



By

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War bonds are debt securities issued by a government to finance military operations and other expenditure in times of war. War bonds are either retail bonds marketed direct to the public or wholesale bonds traded on a stock market. Exhortations to buy war bonds are often accompanied by appeals to patriotism and conscience. Retail war bonds, like other retail bonds, tend to have a yield which is below that offered by the market and are often made available in a wide range of denominations to make them affordable for all citizens.

By the summer of 1940, the victories of Nazi Germany against Poland, Denmark, Norway, Belgium, the Netherlands, and France brought urgency to the government discreetly preparing for possible United States involvement in World War II. Of principal concern were issues surrounding war financing. Many of President Franklin D. Roosevelt's advisers favored a system of tax increases and enforced savings program as advocated by British economist John Maynard Keynes. In theory, this would permit increased spending while decreasing the risk of inflation. Secretary of the Treasury Henry Morgenthau, Jr., however, preferred a voluntary loan system and began planning a national defense bond program in the fall of 1940. The intent was to unite the attractiveness of the baby bonds that had been implemented in the interwar period with the patriotic element of the Liberty Bonds from the First World War.

Morgenthau sought the aid of Peter Odegard, a political scientist specialized in propaganda, in drawing up the goals for the bond program. On the advice of Odegard, the Treasury began marketing the previously successful baby bonds as "defense bonds". Three new series of bond notes, Series E, F and G, would be introduced, of which Series E would be targeted at individuals as "defense bonds". Like the baby bonds, they were sold for as little as \$18.75 and matured in ten years, at which time the United States government paid the bondholder \$25. Large denominations of between \$50 and \$1000 were also made available, all of which, unlike the Liberty Bonds of the First World War, were non-negotiable bonds. For those that found it difficult to purchase an entire bond at once, 10 cent savings stamps could be purchased and collected in Treasury approved stamp albums until the recipient had accumulated enough stamps for a bond purchase. The name of the bonds was eventually changed to War Bonds after the Japanese attack on Pearl Harbor on 7 December 1941, which resulted in the United States entering the war.

The War Finance Committee was placed in charge of supervising the sale of all bonds, and the War Advertising Council promoted voluntary compliance with bond buying. Popular contemporary art was used to help promote the bonds such as the Warner Brothers theatrical cartoon, *Any Bonds Today?*. More than a quarter of a billion dollars' worth of advertising was donated during the first three years of the National Defense Savings Program. The government appealed to the public through popular culture. Norman Rockwell's painting series, the Four Freedoms, toured in a war bond effort that raised \$132 million. Bond rallies were held throughout the country with famous celebrities, usually Hollywood film stars, to enhance the bond advertising effectiveness. The Music Publishers Protective Association encouraged its members to include patriotic messages on the front of their sheet music like "Buy U.S. Bonds and Stamps". Over the course of the war, 85 million Americans purchased bonds totaling approximately \$185 billion.

The National Service Board for Religious Objectors offered civilian bonds in the United States during World War II, primarily to members of the historic peace churches as an alternative for those who could not conscientiously buy something meant to support the war. These were U.S. Government Bonds not labeled as defense bonds. In all, 33,006 subscriptions were sold for a total value of \$6.74 million, mostly to Mennonites, Brethren, and Quakers. [https://en.wikipedia.org/wiki/War_bond]

The Second World War cost the United States \$300 billion dollars, with the federal budget rising from \$9 billion in 1939 to \$98 billion in 1945.

Taxes were increased with an additional 5 percent Victory Tax. To assure payment, on June 10, 1943 the government approved the first



automatic deduction of taxes from paychecks. But more was needed, and so it was that the government turned to bonds, which had been effective in World War I. War bonds were sold at 75 percent of face value. While the rate of return was below market value, bonds were a stable investment with the bonus of aiding the war effort. Channeling cash into bond purchases helped prevent inflation in the robust wartime economy as well.

Defense Bonds first went on the market on May 1, 1941. Employers set up automatic payroll deduction systems, so employees could set aside a certain amount for War Bonds with each paycheck. A robust advertising campaign, rallies and other promotions, and a series of War Loan Drives brought in even more needed money.

As part of the war effort, many newspapers, magazines, and radio stations donated advertising space and time. Posters sprang up in store fronts. Even comic books got in the act as superheroes promoted bond sales. Popular songs also encouraged sales, such as Bing Crosby's recording of "The Road to Victory" for the Sixth War Loan Drive.

Bond rallies were extremely popular, featuring Hollywood stars and popular musicians. Celebrities conducted auctions – a kiss from Hedy Lamarr, Betty Grable's stockings, Jack Benny's violin, and the horseshoes of Triple Crown winner Man O' War. Movie theaters and baseball stadiums sometimes offered free admission with the purchase of a War Bond.

Eight War Loan Drives were conducted from 1942 to 1945. Each was meant to raise an additional \$9-\$15 billion in sales. Towns received quotas, with the aim of promoting competition between towns. Volunteers went door-to-door, pleading for sales and rewarding purchasers with stickers to display on their window or door. The drives were conducted on the following dates:

First War Loan Drive: Nov. 30 to Dec. 23, 1942
Second War Loan Drive: Apr. 12 to May 1, 1943
Third War Loan Drive: Sep. 9 to Oct. 1, 1943
Fourth War Loan Drive: Jan. 18 to Feb. 15, 1944
Fifth War Loan Drive: June 12 to July 8, 1944
Sixth War Loan Drive: Nov. 20 to Dec. 16, 1944

Seventh War Loan Drive: May 14 to June 30, 1945
Victory Loan Drive: Oct. 29 to Dec. 8, 1945

The patriotism and personal sacrifice of the average citizen played a significant part in the Allied war effort. [<http://www.sarahsundin.com/world-war-ii-war-bonds/>]





