

ADDRESS BY BENJ. STRONG
AT LIBERTY LOAN MEETING
AT CARNEGIE HALL
SEPTEMBER 25, 1918.

Mr. Secretary, and Fellow Members of the Liberty Loan Army;

This is the second convention of our members. It is again my duty to remind you of the size of the undertaking entrusted to us by stating, as I did at our last meeting, that hardly 2% of our members can be accommodated in this building.

The magnitude of the task of financing the creation and maintenance of our military army is indicated by the size of this financial army. But the importance of the work must be measured by other standards!

Success will be another battle won and failure will be a retreat.

These are not days, however, when American Armies are retreating.

Our experience in handling three loans has given us a better understanding of the work; has brought about a more harmonious and effective operation; and, in the minds of us all, a better knowledge of the technic. I shall not, therefore, as at our last meeting, review in detail all of the various technical matters with which we are now so well acquainted.

During the next four weeks, we are about to undertake the greatest transaction in the history of finance and it is important that certain general rules which must govern our work should be frankly discussed and understood. These have been deliberately adopted in this district after careful consideration, and, in the opinion of experienced men, are best designed to bring success.

We believe that successful sales of bonds of the amount required must be based upon a thorough understanding by the public of the war; of the purposes for which we are fighting; and that this loan will be successful in proportion as the patriotism of the people is stirred and aroused.

Impetus must, therefore, be given to the campaign by publicity of the highest order, designed to reach the mass of the people through every possible avenue. It is upon this preparatory work of education that a campaign for voluntary

subscriptions rests.

The selling organization, through various agencies, must undertake to reach every individual and corporation, the methods varying according to the size and character of the community. In this city many methods must be pursued. In some communities an individual canvass of every resident is possible and frequently proves most successful. But, so long as we employ publicity, and depend upon the understanding, sympathy and enthusiasm of the public, we must confine our campaign of solicitation to those methods which make the individual value the fact that he is a voluntary subscriber. He must, however, be shown his duty,.

Every person who subscribes by free choice, for patriotic reasons, is a better subscriber, more satisfied with his investment, and more contented to keep his bonds than one who purchases bonds under duress and whose first impulse, once the bonds are paid for, is to sell them. Our program, therefore, contemplates an intensive, dignified, and impressive publicity to reach every person, no matter what may be his means or what the country of his birth.

We must not, however, lower the standard of a dignified campaign by permitting ourselves to indulge in sensational displays, extravagant statements or by employing methods calculated to arouse ridicule or bring reproach upon the organization. The enthusiasm of the members of the organization should not lead them to employ devices which will associate this serious undertaking with the methods of a circus or of a lottery.

Performances of that character on the streets, in the theatres and in public places can not expect a sympathetic reception from those who have relatives, or who have lost relatives, in the battles in France. It is important to maintain enthusiasm at the highest pitch, and, at the same time, to restrain it within the limits required by the seriousness of the great enterprise in which this country is engaged.

You are aware that bonds of previous loans, bearing the same rate of

interest as those now to be sold, are selling at less than par in the market. I shall repeat, with less fear of contradiction now than when I made the same statement at our last meeting - that with over a million and a half of our American boys in the fighting line in France, whose victory depends upon the success of these loans, the American people will not subject their patriotism; their resolution to support that army, to be measured by a rate of interest or by a premium or discount on the bonds of their Government. But an important change has just been made in the investment position of Liberty Bonds by Act of Congress, to which I must refer in some detail.

Since the last bond sale, Congress has been asked and doubtless will increase revenues from taxation from \$4,000,000,000 to \$8,000,000,000 a year. As the income from all but the 3 1/2% bonds of the first issue is liable for surtaxes and for war profits and excess profits taxes, an increase in those taxes, naturally, reduces the net return on the bonds now to be issued. Congress, has, therefore, passed a law increasing tax exemptions, the provisions of which should be brought to the attention of every intending subscriber, as well as to the attention of every subscriber to the first three issues.

