RESERVE BANKS LEND M'ADOO $50,000,000

Issue of Treasury Notes at 2 Per Cent. Is All Subscribed for in Day.

PAYABLE IN THREE MONTHS

Half of Loan Will Be Used to Pay for the Danish West Indies on Saturday.

Special to The New York Times.

WASHINGTON, March 28.—To maintain the working level of the general fund of the Treasury, Secretary McAdoo has borrowed on Treasury certificates from the Federal Reserve Banks $50,000,000 at 2 per cent. per annum. The decision to make this loan was made yesterday and the Federal Reserve Banks subscribed with such promptness that at 3 P. M. today the entire amount had been taken.

In announcing the loan Secretary McAdoo made the following statement:

"In anticipation of the payment of the corporation and individual income taxes due in June, 1917, I have determined to borrow at this time on ninety-day Treasury certificates of indebtedness $50,000,000, with interest at 2 per cent. per annum. These certificates were offered on the 27th of March to the twelve Federal Reserve Banks which are fiscal agents of the Government. Before 3 o'clock today these banks subscribed for more than the entire issue.

"This is extremely gratifying and shows not only a fine spirit on the part of the Reserve Banks, but is an additional demonstration of the usefulness of the new Reserve system to the country. A statement of the allotments to the subscribing banks will be given out as soon as the details are completed.

"It is possible that an additional $50,000,000 of these temporary certificates of indebtedness may be issued before the end of the present fiscal year. No statement can be made about possible issues of Government bonds until further developments in the international situation."

To Pay for Danish Islands.

The first large use of this loan will be to pay $25,000,000 as the purchase price of the Danish West Indies. This payment will be made next Saturday, when the islands will come into possession of the United States. The life of the Treasury certificates will be ninety days, and the loan is made without any arrangement or expectation that there will be a renewal. Probably by that time, which will be very near the end of the fiscal year, there will be an issue of bonds under the authorization of Congress in the Navy Appropriation act and the Treasury notes will be paid from the proceeds of this sale.

The net balance in the general fund at the close of business yesterday was $56,595,283. This balance is available to pay Treasury warrants, disbursing officers' checks, and matured public debt obligations. The amount to the credit of disbursing officers is $60,958,241. While the margin of resources appears narrow and with the obligation to pay the price for the Danish islands is actually much reduced, so that the issue of Treasury notes or bonds is amply justified, it is pointed out that in the next 90 days there must be large receipts from the income tax due by July 1. The revenues from this source are estimated to be $244,750,000 for the fiscal year 1916-17.

There has been collected thus far on this account $31,526,828, leaving $213,223,172 to be collected before June 15. The passing of the Army bill by Congress in the extra session and the very large aggregate of appropriations made last session for the military system will soon serve to indicate that the condition of the Treasury can be brought into a state of preparedness for possible war only by an issue of bonds in much larger volume than thus far contemplated.

The issue of certificates of indebtedness to run not longer than one year, and to bear interest at a rate not exceeding 3 per cent., has been authorized by Congress up to $300,000,000, and today's issue is the first under this authorization. In addition, Secretary McAdoo has authority to issue $474,000,000 in bonds for various purposes, including the Panama Canal bonds to reimburse the Treasury for the amount paid out of ordinary receipts for the construction of the canal. Mr. McAdoo is understood to have the issuance of bonds under consideration.

Bankers Approve Step.

It was learned in New York yesterday that the greater part of the Treasury issue of $50,000,000 in 90 day notes would be purchased by the Federal Reserve Banks in New York and Philadelphia. Bankers here expressed the opinion that the step was a wise one as a temporary measure, but that the same plan could not be followed out for any substantial amount. They said also that Government obligations at 2 per cent. interest would only be available to the Federal Reserve Banks, and other institutions and investors would not care to invest their funds in these securities at the very unattractive rate.

It is expected that the Secretary soon will make an announcement concerning the sale of one-year 3 per cent certificates to the amount of $300,000,000, and also something about the bond issues, although the belief exists in some quarters that the Secretary may defer action on bond issues until after Congress reconvenes next Monday. It is believed that in the sale of any Government securities the Secretary will avail himself of the facilities of the Federal Reserve Banks for the gathering of subscriptions. Of course, all the banks will receive subscriptions from their customers without expense to the Government, but it is supposed that the Reserve Banks will be made the central receiving agencies.