit on Federal estate taxes due from estate of _____." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;2/

1/ An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

2/ The transfer books are closed from February 16 to March 15, and from August 16 to September 15 (both dates inclusive) in each year.

bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,3/ properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than six months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment ofthe bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. It is requested that there be no trading in the securities allotted hereunder and no purchases of such securities other than on direct subscription until after December 16, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription,

3/ Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before December 1, 1944, or on later allotment; provided, however, that bonds allotted to life insurance companies, to savings institutions, and to States, municipalities, political subdivisions and similar public corporations, and agencies thereof, may be paid for, in whole or in part, at par and accrued interest, at any time or times, with payment to be completed not later than February 28, 1945. One day's accrued interest is $0.069 per $1,000. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

2 PERCENT TREASURY BONDS OF 1952-54

Dated and bearing interest from December 1, 1944 Due December 15, 1954

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER DECEMBER 15, 1952

Interest payable June 15 and December 15

1944
Department Circular No. 756

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 20, 1944.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2 percent Treasury Bonds of 1952-54. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: a commercial bank holding savings deposits or issuing time certificates of deposit (as each is defined in Regulation Q of the Board of Governors of the Federal Reserve System) may subscribe to the bonds offered hereunder, to the 2-1/2 percent Treasury Bonds of 1966-71 offered simultaneously herewith under Treasury Department Circular No. 755, and to Series F-1944 and Series G-1944 United States Savings Bonds, under Treasury Department Circular No. 654, Second Revision, as amended, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the combined amount of time certificates of deposit (but only those issued in the names of individuals, and of corporations, associations and other organizations not operated for profit), and of savings deposits,

as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such bonds, or $500,000, whichever is less, except that the aggregate amount of Series F and Series G Savings Bonds (Series 1944) held by such bank may not exceed the annual limitation of $100,000 (issue price).

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1944, and will bear interest from that date at the rate of 2 percent per annum, payable on a semiannual basis on June 15 and December 15 in each year until the principal amount becomes payable. They will mature December 15, 1954, but may be redeemed at the option of the United States on and after December 15, 1952, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

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

$10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. It is requested that there be no trading in the securities allotted hereunder and no purchases of such securities other than on direct subscription until after December 16, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before December 1, 1944, or on later allotment; provided, however,

that bonds allotted to life insurance companies, to savings institutions, and to States, municipalities, political subdivisions and similar public corporations, and agencies thereof, may be paid for, in whole or in part, at par and accrued interest, at any time or times, with payment to be completed not later than February 28, 1945. One day's accrued interest is $0.055 per $1,000. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

1-1/4 PERCENT TREASURY NOTES OF SERIES C-1947

Dated and bearing interest from December 1, 1944 Due September 15, 1947

Interest payable March 15 and September 15

1944
Department Circular No. 757

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 20, 1944.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the United States, designated 1-1/4 percent Treasury Notes of Series C-1947. These notes will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

II. DESCRIPTION OF NOTES

1. The notes will be dated December 1, 1944, and will bear interest from that date at the rate of 1-1/4 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1947, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. 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.

4. The notes will be acceptable to secure deposits of public moneys.

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

6. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. It is requested that there be no trading in the securities allotted hereunder and no purchases of such securities other than on direct subscription until after December 16, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of notes applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for notes allotted hereunder must be made on or before December 1, 1944, or on later allotment. One day's accrued interest is $0.035 per $1,000. Any qualified depositary will be permitted to make payment by credit for notes allotted to 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.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES H-1945

Dated and bearing interest from December 1, 1944 Due December 1, 1945

1944
Department Circular No. 758

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 20, 1944.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series H-1945. These certificates will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated December 1, 1944, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on June 1 and December 1, 1945. They will mature December 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

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

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. It is requested that there be no trading in the securities allotted hereunder and no purchases of such securities other than on direct subscription until after December 16, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made on or before December 1, 1944, or on later allotment. One day's accrued interest is $0.024 per $1,000. Any qualified depositary will be

permitted to make payment by credit for certificates allotted to 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.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

43-83

FOR IMMEDIATE RELEASE
October 20, 1944

The Bureau of Customs announced today that the tariff rate quota of 60,000,000 pounds of white or Irish potatoes, other than certified seed potatoes, for the period September 15, 1944, through September 14, 1945, was filled by importations for consumption during the week ended October 14, 1944. Importers were required to deposit estimated duties at the full tariff rate on all importations for consumption of such potatoes on and after October 10, 1944, pending determination of the quota status of the importations.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, October 21, 1944.

Press Service
No. 43-83

The Bureau of Customs announced today that the tariff rate quota of 60,000,000 pounds of white or Irish potatoes, other than certified seed potatoes, for the period September 15, 1944, through September 14, 1945, was filled by importations for consumption during the week ended October 14, 1944. Importers were required to deposit estimated duties at the full tariff rate on all importations for consumption of such potatoes on and after October 10, 1944, pending determination of the quota status of the importations.

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TREASURY DEPARTMENT

WASHINGTON

OCT 21 1944

FOR RELEASE, AT 6 P.M. EWT. [redacted]
Saturday, October 21, 1944

Press Service

f 3-84

The Treasury Department today announced the revocation of the Hawaiian currency and securities regulations. This action brought to an end the financial "scorched earth" program in Hawaii.

The special Hawaiian regulations which were revoked today were designed to prevent the enemy from making effective use of the financial resources of the Islands in the event of a successful invasion. Under these regulations, the ordinary United States currency was withdrawn from circulation and a new series with a distinctive brown seal and the word "Hawaii" overprinted was issued. Securities were required to be perforated with the letter "H". Thus, in the event the Islands were occupied, it would have been difficult for the enemy to have realized any gain from the easily identifiable currency and securities which were not destroyed.

The action taken today was in line with the Treasury policy of relaxing wartime controls as soon as conditions permit. With the danger of invasion definitely removed, the precautionary measures prescribed by the regulations are no longer necessary and hereafter unperforated securities and ordinary United States currency may be marketed and circulated in Hawaii. It was emphasized, however, that the revocation of these regulations will not affect the validity of perforated securities and the special currency issued under the "scorched earth" program.

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TREASURY DEPARTMENT
Washington

FOR RELEASE AT 6 P.M., EWT,
Saturday, October 21, 1944.

Press Service
No. 43-84

The Treasury Department today announced the revocation of the Hawaiian currency and securities regulations. This action brought to an end the financial "scorched earth" program in Hawaii.

The special Hawaiian regulations which were revoked today were designed to prevent the enemy from making effective use of the financial resources of the Islands in the event of a successful invasion. Under these regulations, the ordinary United States currency was withdrawn from circulation and a new series with a distinctive brown seal and the word "Hawaii" overprinted was issued. Securities were required to be perforated with the letter "H". Thus, in the event the Islands were occupied, it would have been difficult for the enemy to have realized any gain from the easily identifiable currency and securities which were not destroyed.

The action taken today was in line with the Treasury policy of relaxing wartime controls as soon as conditions permit. With the danger of invasion definitely removed, the precautionary measures prescribed by the regulations are no longer necessary and hereafter unperforated securities and ordinary United States currency may be marketed and circulated in Hawaii. It was emphasized, however, that the revocation of these regulations will not affect the validity of perforated securities and the special currency issued under the "scorched earth" program.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 24, 1944.

Press Service

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated October 26, 1944, and to mature January 25, 1945, which were offered on October 20, were opened at the Federal Reserve Banks on October 23.

The details of this issue are as follows:

Total applied for - $2,356,311,000
Total accepted - 1,308,901,000 (includes $54,339,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.913 Equivalent rate of discount approx. 0.344% per annum
Low - 99.905 " " " " " 0.376% " "

(48 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 54,110,000	$ 28,994,000
New York	1,541,671,000	822,745,000
Philadelphia	44,500,000	29,940,000
Cleveland	40,780,000	37,010,000
Richmond	16,390,000	14,466,000
Atlanta	6,620,000	6,308,000
Chicago	361,765,000	191,283,000
St. Louis	20,861,000	12,801,000
Minneapolis	8,985,000	6,385,000
Kansas City	17,807,000	14,999,000
Dallas	23,792,000	21,140,000
San Francisco	219,030,000	122,830,000
TOTAL	$2,356,311,000	$1,308,901,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 24, 1944.

Press Service

43-85

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated October 26, 1944, and to mature January 25, 1945, which were offered on October 20, were opened at the Federal Reserve Banks on October 23.

