

DIARY

Book 377

February 28, 1941

- A -

Book Page

Argentina
See Latin America

- B -

Blair, John L. (President, New Process Company,
Warren, Pennsylvania)
See Financing, Government (Defense Savings Bonds,
United States)

- C -

China
See War Conditions
Coast Guard
For discussion of cutters, see War Conditions:
Lend-Lease Legislation
Cox, Oscar S.
See War Conditions: Lend-Lease Legislation

- D -

Defense, National
State tax immunity to defense contractors discussed
by Treasury and Justice groups: Foley memorandum -
2/28/41..... 377 138
Defense Savings Bonds, United States
See Financing, Government

- E -

Hire
See War Conditions

- F -

Financing, Government
Defense Savings Bonds, United States:
Blair, John L. (President, New Process Company,
Warren, Pennsylvania): To be member of advisory
group - 2/28/41..... 7
"Check-off system" advocated by Knudsen but frowned
upon by HMJr - 2/28/41..... 11
Aluminum for addressograph system: Graves to get
seven tons a month for ten months..... 8,36
Type of bond discussed with Federal Reserve Board
and conference reported to Haas, Murphy, Bell, and
Newcomb - 2/28/41..... 44
a) Comparison of present plan with plan for
reduced intermediate yields..... 81
b) Comparison of proposed 2% and 2 1/4% income plans.. 82
c) Memorandum mailed to presidents of Federal
Reserve Banks asking for advice..... 83

- H -

	Book	Page
Haas, George L. See War Conditions: Lend-Lease Legislation		

- I -

Irish Free State
See War Conditions: Eire

- J -

Japan
See War Conditions

- L -

Latin America Foreign Funds Control: Rockefeller discusses extension of regulations to include Central and South America - 2/28/41.....	377	222, 224
Argentina: Flaxseed concession considered by Trade Agreements Committee - 2/28/41.....		225

- T -

Tax Research, Division of Report of projects during February 1941.....		236
Taxation State tax immunity to defense contractors discussed by Treasury and Justice groups: Foley memorandum - 2/28/41.....		138

- U -

United Kingdom
See War Conditions: Military Planning; United Kingdom

- W -

War Conditions Airplanes: Shipments to United Kingdom and overseas commands: Report sent to FDR - 2/28/41.....		210
China: Stabilisation arrangement: State Department views - 2/28/41.....		107
Eire (Irish Free State): Rumored attempt to obtain a loan in United States discussed by Pinsent and Cochran - 2/28/41....		203
Exchange market resume' - 2/28/41.....		234

	Book	Page
War Conditions (Continued)		
Foreign Funds Control:		
Latin America: Rockefeller discusses extension of regulations to include Central and South America - 2/28/41.....	377	222, 224
Japan:		
Monetary gold stocks estimated by Grew - 2/28/41..		228
Lend-Lease Legislation:		
Coast Guard cutters for convoy work: Report to FDB - 2/28/41.....		92, 97
a) Conference; present: HMJr, Gaston, and Waesche.....		116, 158
Byrd-Taft proposed amendment: No defense articles procured out of appropriations made to War and Navy Departments ***** can be transferred without consent of Congress ***; HMJr, Stimson, and Forrestal consult FDR concerning - 2/28/41..		100, 106
a) Hull and HMJr discuss.....		191
b) Stimson-HMJr conversation.....		200
c) Hull calls meeting; Stimson, Barkley, Byrnes, and George to be present; suggested that Cox accompany HMJr but HMJr sticks by Foley - 3/1/41: See Book 378, page 1		
1) Discouraging report of meeting given Hopkins: Book 378, page 33		
d) Memorandum for Forrestal - 3/1/41: Book 378, page 9		
e) HMJr plans with Stimson and Forrestal for talk with Budget Bureau - 3/3/41: Book 378, pages 89 and 91		
1) Hopkins and HMJr discuss: Book 378, page 95		
f) Conference of HMJr, etc; Stimson and McCloy; Forrestal and Lockwood; Harold Smith and Cox - 3/4/41: Book 378, page 264		
Barth resume' on editorial opinion - 2/28/41.....		186, 188
Hopkins asks for Cox and use of Haas' statistical organization - 2/28/41.....		197
Military Planning:		
Reports from London transmitted by Halifax - 2/28/41.....		246, 250
Purchasing Mission		
British Financial Position:		
Securities, Sale of: Discussion between HMJr, Cochran, White, Quinn, and Schenker - 2/28/41.....		149
Requests for clearance pending in War Department: List sent to Stimson - 2/28/41.....		215
Gold and dollar exchange assets - changes in - 2/28/41.....		220
United Kingdom:		
Gold and dollar exchange assets - changes in - 2/28/41.....		220
Wheeler-Nicholson, Malcolm		
Biographical sketch - 2/28/41.....		233

February 28, 1941
9:03 a.m.

