



THE SECRETARY OF THE TREASURY
WASHINGTON

April 25, 1942.

Dear Marriner:

You may be interested to see the enclosed copies of a letter and a leaflet which have just been sent to each of about 20,000 companies employing nearly twenty million workers. As soon as you have an opportunity to go over this material, I would appreciate having your suggestions and criticisms.

We have a big job to do and I am confident that with your assistance and cooperation we can put it over.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry".

Honorable Marriner S. Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.



THE SECRETARY OF THE TREASURY
WASHINGTON

April 25, 1942

Since the Defense Savings Program was launched in May 1941, events of far-reaching importance have occurred. To preserve our very existence we have been compelled to wage war upon far-flung battle lines. To maintain these lines, the President has said that during 1942 we must produce over 60,000 planes; 45,000 tanks; 20,000 anti-aircraft guns; 8,000,000 tons of shipping; in addition to mobilizing, training and equipping millions of fighting men. Upwards of 50% of our total productive capacity and an equal share of our national income must be diverted to making war materials.

This has meant a tremendous increase in the magnitude of the financial problem facing the Government. Reliable estimates indicate that during the next fiscal year, that is from July 1, 1942 to June 30, 1943, we shall spend in the neighborhood of 60 billion dollars.

The Revenue Act as it comes from Congress will determine how much of the money needed to finance the war is to be raised by taxation. The balance must be borrowed by the Treasury. In all probability, we shall have to borrow upwards of 35 billion dollars between now and this time next year.

If the Government is compelled to go to the commercial banks for the bulk of these funds, the result will be to increase inflationary tendencies which are already serious. This is true because when commercial banks buy Government Bonds they do not pay for them with actual cash taken from their vaults, but by placing on their books newly created deposits to the credit of the Government. When the Government draws upon these deposits to pay for the goods and services it buys, the purchasing power of those to whom these payments are made is increased without any decrease in the purchasing power of those from whom the money is borrowed.

When bonds are purchased with savings out of current income, on the other hand, such savings help to reduce excess consumer income which if spent for a limited supply of consumer goods would tend to force prices up. It is for this reason, among others, that we are going directly to the people for as much as possible of the money needed for the war.



It would be difficult to say exactly how much we can borrow directly from the people. We cannot, of course, hope to borrow in this way all that will be needed. Nevertheless, some definite objective is desirable if we are to have a standard by which to measure our success.

We have, therefore, set as our goal for the twelve month period beginning July 1st, the sale of United States Savings Bonds, Series E, F and G, having an initial cost value of not less than \$12,000,000,000. This will be equal to slightly more than 10% of our estimated national income during this period.

Sales of Defense Bonds during the period May 1941, through March 1942, amounted to \$4,860,000,000, or an average of approximately \$440,000,000 per month. If we are to reach our goal, an average of a billion dollars a month, we shall have to increase this rate of sale by approximately 2½ times. This should not be difficult to do in view of the rapidly increasing national income and in view also of the fact that the supply of many commodities upon which people would normally spend their income will be restricted by the demands of war production.

The seeing of a definite goal or quota does not mean an abandonment or basic change in our fundamental objectives and methods. It does mean an intensification of activity all along the line. It does mean that henceforth our savings campaign must move on a war basis. If we are to achieve the goal outlined for the nation as a whole, it will be necessary to establish subsidiary goals or quotas for states and counties. This we intend to do.

The most effective, single method for promoting the systematic purchase of United States Savings Bonds is through the payroll savings plan. Already nearly 50,000 firms in the United States employing a total of almost 20,000,000 people have made such plans available to their employees. You are among those who are cooperating in this program, and I am writing to you, not only to thank you for your helpful cooperation up to date, but to ask for your increased effort in the future.

TIME IS SHORT. The ever-increasing demands of our war machine create an urgency that we cannot escape or evade. To raise the billions which we now need to win the war, and to do all in our power to check inflation, we must raise our sights. I am suggesting, therefore, as a total or quota for those administering the payroll savings plan, that **AT LEAST 10%** of gross payroll be set aside by the employees for the purchase of United States Savings Bonds.

