

INFLATION POTENTIAL

May 28, 1945

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TABLE I

FEDERAL WARTIME BUDGET

Total Funds Raised

(in billions of dollars)

Period	From Taxes	From Borrowing	Total	Taxes as Percentage of Total
Fiscal year ending June 30				
1940	5.4	2.5	7.9	68.4
1941	7.6	6.9	14.5	52.4
1942	12.8	21.8	34.6	37.0
1943	22.3	62.9	85.2	26.2
1944	44.1	61.6	105.7	41.7
1945	45.7	47.7	93.4	48.9
1946	<u>41.2</u>	<u>39.4</u>	<u>80.6</u>	51.1
1940-1946	179.1	242.8	421.9	42.5

CHART I
FEDERAL WARTIME BUDGET
TOTAL FUNDS RAISED

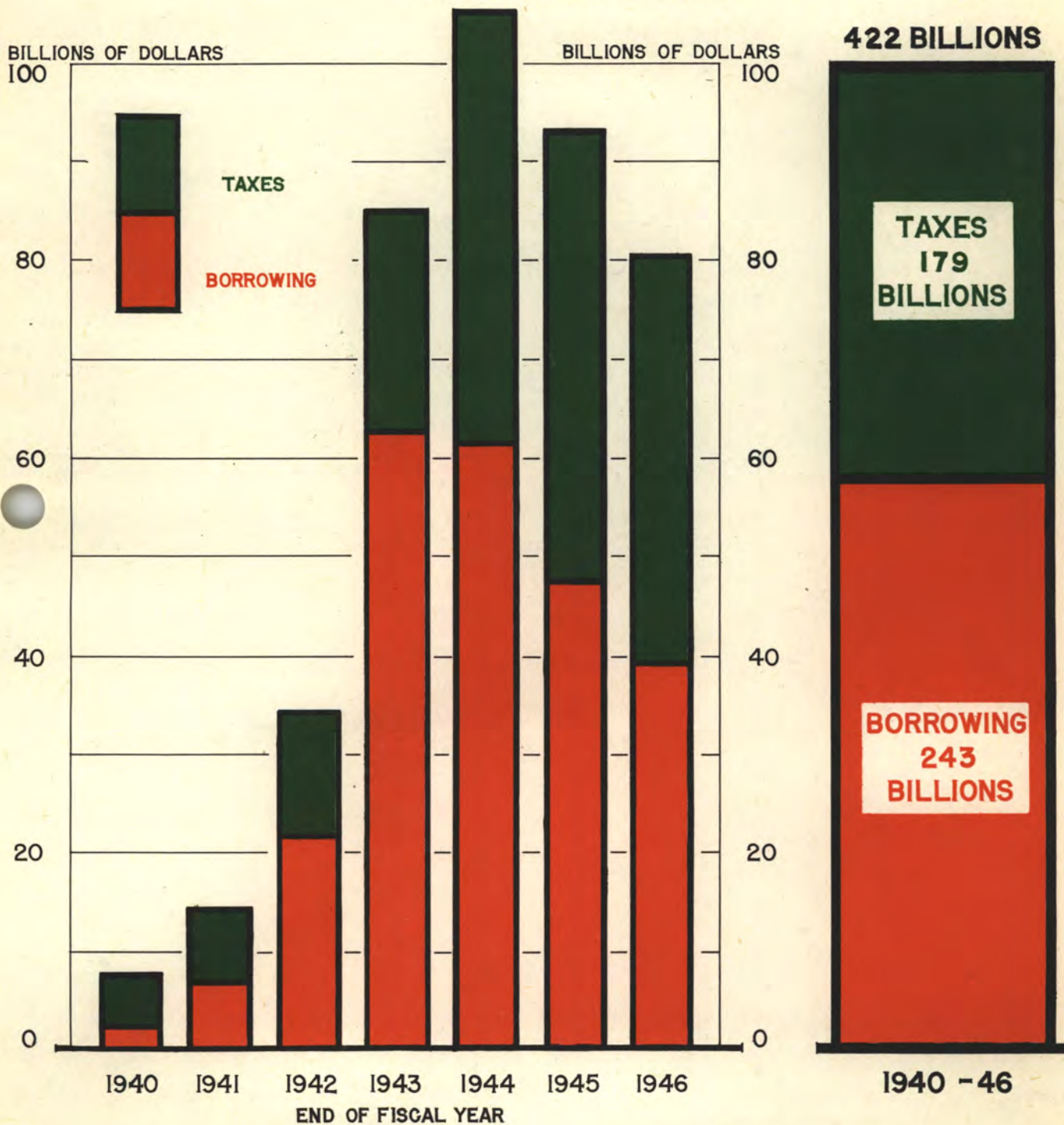


TABLE II

THE FEDERAL DEBT

Deficits from War and Depression

(in billions of dollars)

Period	Dates ^{1/}	Interest-bearing Debt	
		Change During Period	Outstanding End of Period
World War I	1916-1919	+ 24.2	25.2
Reduction in 'Twenties	1919-1930	- 9.3	15.9
Early Depression	1930-1933	+ 5.5	21.4
Relief and Recovery	1933-1940	+ 26.5	47.9
World War II	1940-1945	+200.9	248.8
	1945-1946	+ 39.4	288.2

^{1/} All figures apply to June 30 dates with the exception of 1930 which applies to March 31.

