

CONFIDENTIALR&S 100-911  
March 23, 1944

Board of Governors

Plans for Fifth War Loan Drive

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Following is a brief summary of a meeting of a group of State War Finance Committee Chairmen held at the Treasury yesterday for the purpose of discussing the next drive:

1. Mr. Bell outlined the Treasury's requirements to the end of the year and summarized the borrowing program. He said that, in addition to funds raised in two drives and continuing sales of savings bonds and savings notes, the Treasury will need additional funds from commercial banks to carry it to the end of the year. The plan is to increase the weekly bill offering in April and again in July, which will bring in about 7 billion dollars by the end of the year, and to raise about 2 billion dollars of cash in connection with the refunding of the May certificates. If necessary, a bank financing would be undertaken about the middle of September.

2. Mr. Burgess reported to the Chairmen on the recommendations made to the Secretary by the commercial bankers on Tuesday, as follows:

- a. Drive to begin June 7 and extend through July 5. Sales of savings bonds and savings notes to count on quotas for two full months of June and July.
- b. Basket to be same as in Fourth drive, except for the substitution of a 2 per cent bond for the 2 1/4 per cent bond.
- c. Provision for additional investment by commercial banks on basis of time deposits, increasing the limit to \$500,000.
- d. Some increase in the weekly bill offering. Bills should be kept flexible, however, and the increase should bear a reasonable relationship to the amount that the Reserve Banks will need to purchase in order to supply reserves. Nothing was said about the rate on bills.
- e. Commercial bank financing should be postponed until actually needed; no apparent need to raise 2 billion dollars in connection with the refunding of the May certificates.
- f. The A. B. A. to appoint a committee to study and report on the question of requesting banks to undertake an active campaign to get their depositors to invest idle deposits in Government securities.

- g. Provision for purchase of Government securities on a deferred payment basis by insurance companies, mutual savings banks, trusts, etc.
- h. Plant quotas to be established throughout the nation on a uniform basis.

3. The Chairmen agreed to recommend to the Secretary that the goal for the next drive be fixed at 16 billion dollars. They felt that it would be a mistake to set a goal of 14 billion dollars after they had raised more than that amount in the previous drives. A low goal would cause the workers to think the job easy and they would not put forth the amount of effort that they should. A higher goal would increase the pressure on the sales organization and on the public.

4. There was a division of opinion on the goal for individuals. Some felt that, if the total goal were increased, the goal for individuals should also be increased in order to put as much pressure on the sales organization and public as possible. If the A. B. A. is successful in getting banks to sell to their depositors, the individual goal should be increased. Others felt that, since they did not reach the 5.5 billion goal in the last drive, the goal should not be increased.

5. There was general agreement that the E bond goal should remain at 3 billion dollars.

6. There was a difference of opinion on dates for the drive, although the preference seemed to be to start on May 23 or May 29; some preferred June 13 as a beginning date. Against the early dates, some argued that there is not sufficient time to get ready. Against later dates, there was the conflict of summer vacations and political conventions. There was a decided preference for a three week as against a four week drive and for counting all savings bonds and savings notes for two full months.

7. There was agreement that the basket should be the same as in the previous drive, except for substitution of a 2 per cent for the 2 1/4 per cent bond.

8. The Chairmen favored a \$100 denomination marketable bond. On this point, Mr. Gamble said that the Secretary was opposed to lowering the denomination on marketable bonds, that he had made this perfectly clear on numerous occasions, and that there would be just no use making such a recommendation.

9. The Chairmen favored uniform plant quotas to be established in Washington with notification from the Secretary to each plant of the dollar amount of the quota. The suggestion was made that the Secretary call representatives of the larger plants through the nation to Washington for a special meeting at which the plan would be inaugurated on a nationwide basis.

10. The Chairmen favor a provision for deferred payments by insurance companies, savings banks, trusts, etc.

11. They prefer one single drive, as in the case of the Third drive, rather than concentrating on individuals for the early part of the period and then opening the books to corporations. In the Fourth drive, there was some confusion and, contrary to expectations, the small sales figures reported in the press during the first two weeks tended to detract from the drive.