

TREASURY DEPARTMENT

Fiscal Assistant Secretary

TO: _____

For the
Secretary

(Information)



1/31/51.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

January 25, 1951

TO Mr. Bartelt

FROM Martin Moore

Attached are summary statements of cash position estimates for the fiscal years 1951 and 1952. These figures are based upon the 1952 Budget Document, although as far as the current fiscal year is concerned there is every reason to believe that Budget expenditures will be at least \$1.8 billion under the official estimates released last week.

On the basis of the Budget figures, and assuming a general fund balance at the end of the fiscal year of \$5.5 billion (contemplated in the Budget document), it would be necessary for the Treasury to raise new money of \$3.6 billion before June 30, 1951. This new borrowing has arbitrarily been placed in April in the attached table. On a more realistic basis, i.e., assuming a reduction of \$1.8 billion in Budget expenditures, it would be necessary to borrow \$1.8 billion of new money before June 30 if we are to go out of the year with a \$5.5 billion general fund balance. On the basis of these figures the Secretary would not have to schedule a borrowing operation until June. Without any new borrowing we would have a cash balance (including gold) of about \$3.5 billion on June 30. This will not be sufficient to take care of attrition on the July 1 notes and to provide for heavy expenditures in the month of July. Attrition on the three issues of 1-1/4% notes maturing July 1, 1951, (\$8,445 million outstanding) on a normal basis will amount to around \$700 million. The Federal Reserve holds about \$1,600 million of these notes at the present time.

Without including any new borrowing the cash balances for the balance of the fiscal year are estimated as follows (in billions):

Date	Balances in Federal Reserve Banks, Tax and Loan accounts, and Gold
Dec. 31, 1950 (actual)	\$4.0
Jan. 15, 1951 (actual)	2.7
Jan. 31	3.6
Feb. 28	4.7
Mar. 15	3.8
Mar. 31	7.2
Apr. 30	4.6
May 31	3.2
June 15	1.9
June 30	3.5

During the fiscal year 1952, on the basis of the Budget, it will be necessary to borrow new cash of about \$19.5 billion. This borrowing will be decreased to the extent that additional revenues are obtained. Cash balances during 1952, assuming that we begin and end the year with a general fund balance of \$5.5 billion as indicated in the Budget, are estimated as follows (in billions):

	<u>Balances in Federal Reserve Banks, Tax and Loan accounts, and Gold</u>	<u>New money borrowing necessary</u>
July 31, 1951	\$8.1	\$6.5
Aug. 31	6.3	
Sept. 15	4.8	
Sept. 30	5.3	
Oct. 31	9.3	7.5
Nov. 30	7.2	
Dec. 15	5.0	
Dec. 30	5.3	
Jan. 31, 1952	4.0	
Feb. 28	3.4	
Mar. 15	1.3	
Mar. 31	6.3	
Apr. 30	7.6	5.4
May 31	4.9	
June 15	2.9	
June 30	5.3	
		19.4

These balances incorporate the following assumptions:

1. Based upon 1952 Budget Document except that Budget expenditures for the fiscal year 1951 are estimated at \$45.4 billion instead of \$47.2 billion, a reduction of \$1.8 billion (see attached statement).
2. Attrition of 10% on marketable maturities except for Federal Reserve holdings which are assumed to be exchanged in full. There could, of course, be some substantial changes in Federal Reserve holdings between now and the dates of maturity.
3. Continuation of savings bond sales at relatively low levels, redemptions continuing rather high, with about 50% of maturing E bonds to remain invested (possibly this is on the pessimistic side). To the extent that an expanded savings bond program greatly increases sales this will reduce the amount of new money borrowing necessary. No assumption is made as to any further special offering of Series F and G bonds.
4. Savings note sales of around \$200 million a month; about the same rate as during the last two or three months. A revision of the savings note rate schedule would result in larger sales with consequent reduction in other borrowing.

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Budget Expenditures, Fiscal Year 1951
Revised estimates compared with estimates in 1952 Budget Document
(In millions)