The details of this issue are as follows:

Total applied for - $2,356,311,000
Total accepted - 1,308,901,000 (includes $54,339,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.913 Equivalent rate of discount approx. 0.344% per annum
Low - 99.905 " " " " " 0.376% " "

(48 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 54,110,000	$ 28,994,000
New York	1,541,671,000	822,745,000
Philadelphia	44,500,000	29,940,000
Cleveland	40,780,000	37,010,000
Richmond	16,390,000	14,466,000
Atlanta	6,620,000	6,308,000
Chicago	361,765,000	191,283,000
St. Louis	20,861,000	12,801,000
Minneapolis	8,985,000	6,385,000
Kansas City	17,807,000	14,999,000
Dallas	23,792,000	21,140,000
San Francisco	219,030,000	122,830,000
TOTAL	$2,356,311,000	$1,308,901,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 24, 1944.
10-23-44

Press Service
No. 43-85

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated October 26, 1944, and to mature January 25, 1945, which were offered on October 20, were opened at the Federal Reserve Banks on October 23.

The details of this issue are as follows:

Total applied for - $2,356,311,000
Total accepted - 1,308,901,000 (includes $54,339,000 entered on a fixed-price basis at 99.905 and accepted in full)

Average price - 99.905/Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.913 Equivalent rate of discount approx. 0.344% per annum
Low - 99.905 Equivalent rate of discount approx. 0.376% per annum

(48 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 54,110,000	$ 28,994,000
New York	1,541,671,000	822,745,000
Philadelphia	44,500,000	29,940,000
Cleveland	40,780,000	37,010,000
Richmond	16,390,000	14,466,000
Atlanta	6,620,000	6,308,000
Chicago	361,765,000	191,283,000
St. Louis	20,861,000	12,801,000
Minneapolis	8,985,000	6,385,000
Kansas City	17,807,000	14,999,000
Dallas	23,792,000	21,140,000
San Francisco	219,030,000	122,830,000
TOTAL	$2,356,311,000	$1,308,901,000

43-8

FOR IMMEDIATE RELEASE
October 24, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,414,691,820	October 14, 1944	48,509,212
Colombia	479,169,810	"	92,579,224
Costa Rica	30,423,480	"	453,828
Cuba	12,169,392	"	400,008
Dominican Republic	18,254,088	"	40,409
Ecuador	22,817,610	"	3,460,043
El Salvador	91,270,440	"	799,611
Guatemala	81,382,809	"	1,648,252
Haiti	41,832,285	"	45,843
Honduras	3,042,348	"	1,487,966
Mexico	72,255,765	"	6,101,090
Nicaragua	29,662,893	"	156
Peru	3,802,935	"	389,494
Venezuela	63,889,308	"	657,973
Non-signatory Countries:	54,001,677	"	93

1/ Quotas as established by action of the Inter-American Coffee Board on April 20, 1944.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, October 25, 1944.

Press Service
No. 43-86

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

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TREASURY DEPARTMENT

COMPTROLLER OF THE CURRENCY
Washington

For Release Morning Newspapers
Thursday, October 26, 1944.

Press Service
No. 43-87

Comptroller of the Currency, Preston Delano, today issued instructions to all National Bank Examiners designed to facilitate national bank participation in the making of home loans to veterans under the so-called G. I. Bill.

The Comptroller's instructions to National Bank Examiners follow:

"Regulations have been issued by the Administrator of Veterans' Affairs covering home loans to veterans by lending agencies under Title III of the Servicemen's Readjustment Act of 1944. Section 505 of Title III provides in effect that in any case wherein a 'principal loan' to a qualified veteran for the purchase or construction of a home is approved by a Federal agency to be made or guaranteed or insured by it, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost of construction, the veteran may borrow from a lending agency a maximum of 20 per cent of the purchase price or cost, but not more than $2,000, and may have the full amount thereof guaranteed by the Administrator of Veterans' Affairs, subject to qualifications and exceptions set forth in the above-mentioned Regulations.

"In order to enable national banks to participate effectively in this portion of the 'G. I.' program, this office has taken the position that even though such second loans are secured by liens upon real estate, they will not be considered real estate loans subject to the limitations and restrictions of Section 24 of the Federal Reserve Act, for the reason that the Loan Guaranty Certificate issued by the Veterans' Administration rather than the real estate lien constitutes the bank's primary security."

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G.P.O.
25 to Robertson
3104

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, October 26, 1944.

Press Service
No. 43-87

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 2, 1944 (7).

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 27, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $ 1,300,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated November 2, 1944 (4), and will mature February 1, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, October 30, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 27, 1944.
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The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated November 2, 1944, and will mature February 1, 1945, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

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(Over)

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There can be but one choice for us. The United States as the greatest political and economic power on earth must assume the leadership in developing a workable program of international economic cooperation. I believe that the Bretton Woods proposals for the establishment of a Fund and a Bank are a necessary part of such a program.

international economic cooperation.

We are at the cross-roads. Either the economic problems of the world are going to be solved through international cooperation or nations will again turn to economic isolationism or the formation of rival economic blocs. In the field of international monetary relationships the latter way means a return to the restrictive and discriminatory currency practices which characterized international dealings in the 1930's. It means a return to economic aggression of the sort which preceded this war. On the other hand, international cooperation points the way to an expanding world trade for the benefit of all nations and assures the economic conditions for a durable peace.

realization rested their hopes for a new Europe - a democratic Europe.

But I know, and you know, and the people of Europe know, that their attainment of these goals depends today upon the United States. Whether you put the issue on the high and noble plane of acting from motives of generosity and love for fellow man, or on the narrow plane of looking after our own self interest, the answer must be the same. America cannot afford economic isolationism. We in this country have got to do our part in getting these war-torn countries back on their economic feet. We must show these countries - and show them soon - that just as the United States is ready to do her part now in establishing international machinery for preserving world security, so is the United States ready now to join with them in

upheaval that may shake Europe to her very foundations.

I am not trying to be an alarmist and I certainly do not believe in brooding over the dark side of these problems. But I do believe in being a hard-headed realist. I do believe that all of us have got to face these facts with our eyes wide open.

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This much I do know; the representatives of these nations at Bretton Woods were facing up to these facts in their own thinking and in their fervent efforts to work out in advance concrete plans for dealing with these problems. They were far past the stage of academic and theoretical discussion of the pros and cons of every plan in search for an ideal or perfect plan. What they wanted was a practical plan - one that would work - a plan that would hold out to their people genuine promise that in its

And let's not overlook one further aspect of this problem of reconstruction. These people in Europe who have been ground under Hitler's heel for years have stood an awful lot. But there are growing signs - signs that the wise will take as warning signals - that these people have just about reached the end of their capacity to take it. They are in no mood to be merely apathetic if after liberation they find themselves saddled with the prospects of unemployment, hunger and make-shift homes put together out of rubble.

They are going to expect action on the part of their governments; quick and decisive action to meet these most fundamental of all needs. And they are either going to get that kind of action or we are likely to witness an explosion - an explosion of civil strife and political

all the money loaned and also bearing 100% of any losses. The World Bank is just plain Yankee common sense when evaluated in these terms.

I should not want for a minute to leave with you the impression that the establishment of the Monetary Fund and World Bank are all that is needed to insure world peace. On the contrary they are but two of the pillars in a structure requiring many pillars. That the Government recognizes this fact is evident from the recent release of the Dumbarton Oaks plan for a United Nations security organization, from the establishment of UNRRA, the World Food Organization and the pending plans for discussion of the problems of world tariffs and commercial policy.

Nevertheless, the whole world also benefits by getting these war-torn and underdeveloped countries back on their feet.

The World Bank operates on these two principles. Thus it recognizes that the United States will have to provide much of the capital and the goods. But in turn all countries agree to share with us any losses through default. They in fact agree to make good on such losses in gold or dollars. The net result is that although we get the benefits of sound investments and increased employment from making the loans, we only have to bear approximately one-third of any losses. This is certainly a vast improvement over some of the so-called counter plans that envisage the United States alone as putting up

of capital needed to reconstruct the war-torn areas must be raised in the United States or it may not be raised at all. As a result of the war this country is in a better position than any other to furnish the major portion of the machinery and equipment which will be needed for speedy reconstruction.

Second: While the United States may have to furnish much of the capital initially for this reconstruction we alone should not bear the risk of repayment. It is true that the export of billions of dollars worth of machinery and equipment from this country after the war will contribute enormously to full employment here.

reports that it would increase the productivity of the borrowing country, and that the prospective balance of payments of the borrowing country is favorable to the servicing of the loan. In this way the Bank would encourage private investors to provide funds for sound and productive international investment that would contribute to the reconstruction and development of the world's resources and to the expansion of world trade.

In evaluating the merits of the World Bank it is important to keep in mind these two principles:

First: Not all countries will be in a position to lend money to other countries. In fact it is only realistic to assume that in the early post-war period the great bulk

Reconstruction and Development is designed specifically to promote international investment. The Bank would encourage private investors to undertake international investment by guaranteeing loans made through the usual investment channels. In exceptional cases, where private capital is not available, the Bank would make loans out of its own resources.