H.M.Jr: How are you, Harry?

Harry Hopkins: I'm pretty good.

H.M.Jr: Harry, the President said last night he wasn't going to have any Cabinet today, which I don't blame him for seeing how he feels but I did hope that he would see the Lend-Lease Board and you and not let another day go by, and I'm just making that suggestion.

H: Well, I'll go in there in a minute and urge him very strongly to do that.

H.M.Jr: Will you because I think it's

H: If he can't - I'm thinking about this last night - a counter-proposal would be to get him to write a letter to the Navy and War Departments and to Land telling them to - you know - step on this, but preferably a meeting today.

H.M.Jr: And to give you an idea of what can be done where there is a will, he mentioned 10 cutters to me. Do you remember?

H: Yeah, you told me about that.

H.M.Jr: Did I tell you what we've done?

H: You told me he hasn't done it.

H.M.Jr: Well, we're in touch with - through the Navy - with the British Naval Attache, asked them what kind of guns they want and those things are going to be ready on the 15th of March.

H: Yeah.

H.M.Jr: Now everybody else can do the same thing and he should use us - I'm doing it largely so he can use us as Example A.

H: That's right. I'd like to have that put right on the table.

H.M.Jr: See?
H: Right.
H.M.Jr: Well, we'll have it.
H: All right, old boy.
H.M.Jr: Thank you.

February 28, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Gaston
Mr. White
Mr. Foley
Mr. Haas
Mr. Schwarz
Mr. Sullivan
Mr. Thompson
Mr. Young
Mr. Graves
Mr. Pehle
Mr. Cochran
Mr. Bell
Mrs. Klotz

H.M. Jr: On these memoranda that you get, you see, from me, like Graves got two this morning, Mrs. Klotz is going to run a file on you so that when you do answer me, you will have to somehow give it to me in writing so that she will know that you have answered me, and she will cross it off. Otherwise, she will be after you in a day or two, you see. You (Graves) have got two this morning. Some people are very good, and others let it slip by, and I know how I do at the White House. If they ever checked up on me, my record wouldn't be so good; so I am going to - we will give you forty-eight hours.

(Mr. Gaston entered the conference.)

Good morning, Herbert. Mrs. Klotz or somebody from her office will be after you. But if

- 2 -

you give me an answer like the one on the aluminum, you will have to come through with a written answer.

Graves: So it will be in the record.

H.M.Jr: Yes.

Thompson: Here is the order on the Personnel Division.

H.M.Jr: That is right.

Thompson: It is already to sign. The Civil Service Commission are throwing a monkey wrench in the classification of the personnel director's job which may, if they lower the grade, make it impossible for us to get Ted Wilson. I want to fight this out with the Commission before we give up on Ted. He will not be interested unless we get the grade for him.

H.M.Jr: Why are they in it at this stage at all?

Thompson: Well, I have to send a sheet down to get the place classified.

H.M.Jr: Well, how did the other man fill it?

Thompson: He was filling it in his old position as a technical assistant.

H.M.Jr: I thought he took an examination and was the only one that could pass it.

Thompson: That part is all right, but this is another branch of Civil Service. They are setting up the job as a Grade.

Bell: Well, you have also lowered the importance of the job now in the organization from what it

- 3 -

was set up as originally; so every time you put a man on a new job, classify him, they go over this job sheet again so they are going over this now and seeing it was much reduced from what was originally contemplated.

Thompson: But I didn't want to do it. We would avoid it if we could. I would like to get this man, Ted Wilson, and we can't do it on any other basis; but I will give you another recommendation if we can't get him.

H.M.Jr: Is Harold Graves' organization getting out of hand?

Bell: Getting out of the building.

