

THE SIXTH WAR LOAN DRIVE

The Fifth War Loan Drive established a new record in speculation. Loans on Government securities to brokers and dealers between June 7 and 28 increased by 677 million dollars, and loans on Government securities to others between June 7 and July 5 increased by 1.3 billion. There is evidence that a considerable part of these loans represented subscriptions that were made for the purpose of quick resale and that banks arranged for subscriptions with the understanding that they would purchase the securities after the drive. Holdings of Government securities by weekly reporting member banks between June 7 and July 12 increased by 4.9 billion dollars. Despite this large increase, however, it appears that the increase in holdings by the banking system for the calendar year will be about 20 billion dollars.

In order during the next drive to reduce the amount of speculative loans made in contravention to the Treasury's request, the Treasury might take a drastic measure by denying the use of war loan deposits to banks making such loans. Since, however, the large amount of speculation during the last drive arose principally from the inclusion of three issues that were available for bank purchase and that banks wished to purchase, perhaps a better solution would be to reduce the number of bank issues included in the next drive. The Treasury might eliminate 1 $\frac{1}{4}$ per cent notes and 2 per cent bonds from the next drive and substitute 2 $\frac{1}{4}$ per cent bonds. The basket would then consist of the usual savings bonds and savings notes, certificates, and 2 $\frac{1}{4}$ and 2 $\frac{1}{2}$ per cent bonds of restricted ownership.

The drive might run for four weeks from about the middle of November to about the middle of December. Sales of savings bonds and savings notes for the two full months of November and December should count on quotas. The goal for the drive probably should remain at 16 billion dollars in view of the fact that Treasury requirements are no longer increasing and particularly if 1 $\frac{1}{4}$ per cent notes and 2 per cent bonds are excluded from the drive. The individual goal might be raised from 6.0 to 6.5 billion dollars and the Series E goal from 3.0 to 3.5 billion, in order to place the selling organization and the public under considerable, but not impossible, pressure. The Treasury might again permit insurance companies and savings banks to subscribe for securities under a deferred-payment plan, although such subscriptions during the last drive totaled only 300 million dollars. The Treasury might permit each commercial bank to increase its holdings of restricted bonds to (1) \$500,000 or \$600,000 or (2) 25 or 30 per cent of the total of its savings deposits and its certificates of deposit held by those eligible to hold savings deposits; the \$100,000 limit on combined holdings of Series F and G bonds would, of course, continue.

The lowest denomination of marketable bonds included in the drive might be reduced from \$500 to \$100, in order to meet the needs of small investors who for one reason or another do not wish to place all of their funds in savings bonds. As a corollary to this recommendation and in view of the manpower and paper shortage, the lowest denomination of Series G bonds might be increased from \$100 to \$500 and of Series E bonds from \$25 to \$50. Regarding Series G bonds, it is necessary to type and mail twice a year for \$100 bonds more than 2 million individual interest checks for \$1.25 each. Regarding Series E bonds, about 400 million individual \$25 denomination bonds have been issued.

L. M. Fiser

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