It is important to have a substantial volume of foreign investment after the war, but we do not want to repeat the mistakes of the 1920's during which a large volume of improvident loans were made. Unsound loans made at high interest rates inevitably lead to losses which are harmful to economic and political relationships. No loans would be guaranteed or made by the Bank unless a competent committee after studying the proposed project,

We all know from past experience how different pressure groups in various countries have advocated modification of the exchange rate when sufficient justification for a change did not exist, when they were merely seeking an easy way out of their own immediate problems. And we also know that it is not always easy to resist such demands. But membership in the Fund, with its responsibilities as well as privileges, will heighten each country's awareness of the need for avoiding changing exchange rates except if absolutely essential and except as an orderly process carried through in close consultation with the Fund.

While the International Monetary Fund would in itself tend to stimulate foreign investment by providing orderly exchange markets and by removing restrictions on the making of foreign payments, the International Bank for

Where, however, the short-term adverse balance of payments is due to more basic causes, some slight readjustment in exchange rates may be necessary. Stability does not mean rigidity. The international economic position of each country is not static. It cannot be in a world of change. Therefore, it may be desirable and necessary to attack a deep-seated maladjustment by some modification of the exchange rate. The Fund's machinery provides for this contingency too; its specific contribution here is to insure that such readjustments are made in an orderly manner, and with due provision for consultation with the Fund.

Here again the whole emphasis of the philosophy behind the Fund is to put a maximum of obstacles in the way of indiscriminate resort to currency depreciation.

ing their exchange rates they will be permitted to buy limited amounts of foreign exchange from the Fund in order to give them time to restore a proper balance in their international accounts.

How much more sensible it is to have international facilities to facilitate the adoption and application of such remedies than to let an adverse balance due to temporary causes generate a whole cycle of cut-throat competition, competitive currency depreciation, restriction, etc., all of which directly contribute to depression at home and abroad and to the poisoning of the whole atmosphere of international political as well as economic relations.

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defined by the Fund Agreement. Member countries also agree not to impose restrictions on importers who want to make payments for commodities and services which they want to purchase from other countries and not to engage in other types of restrictive and discriminatory exchange practices.

But countries cannot undertake the obligation to adopt such policies unless they are assured of access to financial aid in time of emergency. In order to give assurance to countries in meeting their needs the Fund is provided with resources amounting to 8.8 billion dollars. This amount, of which the share of the United States is approximately $2.8 billion, is subscribed by the member countries in the form of gold and local currencies. When member countries need help in maintain-

of payments between importers and exporters in different countries.

The Fund also seeks to stabilize the values of the currencies of its members. This objective ties in with the principle of removing barriers to foreign trade since rapidly fluctuating exchange ratesand chaotic exchange markets have been in fact an important barrier to trade.

How will the International Stabilization Fund carry out these purposes? Under the Fund Agreement each member nation would obligate itself not to engage in harmful exchange practices. Specifically nations agree not to engage in competitive exchange depreciation. They agree not to change the value of their currencies, which would be expressed in terms of gold, except under conditions

that monetary and financial difficulties have in the past represented the greatest barrier to international trade. Of what use would a trade agreement be with a country pursuing the monetary policy Germany was pushing in the 1930's?

The fundamental purpose of the International Monetary Fund is to promote an expansion and balanced growth of international trade through the maintenance of exchange stability and the elimination of restrictive and discriminatory exchange practices which destroy world trade.

It is therefore the objective of the International Monetary Fund to establish rules of fair conduct for international transactions, and to eliminate discriminatory and restrictive purrency practices which limit the making

From these discussions emerged the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, last July. At this Conference the representatives of 44 nations met together in a spirit of cooperation and mutual understanding to work out their common monetary and financial problems. Articles of Agreement were prepared for the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. These agreements do not bind any of the nations represented in the Conference. Instead they will be submitted to the Governments of each of the 44 nations for approval or rejection.

The Bretton Woods Agreements deal with monetary and financial relations among nations and do not deal with trade agreements as such. But I need not tell you

Bretton Woods Conference, it should be remembered that the forging of such agreements is the product of years of work - work not only in this country but abroad as well.

Two years ago the technical experts of the Treasury Department, the State Department, the Federal Reserve Board and several other governmental agencies began discussions with the technical experts of some 30 countries for the purpose of exploring means by which all nations could cooperate in the elimination of destructive exchange practices and the promotion of exchange stability. These discussions disclosed universal agreement by the experts in all countries that international cooperation was essential for the reconstruction of world trade and the promotion of a high level of world prosperity after the war.

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Thus, we see the major significance of a balanced growth in world trade toward establishing a permanent basis for world peace and prosperity. We also see two major avenues of approach to the problem of developing healthy world trade. First we must restore stability to the currencies of the world and free the channels of trade. Second we must insure the war-torn areas and underdeveloped nations with adequate facilities for obtaining capital to establish their economies on sound foundations. These are "musts" in any realistic program for world peace and prosperity.

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These were the problems which 44 countries tackled at the Bretton Woods Conference last July. But while the agreements dealing with these problems emerged from the

we are to maintain a high level of employment in the post-war period we will have to sell from 12 to 15 percent of our manufactures and agricultural products abroad.

In a word, a high volume of foreign trade means all the difference between American industry running at high capacity and getting a reasonable return on its investment, and American industry running at low capacity and with a low total volume of profits. You know better than I what that difference signifies for you and the American people, how it achieves practical expression in management being prepared - being eager - to make new investments and to place venture capital freely, as distinguished from a harassed management holding on and merely trying to minimize losses.

What we need if we are to re-establish international trade on a sound basis after the war is a set of standards to which all of the United Nations can undertake to adhere without endangering their domestic economic welfare. Only in this way can we plan for an expansion and balanced growth of international trade and for the elimination of those trade practices which inevitably involve serious economic rivalries and are a factor in making for wars.

Then too, quite apart from its relation to world peace, we in this country have an immediate and vital economic interest in a high level of foreign trade and investment as a means of providing jobs for American labor and as a condition necessary for prosperity at home. Our productive capacity and our ability to produce goods have increased enormously since the beginning of the war. If

means of discriminatory practices and without adherence to any common rules or standards of fair international trade dealings? It has become only too clear that when nations try to solve their foreign trade problems by adopting a policy of economic warfare, the result is individual and collective failure.

No nation has been able to profit in the long run from a policy of restricting trade or of increasing its own trade at the expense of its neighbor. No nation can insulate its economy from economic forces in other countries through a policy of economic isolation. The lesson of the decade immediately before the war is that nations can only expect to solve their common economic problems through international cooperation.

But any advantage which countries may gain in this manner is bound to be short-lived. Sooner or later other countries will voluntarily or involuntarily retaliate by the same or even a greater amount of depreciation of their own currencies. And, currency manipulation as an economic warfare measure was not confined to mere depreciation. It also took the form of using multiple currencies, blocking trade balances, discriminatory foreign exchange controls, and clearing "agreements" - in fact it assumed the form of every financial and monetary device used by Hitler to break the economic backs of his enemies.

What were the results of this attempt by nations to work out their international economic problems by

their attempt to work out by themselves problems which can only be tackled through international cooperation.

Foreign trade is carried on by means of a complicated monetary mechanism. We have all seen what happens when this mechanism suddenly breaks down. Foreign trade declines and in their efforts to protect their domestic economies nations turn to all kinds of restrictive measures which involve economic rivalries and spread unemployment from country to country. Thus, countries used the method of deliberately cheapening their currencies as a means of capturing a larger share of the international trade from other countries. Through such methods, countries attempt to gain some advantage for their own exporters at the expense of exporters in other countries.

"total peace."

During the 1920's most nations returned to the gold standard and earnestly tried to maintain the convertibility of their currencies into gold without exchange restrictions. But in the period of financial strain after 1929 the system broke down. During the 1930's nearly every nation of the world went off the gold standard, and with its break-down surged the flood tide of economic war.

This is not a criticism of the gold standard as such. Nations need a common measure of the value of their currencies, and gold has proved itself to be an excellent instrument for this purpose. But the basic reason for the monetary difficulties which the nations of the world have experienced in recent decades lies in

There are some who tell us that except possibly for the provision of capital for the reconstruction of the war-torn areas, each nation should work out its own foreign trade and foreign exchange problems. In the United States there are those who say that all we need to do is to maintain complete freedom of exchange dealings and the convertibility of our currency to gold and we will encourage other countries to do likewise by our example. In this way, it is said, the level of international trade and the balance of international payments will be automatically adjusted. I fear, however, that the people who advocate this kind of a do-nothing policy have forgotten the lessons of recent history. They are still afflicted by a passive and negative concept of "peace." They have not conceived the essential nature of waging

open - upon a high level of profitable foreign trade. We must provide the basis for stable and orderly economic relations just as we must provide the basis for political peace. We must eliminate economic aggression just as we must outlaw war. Certainly economic warfare is no foundation upon which to erect a structure of lasting peace. Rather our goal - and the goal of every country - must be a genuine increase in the total amount of foreign trade so that the expansion of one nation's exports is not at the expense of its neighbor.

