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National Finances

Harvey S. Chase

The National Finances*

BY HARVEY S. CHASE, C. P. A.

About a year ago, namely, September 15, 1913, the writer submitted to the secretary of the treasury a report in two parts concerning the accounting conditions in the office of the treasurer of the United States at Washington. Part I of this report was printed in full in the *Congressional Record* of July 11, 1914. In this portion of the report it was stated:

In the multitude and magnitude of its transactions, the office of the treasurer of the United States is probably the greatest financial office in the world.

The total of the entries passing through its books approximates six billion dollars annually. It maintains accounts in sixteen hundred national banks. It furnishes the funds and keeps the accounts of nearly three thousand government disbursing officers. It acts as agent for seventy-five hundred banks in the redemption of their bank-note circulation, and it handles for the post office department the deposits of surplus money order funds from fifty thousand postmasters. It receives every business day from twenty-five to forty thousand cheques, and it must keep the continually changing records of nearly two billions of paper currency secured by gold and silver in its vaults. In the performance of these and other highly responsible duties the services of over six hundred and forty people are required in the Washington office alone. It is apparent that properly to record the great amount of business which passes through the treasurer's office, with its extraordinary maze of entries, transfers, issues, redemptions, exchanges, etc., not only is unusual skill required from the bookkeepers and accountants, but the system of accounting should be so complete and effective in all its parts that it will thoroughly control the millions of items passing through the books each year and at every moment properly safeguard the vast sums for which the treasurer is responsible under the law.

When the new method of paying government creditors was inaugurated, February 1, 1913, which carried with it the transfer to Washington of the accounts of nearly all the disbursing officers of the government, the office was soon overwhelmed by the volume of business which fell upon it, and for the handling of which it had not had sufficient time for preparation.

Extraordinary efforts were made to recover from the disorder into which the accounts were thrown by reason of this change of method, but the work of the office is still, at the end of seven months, in such a condition as seriously to retard the work of the auditing officers of the government, to impair the efficiency of the force handling the accounts, to make evident the inability of the office to furnish properly the information

* An address before the American Association of Public Accountants at Washington, D. C., September 16, 1914.

desired by the government debtors and creditors, and even to jeopardize the safety of the public funds.

With the work on national-bank accounts two and one-half months behindhand, with a week or more accumulation of uncleared cheques constantly on hand, with disbursing officers' accounts unbalanced and unstated for months, with controlling accounts ignored by reason of the pressure of details, and with the task of bringing order out of the confusion which now exists deemed hopeless by the clerks engaged upon the work, it is manifest that the efficiency of the staff is seriously affected, and that the condition calls for immediate and effective remedies.

The reference to the change in methods of paying government creditors inaugurated by Secretary of the Treasury MacVeagh on February 1, 1913, requires considerable amplication in order to be understood. Prior to that date it had been the custom for the current debts of the government to be paid from the local accounts of "disbursing officers," who were treasury agents appointed for that purpose and scattered all over the country—indeed, all over the world, when the requirements of the navy and of foreign relations are considered. These disbursing officers received from the treasurer of the United States directly, or through the sub-treasuries, advances of money drawn on "accountable-warrants," as they are called. These accountable-warrants were invented subsequent to the original establishment of our government, after it had proved impracticable to do the government's business on the theory that all claims should be audited by the treasury before they were paid. The idea of audit-before-payment is a good one theoretically and one with which all accountants are familiar. The magnitude of the operations of the government and the deliberation of the processes of audit and of record are such, however, that delays in payment of legitimate claims would have been so serious under the audit-before-payment system that the plan was necessarily abandoned in favor of the more rapid and effective method of advancing money to disbursing officers "on the spot" as it were, who could promptly determine whether or not a claim should be paid and, if satisfied that it was legal and accurate, could pay it at once and send it in for the more formal and detailed "audit" at the treasury later. This is the way that the very great majority of the government's expenditures are now provided for.