	Actual first six months	Jan. 1951	Feb.	March	April	May	June	Total
<u>Defense Dept.:</u>								
Budget	\$ 7,807	(\$ 1,650	\$1,800	\$2,000	\$2,300	\$2,600	\$2,907	\$21,064
Revised		(1,650	1,700	1,900	2,100	2,300	2,507	19,964
Difference	-	-	100	100	200	300	400	1,100
<u>Federal Security Agency:</u>								
Budget	758	(175	125	100	175	175	225	1,733
Revised		(175	125	100	175	150	150	1,633
Difference	-	-	-	-	-	25	75	100
<u>General Services Administration:</u>								
Budget	354	(75	100	125	150	150	162	1,116
Revised		(75	75	100	125	125	162	1,016
Difference	-	-	25	25	25	25	-	100
<u>Military Defense Assistance:</u>								
Budget	247	(75	90	110	130	160	188	1,000
Revised		(75	80	95	115	130	158	900
Difference	-	-	10	15	15	30	30	100
<u>Veterans' Administration:</u>								
Budget	2,671	(450	450	500	500	500	705	5,776
Revised		(450	450	500	500	500	505	5,576
Difference	-	-	-	-	-	-	200	200
<u>Miscellaneous operating agencies:</u>								
a/								
Budget	1,341	(250	275	300	350	375	450	3,341
Revised		(250	250	275	325	325	375	3,141
Difference	-	-	25	25	25	50	75	200
<u>All other items b/</u>								
Budget	5,885	(1,095	700	1,230	1,105	820	2,345	13,180
Revised		(1,095	700	1,230	1,105	820	2,345	13,180
Difference	-	-	-	-	-	-	-	-
<u>Total:</u>								
Budget	19,063	(3,770	3,540	4,365	4,710	4,780	6,982	47,210
Revised		(3,770	3,380	4,200	4,445	4,350	6,202	45,410
Difference	-	-	160	165	265	430	780	1,800

a/ Includes Departments of Interior, Justice, Labor, State, Treasury (except interest), R.F.C., T.V.A., expenses of defense production, and various independent agencies.

b/ Includes Departments of Agriculture and Commerce, Atomic Energy Commission, E.C.A., Export-Import Bank, Housing and Home Finance Agency, Postal Deficiency, interest on the public debt, and transfers to trust accounts.

Cash Operations, Fiscal Year 1951

ON BASIS OF 1952 BUDGET DOCUMENT
(In billions)

	Actual July 1 - Dec. 31, 1950	Jan. 1951	Feb.	Mar.	Apr.	May	June	Total, fiscal year 1951
<u>Cash requirements:</u>								
Attrition on marketable debt	\$2.8	\$8	-	-	-	-	\$2	\$3.8
Savings bonds (net) other than special offering .....	.6	-	-	\$.1	\$.1	\$.1	.1	1.0
Savings notes, net redemptions, or sales (-)	-.2	-.1	-	.2	-	-	.2	.1
Total requirements	3.2	.7	-	.3	.1	.1	.5	4.9
<u>Sources of funds (cash):</u>								
Cash income	20.9	3.9	\$4.7	7.3	2.2	3.6	6.7	49.3
Cash outgo	20.1	3.6	3.8	4.6	4.9	5.3	6.7	49.1
Surplus, or deficit (-) .....	.8	.3	.9	2.7	-2.7	-1.7	-	.2
Special offering of Series F and G bonds .....	.9	-	-	-	-	-	-	.9
Treasury bills .....	.1	-	-	-	-	-	-	.1
Miscellaneous debt items, etc. ....	.1	-	-	-	-.1	-	-	-
New money borrowing	-	-	-	-	-	3.6	-	3.6
Reduction in cash balance, or increase (-)	1.3	.4	-.9	-2.4	2.9	-1.8	.5	-
Total sources	3.2	.7	-	.3	.1	.1	.5	4.9
Balance in Federal Reserve Banks, tax and loan accounts and gold (end of period)	4.0	3.6	4.5	6.9	4.0	5.8	5.3	5.3

Office of the Fiscal Assistant Secretary

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Cash Operations, Fiscal Year 1951

ASSUMING BUDGET EXPENDITURES OF \$1.8
BILLION LESS THAN ESTIMATED IN BUDGET DOCUMENT
 (In billions)

	Actual July 1 - Dec. 31, 1950	Jan. 1951	Feb.	Mar.	Apr.	May	June	Total, fiscal year 1951
<u>Cash requirements:</u>								
Attrition on marketable debt	\$2.8	\$.8	-	-	-	-	\$.2	\$3.8
Savings bonds (net) other than special offering .....	.6	-	-	\$.1	\$.1	\$.1	.1	1.0
Savings notes, net redemptions, or sales (-)	-.2	-.1	-	.2	-	-	.2	.1
Total requirements	3.2	.7	-	.3	.1	.1	.5	4.9
<u>Sources of funds (cash):</u>								
Cash income	20.9	3.9	\$4.7	7.3	2.2	3.6	6.7	49.3
Cash outgo	20.1	3.6	3.6	4.5	4.6	4.9	5.9	47.3
Surplus, or deficit (-) .....	.8	.3	1.1	2.8	-2.4	-1.3	.8	2.0
Special offering of Series F and G bonds .....	.9	-	-	-	-	-	-	.9
Treasury bills .....	.1	-	-	-	-	-	-	.1
Miscellaneous debt items, etc. ....	.1	-	-	-	-.1	-	-	-
New money borrowing	-	-	-	-	-	-	1.8	1.8
Reduction in cash balance, or increase (-)	1.3	.4	-1.1	-2.5	2.6	1.4	-2.1	-
Total sources	3.2	.7	-	.3	.1	.1	.5	4.9
Balance in Federal Reserve Banks, tax and loan accounts and gold (end of period)	4.0	3.6	4.7	7.2	4.6	3.2	5.3	5.3