I shall read a summary of the act, which it is important that all should understand. All of the exemptions originally applying to the earlier issues, of course, remain unchanged.

1. The interest on not exceeding \$50,000 principal of bonds of the Fourth Liberty Loan shall be exempt from graduated additional income taxes, commonly known as surtaxes, and excess profits and war profits taxes, now or hereafter imposed:

2. The interest received after January 1, 1918, on an amount of bonds of the earlier loans, excepting the 3 1/2s of the first issue, the principal of which does not exceed \$45,000 in the aggregate, shall be exempt from such taxes; Provided, however, that no owner of such bonds shall be entitled to such exemption on an aggregate principal amount exceeding one and one-half times the principal

amount of bonds of the Fourth Liberty Loan originally subscribed for and still owned by him at the date of his tax return; The old bonds to which the exemption applies are all of those outstanding, including those arising from conversions, excepting, of course, the 3 1/2 % bonds of the first issue.

3. The exemptions provided in the bill are to continue during the period of the war, and for two years after the date of the termination of the war, as fixed by proclamation of the President.

To Summarize: In addition to all tax exemptions now provided by law, any original subscriber to bonds of the Fourth Liberty Loan will be exempt from surtaxes and excess profits and war profit taxes on the incomes from not exceeding \$30,000 principal of bonds of the Fourth loan, and, if he retains his bonds may gain similar exemption on the income from one and one half times that amount of the old bonds; the exemption to continue for the period of the war and for two years thereafter.

You will observe that the passage of this law will have the following effect, provided it is thoroughly and widely understood:

First, as to a holder of the existing bonds who is now liable to income surtax - He may only enjoy the exemptions from taxation provided in this law in case he purchases and retains bonds of the new issue in the proportion provided by the law. Therefore, every holder of bonds of the second and third loan, and of those received through conversions will find it absolutely essential, in order to enjoy this exemption, that he shall buy and retain new bonds.

Next, as to an intending subscriber to the Fourth Loan - It is plainly to his advantage, if he does not already own the necessary proportion, to purchase such an amount of bonds of the old issues as will enable him to enjoy the maximum tax exemption allowed.

One may suggest that it is not desirable for an intending subscriber to purchase the old bonds, when he might, in fact, be induced to purchase only the new bonds. It must be borne in mind, however, that the holder of the old bonds

who sells them does so in order to subscribe to the new issue and thereby gain tax exemption on the bonds which he still has left.

The effect of this new plan of exemption from taxation should, therefore, as it becomes generally understood, bring about a large subscription from holders of existing bonds. It should, likewise, provide buyers of bonds of the old issues which their holders may feel required to sell in order to subscribe for the new issue.

Advices have been sent to the chairmen of all committees throughout the district that they will, upon request made to their district chairman, be furnished with lists of subscribers to former loans. These subscribers are so obviously interested in the terms of this tax exemption that it is desirable for local committees to obtain the lists and bring the matter personally to the attention of each subscriber to former issues.

So few people read the details of statutes passed by Congress that the effect of this most important modification of the tax provisions applying to Liberty Bonds will not be fully felt, nor will the Government enjoy all of the benefits which it should enjoy from the adoption of this new program unless it is brought by you to the attention of everyone. Too great emphasis can not be given to the matter in connection with this campaign.

As in the case of former loans, a description of the terms of the Fourth Loan, including a description of this tax exemption, will be furnished to all committees at an early date, together with tables illustrating the income value of bonds of the Fourth Loan when considered in connection with the tax exemption. But we must not overlook the urgent injunction which has now been spread broadcast for all owners of the Government's bonds to retain them.

Emphasis should be laid upon the necessity of making no sales of present holdings of bonds unless it is imperative for the holder to do so in order to secure the benefits of the tax exemptions now provided. We can not expect to have the bonds of the Government sell at their real value if large numbers of people

are induced, or even dragooned into buying them with the expectation of immediately selling them in the market.