There was no change in this general system on February 1, 1913. The change which was made related to the method of keeping the accounts of the disbursing officers and to the deposit of moneys in the national banks. The change was inaugurated for the excellent purpose of preventing the continual and useless shipment of money or credits from the banks to the treasury and *vice versa.* The new plan was this:—Each disbursing officer continued to receive accountable-warrants, made on requisitions by him, representing advances of money to him for payment of legal claims against the government, including salaries, pay rolls, supplies, contracts, etc., etc. Instead, however, of depositing these accountable-warrants to his own credit at a national bank, his account at the treasury was credited with them and his cheques in payment of claims were drawn *against the treasury* instead of *against bank accounts* as heretofore. Meanwhile, collections of money for the government by fiscal officers were deposited in these banks to the credit of the treasury and from this money (or from deposits made directly from Washington) the banks honored the cheques of the disbursing officers drawn against the treasury, but locally deposited by the payees. Whereas formerly all receipts were remitted to the treasury (or subtreasuries) and all payments were sent out from the treasury, necessitating the transferring of money or credits both ways, now by the new system only the *excess* of receipts over payments was shipped to the treasury by the banks, or the excess of payments over receipts was shipped by the treasury to the banks.

Unfortunately the time allowed by Mr. MacVeagh for the introduction of the new system was not long enough for sufficient preparation and the new method broke down almost hopelessly in practice, as our report exhibited. The scheme was devised by treasury officials and was, and is, an improvement over previous methods. I am glad to say that during the past year effectual methods have been introduced and the accounts brought up to date so that there should be no serious danger hereafter from the conditions mentioned in our report of a year ago. Part II of that report, which has not been published, contained detailed recommendations, forms, new methods and new machinery for remedying the serious condition exhibited in the published portion of the report (part I).

THE DAILY STATEMENT OF THE UNITED STATES TREASURY.

The operations of the treasury center in and are reflected by a daily publication of the treasury which is a four page sheet—

copies of which have been distributed to you—entitled the *Daily Statement of the United States Treasury.*

I have before me copies of this statement as it was published prior to July 1, 1913, and as it has been published since that date—in a new and greatly improved form. The tabulations in this statement are intended to mirror the daily transactions of the treasury and it will be advisable, therefore, to give careful attention to them.

I will now refer to the issue of June 30, 1914, which you have before you.

You will note in the first place that the first page of the statement sets forth the "cash assets and liabilities." These cash assets represent the money and credits actually in the treasury offices and in national bank depositaries of the United States government at the close of the business day, so far as reports have reached Washington during the following business day up to about 2 o'clock p. m. when the statement goes to press.

On the statement before us, June 30, 1914, it will be seen that in the "general fund" the total cash assets in treasury offices amount to one hundred and seventy-five millions of dollars, while the available deposits in the national banks and in the Philippine treasury amount to about one hundred and six millions more—the grand total of the "general fund" being $280,741,962. Against these assets in the "general fund" there were liabilities—a large part of which consisted of moneys which had been advanced by the treasury to disbursing officers—amounting to about one hundred and thirty-five millions of dollars, leaving a net balance in the "general fund" available for general purposes of the government, under present laws, $145,835,502, as of the close of business on that day. In addition to this great sum there were still huger sums in gold and silver coin and bullion in the vaults of the treasury and sub-treasuries, against which gold and silver certificates are outstanding. The total gold and silver in the "currency trust funds" on that day amounted to $1,574,263,869, with an equivalent amount of currency certificates and treasury notes of 1890 outstanding.

Further than this there are outstanding $346,681,016 of United States notes (greenbacks)—a fixed amount under the law, which requires that when any of these greenbacks are redeemed by the treasury they shall be re-issued immediately. Against this three hundred and forty-six millions of notes (greenbacks) there is held in the treasury a specific "gold reserve fund" of one hundred and fifty millions in gold coin and bullion. This fund is theoretically for the purpose of paying in gold any of the greenbacks which are presented to the treasury for redemption. It is particularly provided under the law that this gold reserve shall be kept at the amount of one hundred and fifty millions of actual gold and, to do this, authorization is given to sell United States bonds for gold whenever necessary (*i. e.* when the reserve falls below one hundred millions) in order to replenish the gold reserve fund.

You will note immediately an interesting question which arises as to whether or not it is correct to exhibit the gold reserve assets, of one hundred and fifty millions, on the left hand side of the account, but not to exhibit the total amount of the outstanding United States notes (greenbacks), of three hundred and forty-six millions, on the other side. You will see that the statements sets forth on the liability side an item "gold reserve" which is one hundred and fifty millions, exactly balancing the account "gold coin and bullion" on the other side of the account. Many of you will be inclined to question this arrangement and to assert that the total amount of the notes, three hundred and forty-six millions, should be set up as an actual liability. Upon further consideration, however, and with an understanding of the requirements of the law, you will, I think, agree with me, that this amount of three hundred and forty-six millions should *not* be set up as a liability against these assets, but should merely be explained as is done in the note which you see on the right hand side of the account.

