

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 8, 1940

To Chairman Eccles

Subject: Treasury cash requirements

From Henry Edmiston

and public debt.

Sales of Savings bonds in January and February to date have far exceeded even the most optimistic expectations. This is true even after allowance is made for the \$47,000,000 of cash sales to private retirement funds in December and January, including \$6,000,000 purchased by the Federal Reserve Retirement System. I believe, therefore, that we are justified in writing up our estimates of sales of Savings bonds for the future months. In the recent cash requirements tables, which I gave you, net sales of Savings bonds were estimated at \$940,000,000 for the calendar year 1940, as compared with actual net sales of \$770,000,000 in 1939. On the basis of recent experience, I believe that a figure for net sales of Savings bonds in 1940 of \$1,100,000,000 would not be too high.

Using this new figure for Savings bonds means that the previous estimates of the Treasury cash balance and the public debt should be changed as shown in the table below. While the larger sales of Savings bonds increase the cash balance, they increase the debt subject to the statutory limitation at a rate of one-third more, which is the difference between the sale price and the maturity, or face, value of the bonds. As in the former estimates, net receipts or expenditures of Government corporations are excluded, and it is assumed that the \$700,000,000 excess capital from Government corporations will be repaid during the period July-December 1940. The estimates, of course, assume that no cash will be raised by sale of direct open-market obligations.

(In millions of dollars)

	On basis of:	
	Budget Message estimates	Our independent estimates
Treasury cash balance:		
June 30, 1940.....	670 .	1,100 .
December 31, 1940.....	770 .	1,410 .
Public debt subject to statutory limitation:		
June 30, 1940.....	43,110 .	43,200 .
December 31, 1940.....	44,220 .	44,380 .

H.E.

↓ This figure was given to me "confidentially".