

# War Bonds or Treasury Bonds?

## The Australian Difference

by Tony James

THE statement that started this investigation was a simple one. "We never hear about the Australian War Bonds, Only War Savings Certificates." Then followed a listing of 17 loans that had some sort of association with war loans and spread amongst the information regarding these loans were references to war bonds. The point is that this situation is different in other countries such as Canada and the USA. In those countries, the collector can find specially printed certificates headed "War Bond" where the document has security printing of an intricate nature and design. Ah! This is what is meant by investigative journalism! Maybe half a century late in getting the story out, however the question begs an answer.

### World War One

The first public bond issue in Australia was conducted in 1915 as part of financing the First World War.\* Since this time it has been suggested that the main component of gross debt on the Australian Government's balance sheet is Common-

wealth Government Securities (Treasury Bonds) outstanding. The collector can find War Savings Certificates from WWI as well as War Gratuity Bonds issued to eligible members of the Australian Military and Naval Forces and Imperial Reserves. It has also been recorded that from 1915 to 1918, bonds were actually issued and when left for safe custody with the banks were held in individual safe custody packets. However the main thrust of this investigation is the War Loans and Bonds of the Second World War as raised by the Australian Government from 1939 to 1945.

### World War Two

The first loan raised by the Commonwealth Government was in December 1939. It was issued to obtain funds for continuing works programs and for some war-related defence spending pending the issue of a public loan. The whole amount of £12,000,000 was subscribed by the Commonwealth Bank in conjunction with the other trading banks. The first loan raised by public appeal started in

March 1940 and was for an amount of £18,000,000. The whole amount was taken up by the public and the operation set the pattern for future loans. It is not my intention to describe each of the 17 loans floated by the Commonwealth Government during the course of the war, but the list appears opposite.

The Conversion Loans were, by nature, the restructuring of existing loans that had come up for repayment or renewal and continued the borrowing under similar or new conditions.

### Bonds/ Incribed stock

During the war years, the Commonwealth Government followed a particular system for borrowing or raising loans. The applications for subscription to the various war loans had two options: - the applicant could either apply for £xxx pounds of Commonwealth Government Treasury Bonds, or Incribed Stock, bearing interest at xx% and maturing on a fixed date, in accordance with the relative dated prospectus. There was a facility for payment of a deposit or the full amount



Commonwealth of Australia Treasury Bond for £10 with an interest rate of 3 1/4% issued 28 March 1944 redeemable between 1950 & 1960. Coupons attached. Issued during the period of the First Victory Loan

**COMMONWEALTH LOANS FLOATED IN AUSTRALIA**  
from 3rd September, 1939, until 31st December, 1945.

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			Number	Amount	Number	Amount
3½% Loan, 1942-44 .. ..	3½% .. ..	Dec., 1939	10	12,000,000		
1945 and 1950-56 Loan .. ..	3½%—5 years .. .. 3½%—10/16 years .. ..	March, 1940	14,339	18,164,740		
1945 and 1950-56 War Loan .. ..	2½%—5 years .. .. 3½%—10/16 years .. ..	May, 1940	32,792	20,582,490		
£28,000,000 War and Works Loan	3½%—10/16 years .. ..	Nov., 1940	21,830	28,499,420		
£35,000,000 War and Works Loan	2½%—5 years .. .. 3½%—9/15 years .. .. 3½%—9/16 years .. ..	April, 1941	57,217	35,871,450		
1941 War and Conversion Loan .. ..	3½%—4/5 years .. .. 3½%—8/16 years .. ..	Oct., 1941	83,378	34,158,490	70,891	66,333,250
1st Liberty Loan .. ..	2½%—4/5 years .. .. 3½%—9/17 years .. ..	Feb., 1942	244,587	48,331,250		
2nd Liberty Loan .. ..	2½%—4/5 years .. .. 3½%—8/16 years .. ..	June, 1942	196,510	37,373,480		
Austerity Loan .. ..	2½%—4/5 years .. ..	Nov., 1942	454,839	82,667,250	6,296	22,018,105
3rd Liberty Loan .. ..	2½%—4/5 years .. .. 3½%—8/16 years .. ..	March, 1943	432,394	101,805,380		
1943 Conversion Loan .. ..	2½%—4/5 years .. .. 3½%—7/16 years .. ..	August, 1943			2,103	12,353,370
4th Liberty Loan .. ..	2½%—4/5 years .. .. 3½%—7/16 years .. ..	Oct., 1943	567,538	126,408,320		
1st Victory Loan .. ..	2½%—4/5 years .. .. 3½%—6/16 years .. ..	March, 1944	452,701	150,548,740		
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<b>Total Number of Applications ..</b>			<b>3,662,134</b>	<b>£1,004,025,210</b>	<b>138,424</b>	<b>£162,658,425</b>
<b>Total Amount Subscribed and Converted ..</b>			<b>£1,166,683,635</b>			