As it fell to me, when at work in the treasury last year, to lay out the new form for the *Daily Statement,* I am responsible primarily for this arrangement—which was of course duly accepted and authorized by the secretary of the treasury. The reasons for not exhibiting the United States notes as liabilities against the cash assets are these:

Under the provisions of the law it is required that, in order to preserve the value of these notes at all times on a gold basis, this reserve fund of one hundred and fifty millions shall be set aside. This reserve fund is, however, not the only asset against these notes. All the assets of the United States government may be said to be resources to preserve the gold value of these notes, excepting of course the coin and bullion especially set apart to protect the outstanding gold and silver certificates. Furthermore, the law states that these notes shall not be finally redeemed but shall—as fast as taken in by the United States in exchange for gold, or otherwise—be re-issued by the treasury and kept continually outstanding at the amount of $346,681,016. Again, as I have already stated, power is granted by the law to sell bonds for gold, and with the proceeds of these bonds, to provide for the preservation of the gold value of the notes (greenbacks). Therefore, it will be clear to you, I think, that the liability of the greenbacks is not simply a liability, against the cash assets of the government (shown on this sheet), but is a liability which has as an asset the governmental power to issue bonds and to provide gold thereby. It is evident, therefore, that the liability on these notes is practically the same as that of United States bonds—which I infer none of us would consider as liabilities against current assets; except so far, of course, as such bonds have matured and have not been paid by the government. Is it not evident, then, that the total amount of these notes should *not* appear as a liability against the assets of the gold fund?

If now you will compare the old form of the statement with the new form you will note, I believe, various marked improvements from an accounting standpoint. In the first place, the old form consisted of sub-totals of assets with sub-totals of liabilities deducted therefrom; resulting in what was called the "working balance in treasury offices" while separately there was set up the "balance in banks and treasury of Philippine Islands"—these two, together with "subsidiary silver coin, etc.", making what was called the "total balance in the general fund." By the new form you will note that the assets are set up on the left hand side of the statement while the liabilities are on the right hand side, in balance sheet form. Moreover, at the foot of the sheet the grand total of cash assets in the treasury, amounting to over two billions of dollars, is set forth. This statement gives a much better idea of the actual resources of the United States treasury than could be obtained from an ordinary survey of the old form.

During the careful study which was given by us to the items making up the totals of the *Daily Statement,* which extended over the summer of 1913, reasons were found for changing the designations and accounting classifications of some of the current liabilities. Certain liabilities now set forth had never before been included in the statement—one of such items being the "redemption fund for national banks" which on the June 30, 1914, statement amounted to over fifteen millions of dollars. This question was also a most interesting one from an accounting standpoint and was decided on its merits in the opposite direction from the question of the greenbacks. It was included as a liability for the reason that this money had actually come in from the banks and was included in the cash and other assets on the other side of the account; therefore, it is evident that it should be set up as a liability, despite the fact that, by the act of July 14, 1890, congress declared this "redemption fund for national bank notes" should be specifically included in the list of "United States debts bearing no interest." It is evident, however, that to include it in this way would cause the item to be set up in duplicate on the general balance sheet, namely, once as a liability *inside* the general fund, and once as a liability *outside* the general fund, under the heading "debt bearing no interest." In order to overcome this difficulty—occasioned by the difference in viewpoint of the law passed by congress, as against proper accounting requirements—a new table was set up in the monthly *Statement of Public Debt* in which the two-fold appearance of this item as a liability of the government was corrected and the true *net debt* of the government properly exhibited.

I will now distribute copies of the *Statement of the Public Debt* for June 30, 1914. This item, "national bank notes: redemption fund" is marked with a red arrow.

The reasons for the change in the form of the *Daily Statement* are exceedingly interesting to accountants but would be too long a story to attempt to state here. One of the elements may be explained at some length, however, as illustrating a danger which is common in many kinds of the financial accounting of governments, whether of municipalities, or of states, or of the nation itself. This element is the tendency among government officials—which of course is a necessary tendency—to follow official instructions to a degree which is often exaggerated and which may become subversive of correct accounting and of accurate statements. It is probably true, that each of you who has had to do with governmental accounts is aware of this tendency and of its unfortunate results at times.