H.M.Jr: You have got to watch those fellows. They are spenders. Bell, is that where Foreign Funds is? Are they in the Washington Building, too?

Graves: No; they are in the Raleigh Hotel.

H.M.Jr: I see. Have they got nice offices over there?

Graves: At the Raleigh? I have never seen them.

Pehle: You have got a standing invitation.

H.M.Jr: All right, we will get over there and inspect it.

Klotz: And not by appointment, either.

Pehle: I was a2raid of that.

H.M.Jr: I hear you have got an excess of bathrooms.

Pehle: I think they locked some of them up.

- 4 -

Bell: This is an amendment to the Treasury Bill circulated effective March 1st.

H.M.Jr: I see.

Bell: Are you going to see us sometime today?

H.M.Jr: I will tell you what I am doing. Mr. Henry Bruere and other people representing the savings banks of America are coming in and I would like you here when they come, and I would like Harold Graves here, and then immediately after that, we will continue on what kind of bonds and so forth and so on.

Bell: We have a number of things, and George has a letter which I think we might take up at that time.

H.M.Jr: Well, right after that I have got all the time you want.

Bell: What time is it?

H.M.Jr: Well, Bruere comes at 10:15, and I would like you and Graves here, and then immediately after that, I will keep on.

Bell: All right, that is fine.

H.M.Jr: Right after that. I am in wonderful shape today, because we have no Cabinet. The President isn't feeling well. He has got a bad cold. All right, Dan?

Bell: Yes, sir.

H.M.Jr: Harold?

Graves: The Attorney General's friend that you asked

me to get in touch with turns out to be Mr. John L. Blair, who is the president of the New Process Company of Warren, Pennsylvania.

H.M.Jr: That is right.

Graves: When we attempted to reach him there, we found that he was driving to Florida. We have - we know where he is going, and we have sent him a wire down there at Lake Worth, Florida, to phone us when he gets there, and if it is not too inconvenient for him, I thought we would invite him to come up here for a day or two. He has, as a matter of fact, cooperated already with our people on the literature for the Savings Bond.

H.M.Jr: Did they like it?

Graves: He is a very fine man. Everybody likes him. He has before offered - I mean in connection with this campaign, offered to help us in any way he can.

H.M.Jr: Well, you can't get a better man on direct mail.

Graves: Everybody agrees with that.

H.M.Jr: Good, and I think you ought to have a direct mail.

Graves: I was talking about him with Odegard and Kuhn, and they suggested that when we get around to designating an advisory group, that it might be nice to designate Mr. Blair as a member of that group on that particular kind of advertising.

- 8 -

H.M.Jr: Because he has been working with you?

Graves: That is right, and I think he would enjoy being a member of that group.

H.M.Jr: Good. He is quite a fellow.

Graves: We may not be able to get him on this particular thing we were discussing.

H.M.Jr: On general?

Graves: I mean this particular letter.

H.M.Jr: But I mean on direct mail. Good.

Graves: Now, about the aluminum, the people at the OPM had told us, I guess it was day before yesterday, that if we insisted we could have that aluminum. They said, however, that - that for us to take it would simply by that much cut down the aluminum available for airplane production. Mr. Young has helped me on this, and he advises that they have overstated the case, so I asked Mr. Mack yesterday to go ahead and insist upon our having the aluminum, and we are getting it.

H.M.Jr: Good. Without sending the Treasury trucks for it?

Graves: That is right.

H.M.Jr: Well, I mean the 70 tons that you need, how many do you take a week?

Graves: It will be about 7 tons a month.

H.M.Jr: Seven tons a month for 10 months?

Graves: Yes.

- 7 -

H.M.Jr: That is perfectly ridiculous.

Graves: Mr. Young thought so, so we have asked Mr. Mack to tell them that we insist upon it.

H.M.Jr: See if you can't close it up between now and noon tomorrow.

Graves: It will be, I am sure. Mr. Mack is over there now.

H.M.Jr: But they are going to let us have it?

Graves: That is right.

H.M.Jr: Who decides that over there?

Graves: A man named Hopkins, I believe.

Young: He is the head of the Metals division in OPM.

H.M.Jr: You know, every time you look at Young another Hopkins turns up.

Graves: This man is --

H.M.Jr: He has gone Hopkins in a big way.
(Laughter.)

