

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
Division of Research and StatisticsTREASURY FINANCING AND BANK RESERVES DURING LAST HALF OF 1948

Attached are two sets of tables giving estimates of changes in the Treasury cash position and bank reserves during the next six months based on two sets of assumptions.

Assumption A is designed to produce the minimum possible effect on bank reserves from Treasury operations. It calls for no retirement of public debt other than voluntary redemptions of maturing issues and the already-scheduled 400 million of bills in July. Treasury deposits with Federal Reserve Banks are maintained at as constant a level as possible through the timing of calls on war loan deposits, and total Treasury deposits would stay at a higher level than necessary.

Because of income tax receipts in September, Treasury operations will necessarily exert a drain of about 500 million dollars on bank reserves in that month. This drain and the possible increase in required reserves resulting from bank credit expansion in other months of the period would necessitate System purchases of Government securities of about a billion dollars. It is possible that insurance companies and other institutional investors (excluding banks) may need to sell 1.5 billion dollars or more of Government securities to make other investments during the period. Purchases of these by the Federal Reserve would thus supply reserves to banks in excess of the drain by the Treasury.

Assumption B presents a pattern of Federal Reserve and Treasury pressure on bank reserves. It calls for retirement by the Treasury of 1.9 billion dollars of Federal Reserve-held debt. On the basis of the estimates, this amount could be retired and still leave the Treasury with deposits (excluding gold) of 2.2 billion at the end of December, compared with 3.7 billion at the end of June.

This program, timed as presented on the tables, would exert constant moderate pressure on bank reserves, in addition to the 500 million resulting from tax receipts in September. Together with other factors affecting the supply of reserves and the probable expansion of required reserves, it would call for possible System purchases of 1.4 billion dollars of securities in the six months. This program might absorb a large part of the selling by nonbank investors. Pressure under this program could be increased somewhat further by drawing down war loan deposits below the minimum figure of a billion dollars assumed.

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ESTIMATED TREASURY DEPOSITS AND RELATED ITEMS  
(In millions of dollars)

Assumption A: Retirement of  
.4 billion dollars of Federal  
Reserve held debt

R&S 100-2723  
July 9, 1948

Period	Treasury deposits with Federal Reserve Banks						War loan deposits				Total Treasury deposits <sup>1/</sup> (end of period)
	Amount (end of period)	Change					Amount (end of period)	Change			
		Calls	Redemptions		Income taxes	Other		Income taxes	New securities	Calls	
Bills	Other market-able issues										
Statement week ended:											
1948: June 2*	1,567	+ 381	--	-138	+ 64	- 528	1,758	+ 69	+ 120	- 381	3,325
9*	1,144	+ 146	--	- 7	+ 209	- 771	1,799	+101	+ 89	- 146	2,943
16*	984	+ 810	--	-316	+ 603	-1,257	1,386	+325	+ 73	- 810	2,370
23*	1,863	+ 6	--	- 22	+1,419	- 524	1,555	+ 77	+ 102	- 6	3,418
30*	1,928	+ 4	--	- 30	+ 556	- 465	1,773	+ 37	+ 187	- 4	3,701
July 7*	1,841	+ 647	- 99	-271	+ 220	- 584	1,443	+ 79	+ 240	- 647	3,284
14	1,885	+ 483	-104	- 19	+ 270	- 586	1,674	+ 59	+ 655	- 483	3,559
21	1,787	+ 347	-100	--	+ 210	- 555	1,512	+ 40	+ 145	- 347	3,299
28	1,697	+ 350	-100	--	+ 170	- 510	1,272	+ 25	+ 85	- 350	2,969
Aug. 4	1,685	+ 100	--	--	+ 225	- 340	1,340	+ 60	+ 110	- 100	3,025
11	1,630	--	--	--	+ 245	- 300	1,555	+140	+ 75	--	3,185
18	1,675	+ 150	--	--	+ 295	- 400	1,680	+200	+ 75	- 150	3,355
25	1,675	+ 250	--	--	+ 150	- 400	1,620	+105	+ 85	- 250	3,295
Sept. 1	1,650	+ 250	--	--	+ 100	- 375	1,565	+ 75	+ 120	- 250	3,215
8	1,295	--	--	--	+ 245	- 600	1,755	+100	+ 90	--	3,050
15	1,245	--	--	-150	+ 550	- 450	2,085	+255	+ 75	--	3,330
22	1,795	--	--	- 50	+1,475	- 875	2,295	+130	+ 80	--	4,090
29	2,100	--	--	--	+ 755	- 450	2,425	+ 40	+ 90	--	4,525
Month:											
1948: May *	1,684	+1,258	--	--	+ 822	-1,632	2,020	+713	+ 406	-1,258	3,704
June*	1,928	+1,330	--	-513	+2,821	-3,394	1,773	+587	+ 508	-1,330	3,701
July	1,715	+1,877	-403	-290	+ 975	-2,372	1,285	+210	+1,180	-1,877	3,000
August	1,685	+ 700	--	--	+ 870	-1,600	1,515	+550	+ 380	- 700	3,200
September	2,155	--	--	-200	+3,170	-2,500	2,445	+550	+ 380	--	4,600
October	2,145	+1,700	--	-400	+ 990	-2,300	1,355	+230	+ 380	-1,700	3,500
November	2,185	+1,000	--	--	+ 880	-1,840	1,315	+580	+ 380	-1,000	3,500
December	2,155	+ 700	--	-100	+2,315	-2,945	1,545	+550	+ 380	- 700	3,700

\* Actual.

