

*(Closed)*FEDERAL RESERVE BANK  
OF NEW YORKCERTIFICATES OF INDEBTEDNESS  
DEPARTMENT

November 25, 1919

## NEW ISSUES 4¼% UNITED STATES TREASURY CERTIFICATES OF INDEBTEDNESS

Series D 1920, dated December 1, 1919, due February 16, 1920  
Series T M 3 1920, dated December 1, 1919, due March 15, 1920TO ALL BANKS, TRUST COMPANIES, SAVINGS BANKS, BANKERS, INVESTMENT DEALERS AND  
PRINCIPAL CORPORATIONS IN THE SECOND FEDERAL RESERVE DISTRICT,

DEAR SIRs:

The details of the new offerings of United States Treasury certificates of indebtedness as publicly announced by the Secretary of the Treasury have been mailed to you under separate cover together with the subscription forms. A reprint of the letter of Secretary Glass to banking institutions in connection with the new certificates is attached herewith for your convenient reference.

Subscriptions are now being received by the Federal Reserve Bank of New York as fiscal agent of the United States.

Banking institutions, duly qualified, have the privilege of paying by book credit for themselves and their customers as heretofore. Customers of banks may, of course, make their subscriptions direct through their regular banking connections.

No quotas have been assigned to the banks on these series. The certificates will be issued subject to allotment, and as the books may close at any time without notice subscribers should file their subscriptions as soon as possible.

Yours very truly,

BENJ. STRONG,

*Governor.*

*Reprint of letter from the Secretary of the Treasury to banks and trust companies.*

Washington, D. C.  
November 24, 1919.

In my letter of September 8 I stated that, while it could not be said definitely when semi-monthly issues of loan certificates would be resumed, such issues would certainly not be resumed before October 15. Though most factors in the general situation since that letter was written have been adverse, the position of the Treasury has developed more favorably than then there seemed any reason to hope. The great success of the issue of tax certificates then announced, the reduction in current expenditures and the increase of receipts, notably from sales of war materials and supplies, have made it possible to avoid until now the resumption of the issue of certificates.

On the basis of Treasury daily statements, in the month of October the net current deficit (excess of disbursements over receipts, exclusive of transactions in the principal of the public debt) was \$319,239,450.35, the lowest figure for any month since April, 1917, excluding the months in which income and profits taxes were payable, and for the first half of the month of November the net current deficit was \$118,630,787.30, indicating the likelihood of a further important reduction for that month.

On the basis of Treasury daily statements, the total gross debt which on June 30, 1919 amounted to \$25,484,506,160.05 and on August 31, 1919 had reached the peak at \$26,596,701,648.01 had been reduced by September 30 by more than \$400,000,000, and notwithstanding the increase resulting from the Victory Loan installment payments in October and November when the final payment was made stood on November 15 at \$26,210,905,795, a net reduction of about \$385,000,000 from the high mark at the end of August, and a net increase since June 30 of only \$726,399,634.95 although in that period only one quarterly income and profits tax installment had been received. The total amount of loan certificates outstanding and unmatured, which on June 30 was \$2,478,317,500 and on August 31 \$2,012,387,500 was reduced in September to \$1,634,671,500 at which figure it stands; while the total amount of tax certificates outstanding and unmatured which on June 30 was \$789,561,000 and on August 31 was \$1,925,837,500 was reduced in September to \$1,827,586,500 at which figure it stands. Of the latter, certificates to the amount of \$746,869,500 mature December 15, 1919 and are amply provided for by the income and profits tax installment payable on that date.

Very gratifying progress has been made in the absorption by investors of government securities. During the period of five months from June 6 (when holdings of Victory Notes were first reported separately) to November 7 (the last date for which reports are available) all reporting member banks (about 783 member banks in leading cities, which are believed to control about forty percent of the commercial bank deposits of the country) have, according to Federal Reserve Board reports, reduced their holdings of Liberty Bonds from \$646,273,000 to \$633,950,000 or \$12,323,000; of Victory Notes from \$438,589,000 to \$292,410,000 or \$146,179,000; of United States certificates of indebtedness from \$1,514,462,000 to \$847,558,000 or \$666,904,000 making a total reduction in all reporting member banks holdings of United States war securities of \$825,406,000.

Loans by all reporting member banks secured by United States war securities after deducting those rediscounted with Federal Reserve Banks, are reported as reduced in the same period by \$221,450,000 (from \$1,420,581,000 to \$1,199,131,000), this reduction being partly offset, however, by increased rediscounts of such paper with Federal Reserve Banks.

The long intermission in the issue of certificates of all kinds makes it possible, upon resuming, to issue loan certificates, bearing  $4\frac{1}{4}\%$  interest and having only two and one half months to run instead of five months as heretofore, while fixing the maturity one half month later than that of the last issue of loan certificates. Along with the issue of these loan certificates it has been thought wise, in order to make it possible and convenient for taxpayers to prepare further for the large tax payments which fall due on March 15, 1920, to offer an issue of  $4\frac{1}{4}\%$  tax certificates of that maturity.

The Treasury again confidently appeals to the banking institutions of the United States, for their continued support and asks them not only to subscribe liberally to the certificates of one or both issues now offered but also to use their best efforts to secure the widest possible distribution among investors of the certificates so subscribed for.

Cordially yours,

**CARTER GLASS.**