Graves: He is the president of Dartmouth College that is down here.

H.M.Jr: Oh, that Hopkins.

Graves: It is a patriotic matter. Am I right about that, Phil?

Young: That is right.

- 8 -

Sullivan: He was here during the last war, too, doing the same thing.

Graves: Another man who has helped us up there is Mr. Blackwellsmith whom I think Mr. Foley knows.

(Mr. Foley entered the conference.)

Graves: Now, your other inquiry about the A.F. of L. and C.I.O. I will tell you what I had suggested already to Mr. Gail Johnston, that as soon as we are able to make a blue print of what we intend to do generally on this program of ours, he should go to the Department of Labor to see - I suggested Mr. Lubin, and seek his advice as to this very matter. I thought it best if we could find a person who would be satisfactory to both groups, that is, with the advice of the people in the Department of Labor, to get one person on Mr. Gail Johnston's staff who could serve as a labor consultant and help on such matters as you had in mind here.

(Mr. Schwarz entered the conference.)

H.M.Jr: Well, how about on the advisory group?

Graves: That is involved, too. I think we should make that contact with the Department of Labor. At least, that was my thinking on the subject.

H.M.Jr: My own - I don't think - think it over again. I would rather go to the ---

Graves: To the organizations direct?

H.M.Jr: Direct. I think they would feel much more complimented.

- 9 -

Graves: You would have to see the Railroad Brotherhood, I suppose. They are not affiliated with either of these groups. I think we are going to be in trouble if we are not careful about it.

H.M.Jr: Lubin is a good man.

Graves: Yes, I thought so. I thought he could at least advise us what to do.

H.M.Jr: I will tell you another good man who is down here, is Grady. Grady is a very good man.

Bell: He has the confidence of all of them.

H.M.Jr: Yes. Get Grady's advice. He is a very good man.

Graves: Yes. We certainly had this in mind already, with a slightly different approach from the one you suggested.

H.M.Jr: Well, the main thing is, in the room here, what brought it to my mind, to illustrate the thing, I mean to show you how people's minds are working, Mr. Knudsen was here and he is very enthusiastic on what we are doing on the savings, so he said, "I hope you will put in a check-off system." I said, "I don't know what that is, Mr. Knudsen." He said, "Well, you ask the company to dock from every man's pay so much, and make him put it in savings bonds." And I said, "That is just exactly what we are not going to do. We want to go to the men and make it as easy as possible. We are not going to the owners of the business and have them forced into it."

- 10 -

His face fell, and he thinks I am a little crazy. That is what - last night I got this idea, let's go to the Labor Unions and have them right with us from the beginning. If you go to Lubin and Grady, you will be getting good contacts.

- Graves: We are going to have difficulty in - with any course we pursue. I was talking the other day with the Public Relations man for Douglas. He said that he employs 22,000 people at their Glendale plant, and it is not unionized. There is no organization.
- H.M.Jr: Well, but that - I still think that if on the advisory committee, publicly, we can have Union representation, it would help.
- Graves: That is right, and we had supposed that our approach to the problem should be both ways, that we should try and get the cooperation of the Labor group and with their sponsorship and approval, I know of no reason why an employer should not attend to the mechanics of withholding installment payments and accounting for them at the request of the employee. You know, that is being done now by perhaps a dozen large --
- H.M.Jr: Telephone and Telegraph.
- Graves: Yes, and Armour and a few others are already doing that. Of course, it is entirely voluntary. The employers ask to have that deduction made and the funds accumulated and invested in bonds and the bonds delivered. It is just a convenience that is afforded by the company. There is certainly no coercion or pressure.

- 11 -

H.M.Jr: All right.

Graves: That is all I have.

H.M.Jr: Well, I am going to give - I am going to try, with the help of Bell and Haas, to make up my mind today - try to do it today - I mean, I am saving this morning and this afternoon. I am going to try to settle it, so if we do that today, that will be a big step toward this thing.

Graves: Yes. Of course there is one suggestion on that that I think you have in your mind. We are running pretty close to the income tax period, and I feel very strongly, and Mr. Sullivan spoke to me about it - he, too, feels the same way - that we ought to let our announcement go over until after the income taxes have been paid.