The old form of the *Daily Statement* with its "working balance in treasury offices" had in it a feature which sometimes became difficult and even dangerous. This "working balance" was looked upon by those both inside and outside the treasury as the barometer of the condition of the treasury and any sudden change in it or any continuous diminution of it over a relatively short period was construed by those outside the treasury as a disturbing factor and as an indication that the government finances were in an unsatisfactory condition. It will be evident to you as you study the arrangement of the old form that any considerable transfer of funds from the "treasury offices" to the "national bank depositaries" would immediately affect the "working balance in treasury offices" although it might not at all affect the final figures, namely, the "total balance in the general fund." In connection with this it was a fact some years ago that the amount of deposits in national banks considerably exceeded the amount of bonds held by the treasury to secure the deposits of government money in those banks—the total of such bonds being set forth on the interior page of the statement. Adverse comment having been aroused, the criticism was made that the statement on its face showed an excess of government deposits in banks over and above the bonds of the banks in the treasury. This outside criticism caused a treasury official to instruct those who had charge of the tabulations in the *Daily Statement* "not to let such a condition occur again." These instructions were, no doubt, proper instructions and might have been carried out theoretically in any one of three different ways. First, the government deposits in banks might have been reduced until equal to or less than the amount of bonds deposited against them. Second, the banks might have been requested to increase their deposits of bonds in the treasury until they equalled and protected the total deposits of government money in the banks. Third, the actual figures coming in from the daily reports might be manipulated so as to conceal the fact that the deposits actually exceeded the amount of bonds. In the case now under discussion it actually occurred that the third method was chosen and the figures were manipulated and for a considerable period the *Daily Statement* reflected inaccurately the facts in regard to the deposits of government moneys in national banks and in relation to the amount of bonds held by the treasury against these moneys. This manipulation of the figures apparently decreased the total deposits in national banks on the statement and correspondingly increased the "working balance in treasury offices." These changes of the figures, while commonly about three millions, sometimes amounted to over fifteen millions of dollars. A portion of this transfer from one total to another on the *Statement*—although not in the books—may be accounted for quite properly as estimated moneys in transit from banks to treasury offices. During a considerable period, after the instructions above stated had been given, some three millions of the total moneys reported by the banks were considered as if in transit every day. To be specific, this amount was entered on the *Statement* as if it had been received by the treasury offices and was included in the item "gold certificates" on hand. This was not far off from the amount actually in transit daily and no objection would have been raised if this item had been explained by a foot note or otherwise.

When, however,—owing to the large collections which came to the banks through the corporation tax law, and also through the congestion which occurred in the treasurer's office owing to the change in method of paying government creditors—these figures ran up to seven, eight, ten, thirteen and even fifteen millions of dollars, it was evident that this method of preparing the *Statement* was radically wrong. After careful consideration of this method it became evident that the principal reason, or excuse, for attempting such an inaccurate presentation of the facts was the purpose of protecting the so-called "working balance in treasury offices" as it appeared day by day on the *Statement*—the intention being that no alarming shrinkage should appear therein. It was further evident to us that the proper way to avoid this tendency and to destroy any possible excuse for such manipulation of the figures was to combine the "treasury balance" in the *Statement* with the "national-bank depositaries balance" and in place of these two to set up one total for the whole and this is now done in the new *Daily Statement.* As soon as this combination took place, the so-called "working balance" disappeared entirely from the *Statement* and therefore no further necessity could be alleged for improperly transferring amounts from one portion of the *Statement* to another.

Furthermore, it was merely common sense to change the *Statement* in this particular inasmuch as government moneys on deposit in national banks are just as available for paying the debts of the government as the money in the treasury offices. Indeed, one might say that the bank deposits are even more available, because the great bulk of payments made by the government is made from these deposits in the national banks. It will be evident to you, therefore, that in these particulars at least, the new form of the *Daily Statement* is far superior to the old form.

Turning to the interior pages of the *Statement* you will see that the daily receipts and payments of the "general fund" are set forth on page 2. You can easily imagine how extensive must be the government's system of accounting in order to provide such large totals every day with all items verified, balanced, and proved beyond question, mathematically.