<sup>1/</sup> Total Treasury deposits at Federal Reserve Banks and war loan deposits; total does not include free gold, which amounts to a little more than 1 billion dollars, and other small items in the General Fund balance.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS

Table 11

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## TREASURY CASH TRANSACTIONS AND MEMBER BANK RESERVES

Assumption A: Retirement of  
.4 billion dollars of Federal  
Reserve held debt

R&amp;S 100-2723

(Estimated. In billions of dollars)

July 9, 1948

Item	1947	1948				1948						1949		Fiscal years	
	July- Dec.*	Jan.- Mar.*	Apr.*	May*	June <sup>p</sup>	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.- Mar.	Apr.- June	1947-48 <sup>p</sup>	1948-49
Cash income	20.5	15.7	3.0	3.3	5.1	2.3	3.1	5.0	2.5	3.1	4.3	14.4	10.5	47.6	45.2
Cash outgo	19.2	9.3	3.0	2.8	4.3	3.1	2.9	3.4	3.1	3.0	3.9	10.5	12.0	38.6	41.9
Excess of cash income or outgo (-)	+1.3	+6.4	--	+ .5	+ .8	- .8	+ .2	+1.6	- .6	+ .1	+ .4	+ 3.9	- 1.5	+ 9.0	+ 3.3
Net cash borrowing or repayment (-)															
Nonmarketable <sup>1/</sup>	+1.4	+ .3	- .2	- .2	- .3	+ .8	--	--	- .1	- .1	- .1	+ .6	- .1	+ 1.0	+ 1.0
Marketable: <sup>2/</sup>															
F. R. Banks	-1.0	-3.8	- .3	--	--	- .4	--	--	--	--	--	--	--	- 5.1	- .4
Other	-1.9	- .6	- .2	--	- .5	- .3	--	- .2	- .4	--	- .1	- .7	- .4	- 3.2	- 2.1
Treasury cash balance:															
Adjust. from Gen'l. Fd.	+ .4	- .2	+ .2	--	--	--	--	--	--	--	--	--	--	+ .4	--
Change: Total	+ .2	+2.1	- .5	+ .3	--	- .7	+ .2	+1.4	-1.1	--	+ .2	+ 3.8	- 2.0	+ 2.1	+ 1.8
F. R. Banks	+ .1	+1.1	- .7	+ .4	+ .2	- .2	--	+ .5	--	--	--			+ 1.2	
War loan	--	+1.0	+ .2	- .2	- .2	- .5	+ .2	+ .9	-1.1	--	+ .2			+ .8	
Outstanding:	2.9	5.0	4.5	4.8	4.8	4.1	4.3	5.7	4.6	4.6	4.8	8.6	6.6	4.8	6.6
F. R. Banks	.9	2.0	1.2	1.7	1.9	1.7	1.7	2.2	2.1	2.2	2.2			1.9	
War loan	1.0	2.0	2.2	2.0	1.8	1.3	1.5	2.4	1.4	1.3	1.5			1.8	
Gold	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1			1.1	
Effect of Treasury opera- tions on reserves	-1.1	-4.8	+ .4	- .4	- .2	- .2	--	- .5	--	--	--			- 6.1	
Other reserve sources <sup>3/</sup>	+1.2	+1.5	+ .1	+ .2	- .2	+ .2	- .1	--	--	--	+ .1			+ 2.8	
Increase in required reserves	+1.0	- .4	+ .2	--	+ .5	--	+ .1	--	+ .2	+ .1	+ .1			+ 1.3	
Deficiency in reserves (-)	- .9	-2.8	+ .3	- .3	- .9	--	- .2	- .5	- .2	- .1	--			- 4.6	

\* Actual

p Preliminary

<sup>1/</sup> Including Treasury purchases of marketable securities.<sup>2/</sup> Change in amount outstanding.<sup>3/</sup> Excluding Federal Reserve market operations.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS

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R&S 100-2723

July 9, 1948

Table 1  
ESTIMATED TREASURY DEPOSITS AND RELATED ITEMS  
(In millions of dollars)

