

# FEDERAL RESERVE BANK OF CHICAGO

79 WEST MONROE STREET

*cin #4*

## U. S. WAR BONDS—LIBERTY LOAN OF 1917

Initial amount \$2,000,000,000. Rate  $3\frac{1}{2}$  per cent.

Date July 1, 1917. Tax exempt (except inheritance taxes).

### *To all Banks and Bankers*

#### *in Federal Reserve District Number Seven:*

In order to furnish you promptly with available information regarding the above mentioned loan, we quote below the statement of the Secretary of the Treasury as it appeared in the newspapers of May 3, 1917:

"I have determined to make an initial offering of \$2,000,000,000 of the  $3\frac{1}{2}$  per cent 'liberty loan' of 1917. The bonds will be dated July 1, 1917, with interest payable semi-annually Jan. 1 and July 1. The maturities will be announced later. In accordance with the provisions of the act the bonds will be convertible into bonds bearing a higher rate of interest than  $3\frac{1}{2}$  per cent if subsequent series of bonds shall be issued at a higher rate of interest before the termination of the war.

"The 'liberty loan' will be offered at par as a popular subscription, and ample opportunity will be given to every man and woman in the United States who wishes to subscribe to secure an absolutely safe investment, free from federal, state, or local taxation [except, of course, inheritance taxes]. The bonds will be in such denominations as will put them within the reach of every investor. Interest will be payable semi-annually, Jan. 1 and July 1.

"Subscriptions will be received until June 15, 1917. The bonds will be ready for delivery July 1. Allotments will be made as rapidly after June 15 as possible. Payments will be arranged in such a way as not to cause inconvenience. Deposits of funds will be made in as large a number of banks throughout the country as practicable, and they will be withdrawn as gradually as the requirements of the government will permit, in order that the minimum amount of money shall at any one time be taken out of the channels of business.

"Since the great bulk of the credits to be established for the foreign governments is required for purchases made in this country, the operation will be largely a transfer, or exchange, of credits and should have a stimulating and helpful effect upon the general business and financial situation. After having received advice and suggestions from bankers, investment houses, business men, and investors in all parts of the country, I feel confident of the ability of the market to absorb readily the \$2,000,000,000 offering.

"From communications I have received from every part of the country large oversubscription to the issue seems beyond doubt.

"This is the largest single piece of financing ever undertaken by the government, and in order that ample opportunity may be given every one to subscribe, I have decided to use the twelve Federal Reserve Banks as the central agency in each of the twelve federal reserve districts for receiving the subscriptions, for taking care of the details of deliveries of the bonds after allotment, and for handling the payments of subscriptions.

"All banks, national, state, and trust companies, private bankers and bond houses will be authorized to receive subscriptions.

"I have asked the Federal Reserve Banks to get in touch immediately with the banks, private bankers, bond houses, and business organizations in the several districts, requesting them to organize a general committee for each district and local committees in each city and town to co-operate.

"Agencies outside of the banks themselves, such, for instance, as postoffices, express companies, department stores, newspapers, and other volunteers, will be employed and brought into co-operation with the general plan.

"Among those who have offered their services are representative women. I shall, as promptly as possible, organize a woman's committee.

"The greatest immediate service the American people can render in this war for universal liberty throughout the world is to furnish the means for its vigorous prosecution. This bond issue is the first step."

Further details will be furnished at the earliest possible moment, also definite instructions as to the procedure in forwarding subscriptions. In the meantime we suggest that you obtain and keep on file the names and addresses of all who will signify their intention to subscribe.

Respectfully,

JAMES B. MCDUGAL

Governor.

May 3, 1917.