*Commonwealth Loans Floated in Australia from 3 September 1939 until 31 December 1945.*

and an instruction to pay interest to the subscriber's bank account number. Then the instructions asked if the subscriber wanted the bonds to be delivered to them or if the bonds were to be held for safe custody by the nominated Bank at a certain branch.

These alternatives were processed in several ways. If the application was made for what is termed "Inscribed Stock" then the holding is held as a ledger entry in the bank's books and a Safe Custody Receipt

is issued stating that the bond issued for a certain amount is held for Safe Custody. If, however, the owner wishes to take delivery of what is literally a cash document, payable to the bearer, then a security printed certificate with interest coupons attached is forwarded to the subscriber. These highly negotiable documents could also be lodged for safe custody with a bank and a receipt obtained.

Literature shows that the banks have to hold these actual bonds free of charge

and clip the interest coupons from the certificates at the appropriate half-yearly intervals. The other system is for the owner to hold the actual bonds themselves and present the coupons to a bank for payment on or after the due date. Upon maturity, the bond is cashed in for the face value.

**So you do not have £10**

An important consideration in regard to the War Bonds was the high face value of the item. The bonds were issued in denominations of £10, £50, £100, £500 and £1000 as negotiable instruments. The bonds and inscribed stock were interchangeable upon application to the registries in each capital city. However, to give you an idea, during the period when the First Victory loan was being raised, there were over three million income earners in Australia and nine out of ten of them earned less than £400 a year.

This was at a time when the average male wage was £5/15/8 per week and women earned an average of £3/4/4 per week. Because of this, the Government allowed people to purchase bonds in installments so as to attract the maximum number of subscribers. A deposit of 10% could be paid at the time of application and the balance paid in three or four installments at later dates. The individual bond issues remained open for a period of six months and while the receipt of



An example of a £50 war bond printed in the back of a fact sheet issued for the First Victory Loan Bond. Note it states that it is a Treasury Bond showing interest rate, serial number, redemption date and interest coupons and their redemption date.

variable amounts and different times in subscriptions caused an administrative nightmare it ensured that the maximum subscription was attracted to the loan. (see listing) By 1942 arrangements were made for applicants to purchase bonds or stock in ten equal monthly installments.

**Bond allotments for servicemen**

This installment system was particularly attractive to the serviceman. Apart from marriage allotments required to provide for wives and children, the "Service Allotments to Commonwealth Loans" allowed a nominated amount to be deduc-

ted from the servicemen's pay and sent to the Registry in the state of enlistment. Then when he had accumulated £10, he could purchase a bond that was held for safe custody by the nominated bank or Commonwealth Bank. This continued until cancelled.

