Confidential

Febr. 8, 1943

Secretary Morgenthau

Mr. Haas

Subject: Sources of Funds for Federal Borrowing
Calendar Year 1943

Introduction

During the calendar year 1943 the Treasury will have to sell $71 billions of securities in order to finance the budget deficit and provide for net outlays to Government corporations. This estimate is based on data in the 1944 Budget for the fiscal years 1943 and 1944; no allowance has been made, however, for the new tax revenues requested by the President.

It is of the utmost importance that this $71 billions of new securities be absorbed by non-banking investors as far as possible. Current personal savings and corporate accumulations provide by far the best source of funds for Federal borrowing. The amounts of such savings and accumulations are expected to aggregate about $67 billions during 1943, of which about $45 billions will be personal savings. These large amounts are estimated on the basis that purchasing power to this extent must be immobilized during the year if prices are to remain stable.

It will be noted that current savings and accumulations are of approximately the same magnitude as the amount of expected Federal borrowing. This is not a chance result but a requirement. The production of goods and services for the whole economy generates incomes to the full value of the goods and services produced. If the Government purchases half of the goods and services produced but taxes (both personal and business) absorb only a quarter of the incomes received, then the civilian part of the economy will have three-quarters of the incomes produced but will be able to buy only half of the goods and services. The Government will than have a deficit aggregating one-quarter of total incomes and civilians will have a corresponding surplus (current savings and accumulations) of the same amount. Minor adjustments, of course, keep the two figures from being absolutely identical.

How should the sights be set in planning a financing program during the year to absorb current savings and accumulations? This memorandum has been written to assist you in making your decision. The approach is to examine recent experience with respect to absorbing such savings and accumulations through sales of Federal securities, and to plan a series of goals for 1943 to improve progressively on this experience.

The analysis uses several tables, and for convenience the explanation of each table has been arranged to appear next to the table itself:

1. Past Experience

2. Goals for Absorbing Current Savings and Accumulations in the Calendar Year 1943

3. Additional Sales of Federal Securities Required to Provide Replacements to Offset Depletions in Existing Portfolios

4. Gross Sales of Federal Securities Required for New Money and Replacements

5. Classification of Required Gross Sales to Non-Banking Investor Groups by "Continuing" and "Periodic Special Effort" Categories

6. Personal Savings Analyzed by Income Groups

7. Personal Savings Available for Purchasing Federal Securities Analyzed by Income Groups

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Table 1.

Comparison by Investor Groups of Federal Securities Absorbed and Current Savings and Accumulations Received, By Semi-annual Periods, July 1941 - December 1942

(In billions of dollars)

Investor group	July - December 1941			January - June 1942			July - December 1942		
	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/
A. Nonbanking sources:									
1. Investors receiving personal savings:									
a. Insurance companies..........	1.0	1.1		.9	1.1		2.1	1.2	
b. Mutual savings banks.........	.3	-.2		.2	-.3		.7	.3	
c. Recipients of debt repayment by individuals..........	-	-.4		-	1.4		-	1.4	
d. Individuals, partnerships, and personal trust accounts...	2.5	5.6	45%	4.4	7.5	59%	5.8	12.4	47%
e. Total........................	3.8	6.1		5.5	9.7		8.6	15.3	
2. Investors receiving corporate accumulations:									
a. Recipients of debt repayment by corporations..............	-	-3/		-	-3/		-	-3/	
b. Corporations other than banks and insurance companies......	2.4	-.7	-	.9	1.9	47%	6.7	9.5	71%
c. Total........................	2.4	-.7		.9	1.9		6.7	9.5	
3. Other investors:									
a. Tax-exempt institutions......	-	-		.1	-		.1	-	
b. U. S. Government agencies and trust funds..............	1.0	1.0		1.1	1.0		1.6	1.3	
c. State and local governments, their agencies, and sinking and trust funds......	.1	.2		.1	.1		.2	-	
d. Total........................	1.1	1.2		1.3	1.1		1.9	1.3	
4. Total for nonbanking sources....	7.3	6.6	111%	7.7	12.7	61%	17.2	26.1	66%
B. Banking sources:									
1. Commercial banks................	1.6	-		4.6	-		14.4	-	
2. Federal Reserve Banks...........	.1	-		.4	-		3.5	-	
3. Total for banking sources.......	1.7	-		5.0	-		17.9	-	
C. Total for all sources.............	9.0	6.6		12.7	12.7		35.1	26.1	

Office of the Secretary of the Treasury, Division of Research and Statistics. February 2, 1943.

1/ Comprises current (1) personal savings, and (2) corporate accumulations.

2/ Computed only for (1) individuals, partnerships, and personal trust accounts, (2) corporations other than banks and insurance companies, and (3) total for nonbanking sources.

3/ Tentatively assume to be zero for want of adequate information.

1. Past Experience

Table 1 compares for each of three six-months' periods, running from July 1941 to December 1942, current savings and accumulations received by various investor groups, and their net absorption of Federal securities.

