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The Birth of American Thrift



John Muir

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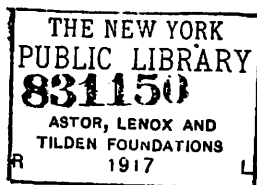
The Birth of American Thrift



"And So They Grew"

The Birth of American Thrift

John Muir



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By JOHN MUIR

Foreword

A FEW weeks ago, the opportunity was presented to observe the inauguration by many mercantile and industrial organizations of the Partial Payment method of purchasing Liberty Loan bonds.

It was possible to tell from the number of inquiries that the Partial Payment Plan had received a great impetus all over the country. However, due to the shortness of the time and the rush of work, it was impossible to record at once the exact degree of progress or to estimate the amount of money which could be raised by this method for future war loan instalments.

The economic importance of paying for the war out of current earnings—the view embodied in the Partial Payment method—has been emphasized by Mr. Frank A. Vanderlip. In the belief that the work would afford a basis for estimating the amount of money which can be raised out of the current earnings of employees in the larger manufacturing and industrial organizations, I undertook an investigation on which is based the following study of the situation.

JOHN MUIR

61 Broadway, New York
July 25, 1917

WHO WERE
CLUB
FRATERNITY

The Birth of American Thrift

In June, 1917, the United States Government undertook to raise \$2,000,000,000 for the prosecution of the war. It succeeded. It received, in fact, subscriptions amounting to over \$3,000,000,000. But it builded better than it knew. More important, from a long-time standpoint, than the fact that \$3,000,000,000 was subscribed, is the fact that it was subscribed by 4,000,000 people. And most important of all is the fact that to these 4,000,000 people was born the habit of Thrift.

A very large part of the 4,000,000 people subscribed on the basis of paying on instalments—on the Partial Payment Plan. When they subscribed to the loan, they subscribed, in effect, to a pledge to save money.

Wherein This Thrift Is New

Now let us see what this new Thrift is. It is the modern American Thrift, which has been unconsciously and indissolubly linked with the handling of the Liberty Loan, which differs from the European idea of Thrift—mere hoarding—which is intelligent, which simultaneously invests and saves and then compounds, and which, in its adaptation to the Partial Payment Plan, points the easy and perfected way to secure a competence.

If there were no war, if the Government had raised a loan wholly and solely for the purpose of organizing

an immediate and successful Thrift plan for salary workers and wage earners, the immensely beneficial result to the people would have called for high approbation of what would, of course, have been a radically paternal enterprise.

Let us take one other necessary view of this American Thrift in its relation to a war loan.

If a man has \$50 or \$100 in the savings bank and determines to buy a war bond, he should not take one cent from his bank to do so. He should subscribe, make his initial \$1 or \$2 payment or more and enter into the obligation to save and pay out of current earnings. His plan requires regular, methodical, periodical payments and inculcates the highest type of continuous saving.

If bonds are subscribed, bought and paid for out of savings already accumulated, it is merely transferring past savings to a new channel. A time may come when even these past savings will be needed and when they can be made available. But that time is not now. Meanwhile, the use of current savings is more beneficial to the country and to the individual.

Extremes Not Needed

No selected time could have more opportunely occurred for the salary worker and wage earner, when their ability and disposition and the nation's need can now combine to establish a Thrift plan of wonderful breadth and stability and unquestioned confidence.

In contemplation of new loans, it has been urged to take a lesson from the British method of seeking full subscriptions in small sums from individuals. I wholly disagree with this view. In this country there is no necessity for denominations less than \$50. The condi-