6 But how do we go about this clearing of the channels of foreign trade? How do we uproot this persistent tendency for cut-throat competition for foreign markets?

foreign capital. Heavy amounts of capital must be provided to make possible the additional purchases which will be necessary to restore the industries and farms in these war-torn countries. Only with substantial aid from the other countries of the world can these countries reconstruct their economies. The peace and prosperity of the post-war period will depend in large measure on a rapid return of these countries to full production and a high level of real income.

But providing capital with which to aid in the reconstruction of war torn areas and the development of resources in backward countries is not enough. Prosperity in this country and throughout the world also depends upon the channels of trade and commerce being

I want you to see them in their true perspective against a background of plans for a "total peace" and not as isolated measures. And to appreciate the role these programs will play also requires an appreciation of the economic problems with which they must cope.

Only in a prosperous world, free from the ravages of economic warfare, can we have the conditions necessary for permanent world peace. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

I know it is not news to you that many nations whose industries have been devastated by the war will be unable to reconstruct their economies without the aid of

the democracies so that one after another they toppled before him when he set out to make the "kill" in September of 1939. And what Hitler did, is also the story of what Hirohito and Mussolini did.

What these Axis leaders did spells exactly the scope of what the democracies failed to do in waging peace, and graphically illustrates what we now must do in waging total peace. And it is in terms of these fundamentals that representatives of 44 nations worked together at the Bretton Woods Conference to solve some of the basic international economic problems which must be dealt with if we are to wage total peace.

5 I now want to discuss those phases of the economic front which were dealt with at the United Nations Monetary and Financial Conference at Bretton Woods last July. But

front and on the home front. Thus, while we tend to associate the beginning of the war with Hitler's invasion of Poland, this was really only the final phase of a war commenced years earlier.

Hitler was at war on the political and economic front as early as 1938 when he forced the anchluss with Austria, so that Germany and Austria might function as one political and economic unit. In fact Hitler was at war against the democracies throughout the 1930's when he conquered market after market in Europe, in South America - yes, even here in the United States through economic penetration. He mobilized the economic might of Germany in the early thirties and by means of ruthless foreign exchange and currency practices, by means of trade restrictions and cartels, he sapped the economic power of

fought out in the production lines - which we call the "home front." No one today doubts but that it means war on every front known to man - that is precisely why we call it "total war."

"Total peace" must be achieved on these same fronts lest we awaken one day to find, for example, that although we made elaborate plans for a world political organization to maintain the peace - we permitted within our walls the Trojan Horse of economic warfare which has so undermined the economic foundations of the world that new Hitlers and new Mussolinis have arisen to lead their countries to prosperity through aggression. None of us should forget the fact that armed conflict in this war followed - not preceded - the Axis dictators' attacks on the economic

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Most of us, this time, are going to keep in mind that in waging this "total peace" it is essential to recognize that like "total war", "total peace" has many fronts. We all know today that total war is not merely the armed conflict of two nations or two military forces. To us, total war means conflict at every level. It means a war fought between forces on a national political plane - which we call the "diplomatic front." It means a war fought on the economic front - which we call "economic warfare." It means a war fought on the propaganda front - which we call "psychological warfare." It means a war

strife or discord." Our literature, histories, newspapers and our conversation almost universally emphasize the passive and negative features of the word "peace." It has the same lack of dynamic qualities that we ascribe to the word "darkness" in defining it as the "absence of light."

In my mind this negative and passive concept of "peace" is unfortunate. I think most people would agree that "peace" can no longer have the connotation of "inaction" or of "rest." Instead, we need to think in terms of a new definition - a new concept that will more vividly portray the dynamic qualities of "peace"; one that will drive home the fact that "peace" does not mean "inaction" but rather "action"; and that it does not mean "rest" but rather "work."

For the attainment of world peace and world prosperity is not the automatic by-product of winning this war. All history and our own experience point to the fact that peace and prosperity have never come to those who merely sit and wait for such blessings. Instead, we all know now that we must wage peace as we have waged war - it must be an all out effort, we must attack on all fronts and we must be ever vigilant.

3 And when we speak of "peace", I find that I have a natural tendency to focus on its obvious and passive features and ignore its more subtle and positive phases. I think this may be a habit of thought which others too, have experienced. Thus, I find that my dictionary defines "peace" as "the absence or cessation of war,

of total war. Will we approach the problems of peace with the same boldness of conception, the same courage and determination as we have approached the problems of war.

Nor are we in this country alone in mulling over this question today. Thinking people, hoping people all over the world, are desperately interested in whether the end of this war will mean only a cessation of armed conflict by a crippled and exhausted world - a world too weak and too spent to care for its own wounds, its own hunger and its own freedom? Or will the world call upon its latent reserves of strength and courage to build for world peace on solid foundations? Will America serve in peace as she has in war as a powerful inspiration to the old world? Will she put her broad shoulder to the wheel of world peace?

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Foremost among these fundamentals, in my opinion, is the approach this country will adopt in coping with the problems which will face it at the end of the war. I do not believe I am guilty of overstatement when I say that the whole world has witnessed with incredulous wonder America's capacity for making war. These achievements did not just happen. Rather, they are a credit to our daring conception of what America could do when the pressure was really on. They are a credit to the boldness, courage and determination with which we have met the war time problems of production, shipping and military operations.

The question naturally arises therefore as to whether this country is prepared to meet the challenge of <u>total peace</u> in the same way that it has met the challenge

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INTERNATIONAL TRADE AND THE BRETTON WOODS CONFERENCE

Mr. Glenn, and members of the New York Board of Trade:

It has been a source of wonder to foreign visitors and commentators that in the midst of a great war, the United States can conduct a national election and engage in a - shall we say "vigorous" - political campaign, without interfering with our all out prosecution of the war. I believe I am correct in saying that we alone of the great nations of the world pursue this practice. It is to our credit, that as a people we have the political objectivity and the cool-headedness to be able to wage a war and a political campaign simultaneously without permitting either to suffer as a consequence.

In my mind, this political objectivity is further manifested by the level-headed way you and I can calmly

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO

FROM

(The following address by Ansel F. Luxford, Assistant General Counsel of the U. S. Treasury, before the New York Board of Trade at the Hotel Astor, New York City, is scheduled for delivery Friday, October 27, 1944, at 12:15 P.M. EWT, and is for release at that time)

New York Board of Trade

"INTERNATIONAL TRADE AND THE BRETTON WOODS CONFERENCE"

A BUSINESS SYMPOSIUM

on

AMERICA'S GREATEST POST-WAR PROBLEM

address by

HONORABLE ANSEL F. LUXFORD

Assistant General Counsel, U.S. Treasury
(Mr. Luxford was Chief Legal Advisor to the
United States delegation at Bretton Woods)

followed by

QUESTIONS - ANSWERS - DISCUSSION

HOTEL ASTOR

Belvedere Room

Friday, October 27th, 1944 - 12:15 noon

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attached

H3-89

TREASURY DEPARTMENT
Washington

FOR RELEASE 12:15 P.M. EWT
Friday, October 27, 1944

Press Service
No. 43-89

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Nor are we in this country alone in mulling over this question today. Thinking people, hoping people all over the world, are desperately interested in whether the end of this war will mean only a cessation of armed conflict by a crippled and exhausted world - a world too weak and too spent to care for its own wounds, its own hunger and its own freedom. Or will the world call upon its latent reserves of strength and courage to build for world peace on solid foundations? Will America serve in peace as she has in war as a powerful inspiration to the old world? Will she put her broad shoulder to the wheel of world peace?

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"Total peace" must be achieved on these same fronts lest we awaken one day to find, for example, that although we made elaborate plans for a world political organization to maintain the peace - we permitted within our walls the Trojan Horse of economic warfare which has so undermined the economic foundations of the world that new Hitlers and New Mussolinis have arisen to lead their countries to prosperity through aggression. None of us should forget the fact that armed conflict in this war followed - not preceded - the Axis dictators' attacks on the economic front and on the home front. Thus, while we tend to associate the beginning of the war with Hitler's invasion of Poland, this was really only the final phase of a war commenced years earlier.

Hitler was at war on the political and economic front as early as 1938 when he forced the anchluss with Austria, so that Germany and Austria might function as one political and economic unit. In fact Hitler was at war against the democracies throughout the 1930's when he conquered market after market in Europe, in South America - yes, even here in the United States through economic penetration. He mobilized the economic might of Germany in the early thirties and by means of ruthless foreign exchange and currency practices, by means of trade restrictions and cartels, he sapped the economic power of the democracies so that one after another they toppled before him when he set out to make the "kill" in September of 1939. And what Hitler did, is also the story of what Hirohito and Mussolini did.