The first group of investors shown comprises investors receiving or holding current personal savings. Insurance companies and mutual savings banks are thus listed at the beginning of this group. Recipients of debt repayment by individuals are than shown separately, but no attempt is made to follow these debt repayments through to the various investor groups which ultimately receive the funds.

Finally, individuals, partnerships and personal trust accounts are listed together. This group, of course, invests directly all funds which do not go to insurance companies, mutual savings banks or recipients of debt repayments. It will be noted that this group invested 45 percent of its available funds in Federal securities in the July-December 1941 period, 59 percent in January-June 1942, and 47 percent in July-December 1942. The spurt in the middle period is probably explained largely by "limit" purchases of savings bonds early in 1942. That portion of available funds which was not invested in Federal securities was placed almost completely in currency and bank deposits.

The next group of investors taken up in the table comprises investors receiving corporate accumulations. Recipients of debt repayment by corporations are listed first, although no separate figures are presented for this group. The group is shown, however, because corporate debt reduction will probably become more important in the calendar year 1943, and full provision should be made for such debt repayment in making our estimates.

Corporations other than banks and insurance companies are then listed in the table. The figures for this group show that in the first period large purchases of Federal securities were made although current accumulations were negative. This is explained largely by the fact that tax notes were first put on sale in this period and conversions of other assets were made in order to purchase these securities. In the second period, 47 percent of funds available were invested in Federal securities while in the third period such investments aggregated 71 percent.

The next group of non-banking investors covers mainly governmental agencies and trust funds. These investors as a rule invest approximately the same amount as they accumulate.

Finally, banking sources are listed in the table and the figures are broken down between commercial banks and Federal Reserve Banks. The proportion of total funds received from banking sources increased greatly during the eighteen-month period. It should be noted, however, that in the July-December 1942 period the figure of $18 billions bank borrowing includes the non-recurring item of building up the cash balance in order to reduce the number of periodic offerings of Federal securities.

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Table 2.

Comparison by Investor Groups of Federal Securities Absorbed and Current Savings and Accumulations Received, Calendar Year 1943

(In billions of dollars)

Investor group	January-April			May-July			August-October			November-December			Total Calendar Year 1943		
	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/	Securities absorbed	Savings received 1/	Percent 2/
A. Nonbanking sources:															
1. Investors receiving personal savings:															
a. Insurance companies......	1.1	.8		.8	.6		.8	.6		.6	.5		3.3	2.5	
b. Mutual savings banks.....	.5	.4		.4	.3		.5	.4		.4	.4		1.8	1.5	
c. Recipients of debt repayment by individuals......	-	1.1		-	.7		-	.6		-	.3		-	2.7	
d. Individuals, partnerships, and personal trust accounts................	6.1	9.6	64%	8.7	10.6	82%	11.3	11.3	100%	6.6	6.6	100%	32.7	38.1	86%
e. Total....................	7.7	11.9		9.9	12.2		12.6	12.9		7.6	7.8		37.8	44.8	
2. Investors receiving corporate accumulations:															
a. Recipients of debt repayment by corporations..	-	.6		-	.7		-	1.0		-	.7		-	3.0	
b. Corporations other than banks and insurance companies................	4.5	5.6	81%	3.8	4.2	91%	3.9	3.9	100%	2.6	2.6	100%	14.8	16.3	91%
c. Total....................	4.5	6.2		3.8	4.9		3.9	4.9		2.6	3.3		14.8	19.3	
3. Other investors:															
a. Tax-exempt institutions..	.1	-		-	-		-	-		-	-		.1	-	
b. U. S. Government agencies and trust funds..........	.7	.6		1.1	1.1		.6	.6		.9	.8		3.3	3.1	
c. State and local governments, their agencies, and sinking and trust funds....................	.1	-		.1	-		.1	-		.1	-		.4	-	
d. Total....................	.9	.6		1.2	1.1		.7	.6		1.0	.8		3.8	3.1	
4. Total for nonbanking sources	13.1	18.7	70%	14.9	18.2	82%	17.2	18.4	93%	11.2	11.9	94%	56.4	67.2	84%
B. Banking sources:															
1. Commercial banks............	6.7	-		3.5	-		1.2	-		.5	-		11.9	-	
2. Federal Reserve Banks.......	1.4	-		.7	-		.2	-		.1	-		2.4	-	
3. Total for banking sources...	8.1	-		4.2	-		1.4	-		.6	-		14.3	-	
C. Total for all sources..........	21.2	18.7		19.1	18.2		18.6	18.4		11.8	11.9		70.7	67.2	

Office of the Secretary of the Treasury, Division of Research and Statistics.

January 30, 1943.

1/ Comprises current (1) personal savings, and (2) corporate accumulations.

2/ Computed only for (1) individuals, partnerships, and personal trust accounts, (2) corporations other than banks and insurance companies, and (3) total for nonbanking sources.