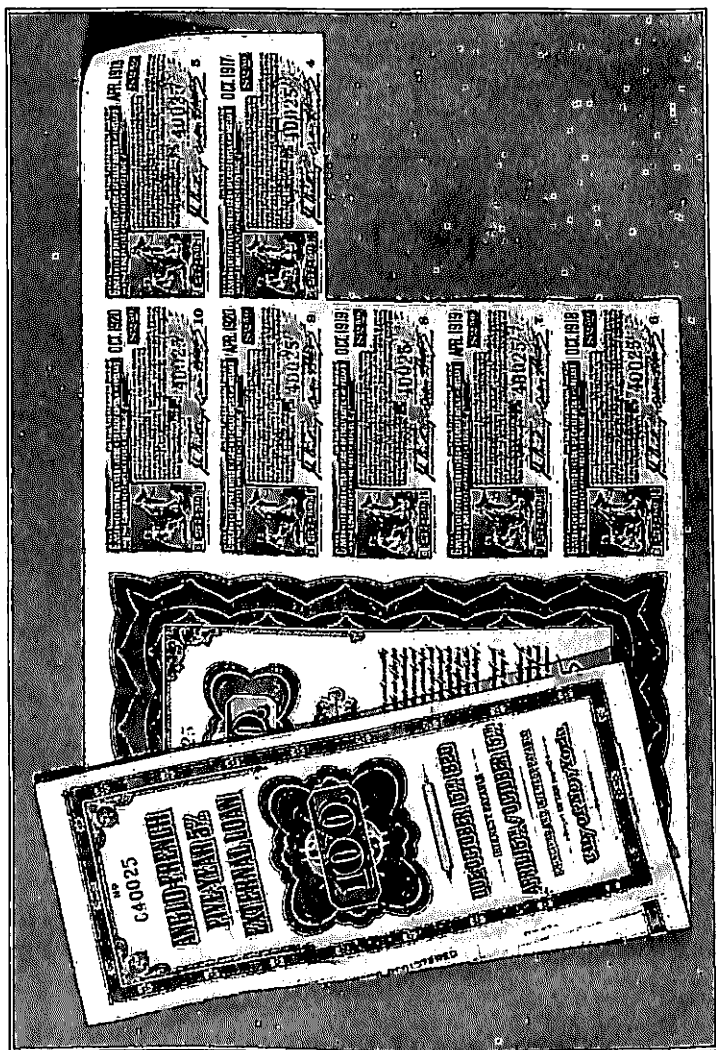
tions of the two countries are essentially different, and that difference is measured by the urgency and response of the two countries' calls.

With present prosperity and means to accumulate savings amongst the working classes, it is difficult to understand why we should now seek to imitate the desperate methods of the British in collecting war funds. What straits are we in comparable to theirs? They are prodded to "do their bit" by Want and Fear. We are not in any such plight.

Great Britain's Necessity

When Great Britain's first loan of over two years ago was put forth, there was raised from 100,000 subscriptions \$1,750,000,000. This loan in amount nearly equaled that of our Liberty Loan. At that time, Great Britain, in many respects, was in much better condition than now. Her confidence was unimpaired; her people were not aroused. She looked forward with more or less serenity to a successful termination of the war.

In January, 1917, a new loan was called for. This time the amount required was \$5,000,000,000. It was promptly met. There were 5,000,000 subscribers. What was the cause? There were new and more urgent reasons given for its need. Patriotism was not the only call. Peril was at the door—their coast was being attacked, their women and children in their own homes were being murdered. Fear of defeat, knowledge of overwhelming prospective indemnities and possible annihilation were ever present thoughts. Under such circumstances the last loan, without thought of interest, was eagerly sought, spontaneously given, insistently offered.



Typical Baby Bond

Our Readiness

At that time, this nation entered the war. A call to help the Allies was made, for \$2,000,000,000. We jubilantly took it up. Patriotism was invoked. We were happy, rich and prosperous. In thirty days we pledged 50% more than the amount asked and felt no inconvenience. We were not frightened into it. We went into it buoyantly, graciously, perhaps a trifle egotistically, but we made it an unequivocal success.

I hope the comparison will end here. I hope to God there never will come a time when this country will be called on, through fear, through murder of our women and children, through imminent peril to our coasts, through threat of indemnities to apprehensively, precipitately and fearfully clamor to offer everything for protection, defense and salvation.

Therefore, forehanded as America can be—as she is—through a prosperity largely due to those misfortunes we deplore, let us now prepare to perform an ideal duty, willingly, promptly and unreservedly to enable our Allies to successfully continue that fight in which we have now come to the stage where we physically join in it.

This duty should be both a pleasure and a profit.

Its performance is easy through the facilities offered by the Partial Payment Plan.

The Plan which Captured the Public

What was the outstanding feature of the Liberty Loan campaign?