H.M.Jr: Sullivan and I are one hundred per cent in disagreement on that, and he tried it on Bell and on Foley, and he can't get any agreement. It was in connection with another matter.

Graves: Well, I just doubt whether that is the best time we could pick in the next few days, to come out with our announcement.

H.M.Jr: Well, my answer to you is, I am going to push everybody, myself first, and the minute we are ready, we go, irrespective of anything else.

Bell: I question it for another reason, whether we should have our publicity before we have our merchandise to sell, or very much before.

H.M.Jr: Oh, well, that is another question.

- 12 -

- Bell: Well, you were talking about a publicity campaign.
- Graves: Yes.
- H.M.Jr: Let's settle what the merchandise is going to be today, whether it is going to be a black shoe or a tan shoe, or whether it is going to be a sandal, but let's decide on the merchandise; but this is the first day I have had my decks clear so I can concentrate.
- Bell: In connection with the--
- H.M.Jr: You know, it is funny about these fellows. You go to the Army, you know, and talk about a few guns, and the British. You talk to Sullivan - he is always thinking about his customers. They are all the same.
- Sullivan: I am thinking about my collections.
- Graves: I don't think we would be interfering with John's customers, but I am afraid that might interfere with ours a little bit.
- Sullivan: Yes, that is the way that would work, because they have to pay me, and they don't have to pay you.
- Bell: It is compulsory.
- H.M.Jr: Well, I will be thinking about it Tuesday when I make out my income tax. Maybe I will come around and agree with John. Don't talk to me Tuesday. Dan and I know the day not to go to see the President is beginning with noon on the 14th. That is when he begins to work on his income tax. We have seen him a couple of times.

- 13 -

Bell: Never put up a tax program to him then.

Sullivan: I think that would be a good day to do it.

H.M.Jr: About three o'clock on the afternoon of the 14th, the President begins to bust, where is this and where is that.

Bell: In connection with this campaign, could George Allen be of any help in view of his experience on the infantile paralysis, the March of Dimes, the Mile of Dimes, and birthday balls?

H.M.Jr: You suggested that once.

Bell: He has had a lot of experience, and he has offered to help, but I don't know enough about him and his work.

H.M.Jr: Well, talk to my general manager, Harold Graves.

Bell: The President apparently has confidence in him when he puts him on those committees. And he has worked in it all his life, you know.

H.M.Jr: Talk to my general manager.

Bell: He has offered to - not come over and work but sit in on the conferences and try to find any bugs in what you are going to do.

H.M.Jr: I am not terribly impressed with him.

Bell: I can't advise you, because I don't know enough about him. The campaigns that he has been in on, whether he is responsible for them or not, have been pretty much of a success.

- 14 -

- Foley: He hasn't made much in the insurance business. They gave him a job in New York and had to take it back. Jesse had an insurance company up in New York that put him in there as vice-president at a pretty good salary, and they asked the government to take him back, and that is why they put him on the Commission again. I don't think he is a heavy weight at all, Dan, and I think he is a pretty good friend of Steve Early's, and that is why he gets on all these committees and so on. I am talking about the time when he came back as a District Commissioner about a year ago.
- Bell: But he went back to the job. He is still in the insurance company.
- Foley: Has he gone back?
- Bell: Yes.
- Foley: Well, that was the story at the time he came back and was District Commissioner again.
- H.M.Jr: He isn't a high-grade fellow?
- Bell: I don't know. As I say, I don't know him well enough.
- H.M.Jr: Well, it is the kind of group in Washington that --
- Bell: He has that experience in campaign work. He did it before he came here, and he has done a lot of it since he has been here. I don't know whether he is the type that can do us any good. I don't know.
- H.M.Jr: I don't think, Dan, he is up to the grade of people that we have got. For instance,

- 15 -

he doesn't begin to compare with the Metropolitan Life man, he just isn't in the same class. He just isn't. I mean, he just isn't one, two, three. I know George Allen, and I know who he plays with and what he does.

Bell: Well, I don't.

H.M.Jr: Well, I do, and he isn't in your class either.

Bell: Well, that may be a compliment.