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CHART II
THE FEDERAL DEBT
 DEFICITS FROM WAR AND DEPRESSION

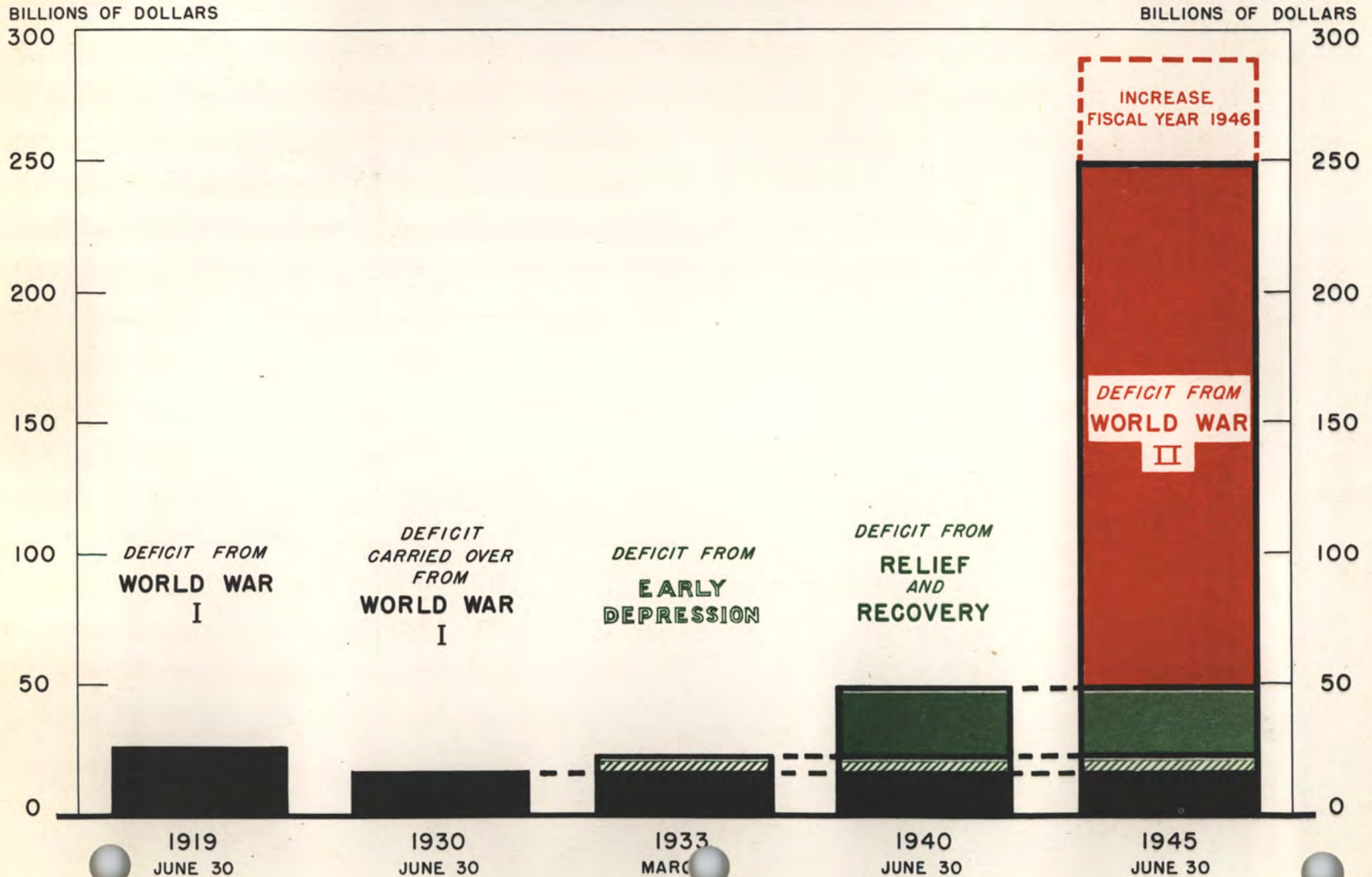


TABLE III

PUBLIC AND PRIVATE DEBT

(in billions of dollars)

Type of Debt	End of Calendar Years				
	1929	1933	1940	1944	1945
Total	196	177	200	375	420
Public	35	48	73	250	296
Federal	18	28	53	233	280
State and Local	17	20	20	17	16
Private	161	129	127	125	124
Corporations	93	82	77	77	76
Other	68	47	50	48	48