There are other questions which would appear from further study of this *Daily Statement* which I should be glad to refer to, except for the reason that if I did so this address would require altogether too much time. I wish, however, to bring to your attention two matters on the fourth page, the first being "pay-warrants drawn," which are arranged for comparison with corresponding dates of the previous fiscal year. The other matter on that page is entitled "paper currency statement," at the top of the page. This statement, I am inclined to believe, is fairly open to serious criticism. In the first place you will note that, contrary to the usage on other pages of the *Statement,* assets are set up on the right and liabilities on the left hand side, which is the reverse of the usual accounting practice in America. This method of setting the assets on the right is common in Great Britain, as we know, but it is out of place it seems to me, in a statement issued by the United States treasury. Furthermore, no details are given showing how the amount of "paper currency" is made up. One would have to know of his own knowledge that it consists of gold certificates, plus United States notes (greenbacks), and "treasury notes of 1890," if he wished to verify the total against the sum of the items on previous pages of the publication. In order to make this criticism effective, I will submit to you a new form in which, as it seems to me, this "paper currency statement" should be published and I will be glad to listen to any comments or answer any questions.

NEW FORM PROPOSED BY MR. CHASE

(Figures of June 9, 1914)

PAPER CURRENCY STATEMENT

Resources		*Liabilities*	
	Gold Certificates		
Gold in currency trust funds......	$1,122,097,869.00	Gold certificates outstanding	$1,122,097,869.00
	United States Notes and Treasury Notes		
Gold in gold reserve fund	$150,000,000.00	United States notes outstanding	$346,681,016.00
Gold and gold certificates in general fund	68,406,474.22	Treasury notes of 1890	2,452,000.00
Silver dollars of 1890	2,452,000.00		
	$220,858,474.22		$349,133,016.00
	Silver Certificates		
Silver dollars.......	$481,400,000.00	Silver certificates outstanding	$481,400,000.00
	National-Bank Notes		
Held in treasury as security: United States bonds	$740,731,160.00	National bank notes: outstanding	$751,034,211.50
National bank notes: Redemption fund.	15,857,121.00		
	$756,588,281.00		$751,034,211.50

THE GENERAL ACCOUNTS OF THE GOVERNMENT AS A WHOLE.

In an organization as vast as that of the United States government, accountants naturally would expect to find an exemplary accounting system culminating in a general ledger, or series of general ledgers, in which would be recorded summaries of the assets and the liabilities of the government, both "current" and "fixed." We should also expect to find summaries of the total revenues of the government—at least of the *cash* revenues—and also of the expenditures.

As a matter of fact there is a "general ledger" in the "bookkeeping and warrants" division of the treasury department which is intended to provide mathematical proofs by trial balances over the double-entry portion of this accounting, but this "general ledger" is such in name only and, aside from this proof of accuracy in mathematics, is of very little, if any, value to the government. The trial balances, or "balance-sheets" drawn from such trial balances, are not published in the government's financial reports and if published they would be of no use to legislators, or to the intelligent citizen, or even to public accountants.

The insufficiency of this general ledger has been recognized by government bookkeepers for a considerable period and various plans have been formulated for improving and extending it until it should truly represent and correctly exhibit the important "controlling accounts" of the government as a whole.

During the years that the writer was a member of President Taft's "commission on economy and efficiency," he endeavored to make a comprehensive study of the accounting methods in the treasury in order to outline the necessary steps which should be taken and preparations which must be made to provide bookkeeping machinery which would necessarily result in true "controlling accounts" in a real "general ledger." The difficulties in the way of the installation of such accounts are many. Some of them arise because of present provisions of the law; others through long-established customs which, in government practice, are not easily changed. Such an installation, however, would be practicable in due time and it should go without saying that, to us as accountants, there can be but one conclusion in regard to such a matter, namely, that such an installation should be begun promptly. To accomplish this in a permanent manner, in such form that it could not be overturned or seriously changed by an incoming administration, would require legislation by congress. Old laws must be amended and new laws must be passed before modern and effective accounting machinery and methods can be firmly established.

THE METHODS OF AUDIT.

In this connection we must consider also the *auditing function* of the government, which to-day is carried on in the treasury department under the control of the secretary. The powers and duties of the secretary of the treasury in these days, especially since new requirements relating to the federal reserve board have been added, are scarcely less than overwhelming in their number and magnitude. It is not too much to say that—no matter how able an individual may be personally, or how complete his financial experience otherwise may have been—no man, except after years of training in the department, can fully perform the functions demanded of the secretary of the treasury. Pressure is so great and interference by relatively outside matters is so frequent and sudden demands, made by wholly new requirements upon the time of the secretary and his assistants, are so subversive of efficiency, that it is no wonder if secretaries break down under the strain or, if they are wiser, that they should protect themselves by doing only what is relatively practicable and by letting the remainder of business—be it routine or be it new matter—await a leisure which is hoped for but which never arrives.

