1924 REVENUE ACT REVIVED

Mellon Program Restores Old Rate Rather Than Trying New Taxes.

'LIMIT' TO DRAIN ON PUBLIC

Income Tax, Starting at 2% and With 40% Top, Would Be Retroactive to This Year.

BURDEN ON ESTATES LARGE

Postal Rate Boost, Recovery of

Foreign Debt Sums, Branch Bank Plan in His Proposals.

Special to The New York Times.

WASHINGTON, Dec. 9.-Painting

a gloomy picture of official finances and admitting that the limit of diversion of funds from private employment to governmental use is being approached, Secretary Mellon today recommended to Congress farreaching increases in individual, corporation and other taxes, as well as urging the enactment of legislation providing for new excise assessments on automobiles, radios and other articles.

Among the outstanding recommendations were those for increases in the normal tax rates from 1½, 3 and

5 per cent as contained in the 1928 revenue act, to 2, 4 and 6 per cent; a reduction of the exemption for single individuals from \$1,500 to \$1,000 and for married individuals or heads of households from \$3,500 to \$2,500; an increase in the surtax on incomes over \$10,000 from 1 to 20 per cent with the maximum on incomes over \$100,000 to 1 to 40 per cent, with the maximum on incomes over \$500,000; an increase from 12 to 12½ per cent in the corporation tax rate. Income tax rates were applicable to incomes of the calendar year 1931. Would Extend Admissions Tax. Secretary Mellon recommended that the 10 per cent admissions tax should apply to tickets costing more than 10 cents as contrasted with \$3 under the present law. He advo-

cated an increase of one-sixth on all tobacco products except cigars. There would be a 5, 3 and 2½ per cent tax, respectively, on manufacturers' sales of automobiles, trucks and accessories, and a 5 per cent tax on manufacturers' sales of radio and phonograph equipment and accessories. Other taxes proposed included:

An increase of 1 per cent in the ex-

An increase of 1 per cent in the existing stamp tax upon sales or transfers of capital stock; a stamp tax on conveyances of realty of 50 cents for each \$500 of value in excess of \$100; a stamp tax of 2 cents on each check

and draft; and a tax on telephone, Continued on Page Seventeen.

The New Hork Times

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Details of Secretary Mellon's Proposals Supporting the Hoover Fiscal Program

Continued from Page One.

telegraph, cable and radio messages of 5 cents for charges in the amount charges in amounts in excess of 50

Secretary Mellon went back to the 1924 revenue act for most of his recommendations, remarking that "instead of embarking on new and untried ventures in taxation, it is wiser to utilize a known general plan with such changes as may be appropriate in the light of altered conditions." However, for the estate tax changes he reverted to the 1921 revenue ac which provided for taxation of net estates exceeding \$50,000 at rates Fraduated from 1 per cent on the first \$50,000 up to 25 per cent on

amounts in excess of \$10,000,000 Postal Rate Increase Planned. In addition to the tax proposals, Secretary Mellon recommended: (1) An increase in postal rates to partially meet the anticipated \$150,-

000,000 deficiency in 1932, to cut the 1933 deficiency by about \$75,000,000 and to eliminate the entire deficiency in subsequent years.

(2) Enactment of legislation to permit national banks to establish branches within trade areas of the parent institution, a proposal that has been recommended frequently by Controller of the Currency J. W. Pole, but for the first time is backed by Secretary Mellon. (3) Approval by Congress of the

fiscal year 1932 and the repayments of these debts over a ten-year period beginning July 1, 1933. (4) Authorization for corporations to deduct from gross income contributions for charitable purposes, a privilege enjoyed by individuals. Corporations must now show that such contributions are an ordinary and necessary business expense before

moratorium on war debts for the

deducting them. (5) Authority for the government to take such action as may be considered necessary to realize the utmost amount obtainable on account of the railroad obligations, of which \$39,-000,000 are yet unpaid out of total post-war loanings of nearly \$1,000,-

the House for the elimination of in- of the financial operations and as ternational double taxation. (7) Favorable consideration to a bill which will be presented to Con- fiscal year 1933, since that is the of the Treasury to subscribe from board of directors and with the approval of the Federal Farm Loan Board.

Treasury Policy Outlined.

In discussing the fiscal policy of the treasury Mr. Mellon said that deficiency in revenue for a time may be inevitable owing to the operation of emergency conditions, but must not be allowed to continue.

He gave the present estimate of total receipts for the fiscal year 1932 (general, special and trust funds combined) as \$2,359,000,000, as compared with actual receipts of \$3,317,- broader scope of that act, found 000,000 for the fiscal year 1931, the that these taxes did not constitute indicated decline being accounted for an unbearable burden nor prevent largely by a decrease of \$720,000,000 in income taxes, which in the fiscal year 1932 will be collected on the reduced incomes of the calendar years 1930 and 1931, and by a decrease in receipts from foreign governments, due to the fact that about \$253,000,-000 due in the fiscal year 1932 has been omitted from receipts in accordance with the proposed postponement of such payments. On the subject of policy the report

The estimates show deficits for the fiscal years 1932 and 1933 in the amounts of \$2,123,000,000 and \$1,417,000,000, respectively. The estimated expenditures include for the retirement of debt in accordance with the provisions of the sinking fund and other statutory requirements, \$412,000.000 for 1932 and \$497,000,000 for 1933. In the absence of other provisions, the amounts of deficits must be financed through borrowing. For the three-year period 1931-1933 the gross deficits aggregate approximately \$4,440,000,000 and the indicated increase in the public debt

approximates \$3.250.000.000 Euch a financial situation calls for immediate remedy, notwithstanding the fact that the rapid retirement of our public debi throughout a decade of plenty may be considered to have created something in the nature of a reserve upon which we are justified in drawing during lean years.

Basic Principles to Be Observed.

If the public credit is to be maintained, there are certain basic principles that must be observed in the conduct of national finances First, the sinking fund assigned to gradual retirement of the public debt must be maintained, and even when of necessity the public debt is increasing, the regular sinking fund appropriations must be accepted in the accounts of the government as fixed charges against Federal revenues. Second, over a period of years revenues must be equal to expenditures. Deficiency in revenue for a time may be inevitable, owing to ditions, but must not be allowed to

operation of the emergency concontinue. Observance of these principles in the conduct of our Federal finances requires, in addition to continued effort to reduce expenditures, a very substantial increase in the revenues through taxation. For 1932 a large deficit is inevitable and, notwithstanding such improvement in trade and industry as may be anticipated, addition to the public debt in the fiscal year 1933 cannot be avoided without such ad-

It is not easy for any people to determine to assume a large additional tax burden at a time when their resources are depleted through business depression, but in the long run they will best serve their own interests by doing whatever is required to maintain the #nances of their government on a sound basis. The history of many nations attests this conclusion. It must not be forgotten that the

ditional taxation.

very ability of the government to borrow depends upon the conviction on the part of purchasers and holders of government obligations that the proper relationship between expenditures and receipts will be maintained. I am confident that increased taxation, clearly necessitated by emergency conditions, will meet the supporting re-

of the government. The increase of the revenues must be decisively undertaken, but the promptness with which full adjustiment can wisely be effected is conditioned upon existing economic circumstances. The rate at which debt reduction has hitherto been effected still permits some leeway. Additional tax burdens should not be so great as to retard the busi-

ness recovery upon which the resto-

sponse of our citizens to the needs

Comparison of Income Tax Under Present Law (1928 Act) and Under Proposed Rates (1924 Act).

It is assumed that all net income not in excess of \$10,000 is earned and in addition one-half of the net income of 14 to 50 cents and 10 cents for in excess of \$10,000 until the statutory limit of \$30,000 earned income is reached. It is also assumed that net income includes no dividends, no capital net gains or losses and no interest on government bonds.

Married Individual, One Dependent.

					Married 1	ingiyiqual	i, Une i	bependent.					
he							•			Rate of !			
c-						Earned :				_ Net In		7	
n-			al Tax.	Sı	ırtax.	Cre		_	al Tax.	Present	1924	Increase	
	Net	Present	1924	Present	1924	Present		Present		Rates.	Act.	in Amt.	
n-	Income.	Rates.	Act.	Rates.	Act.	Rates.	Act.*	Rates.	Act.	P. C.	P. C.		
er	\$1,000	• • • •		(a a a a)	. • • • •.		• • • •;	[o → o o.	• • • •			;4 • • •	
th	2,000	• • • •	• • • •	(e.e.e.e)	(* * * *	(0.000)	40.50	(* * * *	01 50	• • • •	•0 0E	e1 KA	
	3,000	••••	\$2.00		****	00.05	\$0.50	. 44 40	\$1.50	60.00	\$0.05	\$1.50	
te	4,000	\$1.50	22.00	444	'• • • •	\$0.37	5.50	\$1.13	16.50	\$0.03	.41	15.37	
	5,000	16.50	42.00	****	• • • •	4.12	10.50	12.38	31.50	.25	.63	19.12	
es	10,000	123.00	204.00			30.75	51.00	92.25	153,00	.92	1.53	60.75	
	15,000	335.00	486.00	\$6 0.00	\$6 0.00	58.75	90.25	336.25	455.75	2.24	3.04	119.50	
ct	20.000	585.00	786.00	220.00	220.00	98.75	136.50	706.25	869.50	3.53	4.35	163.25	
et	25,000	835.00	1,086.00	510.00	510.00	146.25	190.25	1,198.75	1,405.75	4.80	5.62	207.00	
es	50,000	2.085.00	2.586.00	2.980.00	3.540.00	491.25	576.50	4,573.75	5,549.50	9.15	11.10	975.75	
ne.	100,000	4.585.00	5.586.00	11.660.00	17,020.00	491.25	576.50	15,753.75	22,029.50	15.75	22.03	6,275.75	
n	500,000	21,585.00	29,586.00	91,660.00	170,020.00	491.25	576.50	115,753.75	199,029.50	23.15	39.81	83,275.75	
					Single In	dividuat,	No Dep	pendents.					
	\$1,000												
	2.000	\$7. 5 0	\$20.00	• • • •		\$1.87	\$5.00	\$ 5.63	\$ 15.00	\$ 0.28	\$0.75	\$ 9.37	
S,	3,000	$\frac{22.50}{2}$	40.00	• • • •		5.62	10.00	16.88	30.00	.56	1.00	13.12	
•	4,000	37.50	60.00			9.37	15.00	28.13	45.00	.70	1.13	16.87	
	5,000	52.50	80.00		• • • •	13.12	20.00	39.38	60.00	.79	1.20	20.62	
to	10,000	205.00	300.00	* * * *	* * * *	51.25	75.00	153.75	225.00	1.54	2.25	71.25	
۱ ـ	15,000	455.00	600.00	\$60.00	\$60.00	88.75	118.75	426.25	541.25	2.84	3.61	115.00	
1	20.000	705.00	900.00	220.00	220.00		165.00	796.25	955.00	3.98	4.78	158.75	
10	25.000		1.200.00	510.00	510.00		218.75	1,288.75	1,491.25	5.16	5.97	202.50	
90	50,000	955.00	2.700.00	_			605.00	4,663.75	5,635.00	9.33	11.27	971.25	
		2,205.00		2,980.00	3,540.00	521.25		15.843.75	22,115.00	15.84	22.12	6,271.25	
y	$100.000 \\ 500,000$	4,705.00	5,700.00 29,700.00	11,660.00	17,020.00 170,020.00	521.25 521.25		115,843.75		23.17	39.82	83,271.25	1
		•			•			•				· · · · · ·	
r-	.thr	esent maxin	num earn	ea income	anowance	or agu,uuc	, retaine	DESTRUIT DE	or Pin'non 878	under the	6 7 874	act.	1
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ration of the normal flow of reve-