—the feature which made possible the subscription of over \$3,000,000,000 for the \$2,000,000,000 offering—

—which made possible the subscription from over 4,000,000 individuals—

—which, in short, was largely responsible for the success of the offering as a popular loan?

It was the Partial Payment Plan.

Broad Scope of the Partial Payment Plan

The Government offered the Partial Payment Plan. The commercial banks and savings banks offered it. Financial houses which had operated it in connection with general investments and financial houses which had never operated it, offered the plan. So did employers, big corporations and little, partnerships and individuals.

And with the facilities offered so generally, the millions of people in this country who were convinced without argument that they should subscribe to the Liberty Loan if they could, learned that they could.

“A dollar down, a dollar a week buys a \$50 bond.”

“Ten dollars down, five dollars a month buys a \$100 bond.”

“Less than ten cents a day buys a baby bond.”

These were the slogans that caught the ears of the public and showed them the ease and simplicity of becoming investors and patriotic supporters of the Government.

The butcher, the baker, the candlestick maker have become investors in Government bonds. And they, with the doctor, lawyer, merchant and chief, are now saving the instalments which they pay regularly on account of their subscriptions.

Perhaps some of them had saved before. Not many

of them had, and those that had saved had done so in a desultory, haphazard way which led to no material results. They now are saving systematically and are finding the habit interesting as well as profitable.

The Value of Current Savings

Under the general grouping of national assets which can be thrown into the struggle against Germany, there is none more important than the capital which may be created out of current earnings.

“They who with golden weapons fight
Are pretty sure to prove their right.”

The golden weapon which can carve the greatest success out of the opportunity is the Partial Payment Plan.

Long before we entered the war, Germany, secretly in fear of the American dollar in the scale against her, sneered at the millionaire's gold. It's the gold of the millionaire and of the millions that is now weighing against her. Not only that. It's the constant flow of the savings of the millions to the war chest of the nation.

Germany and England had their savings invested when the war broke out. They secured the funds immediately necessary by liquidating their investments, by selling the securities to the wealthiest neutral, the United States. We had our savings invested when we entered the war. We could not liquidate our investments because we had no wealthy neutral or ally to sell to. We were forced to raise the funds otherwise. We decided to raise them out of current savings.

So Thrift became a necessity. And the necessity of Thrift taught us the blessings of Thrift. Current savings pouring into the Treasury made the first Liberty

Loan offering successful. They will make subsequent offerings of the Government successful. They will continue, long after the war is ended, to flow into the investment market to the utmost advantage of our commercial and industrial enterprises. But the national benefits of Thrift will be only the composite of the individual benefits.

Promising Results

In the work of popularizing the first two billion dollar investment of the Liberty Loan and, indirectly, of popularizing Thrift—the Partial Payment Plan was most effective. But on the basis of the national possibilities it is safe to say that the Partial Payment Plan has only scratched the surface.

There is definite and concrete evidence on which to weigh the capabilities of the Partial Payment principle. More than seven years ago, this method of acquiring standard securities was first introduced to the investment public. Prompt and hearty response from all over the country proved from the beginning that this plan, which allowed people to invest while they saved, had filled a long-felt want.

The growth was steady. Then came the Liberty Loan—4,000,000 subscribers. I had the opportunity of following the subscription closely. I have made further investigations since the subscription closed, and it is my conviction that, with proper direction, Partial Payment subscriptions to the next instalment of the loan can finance more than 75% of the great total.

Lessons of the Liberty Loan

What 800 mercantile and manufacturing organizations—big, little and medium in size—experienced, is

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likely to prove a good average of the experience of all corporations which offered Partial Payment facilities. Reports I received showed that of a total of over half a million employees, 47% subscribed to Liberty Loan bonds on the Partial Payment Plans of their employers.

This does not represent the full proportion of the employees who actually subscribed to the bonds on instalments. Many subscribed in this manner, not through their employers, but through their local banks.

In this connection, the American Bankers' Association figures are interesting. Some 8000 banks reported 1,703,827 subscribers to bonds on the Partial Payment Plan.

Remarkable as is this showing, the reports indicate that even larger totals can be expected from the salaries and wages of employees and workmen, who have just begun to discover their capacity for investing while they save. This expectation seems to be justified, in spite of the fact that many of the employees who subscribed for the first loan will not be in position to subscribe to the second loan if it is offered at an early date.