H.M.Jr: No, but I mean I - but George Allen made his reputation and his money, he makes no bones about it - in Congressional years he takes a car and an adding machine and a couple of fellows and he goes out into the unusual districts and then he bets, and he makes a business of it, and he averages - he doesn't do it usually in presidential years, just in Congressional years. He will go in a district where there is no money, and he will have a trailer, and he will stay there long enough - and he will have a statistician and an adding machine, and he will work the thing out and test that district and place a thousand dollars there or two thousand, and he says he has averaged doing that in Congressional years about ten thousand a year, betting. He is a betting man, a horse-race man, and that is his business and that is where he has made his money.

Bell: He ought to be good on a lottery.

H.M.Jr: Right, but that is --

(Laughter.)

But George Allen makes no bones about it, and

- 16 -

that is the way he makes his money. He says about every two years he makes ten thousand. Now, I don't think that is the kind of fellow we want.

Bell: I agree with you.

H.M.Jr: Harold?

Graves: Nothing more.

Schwarz: I have nothing.

H.M.Jr: Chick, I haven't cleared it yet, but --

(Mr. White entered the conference.)

What is the matter, Harry?

Sullivan: He has been interviewing those lady accountants.

White: I thought everybody would be out.

(Laughter.)

H.M.Jr: Did you hear what John said?

White: No, did he say I ran out of gas?

H.M.Jr: No, he said you were interviewing those lady accountants.

Sullivan: Earl Carroll called him yesterday and offered him three redheads, a blonde, and two brunettes.

(Laughter.)

Schwarz: With Ph.D.'s?

H.M.Jr: They talked to you about this publicity man?

- 17 -

Schwarz: Yes.

H.M.Jr: That is all right with you?

Schwarz: Surely. It will be necessary, as a matter of fact.

Graves: Mr. Gaston has talked about that, too. I am talking about Mr. Irvin.

Gaston: Yes. He is a very interesting fellow. He is a good man.

H.M.Jr: I just wanted to make sure it is all right with Chick.

Schwarz: I have talked with this new man, too.

H.M.Jr: Now, you will know what their releases are? Will their releases go through you?

Schwarz: We will coordinate them.

H.M.Jr: They will create them but--

Graves: That is exactly right, they will create them but I think they all ought to clear through Mr. Schwarz.

H.M.Jr: That is what I mean.

Graves: We haven't done any very detail thinking about the exact routine, but it seems to me that should be done.

Schwarz: We will want to integrate them with our entire program. The one phase of it.

H.M.Jr: All right?

Schwarz: All right.

- 18 -

- H.M.Jr: Harry?
- White: I have nothing, sir.
- H.M.Jr: How are your snowshoes?
- White: I haven't got any, but we should have had some on the car. It really took me an hour and a half to get in this morning.
- H.M.Jr: Is it so bad out in the country?
- White: It is slippery. We were going about three miles an hour.
- H.M.Jr: George, I have been thinking over last evening and this morning this thing of sending somebody to England, see, and the more I think of it the more I think that in view of what happened at lunch yesterday with Knudsen and Mead and Meigs, and they have got the organization, and I said, "Well, if they can convince me they can do as good a job, we are willing to drop out of it, but I don't see why we should start something new and send a man over to England and that Mr. Harriman ought to look, I think, to the OPM." I don't know how many people there are over there, but out of that crowd they should be able to do it. Unless you tell me you would very much like to send somebody over there, I would rather not.
- Haas: No. I have had one other possibility that I was going to look into today, but I haven't found any enthusiasm among the men, and it would certainly deplete our staff somewhat, but if you want to, I think we can find a man and a good man.
- H.M.Jr: No, I don't want it, and I am going the other way.

- 19 -

- Haas: I think you are right on that.
- H.M.Jr: I think as they are setting up another organization to handle the Lend-Lease Bill, I would like to gradually get out instead of into it more, you see. How much we get out, I don't know, but to take on new responsibilities, I think Harriman - he is going over as a representative of OPM, not of Treasury.
- Haas: They have got a big staff over there.
- H.M.Jr: An enormous staff. All right, I will phone him and tell him that.
- Haas: All right, thanks.
- H.M.Jr: Are you all right?
- Haas: On your note with regard to the price of imported commodities, Leon Henderson is still away.
- H.M.Jr: I know that. You see, Leon doesn't want me to write the President. He said take it up with him first and give him a chance.
- Haas: Well, I talked to Hamm and I told him what you wanted, and you wanted to know what they were doing about it and so on, and they have done something about it. He sent this memorandum which I got this morning. I told him you wanted a very short memorandum. He didn't answer one of the important questions. You wanted to know whether he wanted you to take it up with the President or whether he wanted to take it up. I didn't get a chance to call him. I ran right in here after I got in this morning. I will make that other inquiry.
- H.M.Jr: Will you?