Cabinet officers of the government have not the resource of hard-driven executives in commercial affairs. They cannot appoint able assistants when the necessity becomes acute, except after appropriations have been made by congress for such a purpose. It is well known, in this connection, that it is especially difficult to induce congress to vote appropriations for salaries commensurate with the ability of men who have had the training and experience needed to fill effectively the highest positions in the service. Congress will often pass appropriations for clerkships, sometimes in excess of the economical needs of the government, but will decline to provide for highly competent men, and thereby spend much more money annually than would be expended if a few higher salaries were provided for such competent men whose expert services are really needed. However, this is a condition of governmental affairs which may be criticised but which will not be changed probably except very slowly. We must make the best of it as it is.

Now as to auditing. The whole audit force of the government is under the control of the secretary of the treasury under the law. The secretary is also the head of the collecting and disbursing divisions of the government, although the immediate officer in charge of cash transactions is the treasurer of the United States, who is in reality the government's *cashier,* responsible under surety bonds for the accuracy of the inflow and outflow of cash. To a public accountant it is an anomaly to see the head of a fiscal office at once his own collector, disburser and auditor. It does not seem fitting or safe, at first sight, that these distinct functions—of *accounting for cash* and of *auditing* *these accounts* should be under the control of the same individual. It appears, therefore, to us that some day this anomaly will be corrected—although it has not worked badly in practice—and the audit functions will be separated from the accounting functions. The former will then be provided for in a new and better way, and this brings us to one of the conclusions to which those who have carefully studied our treasury conditions have come, namely, that there should be a new office or bureau—perhaps a separate "establishment"—reporting directly to the president and to congress, which would have the duties pertaining to a "central auditing and summarising bureau."

Such an office would supervise the audits of the treasury and of the other departments; would summarise the audited accounts and would bring them under control for the "general government ledger" to which I have referred previously. Its head would be, probably, an accounting officer—the comptroller of accounts, perhaps—not the comptroller of the treasury who renders legal and technical decisions, nor yet the comptroller of the currency, who as you know supervises the national banks. Such an office would also prepare the "national budget" for the president to submit to congress annually in December with his financial message, and this budget would then be published from two distinct viewpoints which, in common with others, I have urged as fundamentally necessary in our government's finance. These two viewpoints are, respectively, the *inside* viewpoint—that of congress and the executive departments—and the *outside* viewpoint, that of the financier, the business man, the journalist, and the intelligent citizen. The first of these viewpoints would require the arrangement of "estimates of appropriations" in classifications pertaining to *units of organization,* namely, departments, bureaus, divisions, offices, and establishments of the government, *i. e.,* the units which are to expend these appropriated moneys.

The second viewpoint would require that there should be an arrangement of the estimates according to the *purposes of expenditure* (functions of government) irrespective of the units of organization which are to spend the money. In a recent publication upon this subject, I said:

"Suppose that the president is about to submit to congress and to the public his annual message at the beginning of the session. He has, we will say, adopted the budget idea and has prepared a message supported by tables of figures based upon estimates of proposed expenditures and estimates of expected revenues furnished to him by his cabinet officers and the heads of the government establishments. These estimates have been prepared in two ways. First, in the ordinary way, as required by present legislation. Secondly, in a new way, arranged in logical order and intelligible sequence, grouped by purposes or functions of government, and segregated by character of expenditure—whether for current expenses or for capital outlays, and for subdivisions of each. The revenues, too, have been carefully calculated and compared with other years, due allowances have been made, non-revenue receipts have been eliminated, trust funds and trust income separated, all remaining revenue concisely classified, and the available total determined. The president, with the advice of his cabinet—and probably with the assistance of a central administrative accounting bureau—has prepared these estimates of revenue and of expenditure in budgetary form. He has struck a balance. He has accepted the anticipated result, whether it be a surplus of revenue, or a deficit. If the latter, he has considered methods of providing for the deficit. With these data before him, he constructs a budget as follows:—He sets up the revenues by classes with explanations and a final total. He tabulates the proposed expenditures, classified as exhibited below.* He first deducts from the total estimated revenue, the 'fixed charges' which must be met without question—such as interest on the public debt; definite debt redemptions; revenues required for trust-fund liabilities or other special funds; pension requirements; recurrent allowances for upkeep and maintenance of public buildings, grounds, parks, and the public domain generally. Having totalled these and deducted the total from the expected revenue, he next exhibits the necessary, perhaps unavoidable, expenditure for military and naval purposes; for continuation of engineering projects of great importance, and for similar requirements. The total of these is again subtracted from the remaining revenue and an amount of revenue is left which is available for less mandatory purposes.