With few exceptions, the larger corporations say that they could have obtained a much better response from their employees if they had had more time to do campaign work.

The same testimony comes from those who canvassed for the loan along other lines. Apparently, enthusiasm awoke at the eleventh hour and, flaring up, showed possibilities which had not been given much thought before.

For instance, this experience is narrated. The night before the subscription closed, it rained in New York.

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BETHLEHEM STEEL CORPORATION

EMPLOYEES LIBERTY WAR LOAN CAMPAIGN

JUNE 6TH TO JUNE 13TH

DAILY RECORD FOR 24 Hrs. ENDING 6:00 P.M. JUNE 13TH ALL PLANTS

Statistics	General Officers	Bethlehem Steelton	Spanners' Point	Lebanon	Thurstonville	New Castle	Hogden	Fore River	Union Iron Works & Sons	Sam L. Moore & Harvey	Detrick Mary	TOTALS
ESTIMATE OF AMOUNTS TO BE SUBSCRIBED	\$500,000	\$200,000	\$500,000	\$500,000	\$500,000	\$500,000	\$100,000	\$500,000	\$500,000	\$40,000	\$15,000	\$10,000
TOTAL NO. MEN EMPLOYED EACH PLANT	15	26,314	9,852	8,184	6,244	256	883	1,876	5,500	9,201	750	273
PER CENT OF FORCE SUBSCRIBING	100%	97.8%	91.5%	96.0%	89.4%	54.7%	100%	60.3%	93.0%	82.2%	100%	57.5%
TOTAL DOLLARS SUBSCRIBED	\$860,000	\$206,950	\$707,950	\$508,950	\$382,500	\$13,850	\$64,150	\$95,900	\$345,950	\$645,100	\$43,800	\$20,000
AVERAGE DOLLARS SUBSCRIBED PER MAN	\$57,333	\$80.50	\$78.25	\$64.75	\$68.50	\$99.00	\$77.00	\$84.50	\$69.00	\$70.25	\$71.00	\$68.50
												\$75.00
												\$87.50

94%—How the Bethlehem Steel Men Subscribed

Nevertheless, a "street meeting" squad which, from another part of town, arrived in Times Square after the "theatre crowd" had gone home, went to work. It worked until four o'clock in the morning at the one spot. All that time, the passers-by were stopping in the rain to listen to the speakers and to go up and subscribe. Four hundred of them subscribed,—to twenty-five thousand dollars,—all baby bonds. "A dollar down" was the great taking point. Small change poured in with the dollar bills. Chauffeurs, stage hands, waiters, newsboys, Chinese laundrymen—all manner of people participated. It was a real Jay Cooke revival.

In addition to the ideas that the Liberty Loan campaign should be longer and that it can be pushed into fields hitherto little tried, other suggestions have been made which should improve the efficiency of subscription getting. Among them are the following suggestions:

That the Government provide forms and cards of a uniform kind to reduce the work of bookkeeping;

That the Government pay the advertising costs instead of calling upon employers and others to contribute such funds in addition to the services they volunteer;

That facsimiles or pictures of Baby Bonds be published to show the uninformed exactly what bonds are and what they look like;

That the Government issue Liberty Loan buttons, adequate in supply and appropriate in design;

That employers who dispense bonuses to worthy employees announce that these bonuses will be given as a credit on the final payment of a Liberty Bond. This would be following the example of British employers, who, in many cases, offered inducements to purchase

the War Savings Certificates (15s. 6d.) by promising to pay the last sixpence on each certificate.

Undoubtedly more employers, more banks, more investment houses will seek Partial Payment subscriptions in the next campaign. The middle West, the far West, and the South have learned from the experience of the East.

Billions from Millions

We have hitherto been big spenders—the men of moderate means as well as the men of wealth. We can be equally big savers. Practically every American can save a dollar a week if sincerely desirous of doing so. Practically every American *is* desirous of doing so. We require only to be shown how we can save, how our small savings, in themselves, will amount to big savings if continued periodically, and how if invested simultaneously they will compound in an astonishing degree.

With the Partial Payment Plan made known from coast to coast and its advantages thoroughly understood, not 4,000,000 but more nearly 40,000,000 people will respond to a new offering of the Liberty Loan.