2. Goals for Absorbing Current Savings and Accumulations in the Calendar Year 1943

In working out goals for the sale of securities to non-banking investors during the calendar year 1943, the first step is to carry forward the analysis shown in the table on past experience (Table 1). The corresponding table for the calendar year 1943 (Table 2) is broken down into four periods, as follows: January-April, May-July, August-October, and November-December. The first period of four months was chosen because it has already been decided that the next "drive" is to be held in April.

Monthly Treasury cash requirements indicate that the second drive in 1943 will have to be made in July, unless it is decided to undertake further bank borrowing to meet July requirements and postpone the drive for non-banking funds perhaps until August. Accordingly, a May-July quota period was set up. Similarly the third period was set as August-October. November and December are shown to fill out the calendar year although it is contemplated that these months might well be carried forward into a drive in January 1944.

In the group of investors receiving personal savings, both insurance companies and mutual savings banks are expected to invest substantially more during the year than they receive in current savings. This expectation is based on the probability that liquidation of such assets as State and local securities, real estate mortgages, and other loans will release funds for purchasing Federal securities.

Recipients of debt repayment by individuals are estimated to receive $2.7 billions during the year. No attempt has been made to follow through these funds to the ultimate investor group receiving them. The amounts are shown separately only in order to obtain the residual figure of personal savings which will be available for direct investment by individuals, partnerships and personal trust accounts.

In the case of such direct investments it was decided that the amount of absorption in Federal securities may be increased steadily during the year. It will be recalled that in the July-December 1942 period the percentage of absorption was 47 percent. It seems reasonable that in the first three quota periods of this year this percentage may be increased in three steps to 100 percent. On this basis individuals, partnerships and personal trust accounts would invest in Federal securities 64 percent of their funds available in the January-April period, 82 percent in the May-July period, and 100 percent thereafter. The total absorption of Federal securities by individuals, partnerships and personal trust accounts during the year would thus be almost $33 billions. This would leave about $5 billions of funds which would be placed in currency and bank deposits.

The realization of this large goal for sales of securities to individuals will be made considerably easier by the fact that recipients of debt repayment by individuals have not been scheduled in the table to use any of the funds they receive from individuals in debt repayment in order to purchase Federal securities. Individuals themselves will receive some of these debt repayments so that their funds available for investment will really be slightly larger than has been allowed for. This provides a special "kitty" in setting up the goals for absorption of Federal securities by individuals. Moreover, it should be remembered that the large volume of currency and demand deposits already held by individuals also provides a potential source for absorbing Federal securities. This will make it easier to achieve the goals which have been projected.

The next main group of investors shown in the table is composed of investors receiving corporate accumulations. Recipients of debt repayment by corporations are assumed to receive $3 billions from them during the year. This estimate was based on the assumption that debt repayment would take up 10 percent of current accumulations in the first quota period, 15 percent in the second period, and 20 percent thereafter. Recipients of debt repayment by corporations have not been scheduled specifically to purchase Federal securities with the funds received in this manner. As in the case of individuals' debt repayment, this provides an extra margin in achieving the goals for other absorption of Federal securities.

Corporations other than banks and insurance companies are then taken up in the table. It will be recalled that in the July-December 1942 period this group used 71 percent of its available accumulations to absorb Federal securities. Accordingly, it has been assumed that in the first three quota periods of 1943, this 71 percent may be increased in three steps to 100 percent. This will provide percentage goals of 81 percent in the January-April period, 91 percent in the May-July period and 100 percent thereafter. For the calendar year the absorption of Federal securities by corporations would thus be scheduled at almost $15 billions.

For other investors, almost entirely governmental agencies and trust accounts, the absorption of Federal securities has been estimated almost entirely on the basis of the accumulation of funds. Extra allowance has been made for the fact that State and local governments are accumulating cash in sinking funds which may be partly invested in Federal securities.

The figures for non-banking sources, thus arrived at, provide an increasing proportion of the total borrowing required from one quota period to the next. Banks, accordingly, are scheduled to take decreasing amounts of Federal securities with the aggregate for the year running to only slightly over $14 billions. It should be remembered that a considerable part of this $14 billions will not be inflationary borrowing since it will be offset by reductions in other loans and investments, and by a portion of current savings and accumulations which investors deposit in bank accounts in preference to the purchase of Federal securities.

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Table 3.