We are still a long way from that goal. Among the nearly 50,000 firms having a payroll savings plan the average participation at the present time is about 45% of the employees. The average monthly saving is about \$7.50 PER CAPITA, representing in the neighborhood of 4.8% of the pay of those participating. In other words, if we consider ALL of the employees of all the participating firms, only a bit more than 2% of the gross payroll is now being invested in Defense Bonds.

Considering the difficulties involved in the initial installation of payroll savings plans this is a good record. But we must go forward now on two fronts: FIRST, we must increase the percentage of employees participating in payroll savings plans from approximately 45% to at least 90% of the total number. SECOND, we must encourage all participating employees to increase their average monthly allotment from about \$7.50 per capita to an average of nearly \$20 per capita.

To help achieve this new goal I am sending you herewith the story of one successful method for accomplishing this. This is the first of a series of "case histories" which we hope to send to you from time to time. This campaign conducted by the General Electric Company has not succeeded in reaching our new goal, but it seems to me that it is along lines such as are here outlined that we can most quickly and simply succeed.

You will, of course, realize that a flat 10% allotment of individual wages and salaries by all employees will not accomplish this purpose. It does not take account of individual differences either as to income received or personal and family responsibilities. Some individuals will be able to set aside a good deal more than 10% of their pay; others less. The overall result, however, should equal 10% of the gross payroll. I also realize that the formula according to which the savings quota is distributed among the employees will vary from place to place. To help in making such a distribution, I am enclosing a savings schedule for the systematic purchase of United States Bonds for persons at different income levels. The allotments indicated are based on national averages and will serve merely as a guide in setting up a suggested schedule to fit your own payroll.

In conducting a drive for increased participation at higher rates of saving, the friendly active cooperation of the workers themselves is of the utmost importance. Organized Labor - including the American Federation of Labor, the Congress of Industrial Organizations, the Railroad Brotherhoods and their constituent unions almost without exception - has pledged its full all-out support of this program. Employers must remember that it is the money of their employees which is

being invested in Savings Bonds through payroll savings plans and must encourage in every way possible - by joint committees or other methods of cooperation - a spirit of partnership and joint loyalty among all the good American citizens participating. Working together, management and labor can not only insure the success of this most important war effort, but can lay the foundations for improved industrial relations which will bear increasingly rich fruit in the years to come.

Many questions will undoubtedly occur to you concerning this new and intensified program. I should be glad to hear from you and I shall welcome any inquiries or comments you may wish to make.

I want to express my appreciation again for your generous cooperation thus far. I know that in the months ahead you will not fail.

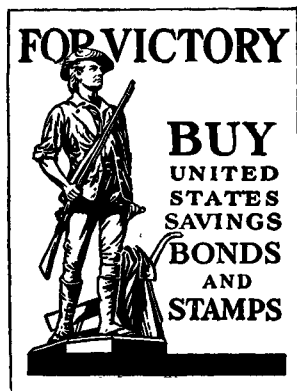
Sincerely yours,

A handwritten signature in cursive script, reading "H. Morganthau Jr.", written in black ink.

Secretary of the Treasury

**ENLIST
YOUR CURRENT SAVINGS
TO HELP WIN THIS WAR**

**A Schedule for the Systematic
Purchase of United States
Savings Bonds Out of
Current Earnings**



Enlist Your Current Savings for Victory

HERE is a table showing how every person who receives wages or salary can help win the war and provide for his own future security by buying Savings Bonds and Stamps. These figures suggest a systematic war savings program to fit every income. They are based on averages and do not, therefore, take account of the individual circumstances of every person. Those with no dependents or other responsibilities should be able to save a good deal more than is indicated on this table. Those with unusual responsibilities may not be able to save so much. Each individual is the best judge of how much he can invest in these Bonds. But everyone knows that the war will be won only if he puts every cent he can into guns, and tanks, and planes, and ships. This is not a token war, nor a penny-ante game. It is a fight to the finish against the most ruthless and relentless enemy we have ever faced.