**Staff group schemes and advance subscriptions**

A similar system was put in place in many companies in Australia. Employers made deductions from salaries or wages and forwarded payment to the registries. One application was completed for all

members of the group and the work of the Registry was greatly reduced. The company also handled the bonds purchased and arranged payment of interest on behalf of their employees. In connection with this, there were advance subscriptions made when enquiries were received from people wishing to invest at a time between floatation periods. In 1941 it was decided to accept advance subscriptions to loans in amounts of £10 and multiples thereof. This was rewarded by favourable terms and payment of interest at the rate of the next loan after lodgment, and also gave the right of withdrawal if the subscriber was not satisfied with the rate given in the following loan or wanted his or her money returned for any other reason. However, interest was not paid on these amounts withdrawn.

**National Savings Bonds and stamps**

April 1942 saw the introduction of a new form of bond. National Savings Bonds were introduced to provide a permanent means of investment by installments with a deposit of £1 and monthly installments of £1. The interest was paid half yearly and redeemable in ten years. Continuously on sale, the bonds were only available in £10 denominations with an interest rate of 3% and maturity in 1952. The National Savings Bonds were not particularly attractive as they duplicated existing facilities and their issue was discontinued in 1943. However National Savings Stamps first issued in October 1943, provided a much needed facility. They were a 5/- denomination and were on sale at post offices, registries and agencies and could be used for any of the following purposes:

- Payment in full (£10 minimum) for War Loan or advance subscriptions
- In multiples of £2 (later £1) payment of deposits or installments on war loan applications
- In multiples of £2 (later £1) for credit to savings bank accounts.

While the stamps could not be exchanged for cash, they filled a very real need when applicants were saving for war bonds.

**War Savings Certificates**

These documents are far better known to the collector, as they are more readily available. The certificates, first issued in March 1940, in denominations of £1, £5, £10, and later £50, were sold at a purchase price of 16/- for each £1 certificate and issued to mature in seven years with a yield of just under 3 1/4%. This was attractive to the purchaser even though only a maximum of £250 face-value could be held by any one person. This ensured the continued attraction of subscription to the

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War Loans. The published figures by the Commonwealth Bank show that in six years the total face value of certificates issued was £79,740,000. These War Savings Certificates are already catalogued in the *Australian Coin and Banknote Values* 15th edition by Renniks.

### Printing the War Bonds

The paper was imported from England and was watermarked bond paper produced from flax and stored at the Commonwealth Bank Note Printing Works in Melbourne. The printing plates were produced in the same way as banknote plates with skilled master engravers hand engraving detail and using geometric lathes for the lace-like patterns that form the border and decoration on the bonds. Printed in the intaglio method, the security documents were rigorously inspected and securely stored until required.

The quantities needed and produced for the various issues of War Bonds are interesting, as is shown by the Reserve Bank, Government Finance archive listed as "Loan Raising for Commonwealth War Loans 1940-1944", and dated May 25 1943 page 20 Part III:

Over-the-counter sale show that 10% of all applications ask for inscribed stock and 90% ask for bonds. Of this 90%, 95% ask for the bonds to be held for safe

custody (by the banks). And only 5% want possession of the security printed (Treasury) bonds.

The report records that the reason given for requesting actual bonds is that "some want to take advantage that the bond can be transferred to family or others" or alternatively that the bonds are "handy to effect settlement of 'Black Market' transactions as they are untraceable."

### Social issues

The Prime Minister, John Curtin in his national broadcast on April 15 1942, promoting the National Savings Scheme, asked all citizens to contribute. "It has been said that thrift is a virtue. Today it is more than a virtue; it is an urgent duty, one of the most important duties that all citizens must perform." New saving was required, not transfer of existing bonds and investments. Spending was to disregard national security, saving would contribute to this security, being a duty for all. "Unless you want the standard of the Japanese yen for your money in this country, then play your part in the National Savings Campaign and start now."

The posters exhorting the public to support the various bond issues were on the sides of buses public notice boards and theatres and cinemas. The First

Victory Loan was advertised as the Lancaster bomber "G for George" toured the country in March 1944 promoting the purchase of war bonds.