Redemptions, Maturities, and Market Sales and Purchases of Federal Securities
by Investor Groups, Calendar Year 1943

(In billions of dollars)

	Jan.-Apr.	May-July	Aug.-Oct.	Nov.-Dec.	Total calendar year 1943
A. Nonbanking sources:					
1. Individuals, partnerships, and personal trust accounts:					
a. Redemptions of savings bonds:					
(1) Series A - E	.3	.3	.3	.3	1.2
(2) Series F - G	-	-	-	-	-
d. Redemptions of tax notes:					
(1) Series A	-	-	-	-	-
(2) Series B - C	.1	.1	.1	.1	.4
c. Maturities except bills	-	.2	.4	.2	.8
d. Market sales (+) or purchases (-)	-	-	-	-	-
e. Total	.4	.6	.8	.6	2.4
2. Corporations other than banks and insurance companies:					
a. Redemptions of savings bonds:					
(1) Series A - D	-	-	-	-	-
(2) Series F - G	-	-	-	-	-
b. Redemptions of tax notes:					
(1) Series A	.1	-	-	-	.1
(2) Series B - C	1.2	1.1	1.1	1.1	4.5
c. Maturities except bills	.2	.6	.4	1.4	2.6
d. Market sales (+) or purchases (-)	-	-	-	-	-
e. Total	1.5	1.7	1.5	2.5	7.2
3. U. S. Government agencies and trust funds:					
a. Maturities except bills (excluding special issues)	-	-	.1	-	.1
4. Insurance companies:					
a. Maturities except bills	.1	.1	.2	.1	.5
b. Market sales (+) or purchases (-)	+.2	+.1	+.1	+.1	+.5
c. Total	.3	.2	.3	.2	1.0
5. Mutual savings banks:					
a. Maturities except bills	-	.1	.1	.1	.3
b. Market sales (+) or purchases (-)	+.1	-	+.1	-	+.2
c. Total	.1	.1	.2	.1	.5
6. Tax-exempt institutions:					
a. Maturities except bills	-	-	-	-	-
7. State and local governments, their agencies, and sinking and trust funds:					
a. Maturities except bills	-	-	-	.1	.1
b. Market sales (+) or purchases (-)	+.1	-	-	-	+.1
c. Total	.1	-	-	.1	.2
8. Total for nonbanking sources	2.4	2.6	2.9	3.5	11.4
B. Banking sources:					
1. Commercial banks:					
a. Maturities except bills	1.0	1.9	1.8	4.1	8.8
b. Market sales (+) or purchases (-)	+1.4	+.9	+.3	+.2	+2.8
c. Total	2.4	2.8	2.1	4.3	11.6
2. Federal Reserve Banks:					
a. Maturities except bills	.4	.3	.3	.2	1.2
b. Market sales (+) or purchases (-)	-1.8	-1.0	-.5	-.3	-3.6
c. Total	-1.4	-.7	-.2	-.1	-2.4
3. Total for banking sources	1.0	2.1	1.9	4.2	9.2
C. Total for all sources:					
1. Redemptions of savings bonds	.3	.3	.3	.3	1.2
2. Redemptions of tax notes	1.4	1.2	1.2	1.2	5.0
3. Maturities except bills	1.7	3.2	3.3	6.2	14.4
4. Market sales (+) or purchases (-)	-	-	-	-	-
5. Total for all sources	3.4	4.7	4.8	7.7	20.6

Office of the Secretary of the Treasury, Division of Research and Statistics. February 1, 1943

3. Additional Sales of Federal Securities Required to Provide Replacements to Offset Depletions in Existing Portfolios

Table 2 showed the net absorption of Federal securities by the various investor groups calculated for the calendar year 1943 in order to finance the total deficit. This means that the amount of absorption shown for each investor group represented a net increase in its combined portfolio of Federal securities. In planning its financing program, however, the Treasury must also take into account the amount of securities which must be sold to provide funds for paying off maturities and redemptions during the year.

A further allowance will have to be made for the fact that some investor groups, such as insurance companies, will undoubtedly sell some of their shorter term securities in the market and that these probably will be purchased by commercial banks. Such transactions would increase the ability of insurance companies to buy securities and thus reduce the amount of required sales to banks directly by the Treasury.

Table 3 shows, for each investor group, the amount of securities which will have to be purchased to take care of all of these replacements. In this table, calendar year figures are broken down into the same quota periods as were used in Table 2. For each investor group the amount of redemptions, maturities, and market sales or purchases are shown separately.

Estimated redemptions of savings bonds Series A-E are shown at $1.2 billions for the year. Redemptions of Series F and G are assumed to be zero. Redemptions of tax notes are estimated at a total of $5.0 billions. Redemptions of Series A are assumed to be zero for individuals and $0.1 billions for corporations. Redemptions of series B and C are assumed to be $0.4 billions for individuals and $4.5 billions for corporations.

Maturities are shown during the year for each class of investor as indicated by the latest information on ownership of Federal securities. Bill maturities are not included because they roll over automatically and their ownership is not significantly changed as a result. Certificate maturities are included, however, since it is quite likely that the ownership of a new certificate issue will be significantly different than that of a maturing issue.