Assumption B: Retirement of  
1.9 billion dollars of Federal  
Reserve held debt

Period	Treasury deposits with Federal Reserve Banks						War loan deposits				Total Treasury deposits <sup>1/</sup> (end of period)
	Amount (end of period)	Change					Amount (end of period)	Change			
		Calls	Bills	Other market-able issues	In-come taxes	Other		In-come taxes	New securities	Calls	
Statement week ended:											
1948: June 2*	1,567	+ 381	--	-138	+ 64	- 528	1,758	+ 69	+120	-381	3,325
9*	1,144	+ 146	--	- 7	+ 209	- 771	1,799	+101	+ 89	-146	2,943
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23*	1,863	+ 6	--	- 22	+1,419	- 524	1,555	+ 77	+102	+ 6	3,418
30*	1,928	+ 4	--	- 30	+ 556	- 465	1,773	+ 37	+187	+ 4	3,701
July 7*	1,841	+ 647	-99	-271	+ 220	- 584	1,443	+ 79	+240	-647	3,284
14	1,885	+ 483	-104	- 19	+ 270	- 586	1,674	+ 59	+655	-483	3,559
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28	1,697	+ 350	-100	--	+ 170	- 510	1,272	+ 25	+ 85	-350	2,969
Aug. 4	1,715	+ 130	--	--	+ 225	- 340	1,310	+ 60	+110	-130	3,025
11	1,760	+ 100	--	--	+ 245	- 300	1,425	+140	+ 75	-100	3,185
18	1,805	+ 150	--	--	+ 295	- 400	1,550	+200	+ 75	-150	3,355
25	1,805	+ 250	--	--	+ 150	- 400	1,490	+105	+ 85	-250	3,295
Sept. 1	1,780	+ 250	--	--	+ 100	- 375	1,435	+ 75	+120	+250	3,215
8	1,325	--	-100	--	+ 245	- 600	1,625	+100	+ 90	--	2,950
15	1,175	--	-100	-150	+ 550	- 450	1,955	+255	+ 75	--	3,130
22	1,625	--	-100	- 50	+1,475	- 875	2,165	+130	+ 80	--	3,790
29	1,830	--	-100	--	+ 755	- 450	2,295	+ 40	+ 90	--	4,125
Month:											
1948: May*	1,684	+1,258	--	--	+ 822	-1632	2,020	+713	+406	-1258	3,704
June*	1,928	+1,330	--	-513	+2,821	-3394	1,773	+587	+508	-1330	3,701
July	1,715	+1,877	-403	-290	+ 975	-2372	1,285	+210	+1,180	-1877	3,000
August	1,815	+ 830	--	--	+ 870	-1600	1,385	+550	+380	- 830	3,200
September	1,785	--	-500	-200	+3,170	-2500	2,315	+550	+380	--	4,100
October	1,595	+1,820	-300	-400	+ 990	-2300	1,105	+230	+380	-1820	2,700
November	1,395	+1,060	-300	--	+ 880	-1840	1,005	+580	+380	-1060	2,400
December	1,195	+ 930	-400	-100	+2,315	-2945	1,005	+550	+380	- 930	2,200

\* Actual.

<sup>1/</sup>Total Treasury deposits at Federal Reserve Banks and war loan deposits; total does not include free gold, which amounts to a little more than 1 billion dollars, and other small items in the General Fund balance.

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 July 9, 1948

Assumption B: Retirement of  
 \$1.9 billion dollars of Federal  
 Reserve held debt.

Table 2  
 Treasury Cash Transactions and Member Bank Reserves  
 (Estimated. In billions of dollars)

Item	1948							
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	July-Dec.
Excess of cash income or outgo (-)		- .8	+ .2	+1.6	- .6	+ .1	+ .4	+ .9
Net cash borrowing or repayment (-)								
Nonmarketable		+ .8	-	-	- .1	- .1	- .1	+ .5
Marketable								
F. R. Banks		- .4	-	- .5	- .3	- .3	- .4	-1.9
Other		- .3	-	- .2	- .4	-	- .1	-1.0
Treasury cash balance:								
Change: Total		- .7	+ .2	+ .9	-1.4	- .3	- .2	-1.5
F. R. Banks		- .2	+ .1	-	- .2	- .2	- .2	- .7
War loan		- .5	+ .1	+ .9	-1.2	- .1	-	- .8
Outstanding: Total	3.7	3.0	3.2	4.1	2.7	2.4	2.2	
F. R. Banks	1.9	1.7	1.8	1.8	1.6	1.4	1.2	
War loan	1.8	1.3	1.4	2.3	1.1	1.0	1.0	
Effect of Treasury operations on reserves		- .2	- .1	- .5	- .1	- .1	- .2	-1.2
Other reserve sources <sup>1/</sup>		+ .2	- .1	-	-	-	+ .1	+ .2
Increase in required reserves		-	-	+ .1	+ .1	+ .1	+ .1	+ .4
Deficiency in reserves (-)		-	- .2	- .6	- .2	- .2	- .2	-1.4

<sup>1/</sup> Excluding Federal Reserve market operations.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS