

the series of necessary regulations, namely, those governing the collection of the tax, at the source, on coupon and registered interest payments on bonded debts of corporations, etc. Supplementary regulations are being issued from time to time, relating to other features and phases of the law. The additional organization required for the administration of this law is being created as rapidly as possible. A certain amount of confusion and inconvenience at the beginning is unavoidable, but every effort of the department will be exerted fairly and justly to interpret, elucidate, and administer the law in a reasonable spirit.

It is estimated that there are 425,000 individuals subject to the income tax. The number of corporations making returns to the department for the calendar year 1912 was 305,336, but of these, 244,220 claimed no income or a net income of less than \$5,000 and were, therefore, not subject to taxation. Under the new law, all corporations having any net earnings whatever are subject to the payment of an income tax, whether their earnings be more or less than \$5,000. It is expected, therefore, that approximately 150,000 corporations which have heretofore been exempt will now be required to pay an income tax.

"The tariff act, materially reducing the rates of duty," adds the secretary, "went into effect on October 4, 1913, without any delays or inconvenience to business, other than the slight delay occasioned by the large volume of warehouse withdrawals, due to the congestion of merchandise which had been stored in bonded warehouses pending the passage of the new act, and the natural rush to withdraw the same immediately after the act became effective. While the new act will be simpler of application than the act of 1909, the present indications are that the volume of imports will largely increase, and that the change from specific to ad valorem rates will require considerable adjustment in the customs force to meet the new conditions. The measure has not been in force for a sufficient length of time to make possible an accurate estimate of its ultimate revenue-producing powers."

APPROPRIATIONS AND ESTIMATES OF RECEIPTS AND EXPENDITURES

The secretary recommends generous, but not prodigal, appropriations for the public health service; the construction of four new revenue cutters; the consolidation of the revenue cutter and life saving services into one organization to be known as the "Coast Guard," for the purpose of increasing the efficiency of these two kindred branches of the government; continuation of the patrol of the ice fields of the North Atlantic ocean, or other means of protecting vessels against the danger of icebergs during the ice season of April, May and June; and the building of three river steamers, equipped as revenue cutters, for life saving service on the Mississippi and Ohio rivers during the flood periods of each year.

The estimates of government receipts and expenditures by the secretary of the treasury for the fiscal years of 1914 and 1915, indicating a prospective healthy condition of the federal finances, are as follows:

The ordinary receipts for the fiscal year 1914 are estimated at \$736,000,000 and the ordinary disbursements at \$701,900,000, showing an estimated surplus of ordinary receipts over ordinary disbursements of \$34,100,000 for the year ending June 30, 1914. Payments which may be made for the Panama canal during the year from the general fund, in the estimated sum of \$41,000,000, would, however, absorb the excess of ordinary receipts and show an excess of disbursements of \$6,900,000.

With a new tariff and income tax law in operation under the act of congress approved October 3, 1913, it is evident that the annual revenues to be received under its provisions can not be approximated for the fiscal year ending June 30, 1915, as closely as would be the case if comparisons could be made with the operations of this law for three-quarters of a preceding year. However, it is estimated that, for the fiscal year 1915, the ordinary receipts of the government will be \$728,000,000.

The estimates for the ordinary and extraordinary appropriations for 1915 payable from the general fund of the treasury, as submitted by the several executive departments and offices, are \$714,684,675.02, which would indicate on the basis of estimated receipts an excess of ordinary receipts over ordinary expenditures of \$13,315,324.98, but as the appropriations for public works can not be expended in full during the

year, it is estimated that the charge upon the general fund for 1915 for ordinary purposes will not exceed \$702,000,000, and that the ordinary receipts will therefore probably exceed the ordinary expenditures by the sum of \$26,000,000.

The estimated expenditures for the Panama canal to be paid from the general fund without sales of bonds are estimated at \$26,326,985, and the excess of ordinary receipts should therefore practically meet the payments which may be made for the canal under the appropriations as submitted for the year 1915.

NO GROUND FOR APREHENSION OVER REQUIREMENTS OF NEW CURRENCY LAW

Responding to complaints to the treasury department that banks were restricting credits in anticipation of a possible tension and stringency as a result of the prospective enactment of a currency law, Secretary McAdoo, on November 28th, issued the following public statement of reassurance to allay unjustifiable fears and to indicate that the treasury possesses the power, resources and willingness to aid the banks to accommodate themselves to new conditions whenever necessary:

"Senator Pomerene today sent to the secretary a letter from a prominent manufacturer in Ohio, in which he says:

"It has, of course, been quite as apparent to you as to those of us who are trying to manufacture and market commodities, that during the past summer and fall business in all lines has been considerably inconvenienced by the disposition on the part of many bankers to refuse to handle commercial paper in anything near the usual volume, even when according to all indications idle funds were available."

"A prominent note broker advised the Ohio manufacturer as follows:

"The large banks in the large cities have not been buying any paper since March and have advised their country correspondents to make themselves just as liquid as possible and stay so, in order to meet the provisions of the bill. In consequence we are absolutely at a standstill."

The secretary said that similar complaints had come to him from other parts of the country, and that if the banks are restricting credits to the extent indicated, on the ground that it is necessary to enable them to meet the requirements of the pending currency bill, they are acting from a wholly mistaken point of view.

The secretary expressed the conviction that the new law will impose no hardships on the banks, and that the transfers of capital and reserves to the proposed federal reserve banks will be accomplished with little or no inconvenience to the banks and to general business. The secretary said that the treasury department had large available resources at its command; that he should not hesitate to use them for the purpose of aiding the banks to comply with the new law, and that, in his opinion, the banks could with perfect safety proceed with the granting of accommodations to their customers in the normal and usual way. The secretary said that he did not, of course, assume to advise the banks—he only wanted them and the business public to know that there is no ground for apprehension and that the attitude of the treasury department is to be helpful, and that he thought it could be effectively helpful. He said that if any banks are laboring under the impression that the new law will necessitate or occasion a restriction of credits, they are controlled by error, as no such thing will result.

The secretary stated that up to date the banks had called upon the treasury for only \$34,661,000 for crop-moving purposes; that these deposits were, under the arrangement, to be returned in four installments beginning December 15th and ending March 1st.

The secretary said that he would consider favorably and upon its merits, the application of any national bank holding crop-moving deposits for a postponement, for thirty days, of the time for beginning repayments, so that payments may commence on the 15th of January, 1914, instead of on the 15th of December, next, as now provided.

WAR DEPARTMENT

Secretary Garrison's first annual report, according to the Associated Press dispatches, makes no recommendations for the generally expected rearrangement of army posts to distribute troops in mobile units. The secretary says that other things of immediate importance, "particularly an adequate supply of field artillery,"

will postpone his recommendations to congress, but in the meantime the troops will be garrisoned in as practical a manner for mobilization as is possible.

Mr. Garrison discusses the militia at some length. He says in part:

"The national importance of a reserve system for the organized militia, can not be questioned. The minimum strength at which militia organizations are maintained in time of peace will render necessary a great and immediate increase in a national emergency, and this fact demands the presence of a system of reserves from which trained men may be secured for this increase. Without some such system, not only will such increase be rendered exceedingly difficult, but even when accomplished the efficiency of the organization will have been reduced to a minimum by the introduction of an untrained element double in number the trained personnel.

ORGANIZATION IMPERATIVE

"Proper organization as required by the law is absolutely necessary if the organized militia is to be counted on as a dependable military. Federal asset in time of national need, and the organizations existing as such in name only will be required to complete their component elements or lose federal recognition of their character as such organizations.

"While there has been a small decrease in officers and enlisted men in the organized militia during the past year, this decrease has occurred, in great part, as the result of the elimination of organizations found hopelessly inefficient and is compensated for by an increase in general efficiency. It is regretted that in target practice the reports show but slight progress during the year. This fact is the more serious, as rifle practice is recognized as one of the most vital elements in the training of the infantry soldier. The present tendency to develop teams, composed mostly of commissioned officers, at the expense of target practice for the enlisted man is opposed to the federal policy in this matter and should be discontinued."

Discussing the army reserve, the secretary says:

"The adjutant general reports that approximately 21,000 men enlisted in the army between November 1, 1912, and August 31, 1913, and of this number sixty-one made application to be furloughed to the reserve at the expiration of three years' service, and that on the date last named the reserve consisted of eight men."

WORK OF STAFF COMMENDED

Commending the work of the general staff, the army war college and officers generally for their establishment of a definite national military policy and the encouragement of military training, the secretary says:

"As a peaceful and unmilitary people engrossed in the settlement and upbuilding of our vast territory, and in the development of the wonderful resources with which it abounds, we are but dimly impressed with the fact that just as agriculture and commerce are the foundations of our great national prosperity, so with equal truth our military and naval forces are its bulwark and defense. While I believe there is a worldwide and growing sentiment for the settlement without bloodshed of all disputes between nations, just as even now there is provision of law for such settlement of difficulties between individuals, I recognize the fact that the time has not yet come when a nation can wisely disarm or slacken its efforts for preparedness in case of war. The army is not a luxury—it is a public necessity."

The Mexican border patrol the secretary discusses at some length:

"At the date of the last annual report there were on duty in connection with the patrol of the Mexican border approximately 6,754 officers and enlisted men. The present strength is about the same, but largely composed of different organizations."

The joint encampments of the army and college students were highly successful. It is said that they foster a patriotic spirit and spread among the citizens a more thorough knowledge of military history, policy and needs, all necessary to the complete needs of a well-equipped citizen in order that he may himself form correct opinions on military topics.

Mr. Garrison recommends that in justice to the "hundreds of eager boys" who can not get appointments now, West Point should be opened to the widest competition so that any boy may take the examinations with the condition that if no candidate from the particular congressional district in which there is a vacancy should qual-