Market sales by non-banking investors are shown only for insurance companies, mutual savings banks, and State and local governmental funds. For insurance companies and mutual savings banks, estimated sales are $0.5 billions and $0.2 billions, respectively, for the year. These amounts represent approximately 25 percent of Federal security holdings due or callable within 1-5 years. For State and local governmental funds the estimated sales of $0.1 billions represent approximately one-fourth of their holdings of partially tax-exempt Federal securities. It is assumed that all of these securities sold in the market will be purchased by commercial banks.

In the case of banking investors a break-down between commercial banks and Federal Reserve Banks is again shown. Maturities except bills are shown for both groups of banks, and there are no redemptions since savings bonds and tax notes are not an important part of bank portfolios. It is assumed that the Federal Reserve Banks will buy in the market all of the securities needed to cover the net increase in their portfolio shown in Table 2, plus enough to cover maturities (except bills) shown in Table 3. It is also assumed that all securities purchased in the market by the Federal Reserve Banks will be bought from commercial banks. Such sales by commercial banks exceed their purchases from non-banking investors by $2.8 billions during the year. It should be noted that to the extent the Federal Reserve System covers its needs by purchasing newly offered securities through brokers and dealers, these sources would also be considered with commercial banks in the table.

Adding together the non-banking and the banking investor groups provides a total amount of replacement sales of $20.6 billions for the year. This consists of $1.2 billions of redemptions of savings bonds, $5.0 billions of redemptions of tax notes, and $14.4 billions of maturities except bills. Market sales and purchases naturally offset themselves so that for all investor groups together the amount is zero.

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Table 4.

Constructive Figures for Gross Sales of Federal Securities by Investor Groups

Calendar Year 1943

(In billions of dollars)

Investor group	January - April			May - July			August - October			November - December			Total calendar year 1943		
	New absorption	Replacements	Total	New absorption	Replacements	Total	New absorption	Replacements	Total	New absorption	Replacements	Total	New absorption	Replacements	Total
A. Nonbanking sources:															
1. Individuals, partnerships, and personal trust accounts.......	6.1	.4	6.5	8.7	.6	9.3	11.3	.8	12.1	6.6	.6	7.2	32.7	2.4	35.1
2. Corporations other than banks and insurance companies.......	4.5	1.5	6.0	3.8	1.7	5.5	3.9	1.5	5.4	2.6	2.5	5.1	14.8	7.2	22.0
3. U. S. Government agencies and trust funds..................	.7	-	.7	1.1	-	1.1	.6	.1	.7	.9	-	.9	3.3	.1	3.4
4. Insurance companies.............	1.1	.3	1.4	.8	.2	1.0	.8	.3	1.1	.6	.2	.8	3.3	1.0	4.3
5. Mutual savings banks............	.5	.1	.6	.4	.1	.5	.5	.2	.7	.4	.1	.5	1.8	.5	2.3
6. Tax-exempt institutions.........	.1	-	.1	-	-	-	-	-	-	-	-	-	.1	-	.1
7. State and local governments, their agencies, and sinking and trust funds..............	.1	.1	.2	.1	-	.1	.1	-	.1	.1	.1	.2	.4	.2	.6
8. Total for nonbanking sources....	13.1	2.4	15.5	14.9	2.6	17.5	17.2	2.9	20.1	11.2	3.5	14.7	56.4	11.4	67.8
B. Banking sources:															
1. Commercial banks................	6.7	2.4	9.1	3.5	2.8	6.3	1.2	2.1	3.3	.5	4.3	4.8	11.9	11.6	23.5
2. Federal Reserve banks...........	1.4	-1.4	-	.7	-.7	-	.2	-.2	-	.1	-.1	-	2.4	-2.4	-
3. Total for bank sources..........	8.1	1.0	9.1	4.2	2.1	6.3	1.4	1.9	3.3	.6	4.2	4.8	14.3	9.2	23.5
C. Total for all sources..............	21.2	3.4	24.6	19.1	4.7	23.8	18.6	4.8	23.4	11.8	7.7	19.5	70.7	20.6	91.3

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 2, 1943.

Note: Figures for new absorption are taken from Step 1, and for replacements from Step 2.

4. Gross Sales of Federal Securities Required for New Money and Replacements

Table 4 brings together for the various investor groups the figures for net new absorption of Federal securities and for replacements to offset depletions in existing portfolios. It will be noted that non-banking sources are scheduled to purchase $15.5 billions gross in the January-April period while banks are only scheduled to purchase $9.1 billions. In the May-July period non-banking sources would be increased to $17.5 billions with banking sources reduced to $6.3 billions. In the August-October period non-banking sources would be increased further to $20.1 billions, with banking sources reduced to only $3.3 billions. For the year as a whole total gross sales of $91.3 billions would be divided between $67.8 billions fron non-banking sources and $23.5 billions from banking sources.

Table 5.