Your Part in American Thrift

Salary workers, wage earners, men and women of moderate means—learn about the Partial Payment Plan as applied to the Government loan.

Be prepared before the call of the next loan, with knowledge and judgment, to adopt that plan of Thrift which will assure you that what is preëminently for your personal good and welfare is also for the good and welfare of your country.

Appendix

It is expected that a new issue of Government bonds will be offered early this fall.

As a guide to those who are contemplating offering Partial Payment facilities and to those who are contemplating using Partial Payment facilities, this appendix is printed.

The Partial Payment Plan as Operated by Employers

"A dollar down, a dollar a week"—that was the slogan which proved most popular among employees in the first Liberty Loan campaign.

This was not because one dollar a week was the lowest installment acceptable on a subscription. The terms offered by investment houses required only \$2.50 a month on a \$50 bond—that is less than 60 cents a week.

Undoubtedly employees who receive weekly wages prefer to make weekly payments when their subscriptions are handled by their employers. This should be borne in mind for the future financing.

A Simple Method

Weekly payments, from a large number of subscribers, require considerable attention on the part of the employer. He naturally wishes to handle such work in as simple a manner as possible.

As a method which permits quick work, no bookkeeping, no correspondence and little expense, some form of card system seems best.

One such system, which was extensively used in the first Liberty Loan campaign, is illustrated by the reproduction here of the "member's card." It is published with permission of the owners of the copyright and patent.

Similar cards can be used for the one dollar a week class.

The "office card" is a duplicate.

FRONT

8099 LIBERTY BOND

TWO DOLLARS

Member's CLUB A WEEK CLASS

Card No.

This card must be presented when payments are made

is entitled to deposit in our Club, subject to the rules

John Doe & Co., Inc.
Liberty Bond Club

By arrangement with

Blank National Bank, Philadelphia, Pa.

This card is not negotiable or transferable
Payments are due on first of each week, and must be made before the end of the same week.

This card matures one year after date of issue

Interest Paid on Club Accounts

WEEK		1st 第	2d 第	3d 第	4th 第	5th 第					
Jan. 第	Feb. 第	March 第	April 第	May 第	June 第	July 第	Aug. 第	Sept. 第	Oct. 第	Nov. 第	Dec. 第
1917 第		46th wk. 第	47th wk. 第	48th wk. 第	49th wk. 第	50th wk. 第	1917 第				
37th wk. 第	38th wk. 第	39th wk. 第	40th wk. 第	41st wk. 第	42d wk. 第	43d wk. 第	44th wk. 第	45th wk. 第			
Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第			
\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第			
28th wk. 第	29th wk. 第	30th wk. 第	31st wk. 第	32d wk. 第	33d wk. 第	34th wk. 第	35th wk. 第	36th wk. 第			
Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第			
\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第			
19th wk. 第	20th wk. 第	21st wk. 第	22d wk. 第	23d wk. 第	24th wk. 第	25th wk. 第	26th wk. 第	27th wk. 第			
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Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第			
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1st wk. 第	2d wk. 第	3d wk. 第	4th wk. 第	5th wk. 第	6th wk. 第	7th wk. 第	8th wk. 第	9th wk. 第			
Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第	Due 第			
\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第	\$2.00 第			

PATENTED MARCH 17, 1914. THE WRIGHTSON CO., PHILADELPHIA, PA.

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REVERSE

RULES AND REGULATIONS

The registered holder hereof, in consideration of the mutual promises hereinafter set forth, and by the acceptance of this card, hereby agrees and consents to the following Rules and Regulations:

1. I authorize and empower the company (named on the face of this card) to arrange with the bank also named on the face of this card, to purchase for my account One Hundred Dollars (\$100) (Par value) of the U. S. Government Liberty Loan Bonds, and to arrange with said bank to loan me the amount of the purchase price. The company is further authorized to apply all deposits when, and as, made on this card to the reduction of said loan until the sum of One Hundred Dollars (\$100) is paid.

2. That a weekly payment of \$2.00 each week will be made on this card for the next fifty consecutive weeks following the time of my first deposit, as indicated on the face of this card, until the sum of \$100 is paid.

3. That this card is not negotiable (or transferable) and demand cannot be made for the return of any money paid in on same.