Three Objectives Sought.

I recommend revenue increases so planned as to insure the attain-

ment of three objectives-first, substantial reduction of the deficit for the fiscal year 1932; second, the provision of revenue adequate in 1933 to meet current expenditures, not including the sinking fund, thus bringing to an end in that year any further increase of the public debt; and, third, laying the basis for the expectation of a fully balanced budget for the fiscal year 1934. Until full balance is attained the observance of the sinking fund provisions will not result in a corresponding reduction in the debt, but through this program the integrity of such provisions will have (6) Approval of a bill introduced in been maintained as a normal mart a guarantee of good faith.

gress authorizing the appropriation first full year the revenues of of \$100,000,000 to enable the Secretary which can be affected by new tax measures. Bringing the increase time to time for additional amounts in the public debt to a stop during of capital stock of any Federal land that year in spite of existing diffibank, upon the request of the bank's culties will represent a very real accomplishment. believe the objectives which have been set forth can be attained by the adoption of a tax program based in the main upon giving up for the time being the principal

tax reductions effected since the

Our immediate concern is the

revenue act of 1924. advise that the Congress consider returning in principle to the general plan of taxation existing under the revenue act of 1924. The country knows the burdens to be expected under such a law. It paid taxes under that law and, notwithstanding the higher rates and increased prosperity. Instead of embarking on new and untried ventures in taxation, it is wiser to utilize a known general plan with changes as may be appropriate in the light of altered con-

Revenue Proposals in Detail. Secretary Mellon presented his revenue proposals in detail as follows: To accomplish the objectives outlined above, I make the following recommendations for the provision of additional revenue, the new measures to terminate at the close of the fiscal year 1934, that is, two

years from next June: Individual Income Tax.

The normal rates to be fixed at 2, 4 and 6 per cent; surtax rates at 1 per cent, beginning with incomes over \$10,000, graduated up to 37 per cent on incomes between \$100,-000 and \$200,000, and reaching 40 per cent on incomes in excess of \$500,000 as compared with the present maximum rate of 20 per cent on incomes in excess of \$100.000. Personal exemptions to be fixed at \$1,000 and \$2,500 with a credit of \$400 for each dependent. The earned income provisions of the revenue act of 1928 permitting larger deductions in respect of earned income than were permitted by the act of 1924 should, in my opinion, be continued. The Treasury contended at the time of the passage of the revenue act of 1924 that individual income tax rates carried in that act were higher than it is wise or desirable to impose under normal conditions. This is still the position of the Treasury Department. convinced that in the long run lower rates are more productive than the higher ones. But these are not normal times. There is a real emergency resulting in the immediate need for a substantial amount of additional revenue. Until the emergency is passed, we can not avoid utilization of emergency measures. We believe that the taxpayers will recognize the facts of the situation, and, particularly in view of their temporary character, will cooperate with the government to make higher rates effective. The proposed revisions would

bring back into the taxpaying group some 1,700,000 individuals. Even so, our income tax law would still remain a tax paid by relatively few individuals. There would be only some 3,600,000 Federal taxpayers in a nation of 120,000.000

Rates and Exemptions Compared. Special to The New York Times.

WASHINGTON, Dec. 9.—The following table compares the principal rates under Secretary Mellon's tax revision proposal to Congress, the pres ent rates fixed by the 1928 act and those of the 1924 act: Title and Provision of Tax.