What these Axis leaders did spells exactly the scope of what the democracies failed to do in waging peace, and graphically illustrates what we now must do in waging total peace. And it is in terms of these fundamentals that representatives of 44 nations worked together at the Bretton Woods Conference to solve some of the basic international economic problems which must be dealt with if we are to wage total peace.

I now want to discuss those phases of the economic front which were dealt with at the United Nations Monetary and Financial Conference at Bretton Woods last July. But I want you to see them in their true perspective against a background of plans for a "total peace" and not as isolated measures. And to appreciate the role these programs will play also requires an appreciation of the economic problems with which they must cope.

Only in a prosperous world, free from the ravages of economic warfare, can we have the conditions necessary for permanent world peace. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

I know it is not news to you that many nations whose industries have been devastated by the war will be unable to reconstruct their economies without the aid of foreign capital. Heavy amounts of capital must be provided to make possible the additional purchases which will be necessary to restore the industries and farms in these war-torn countries. Only with substantial aid from the other countries of the world can these countries reconstruct their economies. The peace and prosperity of the post-war period will depend in large measure on a rapid return of these countries to full production and a high level of real income.

But providing capital with which to aid in the reconstruction of war torn areas and the development of resources in backward countries is not enough. Prosperity in this country and throughout the world also depends upon the channels of trade and commerce being open - upon a high level of profitable foreign trade. We must provide the basis for stable and orderly economic relations just as we must provide the basis for political peace. We must eliminate economic aggression just as we must outlaw war. Certainly economic warfare is no foundation upon which to erect a structure of lasting peace. Rather our goal - and the goal of every country - must be a genuine increase in the total amount of foreign trade so that the expansion of one nation's exports is not at the expense of its neighbor.

But how do we go about this clearing of the channels of foreign trade? How do we uproot this persistent tendency for cut-throat competition for foreign markets?

There are some who tell us that except possibly for the provision of capital for the reconstruction of the war-torn areas, each nation should work out its own foreign trade and foreign exchange problems. In the United States there are those who say that all we need to do is to maintain complete freedom of exchange dealings and the convertibility of our currency to gold and we will encourage other countries to do likewise by our example. In this way, it is said, the level of international trade and the balance of international payments will be automatically adjusted. I fear, however, that the people who advocate this kind of a do-nothing policy have forgotten the lessons of recent history. They are still afflicted by a passive and negative concept of "peace". They have not conceived the essential nature of waging "total peace".

During the 1920's most nations returned to the gold standard and earnestly tried to maintain the convertibility of their currencies into gold without exchange restrictions. But in the period of financial strain after 1929 the system broke down. During the 1930's nearly every nation of the world went off the gold standard, and with its break-down surged the flood tide of economic war.

This is not a criticism of the gold standard as such. Nations need a common measure of the value of their currencies, and gold has proved itself to be an excellent instrument for this purpose. But the basic reason for the monetary difficulties which the nations of the world have experienced in recent decades lies in their attempt to work out by themselves problems which can only be tackled through international cooperation.

Foreign trade is carried on by means of a complicated monetary mechanism. We have all seen what happens when this mechanism suddenly breaks down. Foreign trade declines and in their efforts to protect their domestic economies nations turn to all kinds of restrictive measures which involve economic rivalries and spread unemployment from country to country. Thus, countries used the method of deliberately cheapening their currencies as a means of capturing a larger share of the international trade from other countries. Through such methods, countries attempt to gain some advantage for their own exporters at the expense of exporters in other countries.

But any advantage which countries may gain in this manner is bound to be short-lived. Sooner or later other countries will voluntarily or involuntarily retaliate by the same or even a greater amount of depreciation of their own currencies. And, currency manipulation as an economic warfare measure was not confined to mere depreciation. It also took the form of using multiple currencies, blocking trade balances, discriminatory foreign exchange controls and clearing "agreements" - in fact it assumed the form of every financial and monetary device used by Hitler to break the economic backs of his enemies.

What were the results of this attempt by nations to work out their international economic problems by means of discriminatory practices and without adherence to any common rules or standards of fair international trade dealings? It has become only too clear that when nations try to solve their foreign trade problems by adopting a policy of economic warfare, the result is individual and collective failure.

No nation has been able to profit in the long run from a policy of restricting trade or of increasing its own trade at the expense of its neighbor. No nation can insulate its economy from economic forces in other countries through a policy of economic isolation. The lesson of the decade immediately before the war is that nations can only expect to solve their common economic problems through international cooperation.

What we need if we are to re-establish international trade on a sound basis after the war is a set of standards to which all of the United Nations can undertake to adhere without endangering their domestic economic welfare. Only in this way can be plan for an expansion and balanced growth of international trade and for the elimination of those trade practices which inevitably involve serious economic rivalries and are a factor in making for wars.

Then too, quite apart from its relation to world peace, we in this country have an immediate and vital economic interest in a high level of foreign trade and investment as a means of providing jobs for American labor and as a condition necessary for prosperity at home. Our productive capacity and our ability to produce goods have increased enormously since the beginning of the war. If we are to maintain a high level of employment in the postwar period we will have to sell from 12 to 15 percent of our manufactures and agricultural products abroad.

In a word, a high volume of foreign trade means all the difference between American industry running at high capacity and getting a reasonable return on its investment, and American industry running at low capacity and with a low total volume of profits. You know better than I what that difference signifies for you and the American people, how it achieves practical expression in management being prepared - being eager - to make new investments and to place venture capital freely, as distinguished from a harassed management holding on and merely trying to minimize losses.

Thus, we see the major significance of a balanced growth in world trade toward establishing a permanent basis for world peace and prosperity. We also see two major avenues of approach to the problem of developing healthy world trade. First we must restore stability to the currencies of the world and free the channels of trade. Second we must insure the war-torn areas and underdeveloped nations with adequate facilities for obtaining capital to establish their economies on sound foundations. These are "musts" in any realistic program for world peace and prosperity.

These were the problems which 44 countries tackled at the Bretton Woods Conference last July. But while the agreements dealing with these problems emerged from the Bretton Woods Conference, it should be remembered that the forging of such agreements is the product of years of work-work not only in this country but abroad as well.

Two years ago the technical experts of the Treasury Department, the State Department, the Federal Reserve Board and several other governmental agencies began discussions with the technical experts of some 30 countries for the purpose of exploring means by which all nations could cooperate in the elimination of destructive exchange practices and the promotion of exchange stability. These discussions disclosed universal agreement by the experts in all countries that international cooperation was essential for the reconstruction of world trade and the promotion of a high level of world prosperity after the war.

From these discussions emerged the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, last July. At this Conference the representatives of 44 nations met together in a spirit of cooperation and mutual understanding to work out their common monetary and financial problems. Articles of Agreement were prepared for the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. These agreements do not bind any of the nations represented in the Conference. Instead they will be submitted to the Governments of each of the 44 nations for approval or rejection.

The Bretton Woods Agreements deal with monetary and financial relations among nations and do not deal with trade agreements as such. But I need not tell you that monetary and financial difficulties have in the past represented the greatest barrier to international trade. Of what use would a trade agreement be with a country pursuing the monetary policy Germany was pushing in the 1930's?

The fundamental purpose of the International Monetary Fund is to promote an expansion and balanced growth of international trade through the maintenance of exchange stability and the elimination of restrictive and discriminatory exchange practices which destroy world trade.

It is therefore the objective of the International Monetary Fund to establish rules of fair conduct for international transactions, and to eliminate discriminatory and restrictive currency practices which limit the making of payments between importers and exporters in different countries.

The Fund also seeks to stabilize the values of the currencies of its members. This objective ties in with the principle of removing barriers to foreign trade since rapidly fluctuating exchange rates and chaotic exchange markets have been in fact an important barrier to trade.

How will the International Stabilization Fund carry out these purposes? Under the Fund Agreement each member nation would obligate itself not to engage in harmful exchange practices. Specifically nations agree not to engage in competitive exchange depreciation. They agree not to change the value of their currencies, which would be expressed in terms of gold, except under conditions defined by the Fund Agreement. Member countries also agree not to impose restrictions on importers who want to make payments for commodities and services which they want to purchase from other countries and not to engage in other types of restrictive and discriminatory exchange practices.

But countries cannot undertake the obligation to adopt such policies unless they are assured of access to financial aid in time of emergency. In order to give assurance to countries in meeting their needs the Fund is provided with resources amounting to $8,800,000,000. This amount, of which the share of the United States is approximately $2,800,000,000, is subscribed by the member countries in the form of gold and local currencies. When member countries need help in maintaining their exchange rates they will be permitted to buy limited amounts of foreign exchange from the Fund in order to give them time to restore a proper balance in their international accounts.