Office of the Fiscal Assistant Secretary
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Reconciliation Between Conventional Budget and Consolidated
Cash Basis, Fiscal Year 1951

ON BASIS OF 1952 BUDGET DOCUMENT
(In millions)

	Actual July 1 - Dec. 31, 1950	Jan. 1951	Feb.	March	April	May	June	Total
Budget surplus (+) or deficit (-)...	-599	-	+550	+2,625	-2,715	-1,940	-620	-2,699
Trust funds--net receipts (+) or expenditures (-) <u>a/</u>	-428	-5	-140	+160	+60	-170	-100	-623
Accrued discount on savings bonds ..	+564	+120	+90	+90	+80	+85	+121	+1,150
Interest paid on savings bonds redeemed	-236	-55	-45	-50	-50	-50	-49	-535
Armed forces leave bonds	-55	-50	-40	-35	-35	-15	-10	-240
Adjusted service bonds, etc.	-1	-	-	-	-1	-	-	-2
Investment of trust funds, etc. <u>b/</u> .								
Special issues	+1,522	+320	+425	-75	-95	+350	+563	+3,010
Market issues	+29	+10	+10	+10	+10	+10	+71	+150
Cash surplus (+) or deficit (-)	+796	+340	+850	+2,725	-2,746	-1,730	-24	+212

a/ Includes clearing account. Excludes sales and redemptions of corporation, obligations in market.

b/ Excludes Postal Savings System.

Office of the Fiscal Assistant Secretary
January 29, 1951

CONFIDENTIAL
 Forecast of Cash Position
 Fiscal Year 1951 a/

ON BASIS OF 1952 BUDGET DOCUMENT
 (In billions)

	A C T U A L							E S T I M A T E D							
	July 1950	Aug.	Sent.	Oct.	Nov.	Dec.	Sub- total	Jan. 1951	Feb.	Mar.	Apr.	May	June	Sub- total	TOTAL
<u>Budget:</u>															
Receipts	\$1.9	\$2.9	\$4.6	\$2.1	\$2.9	\$4.2	\$18.5	\$3.8	\$4.1	\$7.0	\$2.0	\$2.8	\$6.4	\$26.0	\$44.5
Expenditures	3.0	2.5	3.5	3.2	3.1	3.7	19.1	3.8	3.5	4.4	4.7	4.8	7.0	28.1	47.2
Deficit	-1.1	-	-	-1.1	-.3	-	-.6	-	-	-	-2.7	-1.9	-.6	-2.1	-2.7
Surplus	-	+.3	+1.1	-	-	+.5	-	-	+.6	+2.6	-	-	-	-	-
Trust funds, etc. (net)	-.1	-	-.1	-	+.1	-	-	-	-.1	+.1	+.1	-.2	-.1	-.2	-.2
<u>Public Debt (net):</u>															
Marketable debt:															
Attrition	-.3	-	-1.1	-1.0	-	-.3	-2.8	-.8	-	-	-	-	-.2	-1.0	-3.8
Treasury bills ...	+.1	-	-	-	-	-	+.1	-	-	-	-	-	-	-	+.1
New borrowing	-	-	-	-	-	-	-	-	-	-	-	+.3	-	+.3	+.6
Savings bonds:															
Special offering of F & G bonds ..	-	-	-	+.6	+.1	+.2	+.9	-	-	-	-	-	-	-	+.9
Other	-	-.1	-.1	-.1	-.1	-	-.3	-	-	-	-	-.1	-	-.1	-.4
Savings notes	+.2	+.3	-	+.1	-.1	-.2	+.2	+.1	-	-.2	-	-	-.2	-.3	-.1
Special issues	+.2	+.2	+.7	+.1	+.2	-	+.1	+.3	+.1	-.1	-.1	+.3	+.6	+.1	+.8
Other	-	-	-	-	-	-	-.1	-.1	-	-	-.1	-	-	-.2	-.3
Change in balance ..	-1.0	+.7	+.3	-1.4	-	+.1	-1.3	-.4	+.9	+2.4	-2.9	+1.8	-.5	+1.3	-
General fund balance at beginning	5.5	4.5	5.2	5.5	4.1	4.1	5.5	4.2	3.8	4.7	7.1	4.2	6.0	4.2	5.5
General fund balance at end	4.5	5.2	5.5	4.1	4.1	4.2	4.2	3.8	4.7	7.1	4.2	6.0	5.5	5.5	5.5
Operating balance at end b/	4.2	4.8	5.2	3.9	3.9	4.0	4.0	3.6	4.5	6.9	4.0	5.8	5.3	5.3	5.3
<u>Public Debt:</u>															
Beginning	257.4	257.5	257.9	257.2	256.9	257.1	257.4	256.7	256.3	256.7	256.3	256.1	260.0	256.7	257.4
Change	+.2	+.3	-.7	-.3	+.1	-.4	-.6	-.4	+.4	-.4	-.2	+.3	+.2	+.3	+.2
End	257.5	257.9	257.2	256.9	257.1	256.7	256.7	256.3	256.7	256.3	256.1	260.0	260.2	260.2	260.2