Individual income tax-	Proposal.	1928 Act.	1924 Act.
Credits: Single individual Married individual or family		\$ 1,500	\$1,000
head	** **	· \$3.500	\$2,500
Normal tax rates: First \$4,000 net income		11/20%	20%
Next \$4,000 net income Over \$8,000 net income		3જે 5%	4 <i>%</i> 6%
Surtax rates: Rates apply to net income over		\$10.000	\$10,000
Maximum rate	40% on net in- come over \$500,000		40% on net in come over \$500,000
Corporation tax: Rate on net income in excess of credits Exemption corporations with	121/2%	12%	121/4%
net incomes of \$25,000 or less	None	\$3,000	None
Estate exempt from tax Rate: Graduated on net es-	\$50,000	\$100,000	\$ 50,000
tate: maximum rate on estate in excess of \$10,000,000.	1 to 25%	1 to 25% (retro- active revi- sion of 1924 rates). 1 to 20% thereafter	1 to 40%
Credit for State inheritance			

80% of Fed-80% of Fed-25% of Federal tax eral tax eral fax-Admissions exempt...... 10c. or under \$3 or under 50c. or under Manufacturers' sales: Automobiles Trucks 3% None

than 300,000 would contribute 90 per cent of the tax. It is estimated that such revisions will result in the collection of additional income taxes in the amount of about \$83,000,000 during the last half of the fiscal year 1932 and about \$185,000,000 during the full fiscal year 1933. Of this additional revenue, it is estimated that about three-fifths will be derived from incomes of \$100,000 and over and more than four-fifths from incomes of \$10,000 and over. For reasons I have often expressed, it is my belief that when the emergency period is passed lower rates should be restored.

Corporation Income Tax. The rates to be increased from the present 12 per cent to 12½ per

In addition, I recommend that the exemption of \$3,000, at present provided for domestic corporations with net incomes of \$25,000 or less, be eliminated.

It is estimated that this proposal will result in an increase of about \$27,000,000 in corporation income tax receipts during the last half of the fiscal year 1932 and about \$60,000.000 during the full fiscal

Miscellaneous Taxes.

Under the 1924 act a substantial amount of revenue was provided through miscellaneous taxes. These included the tobacco taxes the taxes on admissions and on club dues and certain stamp taxes, which have been retained, and the capital stock tax, other special taxes, the tax on manufacturers' sales of automobiles, trucks and accessories, and a number of minor taxes which have been repealed In view of the marked contraction in corporation and individual incomes, in recent years the principal source of taxation, it seems essential that, as under the revenue act of 1924, substantial additional revenues be provided by miscellaneous taxes. I do not recommend, however, the exact provisions of that act as to miscellane-

The amount of revenue which would be realized from the miscellaneous tax proposals would depend upon when they became actually operative. Additional revenue on the basis of assumed collections for a period of six months from January through June, 1932, is estimated at about \$205,000,000. The increase for the fiscal year 1933 is estimated at \$514,000,000.

Estate Tax.

I have frequently expressed my opposition in principle to the levying of excessive taxes on estates of decedents. Notwithstanding the

people, and of this number less FOREIGN OBLIGATIONS 56 INCOME TAXES

Principal Sources of Ordinary Receipts for the Fiscal Years 1923 to 1931 (General, Special and Trust Funds Combined).

views which I have expressed, I believe that in the existing emergency estates should be contribute some additional revenue to the government. It should be observed. however, that because of the longer period which is provided for the payment of tax on estates, additional revenue from this source would not be realized until the latter part of the fiscal year 1933. The Congress drastically increased rates in the 1924 act, but evidently

pealed retroactively. I therefore recommend that the present rates and exemptions be revised to correspond to those effective under the revenue act of 1921. That act provided for the taxation of net estates at rates graduated from 1 per cent on the first \$50,000 up to 25 per cent on amounts in excess of \$10,000,000. Except for the high rates provided by the revenue act of 1924, which were never actually operative, the proposed maximum rate of 25 per cent is the highest previously in effect

felt that this action was unwise,

since in 1926 the increases were re-

In order to avoid the undesirable result of automatic increase in State levies on estates in certain States in which such taxes are based on the present Federal rates, it is proposed that the increase be effected by means of a supertax to be imposed in addition to present rates, with no deduction from this supertax for State taxes paid. Under such an arrangement the amounts of State taxes paid would continue to be allowed as credits against the Federal tax as provided under the present law, up to 80 per

cent of the latter tax, but the en-

estimated amount to be added to the Federal revenue in 1933 by the proposed supertax represents approximately 50 per cent of the estimated collections (after deduction of credits) under the present law. Postal Revenues. In recent years the failure of postal revenues to cover expandi

tire proceeds of the proposed su-pertax would be retained by the

Additional collections from this

source are estimated at about \$11.-

000,000 for the last half of the fiscal year 1933 and about \$22,000,000 for

the full calendar year 1933. The

Federal Government.

tures has resulted in increasing postal deficits, which have been met from the general revenues of the Federal Government: A part of this deficiency may be attributed to expenditures for special services, such as the cost of free postal services performed for governmental departments and agencies, the excess of the cost of air mail service over revenues, and the cost of special rates paid to ocean mail carriers of American registry. According to estimates by the Postoffice Department, the postal deficit exclusive of such special expenditures will approximate \$150,-

000,000 for the fiscal year 1932. It is recommended that postal rates be increased to cover such deficiencies by a reasonable margin that is, to provide additional revenues in the amount of not less than \$150,000,000 on an annual basis thus relieving the budget for the fiscal year 1932 by about \$75,000,000 and for 1933 and subsequent years by the full \$150,000,000.