CHART III
PUBLIC AND PRIVATE DEBT

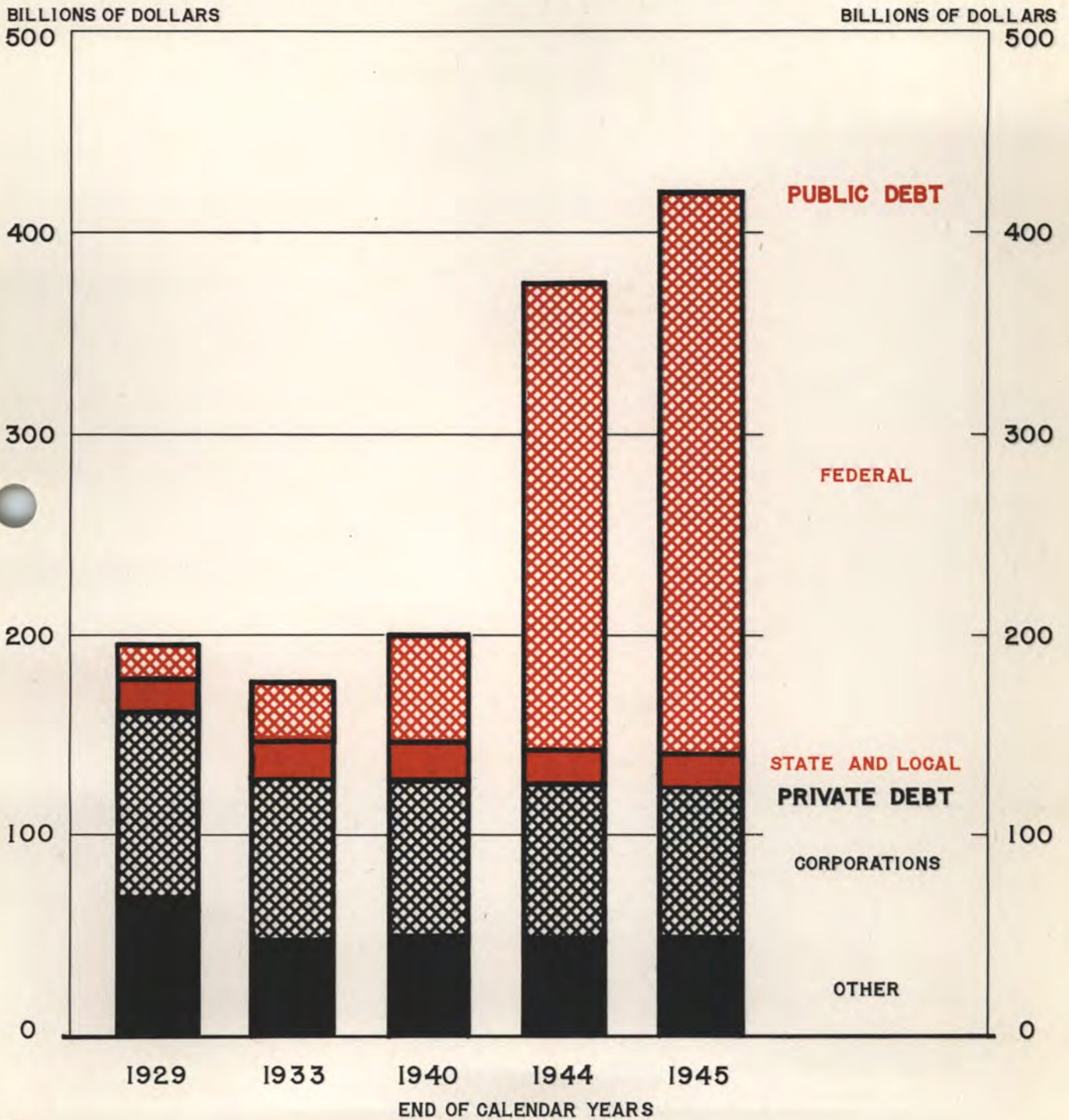


TABLE IV

INFLATION POTENTIAL IN LIQUID ASSETS^{1/}

(in billions of dollars)

Type of Asset	End of Fiscal Years						
	1920	1929	1933	1940	1944	1945	1946
<u>Deposits</u>							
Demand	18.6	21.4	13.2	30.5	57.9	72.5	86.0
Time	15.8	28.6	21.7	27.4	35.7	43.7	51.7
U.S. Gov't.	<u>0.3</u>	<u>0.4</u>	<u>0.8</u>	<u>0.8</u>	<u>19.5</u>	<u>16.0</u>	<u>14.0</u>
Total	34.7	50.4	35.7	58.7	113.1	132.2	151.7
<u>Currency</u>	4.1	3.6	4.8	6.7	20.9	25.3	28.3
<u>U.S. Securities</u>	<u>18.9</u>	<u>10.0</u>	<u>10.3</u>	<u>11.7</u>	<u>72.9</u>	<u>91.2</u>	<u>102.3</u>
Grand Total	57.7	64.0	50.8	77.1	206.9	248.7	282.3

^{1/} Includes holdings by individuals, unincorporated business and corporations. The figures exclude holdings by Government trust funds, Federal Reserve Banks, commercial banks, mutual savings banks, insurance companies, and savings and loan associations.