"Concerning the expenditure of this portion of the revenue there may be considerable question and discussion. Whether,

* See *A Financial Plan, or Budget,* in The Journal of Accountancy for June, 1914.

for instance, less shall be spent for stimulation of agriculture, with more for promotion of commerce or *vice versa;* whether less should be provided for the function of education and more for public health; whether or not labor and the laboring classes need additional promotion, and whether defectives and dependents should be more liberally provided for. The wards of the nation, Indians and others, would be discussed and their necessities considered; our foreign relations, embassies and commercial attaches would have due attention; all the various functions and activities would have each its needful consideration from the general standpoint of its relative importance to all other expenditures and to the available revenue.

"Such an analysis of the finances of the government, of the purposes and character of expenditure, and of the relations of the latter to the expected revenue would present a picture of supreme importance to every intelligent citizen in the country and one of the greatest moment in the efficient handling of financial problems by congress. It goes without saying that such an exhibit by the president at the opening of congress would be intensely stimulating; would awaken nation-wide interest; would provoke discussion and criticism; would flood the mail boxes of congressmen with urgent appeals to increase here and to cut down there, and would open the eyes of the members themselves as to what could be done and what could not be done in the way of modification and change without upsetting the balanced relations of revenue and expenditure *in toto.*"

(NEW FORM)

DAILY STATEMENT OF THE UNITED STATES TREASURY

AT CLOSE OF BUSINESS JUNE 30, 1914.

CASH ASSETS AND LIABILITIES.

GENERAL FUND.

ASSETS.

CASH:		
In Treasury Offices—		
Gold coin	$45,381,760.92	
Gold certificates	45,520,740.00	
Standard silver dollars	4,670,087.00	
Silver certificates	11,387,624.00	
United States notes	7,841,373.00	
Treasury notes of 1890	11,942.00	
Certified checks on banks	422,502.53	
National-bank notes	32,586,262.46	
Subsidiary silver coin	22,052,187.82	
Fractional currency	226.22	
Minor coin	2,123,564.80	
Silver bullion (avail for subsidiary coinage)	2,853,784.76	
		$174,852,055.51
In National-bank Depositaries—		
To credit of Treasurer United States*	93,388,665.72	
To credit of postmasters, judicial officers, etc.	6,566,058.85	
In Treasury Philippines—		
To credit of Treasurer United States	2,998,175.29	
To credit of disbursing officers	2,937,006.96	
Total		$280,741,962.33

NOTE.—This includes $26,260,644.46 which the Treasury has redeemed and for which it will receive payment from the national banks.

LIABILITIES.

CURRENT LIABILITIES:		
In Treasury Offices—		
Disbursing officers balances	$51,858,439.31	
Outstanding warrants	993,941.45	
Outstanding Treasurer's checks	3,336,884.18	
Outstanding interest checks	272,349.37	
Post Office Department balances	9,915,466.70	
Postal Savings balances	1,547,406.18	
Judicial officers' balances, etc.	7,625,867.34	
National-bank notes: Redemption fund†	15,142,888.50	
National-bank 5 per cent fund	25,874,236.19	
Assets of failed national banks	1,834,705.96	
Miscellaneous (exchanges, etc.)	5,475,176.39	
Total	$123,877,361.57	
Subtract: Checks not cleared	883,154.62	
	$122,994,206.95	
In National-bank Depositaries—		
Judicial officers' balances, etc.	6,566,058.85	
Outstanding warrants	894,159.48	
In Treasury Philippines—		
Disbursing officers' balances	2,937,006.96	
Outstanding warrants	1,515,027.99	
		$134,906,460.23
Net balance in general fund		145,835,502.10
Total		$280,741,962.33

THE CURRENCY TRUST FUNDS, THE GENERAL FUND, AND THE GOLD RESERVE FUND.