a/ Net cash increase indicated by (+), decrease by (-).

b/ This balance differs slightly from the General Fund Balance as it includes only Treasury account in Federal Reserve Banks, Treasury Tax and Loan Accounts, and Gold in General Fund.

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Forecast of Cash Position
Fiscal Year 1952 a/

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ON BASIS OF 1952 BUDGET DOCUMENT
(In billions)

	ESTIMATED												TOTAL
	July 1951	Aug.	Sent.	Oct.	Nov.	Dec.	Jan. 1952	Feb.	Mar.	Apr.	May	June	
<u>Budget:</u>													
Receipts	\$2.3	\$3.2	\$5.7	\$2.5	\$3.3	\$5.0	\$4.3	\$4.7	\$9.5	\$2.3	\$3.3	\$3.9	\$55.1
Expenditures	5.6	5.1	5.5	5.3	5.3	6.4	5.6	5.7	6.4	6.3	6.3	8.1	71.6
Deficit	-3.3	-1.8	-	-2.8	-2.0	-1.5	-1.3	-1.0	-	-4.0	-3.0	-	-16.5
Surplus	-	-	+.3	-	-	-	-	-	+3.1	-	-	+.8	-
Trust funds, etc. (net)	+.1	-.1	-	+.1	-.1	-	+.1	-.1	-	+.1	-.1	-	-.1
<u>Public Debt (net):</u>													
Marketable debt:													
Attrition	-.7	-.4	-.8	-.3	-.2	-.2	-	-	-.1	-	-	-.7	-3.4
Treasury bills ...	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowing	+6.5	-	-	+7.5	-	-	-	-	-	+5.4	-	-	+19.4
Savings bonds	-	-	-	-.1	-.1	-.1	-	-	-.1	-.1	-.1	-.1	-.7
Savings notes	-	-	-.6	-.2	-.1	-.4	-	+.1	-.3	-	-.1	-.6	-2.2
Special issues	+.2	+.4	+.1	-.1	+.4	+.3	-.1	+.5	+.3	-	+.6	+.9	+3.5
Other	-	-	-	-.1	-	-	-	-	-	-	-	-	-.1
Change in balance ..	+2.8	-1.8	-1.0	+4.0	-2.1	-1.9	-1.3	-.6	+2.9	+1.3	-2.7	+.4	-
General fund balance at beginning	5.5	8.3	6.5	5.5	9.5	7.4	5.5	4.2	3.6	6.5	7.8	5.1	5.5
General fund balance at end	8.3	6.5	5.5	9.5	7.4	5.5	4.2	3.6	6.5	7.8	5.1	5.5	5.5
Operating balance at end b/	8.1	6.3	5.3	9.3	7.2	5.3	4.0	3.4	6.3	7.6	4.9	5.3	5.3
<u>Public Debt:</u>													
Beginning	260.2	266.2	266.3	265.0	271.7	271.7	271.3	271.2	271.7	271.5	276.7	277.1	260.2
Change	+6.0	+.1	-1.3	+6.7	-	-.4	-.1	+.5	-.2	+5.2	+.4	-.4	+16.5
End	266.2	266.3	265.0	271.7	271.7	271.3	271.2	271.7	271.5	276.7	277.1	276.7	276.7

a/ Net cash increase indicated by (+), decrease by (-).

b/ This balance differs slightly from the General Fund Balance as it includes only Treasury account in Federal Reserve Banks, Treasury Tax and Loan Accounts, and Gold in General Fund.