

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 6, 1951

To Governor Eccles

Subject: _____

From Mr. Cheadle

1. U. S. Government cash income for calendar year, 1950	42.5
2. U. S. Government cash expenditures for calendar year, 1950	42.0
Surplus for calendar year, 1950	.5
3. U. S. Government cash income for June-December, 1950	20.9
4. U. S. Government cash expenditures for June-December, 1950	20.1
Surplus for June-December, 1950	.8

Chancellor of the Exchequer, Mr. Gaitskell, announced, according to the London Times for January 31, 1951, a new National Savings drive which the Government hopes will help to carry the cost of the defense program and curb inflation.

Two new series of Government obligations at higher rates of interest went on sale almost immediately while the lower interest obligations will no longer be issued. These new series are: *which these replace*

1) Savings Certificates -- issued at a substantial increase in interest rates over the issue they replace. (Exact increase is somewhat difficult to compute on short notice.) These Savings Certificates increase in value over a ten year period and are comparable to our Series E Bonds. Holders are permitted to buy a maximum of 375 pounds of the new certificates in addition to those they hold of the old series. As in all previous series of Savings Certificates these are tax-exempt.

2) Defense Bonds - issued at 3 per cent - repayable at par after 10 years to replace an older series issued at 2.5 per cent. Holders of these bonds as with earlier issues of Defense Bonds can obtain repayment at par with six months notice or even shorter notice subject to the sacrifice of six months interest. Maximum permissible holdings of the new series plus holdings of older series is 2,500 pounds. Defense Bonds are not tax-free but tax is not deducted at source.