ASSETS.		LIABILITIES.	
Currency Trust Funds:		**Outstanding Certificates:**	
Gold coin	$838,855,683.00	Gold certificates outstanding	$1,080,974,869.00
Gold bullion	242,119,186.00	Silver certificates outstanding	490,850,000.00
Total gold	$1,080,974,869.00	Treasury notes outstanding	2,439,000.00
Silver dollars	490,850,000.00		
Silver dollars of 1890	2,439,000.00		
Total currency trust funds	$1,574,263,869.00	Total outstanding certificates	$1,574,263,869.00
General Fund:		**General Fund Liabilities and Balance:**	
Total cash assets, as above.	280,741,962.33	Total liabilities, as above.	134,906,460.23
		Balance in general fund as above $145,835,502.10	
Gold Reserve Fund:		**Gold Reserve** 150,000,000.00	
Gold coin	100,000,000.00	Note. — Reserved against $346,681,016 of U. S. notes and $2,439,000 of Treasury notes of 1890.	
Gold bullion	50,000,000.00		
		Total net balances	$295,835,502.10
Grand total cash assets in Treasury	$2,005,005,831.33		$2,005,005,831.33

* The large excess of bank balances is due to heavy collections of income and corporation taxes deposited late in the afternoon, and will be transferred on the succeeding day.

† The act of July 14, 1890, provides that deposits made by national banks to redeem circulating notes shall be covered into the Treasury as miscellaneous receipts and that the Treasury shall redeem from the general cash the circulating notes which come into its possession subject to redemption.

(OLD FORM)

Statement of the United States Treasury

AT CLOSE OF BUSINESS JUNE 30, 1913.

RESERVE FUND.

Gold held for redemption of	$346,681,016 of United States notes....	Coin...$100,000,000	
	$2,660,000 of Treasury notes of 1890.	Bullion 50,000,000	
			$150,000,000

TRUST FUNDS.

Held for the redemption of the notes and certificates for which they are respectively pledged.

Gold: Coin	$887,471,847			
Gold: Bullion	199,255,322			
		$1,086,727,169	Gold certificates outstanding.	$1,086,727,169
Silver dollars..................		483,550,000	Silver certificates outstanding.	483,550,000
Silver dollars of 1890.........		2,660,000	Treasury notes outstanding..	2,660,000
		$1,572,937,169		$1,572,937,169

GENERAL FUND.

In Treasury Offices—			
Gold coin..................................		$23,084,092.92	
Gold certificates............................		78,194,420.00	
Standard silver dollars.....................		9,991,659.00	
Silver certificates...........................		13,360,808.00	
United States notes........................		8,757,310.00	
Treasury notes of 1890....................		3,219.00	
National-bank notes		16,302,025.21	
Certified checks on banks..................		62,200.77	
			$149,755,734.90
Deduct current liabilities—			
National-bank 5 per cent fund	$26,593,959.99		
Less notes in process of redemption	26,593,959.99		
		....	
Outstanding warrants and Treasurer's checks		14,730,825.06	
Balances to the credit of disbursing officers		77,053,640.15	
Post Office Department balances..........		10,883,411.02	
Miscellaneous items (assets of banks in liquidation, etc.)........................		4,564,518.53	
		107,232,394.76	
Less items in transit, or in Treasury not cleared (estimated)....................		23,000,000.00	
			84,232,394.76
Working balance in Treasury Offices............................			$65,523,340.14

In National Bank Depositaries—			
To credit of the Treasurer of the United States*	97,160,472.33		
To credit of postmasters, judicial officers, etc.	5,588,827.18		
	102,749,299.51		
Less items in transit, or in Treasury not cleared (estimated)	23,000,000.00	79,749,299.51	
In Treasury of the Philippine Islands—			
To credit of the Treasurer of the United States	1,037,510.48		
To credit of United States disbursing officers	3,186,102.50	4,223,612.98	
		83,972,912.49	
Deduct current liabilities—			
Outstanding warrants	916,077.15		
Balances to the credit of disbursing officers	8,774,929.68	9,691,006.83	
Balance in Banks and in Treasury of Philippine Islands			74,281,905.66
In Treasury Offices—			
Silver bullion (at cost)		2,054,492.54	
Subsidiary silver coin		20,765,510.86	
Fractional currency		276.37	
Minor coin		2,006,469.38	
Awaiting reimbursement: Interest on public debt paid		71,694.57	24,898,443.72
Total Balance in General Fund†			164,703,689.52

* The large excess of bank balances is due to very heavy deposits on account of corporation taxes and other exceptional revenue on the last day of the fiscal year.

† Under the act of July 14, 1890, the deposits made by national banks to retire circulation are paid into the General Fund of the Treasury as a "miscellaneous receipt." Therefore, the bank notes subject to retirement, when presented, are redeemed from the General Fund. The net amount of such deposits included in the General Fund on this day is $22,092,806.00.