During 1943 the War Loan Committee met with members of the Motion Picture Council of Western Australia and the Motion Picture Exhibitors Association to discuss the question of use of picture theatres for the sale of War Loan Bonds. The previous Austerity Bond Issue of November - December 1942 had arrangements for the actual sale of bonds in the picture theatres with considerable success. However, the arrangements for the new 3rd Liberty loan restricted promotion of bonds to the gathering of pledges at theatres and it was claimed by the council and association that there was little success. Although it was said "many small investors would readily buy bonds at the theatres but not go to banks." Large numbers of people congregated at the theatres and it was convenient for them to buy bonds there, as the banks were only open from 10am to 2 pm whereas the theatres were open until 10pm or later. Moreover the atmosphere created by propaganda films such as the *Squander Bug* that spends money instead of putting money into war bonds, and such films as *Kokoda Trail* were likely to induce people to subscribe to war loans."



**I AGREE**  
**TO PURCHASE**

**FIRST VICTORY WAR LOAN BONDS**

Through the Representative of the Brighton War Loan Committee who calls upon me, or through

(Give name and address of Bank, Savings Bank (quote A/c. No.), Money Order Post Office or Stockbroker.) (See details other side.)

Date..... Signature.....

Address.....

**Please Mark Application "CREDIT BRIGHTON QUOTA"**

Pledge to purchase First Victory War Loan Bonds (March to May 1944) Promoted by the City of Brighton War Loan Committee, Victoria,

The meeting was told that the theatres had turned away people who had money to invest and all they wanted was for them to sign a pledge, the banks would then approach the applicant for his investment.

### A daunting task

While the Australian government did not issue security printed bonds with the actual words "War Bond," the Treasury bond series can be linked to the various war loans by matching the rates of interest and issue dates to the dates the war loans were floated. It has been suggested that this may be a way to collect war bonds issued by the Australian Government, however, considering the face value of the bonds at the time, the minute number of actual bonds issued and the number of treasury bonds that find their way onto the collector market, it might be considered a lifelong commitment to a very difficult task. Who is up to the challenge?

### Acknowledgments

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# AUSTERITY LOAN

## POINTS & TERMS

### in BRIEF

- ★ £100,000,000 is required for war, and to meet securities maturing on Dec. 15. Conversion of maturing securities into the Austerity Loan is invited.
- ★ The Loan opens Nov. 3; closes Dec. 15.
- ★ The loan is issued at par: £100 buys £100 worth of securities, either of Treasury Bonds or Inscribed Stock.
- ★ You may lend for five years with interest at 2½%, or for 16 years and receive interest at 3½%, it will be payable on May 15 and Nov. 15. Interest is calculated from the date funds are lodged.
- ★ Loan applications should be made through any bank, savings bank, money order post office or sharebroker.
- ★ This interest is free from State taxes. For the duration of the uniform tax scheme, a rebate on Commonwealth Taxation of 2/- in respect of each pound of interest from this Loan will be allowed.
- ★ Minimum subscription is £10 for Bonds or £100 for Inscribed Stock. Anyone already holding £100 of Inscribed Stock may subscribe any multiple of £10.
- ★ Loan subscriptions may be paid: By cash with application; by deposit of 10% and three amounts of 30% on Jan. 4, Feb. 1 and Mar. 1, 1943; or by deposit of 10% with application and nine consecutive monthly instalments payable on the first business day of each month from Jan. 4, 1943 to Sept. 1, 1943 (inclusive).
- ★ The War and Austerity Loan is an authorised trustee investment secured upon the consolidated revenue of the Commonwealth.
- ★ War and Austerity Loan Bonds are free from stamp duty or other charge on transfers.
- ★ The Commonwealth Bank will hold Bonds for safe custody for any investor without charge. Other banks provide the same service free for their customers.
- ★ If desired, interest may be credited to a bank or savings bank account without charge.
- ★ Should you require to regain the use of money invested in the Loan, Bonds or Stock are readily realisable. They may be sold through a sharebroker at a charge of 5/- per cent. The Commonwealth Bank, or your own bank, will arrange this for you without charge.