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CHART IV

INFLATION POTENTIAL IN LIQUID ASSETS DEPOSITS, CURRENCY, AND U. S. SECURITIES HELD BY INDIVIDUALS AND NONFINANCIAL CORPORATIONS

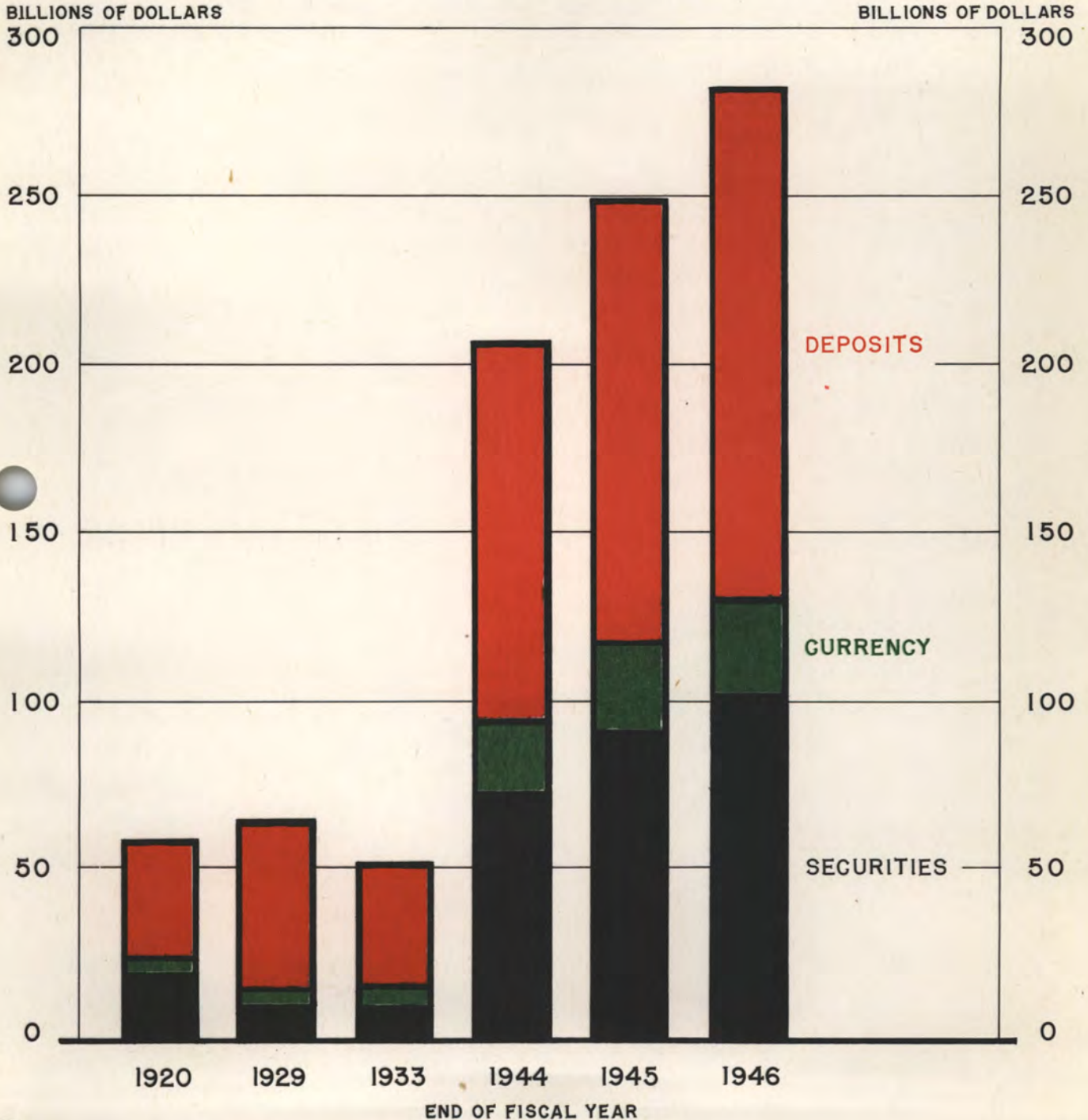


TABLE V

SOURCES OF POTENTIAL CLAIMS ON UNITED STATES PRODUCTION
BY FOREIGN COUNTRIES

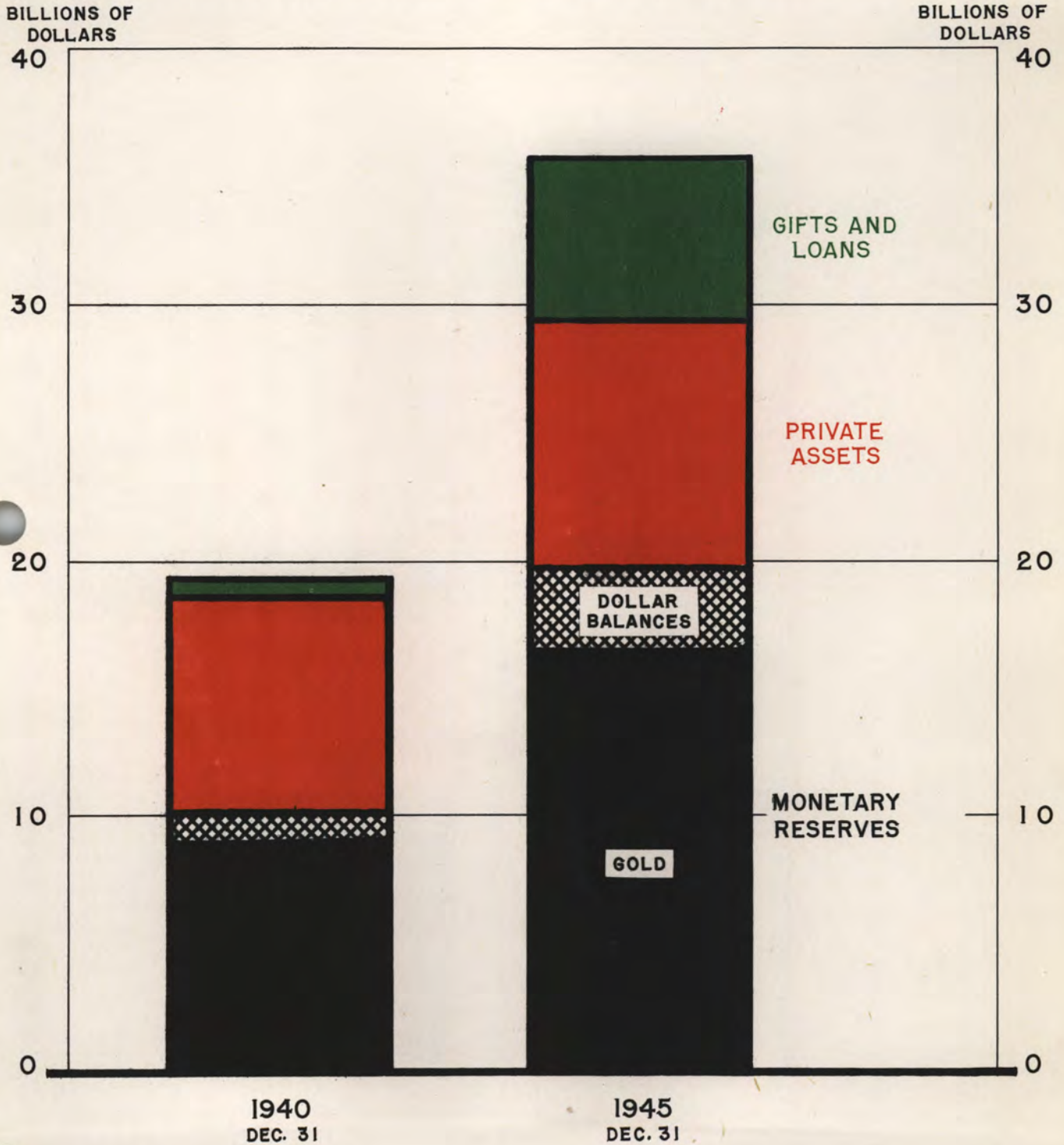
(in billions of dollars)