How much more sensible it is to have international facilities to facilitate the adoption and application of such remedies than to let an adverse balance due to temporary causes generate a whole cycle of cut-throat competition, competitive currency depreciation, restriction, etc., all of which directly contribute to depression at home and abroad and to the poisoning of the whole atmosphere of international political as well as economic relations.

Where, however, the short-term adverse balance of payments is due to more basic causes, some slight readjustment in exchange rates may be necessary. Stability does not mean rigidity. The international economic position of each country is not static. It cannot be in a world of change. Therefore, it may be desirable and necessary to attack a deep-seated maladjustment by some modification of the exchange rate. The Fund's machinery provides for this contingency too; its specific contribution here is to insure that such readjustments are made in an orderly manner, and with due provision for consultation with the Fund.

Here again the whole emphasis of the philosophy behind the Fund is to put a maximum of obstacles in the way of indiscriminate resort to currency depreciation. We all know from past experience how different pressure groups in various countries have advocated modification of the exchange rate when sufficient justification for a change did not exist when they were merely seeking an easy way out of their own immediate problems. And we also know that it is not always easy to resist such demands. But membership in the Fund, with its responsibilities as well as privileges, will heighten each country's awareness of the need for avoiding changing exchange rates except if absolutely essential and except as an orderly process carried through in close consultation with the Fund.

While the International Monetary Fund would in itself tend to stimulate foreign investment by providing orderly exchange markets and by removing restrictions on the making of foreign payments, the International Bank for Reconstruction and Development is designed specifically to promote international investment. The Bank would encourage private investors to undertake international investment by guaranteeing loans made through the usual investment channels. In exceptional cases, where private capital is not available, the Bank would make loans out of its own resources.

It is important to have a substantial volume of foreign investment after the war, but we do not want to repeat the mistakes of the 1920's during which a large volume of improvident loans were made. Unsound loans made at high interest rates inevitably lead to losses which are harmful to economic and political relationships. No loans would be guaranteed or

made by the Bank unless a competent committee after studying the proposed project, reports that it would increase the productivity of the borrowing country, and that the prospective balance of payments of the borrowing country is favorable to the servicing of the loan. In this way the Bank would encourage private investors to provide funds for sound and productive international investment that would contribute to the reconstruction and development of the world's resources and to the expansion of world trade.

In evaluating the merits of the World Bank it is important to keep in mind these two principles:

First: Not all countries will be in a position to lend money to other countries. In fact it is only realistic to assume that in the early post-war period the great bulk of capital needed to reconstruct the war-torn areas must be raised in the United States or it may not be raised at all. As a result of the war this country is in a better position than any other to furnish the major portion of the machinery and equipment which will be needed for speedy reconstruction.

Second: While the United States may have to furnish much of the capital initially for this reconstruction we alone should not bear the risk of repayment. It is true that the export of billions of dollars worth of machinery and equipment from this country after the war will contribute enormously to full employment here. Nevertheless, the whole world also benefits by getting these war-torn and underdeveloped countries back on their feet.

The World Bank operates on these two principles. Thus it recognizes that the United States will have to provide much of the capital and the goods. But in turn all countries agree to share with us any losses through default. They in fact agree to make good on such losses in gold or dollars. The net result is that although we get the benefits of sound investments and increased employment from making the loans, we only

have to bear approximately one-third of any losses. This is certainly a vast improvement over some of the so-called counter plans that envisage the United States alone as putting up all the money loaned and also bearing 100% of any losses. The World Bank is just plain Yankee common sense when evaluated in these terms.

I should not want for a minute to leave with you the impression that the establishment of the Monetary Fund and World Bank are all that is needed to insure world peace. On the contrary they are but two of the pillars in a structure requiring many pillars. That the Government recognizes this fact is evident from the recent release of the Dumbarton Oaks plan for a United Nations security organization, from the establishment of UNRRA, the World Food Organization and the pending plans for discussion of the problems of world tariffs and commercial policy.

And let's not overlook one further aspect of this problem of reconstruction. These people in Europe who have been ground under Hitler's heel for years have stood an awful lot. But there are growing signs - signs that the wise will take as warning signals - that these people have just about reached the end of their capacity to take it. They are in no mood to be merely apathetic if after liberation they find themselves saddled with the prospects of unemployment, hunger and make-shift homes put together out of rubble.

They are going to expect action on the part of their governments; quick and decisive action to meet these most fundamental of all needs. And they are either going to get that kind of action or we are likely to witness an explosion - an explosion of civil strife and political upheaval that may shake Europe to her very foundations.

I am not trying to be an alarmist and I certainly do not believe in brooding over the dark side of these problems. But I do believe in being a hard-headed realist. I do believe that all of us have got to face these facts with our eyes wide open.

This much I do know; the representatives of these nations at Bretton Woods were facing up to these facts in their own thinking and in their fervent efforts to work out in advance concrete plans for dealing with these problems. They were far past the stage of academic and theoretical discussion of the pros and cons of every plan in search for an ideal or perfect plan. What they wanted was a practical plan - one that would work - a plan that would hold out to their people genuine promise that in its realization rested their hopes for a new Europe - a democratic Europe.

But I know, and you know, and the people of Europe know, that their attainment of these goals depends today upon the United States. Whether you put the issue on the high and noble plane of acting from motives of generosity and love for fellow man, or on the narrow plane of looking after our own self interest, the answer must be the same. America cannot afford economic isolationism. We in this country have got to to do our part in getting these war-torn countries back on their economic feet. We must show these countries - and show them soon - that just as the United States is ready to do her part now in establishing international machinery for preserving world security, so is the United States ready now to join with them in international economic cooperation.

We are at the cross-roads. Either the economic problems of the world are going to be solved through international cooperation or nations will again turn to economic isolationism or the formation of rival economic blocs. In the field of international monetary relationships the latter way means a return to the restrictive and discriminatory currency practices which characterized international dealings in the 1930's. It means a return to economic aggression of the sort which preceded this war. On the other hand, international cooperation points the way to an expanding world trade for the benefit of all nations and assures the economic conditions for a durable peace.

There can be but one choice for us. The United States as the greatest political and economic power on earth must assume the leadership in developing a workable program of international economic cooperation. I believe that the Bretton Woods proposals for the establishment of a Fund and a Bank are a necessary part of such a program.

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TREASURY DEPARTMENT

MR. SHAEFFER'S OFFICE TO --

Mr. Bell
Mr. Gaston
Mr. Haas
Mr. Paul
Mr. Smith
Mr. Sullivan
Mr. Thompson

Miss Barlow
Mr. Bartelt
Miss Bingman
Mr. Blough
Miss Carmody
Mr. Coffelt
Mr. Dillon
Mr. Gamble
Mr. Irey
Mr. Kilby
Mrs. Mannon
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Mr. Siler
Miss Simpson
Mr. Upham
Miss Waite
Mr. White

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 7, 1944.

Press Service
No. 43-90

(The following article by Secretary Morgenthau, prepared for the 1944 edition of the Army and Navy Journal's Annual "United States At War", is timed to coincide with the Journal's availability on December 7, 1944.)

only copy we had sent to Journal

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Wars, now as always, are won on battlefields. But in modern war the Home Front is intimately involved. Economic stability at home is an absolute requisite of victory. Without it, it is impossible to maintain the vast and complex flow of supplies to the men on the fighting lines.

The problem which has confronted us at home has been how to maintain economic stability while half of the country's total production was being sent to war. We knew this meant that if price stability was to be maintained then approximately half of the purchasing power of the country must be immobilized or transferred from the hands of individuals, where it could be used only to bid up prices, to the hands of the Government, where it would be used to purchase the means to victory. We knew, too, that on the success with which this task was accomplished would depend the kind of economy our boys would reenter when they returned from overseas -- whether it would be an economy wrecked by inflation, or a vigorous economy in which they could take their places with confidence.

Two buttresses have been used to support the structure of economic stability during the war. One is the buttress of direct controls, including rationing, price controls, and priorities. The other is that of a fiscal policy which siphoned off the excess buying power by taxing and borrowing from the general public. The maintenance of the borrowing part of this buttress was, to a great extent, the responsibility of the Treasury.

There are, of course, economic limits to the proportion of the total war cost which can be met from current taxation. Our total tax receipts have increased eightfold in the past four years, but there still has remained a large Federal deficit. In order to finance this deficit, it has been necessary to increase the public debt by about $150,000,000,000 since Pearl Harbor.

In its borrowing operations, the Treasury has been largely guided by four underlying principles: (1) that the necessary funds should be raised in such a manner as to minimize the danger of inflation, (2) that small investors who purchased war bonds should be protected from market risks, (3) that the liquidity of the Nation's financial institutions should be maintained and increased, so as to place them in a strong position to confront the problems of the postwar period, and (4) that the interest rates on the war debt should be kept at a reasonable level.