4. That in case of any difference between this card and the "Office Card" of duplicate number, I agree to accept the amount punched on the "Office Card" as the correct amount paid by me.

5. That one year after making my first deposit (provided all fifty payments have been completed as agreed), the Treasurer of this Club agrees to deliver to me a U. S. Government Bond \$100 par value, as above mentioned.

6. The Bank is to receive all interest paid by the Government on the bond while in its possession and the interest accrued on said bond from last due date to time of delivery of bond, is to be paid to the bank by me.

7. In the event of my default in the payment of the weekly payments for a period aggregating four weeks, or failure to complete my full payments of \$100 within one year, I hereby authorize and empower the bank, if it deems it advisable, to sell the bond at either public or private sale, without notice to me, and deduct any loss or charge from this amount by reason of said sale, and remit the balance due on this account to the Treasurer of this Club for my account, and the Treasurer's receipt for such balance shall act as a valid and sufficient discharge and release for the bank from all liability.

8. That this card contains all the understandings between the bank and the company and the company and me, and none are bound by any verbal understandings or agreements not herein contained.

9. The object of this Contract is to assist me in the purchase of a One Hundred Dollar Government Bond of the issue as above, by weekly payments on my part.

The smallest amount below not punched is the total amount of money paid in on this account

	\$100	\$98	\$96	\$94	\$92	\$90		
\$88	\$86	\$84	\$82	\$80	\$78	\$76	\$74	\$72
\$70	\$68	\$66	\$64	\$62	\$60	\$58	\$56	\$54
\$52	\$50	\$48	\$46	\$44	\$42	\$40	\$38	\$36
\$34	\$32	\$30	\$28	\$26	\$24	\$22	\$20	\$18
\$16	\$14	\$12	\$10	\$8				

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Operation

The subscriber brings his weekly deposit and his card to the employer's cashier. The cashier takes from his file the "office card" of similar number (and name). He puts the two cards together, punches both in the same place, returns the "office card" to the file and the "member's card" to the subscriber, and puts the cash in his till.

The operation could not be simpler.

Interest

The employer can adopt his own terms in regard to interest. In the sample shown, the employer receives the accrued interest on the bond. The employee, upon full payment, receives the bond without accrued interest on the bond. But the employee is allowed interest on his deposits, to be adjusted when the subscription has been completed.

If the rate of interest allowed is the same as that of the bonds, this process is the same, in its effect on employer and employee, as if the employee is given the full interest on the bond and charged a like rate on the amount owed.

In the first Liberty Loan campaign, most arrangements resulted in the subscriber's receiving his $3\frac{1}{2}\%$ on the amounts he had paid in. There were almost no cases of a higher rate charged than credited. But there were many cases where no interest was charged on the indebtedness and the subscriber was given either both coupons or one of the coupons falling due during the period of payment.

Defaults

The employer may wish to make some other arrangement regarding sale of the bond in case of default in payments.

It was the practice most generally adopted by employers in the first Liberty Loan campaign to agree, where a subscribing employee left the company during the period of payment, to allow him to pay up the balance at once or to allow him, upon release of the bond to the company, to receive back his total deposits, without interest.

The Partial Payment Plan as Operated by Banks

Banks offering Partial Payment facilities to the public in connection with Government bond subscriptions are under the same necessity as employers to minimize the work involved.

They will therefore find the card system an assistance.

A form is given on the following pages, reprinted with permission of the owners of the copyright and patent.

As in the case of the cards used by employers, the "office card" is a duplicate of the "member's card," and the operation is the same.

Interest

Banks will probably find it most practical to retain the interest on the bonds and allow interest on the deposits.

This arrangement should be satisfactory to the subscribers also, provided, of course, the rate of interest allowed is fair. If the rate allowed is the same as the rate which the bonds pay, the result is that the subscribers will net the full rate of return on the money they have paid in, and the banks will be lending their funds at the same rate.

Defaults

Banks in most cases will wish to enforce the rule concerning the sale of the bonds when extended defaults in payments occur.

4199 LIBERTY BOND CLUB

Member's Card No. DOLLAR A WEEK CLASS

is entitled to deposit in our Club, subject to the rules

The Blank National Bank
Philadelphia, Pa.