Analysis of Constructive Figures for Gross Sales of Federal Securities, by Nonbanking Investor Groups, for Calendar Year 1943, Classified by "Continuing" and "Periodic Special Effort" Categories

(In billions of dollars)

	Jan.	Feb.	Mar.	Apr.	Total 4 months	May	June	July	Total 3 months	Aug.	Sept.	Oct.	Total 3 months	Nov.	Dec.	Total 2 months	Total calendar year 1943
1. Individuals, partnerships, and personal trust accounts:																	
a. Continuing:																	
(1) Savings bonds:																	
(a) Series E..............	.8	.8	.8	.8		.8	.7	.7		.7	.6	.7		.8	.8		9.0
(b) Series F - G...........	.3	.4	-	-		-	-	-		-	-	-		-	-		.7
(2) Tax notes:																	
(a) Series A..............	.1	-	-	-		.1	-	-		.1	-	-		-	-		.3
(b) Series C..............	-	.1	-	.1		-	-	.1		-	-	.1		.1	.1		.6
b. Periodic special effort........	-	-	-	2.3		-	-	6.9		-	-	9.9		-	5.4		24.5
c. Total..........................	1.2	1.3	.8	3.2	6.5	.9	.7	7.7	9.3	.8	.6	10.7	12.1	.9	6.3	7.2	35.1
2. Corporations other than banks and insurance companies:																	
a. Continuing:																	
(1) Savings bonds:																	
(a) Series F - G...........	.1	.1	-	-		-	-	-		-	-	-		-	-		.2
(2) Tax notes:																	
(a) Series A..............	-	-	-	-		-	-	-		-	-	-		.1	-		.1
(b) Series C..............	.3	.4	.6	.6		.6	.6	.6		.6	.6	.6		.5	.5		6.5
b. Periodic special effort........	-	-	-	3.9		-	-	3.7		-	-	3.6		-	4.0		15.2
c. Total..........................	.4	.5	.6	4.5	6.0	.6	.6	4.3	5.5	.6	.6	4.2	5.4	.6	4.5	5.1	22.0
3. U. S. Government agencies and trust funds:																	
a. Continuing:																	
(1) Increases in amount of special issues outstanding..	.1	.2	.2	-		.3	.5	.2		.2	.3	-		.3	.4		2.7
b. Periodic special effort........	-	-	-	.2		-	-	.1		-	-	.2		-	.2		.7
c. Total..........................	.1	.2	.2	.2	.7	.3	.5	.3	1.1	.2	.3	.2	.7	.3	.6	.9	3.4
4. Insurance companies:																	
a. Periodic special effort........	-	-	-	1.4	1.4	-	-	1.0	1.0	-	-	1.1	1.1	-	.8	.8	4.3
5. Mutual savings banks:																	
a. Periodic special effort........	-	-	-	.6	.6	-	-	.5	.5	-	-	.7	.7	-	.5	.5	2.3
6. Tax-exempt institutions:																	
a. Periodic special effort........	-	-	-	.1	.1	-	-	-	-	-	-	-	-	-	-	-	.1
7. State and local governments, their agencies, and sinking and trust funds:																	
a. Periodic special effort........	-	-	-	.2	.2	-	-	.1	.1	-	-	.1	.1	-	.2	.2	.6
8. Total for nonbanking sources:																	
a. Continuing:																	
(1) Public issues:																	
(a) Savings bonds..........	1.2	1.3	.8	.8		.8	.7	.7		.7	.6	.7		.8	.8		9.9
(b) Tax notes..............	.4	.5	.6	.7		.7	.6	.7		.7	.6	.7		.7	.6		7.5
(2) Increases in amount of special issues outstanding..	.1	.2	.2	-		.3	.5	.2		.2	.3	-		.3	.4		2.7
(3) Total......................	1.7	2.0	1.6	1.5		1.8	1.8	1.6		1.6	1.5	1.4		1.8	1.8		20.1
b. Periodic special effort........	-	-	-	8.7		-	-	12.3		-	-	15.6		-	11.1		47.7
c. Total..........................	1.7	2.0	1.6	10.2	15.5	1.8	1.8	13.9	17.5	1.6	1.5	17.0	20.1	1.8	12.9	14.7	67.8

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 1, 1943.

5. Classification of Required Gross Sales to Non-Banking Investor Groups by "Continuing" and "Periodic Special Effort" Categories

Total gross sales of securities to the various non-banking investor groups will be partly satisfied by the sale of securities through efforts conducted continuously while the remainder will have to be satisfied through the use of "periodic special efforts". The regular campaign to sell savings bonds and tax notes will provide sales in the "continuing" category while periodic drives will provide both additional sales of savings bonds and tax notes and sales of securities offered especially for the "drive". Table 5 analyzes the sales scheduled for the various investor groups and classifies them into these two categories.

Gross sales of savings bonds are estimated at $9.9 billions for the calendar year with $9.0 billions in Series E. The other $0.9 billions consists of sales of Series F and G bonds in January and February. It is assumed in the table that the sale of Series F and G bonds will be discontinued as of the end of February, with some earlier announcement to this effect.

