

## Cashing Of Savings Bonds Faster Than Buying Draws Proposals To Reverse Trend

By SAM DAWSON

NEW YORK—(AP)—People have been cashing in their savings bonds faster than they have been buying new ones. Most of the selling has been to finance war-scare buying of goods. But some of the drop in "E" bond buying is because people are wondering about their value as investments.



Sam Dawson

You can't buy as much with the dollar you get from redeeming your bonds as you could have bought at the time you put the dollar into them (unless you bought them in 1948.)

And at least one economist urges the treasury to tie the redemption value of savings bonds to the cost of living so that bondholders would get back their full dollar's worth of buying power.

The treasury has other "E" bond headaches, in addition to their loss of popularity as investments. Redemptions will soar from now on to a peak of \$7 billion worth of the 10-year paper coming due in 1954, since 1944 was the top year in sales.

This comes at an embarrassing time. Outstanding "E" bonds total around \$31 billion. The treasury wants you to hold them, exchange maturing bonds for new ones, and buy still more out of your present income. It thinks that's one of the best ways to finance rearmament, fight inflation by reducing the money for buying goods, and keep bank credit from soaring as it would if the treasury has to

borrow from the banks instead of from you.

The question is: can the treasury reverse the present trend (cashings in September exceeded sales by \$104 million) by public appeals and hoopla drives? or must it offer more attractive terms? and if so, what?

### Would rop Buying Power

The escalator bond proposal is by Sumner Slichter, Harvard economist. He told the National Savings & Loan league here that holders of "E" bonds had paid \$31.5 billion for securities with a present redemption value of \$34.7 billion, "but in the purchasing power of the year in which the bonds were purchased they had a redemption value on July 30, 1950, of only \$27.7 billion." This was a loss in purchasing power of \$3.8 billion, of 12.1 per cent.

He urged that the treasury offer savings bonds payable in constant purchasing power. That is, if living costs go up 50 per cent after you buy a \$100 bond, you should get \$150 for it when you cash it in.

Critics of this proposal to tie redemption value to some such thing as the consumer price index day it might lead to tremendous inflation, rather than curbing it. They also stress the strain on the treasury, which would never know how much it really owed, until redemptions were made.

Some even question whether the government has the moral obligation to guarantee the purchasing power of any investment—every form of savings has its own peculiar risk or risks.

**Other Proposals Advanced**  
Another proposal—given much more consideration at the Treasury—is that holders of maturing bonds be offered one per cent interest for each additional four months held.

Still another is that a flat rate of interest be set. At present the return is only 1.33 per cent the first year held. This increases the longer you hold the bond until the return at maturity is 2.9 per cent a year. Some argue that the bonds would be widely attractive with a flat 3 per cent interest through their entire life.

Some propose that the treasury offer tax incentives for saving. This would allow persons to deduct so much from their income taxes if they can prove they save a certain portion of their incomes.

And there is talk of forced savings. This would use the present payroll-savings plan, except that there would be nothing voluntary about it. Your boss would buy the bonds for you on a compulsory basis and you couldn't cash them until the government says the danger of inflation is over.

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