

COMMENTS ON GOLDSMITH'S LETTER OF JANUARY 13

Edmundson
5940

The figures which Goldsmith gives on the amount of open-market financing which will be necessary during the next 18 months are completely screwy. In the first place, he makes the statement that after adding \$1,000,000,000 new expenses to the budget figures, the Treasury would need to sell about \$3,000,000,000 of direct obligations. He says that Savings bond sales may absorb \$1,500,000,000 of this amount leaving only about \$2,000,000,000 to be sold in the market. He has apparently overlooked this error of \$500,000,000 in subtraction. Another important difference between Goldsmith's estimates and the budget figures is the net receipts from Social Security accounts. The budget shows \$1,370,000,000 for these accounts and, although Goldsmith appears to have tried to make some allowance for them in his deduction of non-cash items, he obviously has not included enough for these funds.

The following table gives a comparison between Goldsmith's figures and estimates based upon the official budget figures.

COMPARISON OF GOLDSMITH AND BUDGET ESTIMATES
(In millions of dollars)

	Goldsmith	Estimates based upon budget
Budget deficit	<u>3,645</u>	<u>3,645</u>
Less noncash items	880	381
Cash deficit	<u>2,765</u>	<u>3,264</u>
Deduct:		
Net receipts in Social Security accts.	<u>1/</u>	1,370
U. S. Savings bonds	1,500	1,560
Reduction in working balance	800	800
Add:		
Increase in cash deficit over budget estimate	1,000	---
Net expenditures, other accounts	<u>2/</u>	<u>440</u>
Indicated amount of open-market debt	1,465	-26
Add:		
Repayment of capital of Government corporations	700	550 <u>3/</u>
Total market risk securities	<u>2,165</u>	<u>524</u>

- 1/ Goldsmith apparently thought he was including these receipts in noncash items above, but he obviously did not put in enough.
- 2/ Goldsmith allowed nothing for retirement of the \$150,000,000 of Treasury bills and of \$290,000,000 of matured debt, etc.
- 3/ No decision has been made on the method of repayment. While some funds may be obtained by net loan repayments to the agencies from now to June 1941, I think it is likely that \$550,000,000 would have to be raised by sales of guaranteed obligations or liquidation of the Corporations' holdings of Government direct or guaranteed securities and Land bank bonds.