

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 3, 1939

To Chairman Eccles

Subject: Estimates of cash require-

From Henry Edmiston

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The table below shows comparisons for recent periods between Treasury estimates of cash requirements and those of the Division together with the actual results. The Treasury estimates, as furnished the Board by Mr. Bell prior to financing periods, usually cover the next four to six months and only give the expected Treasury cash balance at the end of each month. As we have no detailed breakdown from the Treasury of the various classes of receipts and expenditures by months, it is sometimes difficult to be certain that the two sets of estimates include all of the same items, particularly those which, although they are outside of the budget, affect the Treasury's cash balance. Both sets of estimates are, of course, adjusted for subsequent open-market financing operations and in some cases allowances have been made for special transactions of Government corporations and credit agencies in order to put them on a comparable basis with the actual change in the Treasury cash balance.

(In millions of dollars)

Date of estimates	Period covered	Estimated change in Treasury balance		Actual change in Treasury balance	Actual balance larger(+) or smaller(-) than	
		Treasury	Division of Research and Statistics		Treasury estimate	Research and Statistics estimate
Apr. 1938	Apr.-Sept. 1938	+1,386	+855	+1,169	-217	+314
May 1938	June-Sept. 1938	+534	+457	+368	-166	-89
Aug. 1938	Sept.-Dec. 1938	+465	+472	+749	+284	+277
Nov. 1938	Dec. 1938-Mar. 1939	+112	+651	+882	+770	+231
Feb. 1939	Mar.-June 1939	-931	-856	-472	+459	+384
May 1939	June-Sept. 1939	-1,000	-802	-785	+215	+17
Sept. 1939	Sept.-Nov. 1939	-971	-763			

Both sets of estimates have shown considerable error in certain periods, although the Division's estimates have generally been better than those of the Treasury. Usually the Treasury estimates have shown substantially larger cash requirements than actually occurred, while those of the Division show a somewhat smaller error in the same direction. The only time when Treasury estimates showed a higher balance than was realized was in the period covered by their April and May 1938 estimates, when they

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may not have taken full account of the increased expenditures which resulted from the new recovery program requested by the President in April of that year. The Division, in its estimates in April expected the program to get underway more rapidly than was the case.

It should also be noted that the estimates of the Division are based largely upon the official budget estimates as are those of the Treasury. It has been the policy to tie in closely to new budget figures when they come out, which explains why the two estimates of August 1938 and February 1939 are so close together. As time goes by and it becomes clear that budget estimates of particular items are not being realized, the Division's estimates are revised and thus become more independent of those of the Treasury. Thus in November 1938 and May 1939, a substantial difference was shown between the two estimates and the Division's turned out to be more accurate.

At the present time, our estimates are quite different from those shown in the latest official budget which came out last January and, as indicated by the estimates I gave you recently, show lower net expenditures than the estimates which Mr. Bell is using.

A.E.