Summary of Revenue Proposals. It is estimated that the proposed revenue measures, if made effective on Jan. 1, 1932, would increase revenues in the fiscal year 1932 by about \$390,000,000, and in the fiscal year 1933 by about \$920,000,000. The estimated budgets for the fiscal years 1932 and 1933, as affected by these proposals, are summarized in the following table:

Receipts\$2,359 \$2,699 proposed revenue measures. *390 Deficit after provision of additional revenue\$1.733 \$497 Statutory debt. retirements.... 412 497 Increase in the public debt..51,321 *On the basis of assumed collections during the full six-month period, January

Government Expenditures. Increased taxes must be accom-

panied by a vigorous and continued effort to reduce expenditures in so far as it may be consistent with the conduct of essential government activities on an efficient basis. The effort which has resulted in a reduction of about \$370,000,000 in the estimated expenditures for 1933 as compared with 1932 must be continued. Additional expenditures for objects in themselves most meritorious should be judged in the light of the further burden which they would place upon the economy of the nation and upon the public credit at a time of unusual dif-

ficulty. The taxpayer is asked to assume l large additional burden. He is entitled to know that the government on its part is so conducting its business as not to demand of him anything more than is actually necessary. The government is not an entity apart from the life of the people, and it has no money to spend except what it gets from the pockets of the people. The treasury cannot of itself create funds. Whatever it spends must be obtained either through taxation or through the sale of government securities, and the securities in the end must be redeemed by taxes. There is a limit to the extent to which the government, under our social and economic structure, may wisely divert funds from private employment to governmental use. When we take into consideration the mounting burden of State and local taxes, it is no exaggeration to say that we are approaching that

Income Tax Estimates. The estimate for income tax collections in the 1933 fiscal year was

given as \$1,100,000,000, compared

Condition of the Treasury on June 30, 1931.

All cash receipts of the government, except as otherwise authorized by law, are credited to the general fund and all expenditures are made therefrom. The net balance of this fund represents the working cash balance required in connection with the receipts and expenditures of the government. The net change from the close of the previous fiscal year, on the basis of daily treasury statements (unrevised), is accounted for as follows:

Net Changes in the General Fund Balance During Fiscal Year,

Net balance per daily treasury statement, June 30, 1930...... \$318,607,168.11 Receipts applied to statutory debt retirements in the fiscal year Total to be accounted for......\$1,374,660,828.39 receipts in the fiscal year 1931:

Excess of total expenditures over total ordinary General and special funds......\$901,959,080.29 Trust funds

Total	· · · · · · · · · · · · · · · · · · ·	• • • • • • • • • • • • • • • • • • • •	\$1.374,660,828.39
Current Assets and Liabilities of	the Treasury,	June 30, 1930, ar	
Gold assets:	June 30, 1930.	June 30, 1931.	Changes Dur- ing Year.
Coin	\$734,970.249.51	\$798.176,225.02	
Gold assets: Coin Bullion	2.757,877.529.18	2,897,560.690.98	
Total	\$3,492,847,778.72	\$3,695,736,916.00	+\$202,889,137.28
Deduct gold liabilities:		4 ·	•
Gold certificates	\$1,489,978,879.00	\$1,701,520,889.00	+\$211,542,010.00
Board		1,776.690,377.86	 19,548,856.70
Gold reserve*	156,039,088.03	156,039,088.03	********
Total	\$3,442,257,201.59	\$3,634,250,354.89	+\$191,993,153.30
Gold in general fund	\$50,590,577.13	\$61,486,561.11	+ \$10,895,983.98
Silver dollars	\$495,057,448.00	\$498,497,381.00	+ \$3,439,933.00
Deduct silver dollar liabilities:		•	# Martin
Silver certificates	\$487,198,111.00	\$493,349,026.00	+ \$6.150,915.00
Treasury notes of 1890 out- standing	1,260,050.00	1.239,750.00	- 20,300.00
Total	\$483,458,161.00	\$494,588,776.00	+ \$6,130,615.00
Silver dollars in general fund	\$6,599,287.00	\$3,908,605.00	- \$2,690,682.00
General fund assets:			
In treasury offices—			
Gold (as above)	\$50,590,577.13	\$61,486,581.11	, , , , , , , , , , , , , , , , , , , ,
Silver dollars (as above) All other (coin, currency	6,599,287.00	3,908,605.00	- 2,690,682.00
and bullion)	40,001,121.58	44,809,953.80	+ 4,808,832.22
in depositary banks, reserve	,,	u=,000,000.40	1 -,000,002.22
banks and treasury of Philippine Islands	289 071 009 <i>74</i>	500 207 702 RE	1 1K1 926 700 90
All other	358,071,002.76 1,528,339.96	509,307,793.65 794,430.90	+ 151,236,790.89 - 733,909.06
•			
Total	\$456,790,328.43	\$620,307,344.46	+\$163,517,016.03

of the treasury......... \$318,607,168.11 \$471,943,983.32 +\$153,336,815.21 *Reserve against \$346,681.016 of United States notes, and treasury notes of 1890 outstanding in the amount of \$1,260,050 in 1930 and \$1,239,750 in 1931.