Look at this table and find your own income level. See how many people are included in that group. Note how small savings mount up when everyone works

together for the Nation as a whole. Note also that this plan refers only to the purchase of Savings Bonds out of regular income from week to week, which is much more helpful to the Government than to buy them from savings already accumulated. Bear in mind that in 10 years your savings invested in Series E Savings Bonds will increase by 33½ percent as indicated on the back of this sheet. The figures used in this table are not intended as quotas either for individuals or for the Nation, but as suggestions of what we can do without compulsion and without hardship. If every person who receives a regular income in the form of wages or salary adopts a war savings program such as here suggested, it will mean a total of over ten billion dollars a year, urgently needed to insure victory. Over 80 percent of this amount can be saved by those receiving less than \$200 a week. The remainder will come from those comparatively few people receiving higher incomes.

The additional billions which must be raised will come from taxes paid by all of us and from other forms of Government borrowing.

A SAVINGS SCHEDULE FOR THE SYSTEMATIC PURCHASE OF U. S. SAVINGS BONDS OF SERIES E

If your weekly earnings are	And you save each week	In one year you will save	Number of persons in each income group	Total annual savings for bond purchases
\$5— 10	\$0.25	\$13.00	3,324,000	\$43,212,000
10— 15	.50	26.00	4,975,000	129,350,000
15— 20	.75	39.00	5,470,000	213,330,000
20— 30	1.25	65.00	10,747,000	698,555,000
30— 40	2.00	104.00	7,774,000	808,496,000
40— 50	4.00	208.00	5,794,000	1,205,152,000
50— 60	6.00	312.00	3,007,000	938,184,000
60— 70	8.00	416.00	2,231,000	928,096,000
70— 80	10.00	520.00	1,304,000	678,080,000
80—100	12.00	624.00	1,489,000	929,136,000
100—150	20.00	1,040.00	1,059,000	1,101,360,000
150—200	35.00	1,820.00	298,000	542,360,000
Over 200	695,000	2,000,000,000
			<u>48,167,000</u>	<u>\$10,215,311,000</u>

Series F and G bonds are available for corporations and for individuals with large incomes.

**SEE HOW YOUR INVESTMENT . . .
IN SAVINGS BONDS (Series E) WILL GROW**

<u>You Invest</u>	<u>Upon Maturity you get back</u>
\$18.75	\$25
37.50	50
75.00	100
375.00	500
750.00	1,000

When is maturity? Ten years from the time you buy the Bond. If you need the money before then, you can cash the Bonds at any time after 60 days from their issue date. A table of cash-in values is printed on each Bond. Naturally, the longer you hold the Bond, up to 10 years, the more money you'll get back. But you'll never get less than you put in.

What's the interest rate? When held to maturity, the Bonds yield 2.9% per year on your investment, compounded semiannually. In other words, you get back \$4 for every \$3 you save in Savings Bonds.

Where do I go to buy a Bond? To your local bank, post office or other Savings Bond agency.

What about Savings Stamps? Buying Savings Stamps is a convenient way of saving money with which to buy a real Savings Bond. Stamps are sold for as little as 10¢ through banks, post offices, retail stores, theaters and newspaper carrier boys.

Start your savings program today. Save every pay day. If your company has a Pay-Roll Savings Plan, you will find it the most convenient way to save regularly and systematically.



May 2, 1942.

Dear Henry:

Thank you for your letter of April 25 enclosing copies of the letter and leaflet which have been sent to some twenty thousand companies employing nearly twenty million workers.

I have not as yet had an opportunity to go over this material very carefully, but I wanted you to know that I appreciated your inviting my suggestions and if I have any, I shall not hesitate to pass them along to you.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

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