Gross sales of tax notes are estimated at $7.5 billions for the year, consisting of $0.4 billions of Series A notes and $7.1 billions of Series C notes.

These estimates of the sales of savings bonds and tax notes represent assumptions of what may be expected on the basis of the present outlook and without a significant change in the selling effort. The amount of sales of savings bonds and tax notes in the various series is allocated to individuals and to corporations other than banks and insurance companies on the basis of past experience.

Having thus estimated the amount of sales which may be expected in the "continuing" category, the remainder of the scheduled requirements is allotted to the "periodic special effort" category. For example, in the first quota period individuals, partnerships and personal trust accounts are scheduled to make gross purchases of Federal securities in the amount of $6.5 billions. (See Table 4.) Monthly estimates of the sales of savings bonds and tax notes indicate that the continuing effort will provide $1.2 billions in January, $1.3 billions in February, and $0.8 billions in March. This will leave a total requirement for April of $3.2 billions. Of this amount $0.9 billions would be provided by continuing sales, leaving a total of $2.3 billions to be provided by the "periodic special effort".

A similar analysis for corporations other than banks and insurance companies indicates that total April sales would have to be $4.5 billions of which $3.9 billions would represent the "periodic special effort".

In the case of government agencies and trust funds total scheduled sales for the first quota period would be broken down into $0.5 billions of "continuing effort" (special issues) and $0.2 billions of market securities in the "periodic special effort". For the remaining non-banking investor groups, the entire scheduled sales during the quota period are assumed to be satisfied in the "periodic special effort".

The recapitulation at the bottom of Table 5 indicates that total sales of securities in April would be set at $10.2 billions with $8.7 billions classified under "periodic special effort" and $1.5 billions under "continuing" effort. It will be remembered that total sales of securities in December aggregated $12.9 billions including the "continuing" category as well as the special "drive". The amount of securities estimated to have been purchased by non-banking investors in December was approximately $7 billions.* Thus, the schedule for the month of April for non-banking investors would represent an increase of about $3 billions over December.

While the figures for the April drive would thus exceed December totals for non-banking investors, the projected July drive would be on an even larger scale. The "periodic special effort" called for would be $12.3 billions, with sales of all securities in the month set at $13.9 billions. In the October drive total sales for the month would be $17.0 billions with the "periodic special effort" calling for $15.6 billions. For the entire calendar year total sales of securities to non-banking investors are scheduled at $67.8 billions. Continuing sales at $20.1 billions would amount to less than a third of this total. Sales through the "periodic special effort" would amount to $47.7 billions.

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* Excluding dealers and brokers.

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Table 6. Analysis of Personal Incomes by Size Classes

Calendar Year 1943

	Total	Distribution by net income groups 1/					
		$ 0-1,000	$1,000-2,000	$2,000-3,000	$3,000-4,000	$4,000-5,000	$5,000 and over
I. Number of income recipients 2/							
Millions of persons	63	19.6	27.9	9.2	3.6	1.6	1.6
II. Aggregates (in billions of dollars)							
Gross incomes (total income payments)	132	14.9	46.9	25.8	14.7	8.6	21.3
Less: Personal taxes 3/	13	.6	2.9	1.8	1.5	1.0	5.6
Equals disposable income	119	14.4	44.0	24.0	13.2	7.6	15.7
Less: Consumer spendings	74	15.1	30.7	13.5	6.2	3.1	5.5
Equals personal savings	45	-.7	13.3	10.4	7.1	4.5	10.2
III. Average per recipient (in dollars)							
Gross income		763	1,682	2,806	4,055	5,362	13,381
Less: Personal taxes 3/		28	104	195	401	612	3,512
Equals disposable income		735	1,579	2,610	3,654	4,750	9,869
Less: Consumer spendings		771	1,101	1,475	1,705	1,962	3,446
Equals personal savings		-36	478	1,136	1,949	2,788	6,423

Office of the Secretary of the Treasury, Division of Research and Statistics. February 6, 1943.

Note: Figures do not add up to totals because of rounding.
1/ Classifications of gross income by net income classes naturally result in some average incomes exceeding the upper limit of the income bracket.
2/ Excluding young people under 18 required to report incomes as part of their parents' returns.
3/ State and local as well as Federal.

6. Personal Savings Analyzed by Income Groups

In an earlier stage in this analysis scheduled sales of Federal securities to individuals, partnerships, and trust accounts were placed at an aggregate of almost $33 billions for the calendar year 1943 (Table 2). This figure represents the amounts of sales to individuals, partnerships and personal trust accounts scheduled to absorb personal savings during the year and does not include replacements to make up depletions in the existing portfolios of these investors.

In order to work out a detailed campaign to realize the objective of absorbing personal savings direct from individuals to the extent of $33 billions during the year, the question is immediately raised as to the distribution of personal savings by income groups. If most of these savings are in the lower income groups, a different type of campaign will doubtless be called for than if the savings are located largely in the upper income groups.