**This card is not negotiable or transferable
Payments are due on first of each week, and must be made be-
fore the end of the same week.**

This card matures one year after date of issue

Interest Paid on Club Accounts

WEEK		1st 第	2d 第	3d 第	4th 第	5th 第					
Jan. 第	Feb. 第	March 第	April 第	May 第	June 第	July 第	Aug. 第	Sept. 第	Oct. 第	Nov. 第	Dec. 第
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23th wk. Due \$1.00	24th wk. Due \$1.00	25th wk. Due \$1.00	26th wk. Due \$1.00	27th wk. Due \$1.00	28th wk. Due \$1.00	29th wk. Due \$1.00	30th wk. Due \$1.00	31st wk. Due \$1.00			
19th wk. Due \$1.00	20th wk. Due \$1.00	21st wk. Due \$1.00	22d wk. Due \$1.00	23d wk. Due \$1.00	24th wk. Due \$1.00	25th wk. Due \$1.00	26th wk. Due \$1.00	27th wk. Due \$1.00			
10th wk. Due \$1.00	11th wk. Due \$1.00	12th wk. Due \$1.00	13th wk. Due \$1.00	14th wk. Due \$1.00	15th wk. Due \$1.00	16th wk. Due \$1.00	17th wk. Due \$1.00	18th wk. Due \$1.00			
1st wk. Due \$1.00	2d wk. Due \$1.00	3d wk. Due \$1.00	4th wk. Due \$1.00	5th wk. Due \$1.00	6th wk. Due \$1.00	7th wk. Due \$1.00	8th wk. Due \$1.00	9th wk. Due \$1.00			

PATENTED MARCH 17, 1914. THE WRIGHTSON CO., PHILADELPHIA, PA.

[26]

RULES AND REGULATIONS

The registered holder hereof, in consideration of the mutual promises hereinafter set forth and by the acceptance of this card, hereby agrees and consents to the following Rules and Regulations:

1. I order and direct the bank (named on the face of this card) to purchase for my account fifty Dollars (\$50.00) (Par Value) of the U. S. Government Liberty Loan Bonds, and to apply all deposits made on this Card to the credit of said purchase.

2. That a weekly payment of \$1.00 each week will be made on this card for the next fifty consecutive weeks following the time of my first deposit, as indicated on the face of this card until the sum of \$50.00 is paid.

3. That this card is not negotiable (or transferable) and demand cannot be made for the return of any money paid in on same.

4. That in case of any difference between this card and the "Office Card" of duplicate number, I agree to accept the amount punched on the "Office Card" as the correct amount paid by me.

5. That one year after making my first deposit, (provided all 50 payments have been completed as agreed) the bank agrees to deliver to me a U.

6. The bank is to receive all interest paid by the Government on the

6. The bank is to retain the bond while in its possession and the interest accrued on said bond from last due date to time of delivery of bond is to be paid to the bank by me.

7. In the event of my default in the payment of the weekly payments for a period aggregating four weeks, or failure to complete my full

for a period aggregating four weeks, or until the bank has received the proceeds of the sale of the bond, whichever occurs first. I hereby authorize and empower payments of \$50.00 within one year. I hereby authorize and empower the bank, if it deems it advisable, to sell the bond at either public sale without notice to me and deduct any loss or charges,

the bank, if it seems proper, and deduct any loss or charges, or private sale without notice to me and remit the balance due from this account by reason of said sale, and remit the balance due on this account to me at the address herein stated, and the receipt of

on this account to me at the address herein stated, and the receipt of such balance will act as a valid and sufficient discharge and release of and from all liability of the bank to me.

8. That this card contains all the understandings between the Bank and me, and neither are bound by any verbal understandings or agreements not herein contained.

9. The object of this contract is to assist me in the purchase of a Fifty Dollar Government Bond of the issue as above, by weekly pay-

Fifty Dollar Government Bond of the
ments on my part

The smallest amount below not punched shows the total amount of money paid in on this account

	\$50	\$49	\$48	\$47	\$46	\$45		
\$44	\$43	\$42	\$41	\$40	\$39	\$38	\$37	\$36
\$35	\$34	\$33	\$32	\$31	\$30	\$29	\$28	\$27
\$26	\$25	\$24	\$23	\$22	\$21	\$20	\$19	\$18
\$17	\$16	\$15	\$14	\$13	\$12	\$11	\$10	\$9
\$8	\$7	\$6	\$5	\$4				

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The Partial Payment Plan as Operated by Investment Houses

Investment houses contemplating the offer of Partial Payment facilities to the public in connection with the Government bonds should experience no difficulty in operating such a plan.