To minimize the danger of inflation, bond sales programs were directed particularly toward individuals. The securities offered were designed to meet the needs of such investors. Periodic bond drives have been organized, with goals announced for each class of investor, and with specified restrictions on participation by banks. The payroll savings plan for the continuous purchase of Series E bonds has been promoted. Bonds sold in this manner absorbed consumer purchasing power directly at its source and consequently had a maximum impact upon consumer spending.

The second objective involved the protection of the interests of the small investor. The Treasury has considered itself the trustee for the inexperienced investor who purchases Government securities primarily to help his country in time of stress and places his faith in his Government that the securities he purchases are sound investments and designed with a view to his own requirements.

Series E bonds were designed especially to meet this responsibility. They are non-negotiable and redeemable on demand, thus guaranteeing their holders against fluctuations in market value in case the proceeds are needed prior to maturity of the bonds. The yield to maturity of E bonds is 2.9 percent -- the highest obtainable on any United States Government security. An annual limit is placed upon purchases by any one individual. These bonds have already been purchased by some 85,000,000 separate investors. The $23,000,000,000 of their holdings to date constitute a profitable and highly liquid investment. For the postwar period, these holdings will provide a valuable backlog of consumer purchasing power.

Securities were designed likewise to contribute to liquidity elsewhere in the economic structure, in accordance with our third objective. United States securities made available to banks have been concentrated in maturities of ten years or less. As a result, the banking system is in a more liquid condition than ever before. Business concerns likewise have been afforded the

opportunity to purchase securities of short maturities. The funds so invested will thus be freely available to these concerns in the immediate postwar period.

The fourth important element in our fiscal program has been the maintenance of consistently low interest rates. The average rate on Government borrowing since Pearl Harbor has been 1-3/4 percent, as contrasted with an average of 4-1/4 percent during World War I. On the debt increase of $150,000,000,000 since Pearl Harbor, the difference in interest rates amounts to almost $4,000,000,000 annually. This is a benefit not only to the Treasury, which must pay the bill in the first instance, but also to the whole body of taxpayers. Continuance of low interest rates in the postwar period -- and I see no reason why they should not continue for the foreseeable future -- will maintain this saving to the Treasury, and will also be an important factor in speeding the reconversion of our industries to peacetime production.

The four principles followed in Treasury borrowing have, I believe, served well in helping to maintain economic stability behind the fighting fronts. This has not been the only purpose, however. Our borrowing plans have been shaped by the twofold consideration both of how they would help the war immediately and of how they would help in meeting postwar problems. Thus, low interest rates, liquidity of financial institutions, and a large backlog of purchasing power in the hands of consumers, will facilitate the shift of the economy back to a peacetime basis and will contribute to a continuance of full employment.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 31, 1944.

Press Service
43-91

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated November 2, 1944, and to mature February 1, 1945, which were offered on October 27, were opened at the Federal Reserve Banks on October 30.

The details of this issue are as follows:

Total applied for - $2,240,896,000
Total accepted - 1,311,028,000 (includes $50,437,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.913 Equivalent rate of discount approx. 0.344% per annum
Low - 99.905 " " " " " 0.376% " "

(54 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 65,885,000	$ 39,389,000
New York	1,523,712,000	862,876,000
Philadelphia	34,108,000	21,228,000
Cleveland	46,695,000	38,231,000
Richmond	14,794,000	13,000,000
Atlanta	7,505,000	7,117,000
Chicago	324,862,000	184,424,000
St. Louis	7,854,000	6,704,000
Minneapolis	5,930,000	5,930,000
Kansas City	16,208,000	12,804,000
Dallas	11,873,000	9,155,000
San Francisco	181,470,000	110,170,000
TOTAL	$2,240,896,000	$1,311,028,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 31, 1944.

Press Service
No. 43-91

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TOTAL	$2,240,896,000	$1,311,028,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Saturday, November 4, 1944

Press Service
No. 43-92

Restrictions on commercial and business communication with liberated France imposed by reason of the German occupation were lifted today by the Treasury Department.

Treasury licenses no longer are required for concerns in the United States and liberated France to exchange financial and commercial information and establish business contacts. Creditors may get in touch with their debtors in France. Banks, brokerage houses, and other financial institutions may advise their customers and depositors in France of the status of their accounts. Bank statements, financial records, and commercial reports may freely be furnished. Wills, legal notices, and birth, death, and marriage certificates may be transmitted. Proxies may be solicited and signature cards may be obtained. Correspondent relations between banks in the United States and banks in France may be established.

In addition, support remittances may be sent to France under General Licenses Nos. 32 and 33 as soon as banks in this country are able to make the necessary arrangements with French banks. These general licenses permit a maximum of $500 per month to be sent to individuals in France through banking channels. Currency, money orders, checks or drafts cannot be used for this purpose since their transmission continues to be prohibited.

With the exception of instructions relating to support remittances, business communications between the United States and France will be restricted for the time being to the ascertainment of facts and the exchange of information. Accordingly Treasury licenses will not be granted for the present for the sending to France of powers of attorney, executed proxies, payment instructions and other communications which are transactional in nature. It is understood that similar restrictions will remain in effect in France and the United Kingdom.

Today's action by the Treasury was in the form of an amendment to General Ruling No. 11 removing the liberated areas of France from the category of "enemy territory". French areas still under the control of the enemy will continue to be "enemy territory" and will remain subject to the restrictions contained in the General Ruling.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, November 4, 1944 .

Press Service
No. 43-92

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, November 4, 1944.

Press Service
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4393

FOR IMMEDIATE RELEASE
October 31, 1944

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,414,691,820	October 21, 1944	84,033,052
Colombia	479,169,810	"	119,335,773
Costa Rica	30,423,480	"	736,060
Cuba	12,169,392	"	1,167,472
Dominican Republic	18,254,088	"	80,983
Ecuador	22,817,610	"	3,738,918
El Salvador	91,270,440	"	2,146,564
Guatemala	81,382,809	"	1,953,575
Haiti	41,832,285	"	45,843
Honduras	3,042,348	"	1,887,114
Mexico	72,255,765	"	7,728,276
Nicaragua	29,662,893	"	156
Peru	3,802,935	"	412,492
Venezuela	63,889,308	"	2,364,200
Non-Signatory Countries:	54,001,677	"	312

1/ Quotas as established by action of the Inter-American Coffee Board on April 20, 1944.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, November 1, 1944

Press Service
No. 43-93

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the 12 months commencing October 1, 1944, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (date)	(Pounds)
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H 3-94

"The new machinery for using qualified commercial banks and trust companies to pay eligible United States Savings Bonds is working satisfactorily, and redemptions now seem to be tapering off," Secretary Morgenthau said today.

"I believe this indicates," he continued, "that the great majority of investors are patriotically determined to keep their money in the fight for freedom, victory and peace.

"While redemptions in October amounted to $400,000,000, some of the increase may be explained by (1) the delayed cashing-in of bonds to take advantage of the new simpler and faster procedure inaugurated last October 2, and (2) misunderstanding in some quarters as to the reasons for the new redemption machinery, some people interpreting the Treasury's announcement of August 29 as a request by the Government to exchange their bonds for cash. This of course was not the case.

"While there are over 50,000 issuing agents in the country, there were only 37 paying agents (the 12 Federal Reserve Banks with their 24 branches and the Treasurer of the United States) before October 2, compared to some 13,000 paying agents under the system now in effect.

"Redemptions for the month of October amounted to 1.06 per cent of the amount of all U. S. Savings Bonds outstanding. This compares with a redemption rate of 76/100ths of 1 per cent of the amount outstanding in September, and 85/100ths of 1 per cent of the amount outstanding in May, the highest previous percentage of redemptions in a single month.

"With $42,700,000,000 of all U. S. Savings Bonds issued from the beginning of the program in March 1, 1935, redemptions for the same period aggregated $5,100,000,000, thus leaving 88.1 per cent still invested in these securities."

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, November 2, 1944

Press Service
No. 43-94

"The new machinery for using qualified commercial banks and trust companies to pay eligible United States Savings Bonds is working satisfactorily, and redemptions now seem to be tapering off," Secretary Morgenthau said today.

"I believe this indicates," he continued, "that the great majority of investors are patriotically determined to keep their money in the fight for freedom, victory and peace.

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for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 9, 1944.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 3, 1944 (1).

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000 (2), or thereabouts, of 91 (3)-day Treasury bills, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated November 9, 1944 (4), and will mature February 8, 1945 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, November 6, 1944 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent 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, tenders will be opened at the Federal

43-95

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 3, 1944.
11-2-44

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, tenders for $100,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 9, 1944.

43-95

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The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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The Bulletin does not constitute a formal ruling or regulation, Commissioner Nunan added. It is intended to express the present trend of official opinion in the administration of Section 722. Later, as ~~further~~ experience and discussion make possible the further crystallization of principles, they will be expressed in formal rulings and regulations.