Treasury notes of 1890 are also secured by silver dollars in the treasury.

101,507,537.76

Deduct general fund liabilities

Federal reserve note 5 per

All other

Balance in the general fund

cent fund (gold).....

Receipts and Expenditures for 1931 and Estimates for 1932 and 1933.

The following table presents ordinary receipts, and expenditures chargeable against ordinary receipts, for the fiscal year 1931, on the basis of daily treasury statements (unrevised), and estimates for the fiscal years 1932 and 1933. Public debt transactions other than public debt retirements from the sinking fund and from special receipts are not included. The estimates in the table are on the basis of the latest information received from the Bureau of the Budget. Receipts and expenditures are separately presented for general and special funds combined and for trust funds, to conform to the practice of the Bureau of the Budget, in addition to the customary totals for general, special and trust funds combined:

Receipts.

GENERAL AND SPECIAL FUNDS COMBINED.

of i-	Internal revenue— Income tax	1931. \$1.860,394,295.25 569,386,721.07	1932. \$1,140,000,000.00 544,000,000.00	1933. \$1,100,000,000.0 588,000,000.0
ig en	Total internal revenue		\$1,684,000,000.00 410,000,000.00	\$1,688.000,000.0 480,000,000.0
of	Proceeds of government-owned securities—			
rt	Principal—foreign obligations	51,588,133.37	*	74,881,881.0
d	Interest-foreign obligations	$184.474,622.38 \\ 16,767,027.42$	2 ,007,597,00	195,094,690.0 1,577,500.0
s,	All other	11.558,913.62	27,914,965,00	19,545,440.0
r-	Proceeds of sale of surplus property	8,641,223.07	13,089,957.00	9.067,236.0
al x-	Panama Canal tolls, &c	26,624,253.07 83,627,050.14	25,137,680.00 $76,728,601.00$	25,137,000.0 83,226,455.0
e	Total general and special fund receipts	**************************************	\$2,238,878,800.00	\$2,576,530,202.0
e- r-	Expendit	ures.		•
c-	-		400 000 000 00	400 040 000
t- i-	Legislative Establishment	\$23,978,412,68 506,811,30	\$32,382,800.00 433,300.00	\$28,243.90 0.0 429,300.0
X-	Veterans' Administration	†708,609,669.76	784,442,000.00	830,210,000.0
,-	Shipping Board	33,961,996.34	60,800,000.00	21,800,000.0
al	Other independent offices and commissions Department of Agriculture	50,835,844.7 4 296,865,944.69	57,611,800.00 333,547,300.00	52,003,200.0 215,723,60 0.0
e-	Department of Agriculture	61,477,117.63	54,673,600.00	48,343,050.0
a,	Department of the Interior	164,542,778.53	78.344,100.00	71,849,000.0
20	Department of Justice	44,403,497.73	53,798,800.00	53,440,500.0
n S,	Department of Labor	12,181,471.83 $353,768,185.35$	$14,129,200.00 \\ 378,913,100.00$	14,509,000.0 375,340,600.0
ie)0	Postoffice Department	82,297.59	75,000.00	75,000.0
)ប 'ន	Department of State	15,753,493.07	16,564,600.00	14,730,900.0
	Treasury Department	204,656,704.68 §476,842,697.12	312,854,800.00 483,725,000.00	279,567,1 00.0 430,038,20 0.0
•		\$2,348,466,923.04	\$2,662,295,400.00	\$2,431,303,350.0
đ	Add unclassified items	182,624.77		41111
2-	Public debt-	\$2,348,649,547.81	\$2,662,295,400.00	\$2,431,303,350.0
6	Interest	611,559,704.35	605,000,000.00	640,000.000.0
y al	Sinking fund	391,660,000.00 48,245,950.00	411,771,300,00	426,489,600.0 69,138,800.0
е	banks)	91,400.00	75,000.00	1,075,000.0
[- 1-	Forfeitures, gifts, &c	84,650.00	100,000.00	100,000.0
	Customs	21,369,006.78 69,887,928.92	$20.815.500.00 \\ 70.217.600.00$	20,010,500.0 44,389,200.0
B	Postal deficiency	145,643,613.12	195,000,000.00	155,000,000.0
3.	Panama Canal	9,299,056.81	11,000,000.00	13,400,000.0
96 13	Agricultural marketing fund (net)	190,540,854.70 224,000,000.00	$155,000,000.00 \\ 200,000,000.00$	15,000,000.0 150,000,000.0
 	Civil service retirement fund	20,850,000.00	20,850,000.00	20,850,000.0
10	Foreign service relirement fund	216,000.00	215,000.00 $9,500,000.00$	416,000.0 9,500,000.0
— 5U	Total general and special fund expenditures	\$4,091,597,712.49	\$4,361,839,800.00	\$3,996,672,450,0
97 97			Bulance also a publisher and desired to be appeared for the contract of the co	· · · · · · · · · · · · · · · · · · ·
•	Excess of expenditures	\$901,959,080.29	\$2,122,961,000.00	\$1,420,142,248.0
15 'V'	TRUST FUNDS.	\$107 ED4 001 01	\$120,590,915.00	\$119,430,300.0
,	TRUST FUNDS. Receipts Expenditures	\$127,594,861.61 128,352,626.39	120,313,600.00	116,237,500.0
	Excess of expenditures	\$757,764.78		
 d	Excess of receipts		277,315.00	3,192,800.0
0	GENERAL, SPECIAL AND TRUST FUNDS COMBINED.	A. A	An are 155 717 75	AO AAW AAA
е	Receipts Expenditures	\$3,317,233,493.81 4,219,950,338.88	\$2,359,469,715.00 4,482,153,400.00	\$2,695.960,502.0 4,112,909,950.0
;- -		\$902,716,845.07	\$2,122,683,685.00	\$1,416,949,448.0
e	Excess of expenditures	•	•	•
e -	*No estimates of amounts payable during the fiscal year President's proposal of June 20, 1931, for postponement.			_