The question is repeatedly asked, how may subscriptions be made by those who are pressed to subscribe but who have not sufficient ready cash. There is but one answer:

Those who must borrow money to make their purchase should do so in the expectation of paying their loans out of funds accumulated by the practice of rigid economy, rather than by selling their bonds. The greatest difficulty now encountered by our organization in selling bonds is caused by the failure of the people of the country to practice thrift sufficiently.

I am confident that the only thing now needed is that everyone should know specifically and definitely what he is expected to do in this matter; what his patriotic duty is, and he will promptly do it.

We were told that the Government needed gasoline for war purposes and that we should not drive automobiles on Sundays. Hardly an automobile is to be seen on the streets of New York City, or in the country, on Sundays. The response was a fine exhibition of patriotism. But, after all, a Sunday drive is not essential to health or war efficiency, so we must not over-value the self denial.

We are told by Mr. Hoover that the economies practiced by the American people released food supplies sufficient to meet the recent crisis abroad. People were told what to do and they did it. We are now asked to economize in sugar, and the result will, doubtless, be a relief in the sugar shortage.

If we are told definitely and specifically what to do; if what we are told to do is shown to be necessary; and if it applies alike to rich and poor, it will be done and the time has come to tell people definitely and to get it done.

I shall not burden you with the details of the mechanical operations required to prepare and deliver the millions of bonds which are issued for these huge loans. Most of the delay and consequent inconvenience in delivering bonds in the earlier loans was due to the universal demand for coupon bonds. The machinery

of the Treasury Department and of the reserve banks is now developed to meet an enlarged demand for registered bonds, and for effecting prompt transfers of ownership.

It will be a great economy to the Government, a saving of labor and material, if those subscribing to the Fourth Loan are, generally, induced to take registered, instead of coupon bonds. The organization throughout the district should ask subscribers to indicate on the subscription blanks that they are willing to accept registered bonds. In this form bond holders receive a greater protection against theft and loss than in the case of coupon bonds, and they avoid the inconvenience of collecting coupons, as checks for the interest will be mailed to them.

A modification of the honor flag plan has been adopted for the next loan, of which you have been duly advised. The development of the honor flag seemed to have had two effects in the course of the last bond sale, to which reference is necessary. In some cases it led committees in certain communities to relax their efforts as soon as their quotas were completed. This was a serious mistake. It would result, if possible of exact application throughout the country, in no oversubscription. We must not set out simply to fill quotas, but to exceed them by the largest possible margin and to continue selling bonds until the close of the campaign.

Another development was the tendency to divert subscriptions to places where they would not naturally be made. A quota plan, as I stated at our last meeting, is based upon the thoroughly sound principle that as the Government receives payment for bonds by transfers of bank balances from the credit of subscribers to the credit of the Government. Therefore, the minimum amount to be subscribed, that is the quota of each section or community, must be based upon bank resources.

It is desired that subscribers file their subscriptions where their bank accounts are maintained, and out of which the bonds are to be paid for, and if the

subscriber has more than one account, that the subscriptions be divided in proportion to the balances maintained in the respective accounts. It is also desired that the subscriptions of employes of industrial and other establishments shall be made in the places where the men work and live.

Failure to observe these rules causes an undesirable shifting of funds throughout the country and an unnecessary strain upon the money market. The local pride of suburban communities, necessarily, results in considerable numbers of subscriptions being made there by residents who carry their principal bank balances in nearby cities. Local pride and the enthusiasm of local organization should not, however, result in the piling up of huge subscriptions, of many times the local quota, at the expense of the cities which are deprived of these subscriptions and which are not able to fill their quotas, so that possibly, in consequence, the banks must be called upon to subscribe for their own account.

Looking toward a greater and more efficient development of the two financial machines which have been created by the Treasury Department, Secretary McAdoo has undertaken to bring about a closer relationship between the Liberty Loan and the War Savings Organizations throughout the country. This is a new task which will confront us when this loan is sold. In the meantime, all branches of the two organizations in this district have been asked to join hands in a great partnership to make the Liberty Loan a success.