Printing of the bulletin has been arranged, and copies may be ordered from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

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500 Hawkins
100 Perlmutter
250 Us.

Approved orally 12-2-44
by W. T. Sherwood
Norman D. Cann
J. D. Nunan, Jr.
(by J.P.)

Distribution
2.00

TREASURY DEPARTMENT

BUREAU OF INTERNAL REVENUE

WASHINGTON

For Immediate Release

MONDAY - etc

43-96

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, released to the public today an official bulletin prepared for the guidance of Internal Revenue personnel in the administration of the relief provisions of the excess profits tax on corporations, as prescribed in Section 722 of the Internal Revenue Code.

In making the bulletin available to taxpayers, Commissioner Nunan said it was his hope that an open discussion of the complex problems involved in Section 722 will facilitate their fair and expeditious solution.

Generally, the excess profits tax is imposed only upon the portion of corporation profits which are above pre-war standards of normal earnings. However, since the specific formulas for determining the tax might be unfair in individual cases, Congress provided through Section 722 a method of granting relief in such cases.

"The administration of these relief provisions," Commissioner Nunan said, "is a grave responsibility for all concerned. Applications for relief so far filed or in preparation by taxpaying corporations involve applications for refunds totalling approximately $12,000,000,000.

"We have trained a large and competent staff of accounting, economic and legal experts to examine these applications so that they may be judged as fairly and carefully as possible. By making this bulletin available to the public, we hope to stimulate understanding and cooperation which should facilitate fair and expeditious solution of the problems involved in these applications."

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, November 6, 1944.

Press Service
No. 43-96

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November 3, 1944

STATUTORY DEBT LIMITATION
AS OF OCTOBER 31, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$260,000,000,000
Outstanding as of October 31, 1944:			
Interest-bearing:			
Bonds -			
Treasury	$81,270,513,350		
Savings (Maturity value)*	46,548,590,150		
Depositary	494,698,250		
Adjusted Service	715,622,706	$129,029,424,456	
Treasury Notes	35,966,602,400		
Certificates of Indebtedness	36,260,100,000		
Treasury Bills (Maturity value)	16,059,603,000	88,286,305,400	
		$217,315,729,856	
Matured obligations on which interest has ceased		191,837,975	
Bearing no interest			
U.S. Savings Stamps	175,198,647		
Excess profits tax refund bonds	359,303,750	534,502,397	218,042,070,228
Face amount of obligations issuable under above authority			$ 41,957,929,772

Reconcilement with Daily Statement of the United States Treasury
October 31, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act		$218,042,070,228
Deduct, unearned discount on Savings Bonds (difference between current redemption value and maturity value)		8,903,922,155
		209,138,148,073
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Postal Savings, etc.,)	$195,917,540	
Matured obligations on which interest has ceased	7,502,590	
Bearing no interest	902,489,307	1,105,909,437
Total gross debt outstanding as of October 31, 1944		$210,244,057,510

*Approximate maturity value, Principal amount (current redemption value) according to preliminary public debt statement $37,644,667,995

RHM:GCK

43-97

November 6, 1944

STATUTORY DEBT LIMITATION
AS OF OCTOBER 31, 1944

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $260,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$260,000,000,000
Outstanding as of October 31, 1944:			
Interest-bearing:			
Bonds -			
Treasury	$81,270,513,350		
Savings (Maturity value)*	46,548,590,150		
Depositary	494,698,250		
Adjusted Service	715,622,706	$129,029,424,456	
Treasury Notes	35,966,602,400		
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		$217,315,729,856	
Matured obligations on which interest has ceased		191,837,975	
Bearing no interest			
U.S. Savings Stamps	175,198,647		
Excess profits tax refund bonds	359,303,750	534,502,397	218,042,070,228
Face amount of obligations issuable under above authority			$ 41,957,929,772

Reconcilement with Daily Statement of the United States Treasury
October 31, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act		$218,042,070,228
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Bearing no interest	902,489,307	1,105,909,437
Total gross debt outstanding as of October 31, 1944		$210,244,057,510

*Approximate maturity value, Principal amount (current redemption value) according to preliminary public debt statement $37,644,667,995

43-97

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 7, 1944.

Press Service
43-98

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated November 9, 1944, and to mature February 8, 1945, which were offered on November 3, were opened at the Federal Reserve Banks on November 6.

The details of this issue are as follows:

Total applied for - $2,264,423,000
Total accepted - 1,314,251,000 (includes $52,576,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905/ Equivalent rate of discount approx. 0.375% per annum

Range of accepted competitive bids:

High - 99.913 Equivalent rate of discount approx. 0.344% per annum
Low - 99.905 " " " " " 0.376% " "

(52 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 50,860,000	$ 28,108,000
New York	1,573,299,000	885,039,000
Philadelphia	38,040,000	25,464,000
Cleveland	48,760,000	41,344,000
Richmond	27,357,000	24,141,000
Atlanta	7,190,000	6,686,000
Chicago	349,861,000	190,429,000
St. Louis	17,770,000	12,922,000
Minneapolis	10,730,000	7,850,000
Kansas City	16,648,000	13,480,000
Dallas	6,093,000	5,613,000
San Francisco	117,815,000	73,175,000
TOTAL	$2,264,423,000	$1,314,251,000

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 7, 1944.
11-6-44

Press Service
No. 43-98

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated November 9, 1944, and to mature February 8, 1945, which were offered on November 3, were opened at the Federal Reserve Banks on November 6.

The details of this issue are as follows:

Total applied for - $2,264,423,000
Total accepted - 1,314,251,000 (includes $52,576,000 entered on a fixed-price basis at 99.905 and accepted in full)

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Richmond	27,357,000	24,141,000
Atlanta	7,190,000	6,686,000
Chicago	349,861,000	190,429,000
St. Louis	17,770,000	12,922,000
Minneapolis	10,730,000	7,850,000
Kansas City	16,648,000	13,480,000
Dallas	6,093,000	5,613,000
San Francisco	117,815,000	73,175,000
	$2,264,423,000	$1,314,251,000

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f3-99

Immediate

~~PROPOSED PRESS RELEASE~~

The Treasury Department announced today that it had issued certificates of label approval, under the terms of the Federal Alcohol Administration Act, covering a number of prominent whiskey brands, for whiskies of different character from those on which the brand names have previously been used. The brands in question have for varying periods been associated with straight whiskies or blends of straight whiskies and, under the new approval certificates, will be employed on blended whiskies, blended bourbon whiskies or blended rye whiskies, containing varying percentages of neutral spirits. In other words, labels heretofore used on bottled in bond and other straight whiskey may hereafter be used on blends of whiskey and neutral spirits.

During the month of August, distillers, whose plants have for nearly two years been occupied exclusively with the production of war alcohol, were given a holiday during which they were again permitted to distill beverage spirits. ~~Most~~ Much of the production during this period was of neutral spirits or alcohol, such as is commonly used in the production of blended whiskies, gins and liqueurs. These spirits may properly be blended with straight whiskies and the resultant product marketed as a blended whiskey, blended bourbon whiskey or blended rye whiskey, depending upon the percentage and character of straight whiskey employed. Since the stocks of aged whiskies produced prior to the war are definitely limited, the current trend toward the increased sale of blended whiskies will have the effect of extending existing whiskey stocks.

The brands affected by these changes are: Golden Wedding and Cream of Kentucky, marketed by Schenley Distilleries, Inc.; Paul Jones, marketed by Frankfort Distilleries, Inc.; and Mount Vernon, Hill and Hill, Old McBrayer, Black Gold, Bond and Lillard, Blue Grass, Bourbon De Luxe and Old Sunnybrook, marketed by National Distillers Products Corporation.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, November 8, 1944.

Press Service
No. 43-99

The Treasury Department announced today that it had issued certificates of label approval, under the terms of the Federal Alcohol Administration Act, covering a number of prominent whiskey brands, for whiskies of different character from those on which the brand names have previously been used.

The brands in question have for varying periods been associated with straight whiskies or blends of straight whiskies and, under the new approval certificates, will be employed on blended whiskies, blended bourbon whiskies or blended rye whiskies, containing varying percentages of neutral spirits. In other words, labels heretofore used on bottled in bond and other straight whiskey may hereafter be used on blends of whiskey and neutral spirits.

During the month of August, distillers, whose plants have for nearly two years been occupied exclusively with the production of war aocohol, were given a holiday during which they were again permitted to distil beverage spirits. Much of the production during this period was of neutral spirits or alcohol, such as is commonly used in the production of blended whiskies, gins and liqueurs. These spirits may properly be blended with straight whiskies and the resultant product marketed as a blended whiskey, blended bourbon whiskey or blended rye whiskey, depending upon the percentage and character of straight whiskey employed.

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