It can be made to accord closely with the usual methods of the stock exchanges covering operations where credit is extended.

Method

The subscription is received from the client and entered with the Government. The investment house pays the Government in full for the subscription and charges the amount to the client's account. The initial payment is credited to the account, as are the subsequent payments. Interest is charged on the net indebtedness and the coupons, when payable, are collected and credited to the account. When the full indebtedness is settled the bond is delivered.

The bonds naturally can be hypothecated until fully paid.

Payments

Most investment houses will find an initial payment followed by instalments on a monthly basis the most convenient from their own standpoint. At the same time, these monthly payments will probably be more acceptable to their clients than weekly payments.

The initial payments which were generally required on the first loan and which are likely to be most generally required on the second offering, are as follows:

\$5 on a \$50 bond
10 on a 100 bond
50 on a 500 bond
100 on a 1000 bond

The monthly payments follow:

\$2.50 on a \$50 bond
5.00 on a 100 bond
25.00 on a 500 bond
50.00 on a 1000 bond

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The payments should be required on the first of each month, and as they are regular in time and amount, no calls should be issued.

Interest

As above stated, the amount collected on the coupons when due should be credited to the account in full.

The rate of interest to be charged on the net debit balance can be determined by each house for itself. It should be such that the resultant yield to the individual investor during the period of payment will be attractive. On the subscriptions to the first loan, some investment houses charged $3\frac{1}{2}\%$ and this made possible a full $3\frac{1}{2}\%$ yield, or the same rate during as after the payments. A 6% rate charged on the indebtedness incurred on a subscription to a $3\frac{1}{2}\%$ bond makes the interim yield too low to encourage public participation.

Defaulted Payments

It does not seem advisable to require an agreement calling for the sale of the bonds carried in a Partial Payment account on default of a payment when due.

So long as there is adequate protection in the account, the bond can be carried for the client. Some incentive to continue payments might be provided by an arrangement to raise the interest rate in case of default.

In the first loan, one investment house agreed to take over the bond for its own account and refund the money deposited in cases where it could be shown that lapsed payments were due to loss of position or other misfortune. This agreement overcame some hesitation on the part of those who had been reluctant to embark upon a program calling for a part of their future earnings and resulted in a greatly enlarged subscription. Of course, the making of any such agreement is entirely optional with the investment house.

Sales

Sales of the bonds should be permitted at any time the subscriber wishes. Upon such sales, the proceeds are applied against the debt and the balance is remitted to the subscriber.

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Forms

The following forms may be helpful.

The first is the subscription blank to be signed by the client.

PARTIAL PAYMENT APPLICATION

LIBERTY LOAN

Dated.....

.....
.....
.....
Please subscribe for me to \$. par value Liberty Loan Bond of the United States, and carry it for me on the Partial Payment Plan.

I enclose \$. (\$5 per \$50 bond, \$10 per \$100 bond ordered) as initial payment and agree to pay \$. (\$2.50 per \$50 bond, \$5 per \$100 bond ordered) on and on the first of each month, *without notice*, until the indebtedness is settled.

Signature in full

Address—Number and Street.....

City or Town.....

County..... State.....

The second form is a combination receipt and memorandum of account. Its use will eliminate the frequent mailing of a full statement.

....., New York. 1917.

We acknowledge receipt of your remittance of \$.
account of your

LIBERTY LOAN SUBSCRIPTION.

Including interest charged to.....
the amount remaining to be paid is \$.

Your account has been credited with coupon amounting to
\$.

Detailed statement sent on request.

Your next payment of \$. will be due.....

.....
per.....

The Partial Payment Plan for Individuals

Individuals have the choice of a number of forms of the Partial Payment Plan.

In most cases they may subscribe through their employers. Where they cannot, or where they prefer to subscribe elsewhere, they may obtain Partial Payment facilities from their banks or from investment houses.

As all of these forms have been described in the foregoing pages, they are not repeated here.