The Veterans' Administration began to function on Aug. 1, 1930, in accordance with Executive order of July 21, 1930. For comparative purposes, the figures shown above for the Veterans' Administration include the expenditures for the entire fiscal year 1931 for the Bureau of Pensions, heretofore under the Department of the Interior, and for the National Homes for Disabled Volunteer Soldiers: payment of annuities under acts of May 23, 1908, and Feb. 28, 1929; and artificial limbs, appliances and trusses for disabled soldiers, heretofore under the War Department

Exclusive of the Bureau of Pensions. §Exclusive of National Homes for Disabled Volunt eer Soldiers and war accounts. **Includes refunds and drawbacks under Bureau of Industrial Alcohol

tiExpenditures shown above for the District of Columbia represent the share of the United States charged against the general fund of the treasury. The expenditures chargeable against the revenues of the District of Columbia under "trust funds" amounted to \$38,868,647.61 for the fiscal year 1931.

with the estimate for the current year of \$1,140,000,000, and actual collections in 1931 of \$1,860,394,200. Estimates for miscellaneous internal revenue were \$588,000,000 for 1933 and \$544,000,000 for 1932, compared with \$569,386,700 actual for 1931; customs receipts, \$480,000,000 for 1933 and \$410,000,000 for 1932, compared with \$376.576.300 for 1931. The report took cognizance of the unprecedented number of bank suspensions, numbering 1,753, with deposits of \$1.461.852.000, between Jan deposits of \$1.094,764,000, were State banks and the remainder nationa banks, with \$367.038,000 deposits. Pole's recommendations in Decem-

and Oct. 31. Of these 1,443, with Attention was called to Controller ber, 1929, for strengthening the banking structure. The increasing number of failures referred to at that time was in a period of prosperity, it was pointed out, and Secretary Mellon commented: This condition has been aggravated by the period of depression

through which we are passing and particularly by the lack of confidence on the part of depositors in some sections of the country. Banks in the affected areas have been compelled to curtail loans and maintain an extremely liquid position in order to meet unreasonable demands of depositors, thus affecting the general situation adversely. is that this vicious circle of events, which frequently leads to the restriction of operations by sound banks, is brought about largely through the action of the depositor

Charters Granted Too Freely.

----- have granted bank charters too .\$1.374,660,828.39 freely." This, he pointed out, has . been recognized by the national - bank authorities, as well as State banking officials, and added:

The essential question involved is the inability of a large number of small banks to survive in the face of changing economic conditions. am convinced that the Controller's recommendation to Congress that trade area branch banking be

adopted for national banks is a solution in a large measure of our present banking difficulties.

This would afford better management, service and diversification with a greater measure of safety than can now be obtained under our present system. I can see no iustification in the argument that banking should be confined to political or other existing artificial boundaries rather than to its natural economic lines.

Foreign Debt Moratorium.

Recommending favorable consideration for the bill to be presented soon after the convening of Congress to authorize postponement of amounts payable from foreign governments during the 1931 fiscal year and their repayment over a ten-year period beginning July 1, 1933, in accordance with the President's proposal of last June, the Secretary said the total amount payable during the current year was given as \$252,566,803, of which \$68,344,617 was principal and the remainder interest. that of France, \$50,000,000;

Mr. Mellon pointed out, in explanation of the moratorium, that the years had borne heavily on the economic and financial position of many gave rise during 1931 to increasing stages, subsequently extending to other countries.

atively small amounts.

After referring to the National unsound condition of the Credit An-Credit Corporation as a partial solu- stalt, the largest bank ir Austria, tion to the banking situation, Secre- down to the trouble in Germany and gations in a practical manner. tary Mellon declared that "it is un- eventually the suspension of gold

> nizing the relative increase in the ing: burden of payments on intergovernmental debts in times of depression, the President on June 20, 1931, after consultation with Congressional leaders of both political parties, issued a statement in which the offer was made, subject to Congressional approval, to suspend

during the fiscal year 1932 all payments due the United States, provided that the important creditor powers would take similar action

with respect to the payments due them on intergovernmental debts. The proposal was favorably received throughout the world, and on July 6, it was announced that the offer had been accepted in principle by all the important credi-

tor governments. The treasury will submit a bill to carry out the provisions of the mora-

In setting forth his proposal that corporations be authorized to make deductions of charitable contributions, just as individuals are permitted to do, in the computing of net income, the Secretary explained that contributions for relief in the present emergency would be encouraged by a statutory provision allowing. under limitations similar to those now in force with respect to contributions by individuals, such contributions to be deducted in com-The puting the net income of corpora-British payment due was \$159.520,- tions, where these contributions are not classifiable as ordinary and nec-

Italy, \$14,706,125, and the others relessary business expense. Status of Railroad Borrowing.