Source	End of Calendar Years		
	1940	1944	1945
<u>Monetary Reserves</u>			
Gold held abroad	7.0	10.6	11.5
Gold under earmark in U.S.	1.8	3.9	5.0
Official dollar balances	<u>1.3</u>	<u>3.0</u>	<u>3.4</u>
Total	10.1	17.5	19.9
<u>Private Assets</u>			
U.S. currency held abroad	0.3	0.5	0.6
Other Short-term assets	2.5	2.3	2.6
Long-term assets	<u>5.8</u>	<u>6.4</u>	<u>6.4</u>
Total	8.6	9.2	9.6
<u>Gifts and Loans</u>			
Lend-Lease "commitments"	--	8.0	5.0
U.N.R.R.A., unused balance of U.S. contributions	--	1.3	0.7
Export-Import Bank, unused loan commitments and authorized lending capacity	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>
Total	0.6	9.8	6.2
Grand Total	19.3	36.5	35.7

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CHART V

SOURCES OF POTENTIAL CLAIMS ON UNITED STATES PRODUCTION BY FOREIGN COUNTRIES



NOTES TO TABLES

Table I

"Total Funds Raised" is defined to include (1) net receipts, general and special accounts, and (2) the increase in total interest-bearing direct and guaranteed securities. Note that for any single year expenditures may fall short of or exceed funds raised, depending on changes in Treasury balances.

Table II

All interest-bearing direct and guaranteed securities are included.

Table III

The table shows the gross debt, public and private. The figures for 1929 to 1940 are from Survey of Current Business, Department of Commerce, July 1944; figures for later years are estimated.

Table IV

Holdings by individuals, unincorporated business and corporations are included. The figures exclude holdings by Government trust funds, Federal Reserve Banks, commercial banks, mutual savings banks, insurance companies, and savings and loan associations.

Demand deposits include "adjusted demand deposits" only; they exclude interbank and U.S. Government deposits, less cash items in process of collection.

Table V

The estimates of foreign monetary reserves and assets in the United States for 1945 are based on the following assumptions: (a) that the rate of U.S. disbursements abroad remained the same as in 1944 until V-E (May 1945), and declined by approximately one-third thereafter until V-J (June 1946); (b) that the increase in claims by foreign countries is distributed between short-term balances, and earmarked gold in the same proportions as in the preceding years. Changes in long-term investment are also possible, but they would result in a corresponding decline in short-term claims and/or earmarked gold; (c) that the rate of gold production resulting in increases in foreign gold holdings remain the same.

The estimates for lend-lease have been derived on the basis of the following data: During 1944 lend-lease expenditures exceeded 1 billion dollars a month. On the assumption that the authorities anticipated correctly the end of the war in Europe and contemplated a curtailment thereafter, the figure of 8 billion appears reasonable. The figures for the subsequent dates were based upon tentative commitments made vis-a-vis the United Kingdom, France, the Netherlands, and Belgium, the larger part of which should be liquidated by the end of June 1946.

With respect to the data for U.N.R.R.A. it is assumed that almost one-half of the contribution of the United States will be used in 1945.

The table does not include any estimates for dollars which would be supplied by the International Monetary Fund and the International Bank, since it is unlikely that these institutions will start operations before June 1946. The maximum amount which would become available from these sources over a period of four years after the beginning of operations, is estimated at 10 billion dollars (6 billion through the Bank, 2.9 billion through the utilization of the United States' quota in the Fund, the remainder through the conversion of the Fund's gold holdings into dollars).

In general, it should be kept in mind that the estimates refer only to those potential claims of foreign countries or United States production which are inflationary, i.e. are not offset by a corresponding inflow of goods and services into the United States, such as imports. They are maximum figures. For instance, it is extremely unlikely that foreign countries will be willing to make substantial use of their gold reserves for purchases in the United States.