I am hopeful that it will be possible to create in our district, through the agency of these two existing organizations, the greatest and most efficient army for financing a Government in time of war that has ever been created. Its purpose will be two in character - one to broaden the foundation for raising money for the Government by developing organized savings, as the War Savings Organization is now doing; - the other, to effect the sale of all forms of Government Securities so that these savings, as accumulated, are swept into the Government's treasury. We must reach the rich and the poor - the corporation and the individual!

In imagination I can picture the growth of an irresistible movement under the influence of this army of workers which will capture public attention; educate the people to a better understanding of what the Government expects them to do; and enable us, as required, to furnish even more funds than the Government calls upon us to provide for war purposes. The members of our organization have been asked, and are expected, to accomplish things which before the war would have seemed to be quite impossible. They have exceeded expectations in what they have accomplished.

The explanation is not hard to find, and should give us confidence in the success of this next great effort. We have sons, brothers, husbands in the army in France! Thirteen million Americans have just registered for military service, and many of them will soon be in training camps. Our part in the war is to keep them supplied with everything that they need to enable them to kill and capture Germans - and to do it at once - and thoroughly. The supplies for that army will be created, ships to transport them will be built; and that army will grow just as rapidly as the resources of the country can be converted into ships and war materials. We must raise the money to pay the bills.

But our work depends upon the effect the new draft will have upon the members of this organization who have registered for military service. Explicit directions have been sent to the chairman of all committees in this district describing what they should do in this matter, and those directions have been prepared by conformity with a general direction sent to us by Secretary McAdoo.

It must be remembered that while commonly described as a draft law, the statute is, in fact, entitled "The Selective Service Act." The purpose of the act is to insure that the men needed for military service are promptly available, but equally important, that those needed in their present occupations shall be retained. We have felt that it was required of the members of our organization to claim, or waive claim of exemption on personal grounds according to their own consciences.

We have also felt that it was our duty, as an organization, to see that

the question of exemption on occupational grounds for the organization as a whole was fairly and intelligently presented to the proper authorities. That has been done and a policy has been adopted which is designed to protect the integrity of an organization essential to the prosecution of the war, and, at the same time, which will not deprive the military branch of the Government of the services of those who are needed, and can be spared, for the army and navy.

I have referred at some length to the possible effect of the draft upon our organization for the purpose of emphasizing one thing in your minds. There is but one American Army! A part of it is privileged to fight in France - Another, and an essential part, must work at home. Each depends upon the other! We are of the home army.

Do you realize the significance of what is now taking place in France and what these dollars which our army is raising are really doing? The first wholly American Army is facing the German frontier; that frontier is opposite Metz! Metz stands on soil that was French until 1871. My conception of the mission of the American Army in France is that of a victorious army marching through Alsace-Lorraine, and never leaving until those provinces are French soil again.

I can not believe that the people of this country, much less our home army of finance, will tolerate the return to Germany of any part of France, the soil of which is made sacred to us with American blood and our soldiers' graves.

When the work of that army is accomplished (and you will have had a part in it) there will be illustrious American names as sacred to the memory of the French as with us are the names of Rochambeau and Lafayette.

(Insert in Governor Strong's speech)

In the Third Liberty Loan, every banking town in this district (with one exception) won the honor flag, and over 75% of the towns without banks won honor flags.

As in the past loan, this flag will be awarded to those towns which subscribe their full quotas. In addition, a blue star will be awarded for each over-subscription of 50%. Accompanying the honor flag will be a penant for those communities of which 25% of the population subscribe to bonds, and an additional penant will be awarded for each additional 10% of the population that subscribes.

The industrial honor flag, used with great success in this city during the Third Loan, has been adopted for the whole country. It will be awarded to those organizations which secure subscriptions from 75% of their employes. If a larger percentage subscribe, it will be indicated on the penant.

At the suggestion of Mrs. Wilson, the names of communities showing the largest oversubscriptions, and showing the largest percentage of population subscribing, will be given to new ships to be launched and to new tanks being built for the army.

Ten ships and ten banks have been assigned to this district. The rules governing the designation of the communities will shortly be published.