It was shown by the report that world-wide depression of the last two approximately \$39,000,000 of the original railroad borrowing of around countries. Adverse economic devel- \$1,000,000,000 has been repaid, and of opments, accentuated in some in- of the outstanding amount \$23,000, A fact not generally appreciated stances by political uncertainties, 000 is owned by carriers in the hands lack of condidence which as it af- of receivers. Mr. Mellon said that the fected Europe focused largely on government could not expect to Germany and Austria in the initial realize the full amount of the indebtedness due, and he recommended He traced the development of that broad and general powers be trouble through the disclosure of the given the executive branch of the government to deal with these oblin

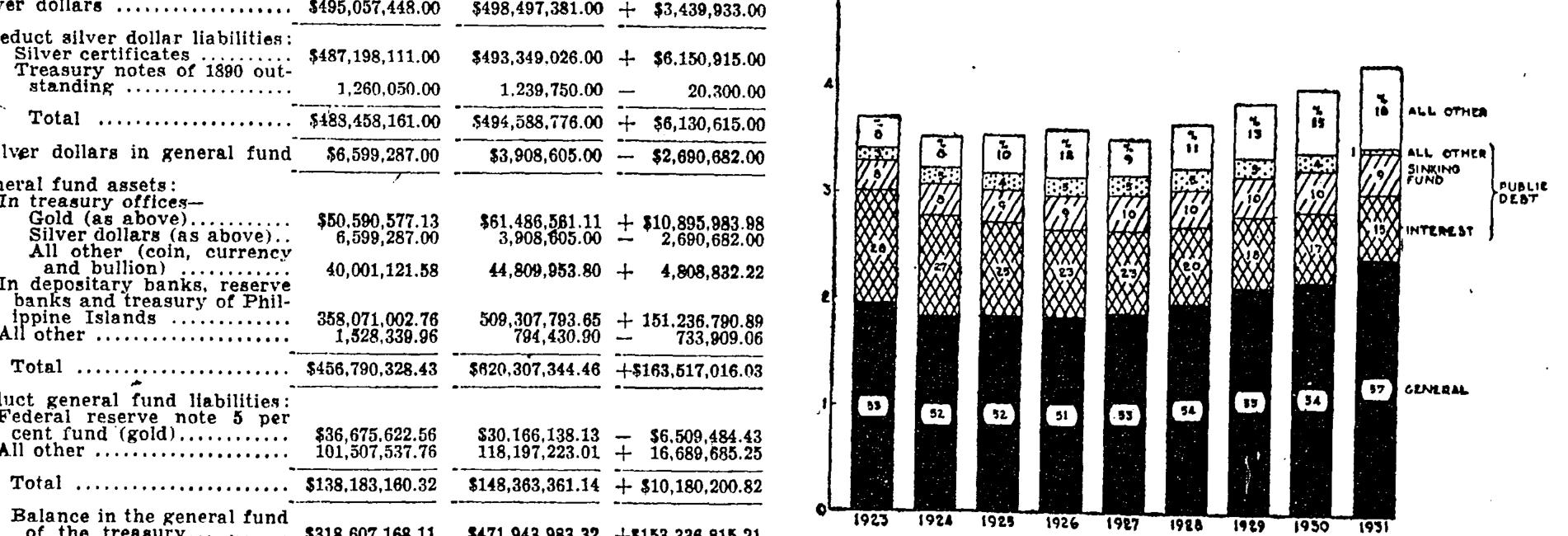
> Authority should be given to cooperate with any reorganization plan or to make other arrangements, in-Realizing the need for initiating cluding such reduction in the rate of international cooperation to oppose interest as may be deemed advisable, this trend of events, and recog- not below 312 per cent, he said, add-

> > It is strongly recommended that legislation be enacted authorizing the Secretary of the Treasury, with the concurrency of the Interstate Commerce Commission, to take such action as may be considered necessary under the circumstances to enable the government to realize the utmost amount available on account of the railroad obligations.

> > The blan to subscribe further to the capital stock of the Federal land banks was proposed recently by the President. This would provide for additional credits to agriculture where needed.

> > Mr. Mellon dwelt in detail on the business situation but made no predictions except to assume that there would be an improvement in the calendar year of 1932. He said that from the peak of June, 1929, to September, 1931, the physical volume of industrial production showed a decline of about 40 per cent. Trade and distribution suffered and prices fell to a low level. Since the end of May there has been less fluctuation, with farm prices better. The major problems confronting the

farm loan system have been those arising from the decline in the prices of agricultural commodities and the incidence of that decline on farmers' incomes, farm land values and the market for farm lands, he said. Measures had been taken by the farm loan boards and the banks of the system to meet the problems that had arisen.



Principal Classes of Expenditures Chargeable Against Ordinary Receipts for Fiscal Years 1923 to 1931 (General, Special and Trust Funds Combined)