Accordingly, an attempt has been made in Table 6 to break down personal income figures by net income classes. Gross personal incomes (income payments) of $132 billions for the year are classified by $1,000 brackets up to net incomes of $5,000 a year. All incomes over $5,000 are lumped together.

The table shows first of all the number of income recipients in each income class. About 90 percent of the total of 63 million income recipients fall in the brackets below $3,000 a year. Of the remaining 10 percent, or about 7 million persons, less than one-fourth receive net incomes of $5,000 a year or more.

Part II of the table shows first of all total gross incomes (income payments) by income classes. Next, personal taxes are deducted from gross incomes, bracket by bracket, leaving disposable incomes. Estimates of consumers' spendings in each income bracket are then subtracted from the corresponding figure for disposable incomes, leaving a residual amount of personal savings in each of the six income classes. A very large part of personal savings is found in the lower income groups, but this stems from the fact that these groups receive an even larger proportion of the total gross incomes.

In part III of the table each figure shown in part II is divided by the number of income recipients in the designated class. Average gross income in each income group may thus be examined in relation to average spendings and average savings in that group.

In interpreting the high savings figures shown in the lower income brackets, it should be remembered that the figures relate to individuals and not to family units. Many families, particularly in these brackets, now have more than one person working. Family members who are new earners are able to save unusually large amounts of their incomes. Substantial savings in the lower income groups also result from the fact that many persons are benefiting from wage increases which have raised their incomes well above what they formerly spent for consumption, although many things which they would like to buy are now unavailable.

It should be emphisized that all figures shown in Table 6 are very rough and they should be read only as clues concerning the whereabouts of total personal savings. The next table pursues this question further.

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Table 7. Analysis of Personal Savings by Categories

Calendar Year 1943

	Total	Distribution by net income groups					
		$ 0-1,000	$1,000-2,000	$2,000-3,000	$3,000-4,000	$4,000-5,000	$5,000 and over
I. Aggregates (in billions of dollars)							
Savings absorbed by life insurance, mutual savings banks and debt repayment..............................	6.7	-.4	3.2	1.9	.9	.5	.7
Remainder available for absorption of Federal securities.................	38.1	-.4 1/	10.1	8.5	6.2	4.0	9.6
Total personal savings..................	44.8	-.7	13.3	10.4	7.1	4.5	10.2
II. Average per recipient (in dollars)							
Savings absorbed by life insurance, mutual savings banks and debt repayment..............................		-18	114	206	242	281	408
Remainder available for absorption of Federal securities.................		-18	364	929	1,707	2,507	6,014
Total personal savings..................		-36	478	1,136	1,949	2,788	6,423

Office of the Secretary of the Treasury, Division of Research and Statistics. February 6, 1943.

Note: Figures do not add up to totals because of rounding.
1/ On assumption that this group will absorb $.2 billions in Federal securities, but will draw down currency and deposits by $.6 billions.

7. Personal Savings Available for Purchasing Federal Securities Analyzed by Income Groups

In Table 6 personal savings were analyzed by income groups. Some of these savings, however, are not available for the purchase of Federal securities because they are invested in life insurance, mutual savings banks and debt repayment. In Table 2 such deductions were listed and the residual amount which will be available for the purchase of Federal securities was estimated at $38 billions for the calendar year. Of this total, it was assumed that about $33 billions would be invested in Federal securities with the remainder placed in bank deposits and currency. The total of $38 billions is the reservoir from which Federal securities are purchased and the objective is to obtain as much absorption as possible, thereby limiting the portion going into currency and bank deposits.

Table 7 breaks down by income classes the total funds available for investment in Federal securities. Part I of the table shows the aggregate amounts by income groups for total personal savings, investments in life insurance, mutual savings banks and debt repayment combined, and the residual amount of savings available for the purchase of Federal securities. Part II of the table shows the same figures as averages per income recipient. As in the case of Table 6, the figures in Table 7 are rough and should be interpreted as a reflection of general magnitudes rather than exact values.

It will be noted that the total amount of personal savings available for the purchase of Federal securities is divided about equally between income groups receiving less than $3,000 per year and income groups receiving more than that amount. It was noted previously that 90 percent of the number of income recipients received less than $3,000 per year and only 10 percent received more than this amount.

Three-quarters of the total amount of personal savings available for the purchase of Federal securities is held by the income groups under $5,000. Table 6 shows that there are approximately 61 million persons in these groups. This would appear to be the area where mass campaigns will be needed to obtain the absorption of savings into Federal securities.

Above the $5,000 level there is about one-fourth of total personal savings available for the purchase of Federal securities. Approximately 2 million persons are in this group. The group is, of course, widely diverse. Some of the persons in it are extremely wealthy while others are salaried persons who have little more ability to purchase securities than the people in the income groups under $5,000. In order to obtain the investment of savings of persons receiving more than $5,000, it will probably be necessary to have a highly personalized campaign with some diversification in the securities offered.