- 20 -

Harry: Yes. That is all I have.

H.M. Jr.: Tell Harry what I said, how I wanted these memos answered that you get in the morning.

Young: Are you still interested in the arrival of British planes at foreign ports?

H.M. Jr.: What is that?

Young: Arrival of British planes at foreign ports.

H.M. Jr.: Have you got it?

Young: Yes.

H.M. Jr.: Yes.

Young: And last night I O.K.'d for the British 600 thousand dollars in contracts for powder boxes, and this morning they are looking for 14 million 7.

H.M. Jr.: How much this week?

Young: Which makes about 29. It is 14, 6 so far.

H.M. Jr.: What is the big item in the 14 million?

Young: Seven million dollars for .303 rifles.

H.M. Jr.: Rifles?

Young: .303 Enfield rifles, of which a certain amount is capital.

H.M. Jr.: O.K.

Young: I will give you a memorandum on that. Here is the same table that you got last week in a little more detail.

- 21 -

H.M.Jr: What is the difference between the Hudson 3 and the Hudson 4?

Young: I don't know.

H.M.Jr: That is what it is.

We will send this to the President and put on it a stamp which says, "Please Destroy."

All right, Philip?

Young: Yes, sir.

Bell: Did Senator Byrnes proposed amendment have the approval of the Administration?

H.M.Jr: I don't know what it is.

Foley: It is a very bad amendment, and I wanted to get to talk to you (Secretary) about it yesterday, but I didn't get a chance. McCloy called up from the War Department, and he was very excited about it. Byrnes has talked to Oscar a couple of times, and I told Oscar to refuse to draw the amendment for him, and he told him that yesterday and he said it would mean separate buying for the British and it would cut right across the whole program we discussed out at your house, and it fixes a flat limit on the amount that can be made available, not only from funds heretofore appropriated, but any funds that are appropriated for the Army or the Navy in the future, and would require any appropriation for the carrying out of the Lease-Lend Bill to be specifically designated for that purpose.

H.M.Jr: I will tell you what you do, Mr. Foley.

- 22 -

Foley: And I think maybe we ought to talk to--

H.M.Jr: May I make a suggestion?

Foley: Yes, sir.

H.M.Jr: Write a memorandum on what the amendment is and our objections, get McCloy to collaborate, I will sign it and get Stimson to sign it, and we will get it over to the President before lunch. I don't know what you did the whole time I went up in the car to the capitol, why you couldn't talk to me about it. (Laughter)

Foley: I did pretty good in the time I had.

Bell: You had at least half a minute.

Foley: I got the bum's rush as soon as I got back.

Gaston: Were they your stories?

Foley: You and Greta Garbo have been the same the last few days. You want to be alone. (Laughter)
You haven't had any time for me - she either.
(Laughter)

Sullivan: Nice going, Ed.

Gaston: He always tells us about his failures and nothing about his successes.

H.M.Jr: Greta and I have our moments.

Foley: I would like to get one. (Laughter)

H.M.Jr: The point of this story is that I have found a formula how to get a lawyer to say yes. Take him in a car and take him for a ride, say between the time now and the destination you have to get your story over, and between the time we

- 23 -

went from here to the capitol, we settled a very, very important thing that he wanted a day to discuss. So from now on any lawyer that wants me, I am going to get in the car and we will ride around the park and by the time we get back, he has to get the story out.

- Sullivan: It takes a long while to go around the park today in this weather.
- H.M.Jr: I think if you could take that up with Beany Baldwin, I think he would know as much about it as anybody. Haven't I talked to you about it since I came back?
- Foley: Sure. We did a little work on that, and we talked to one of Harry's men. It is primarily an economic problem, setting aside of the sugar tax down in Puerto Rico, Harry, to enforce the 500 acre law.
- White: It is a very complicated matter as to its effect down there and my understanding is that the Farm Credit - the Resettlement has done a lot of work on that.
- H.M.Jr: I said Beany Baldwin. I said to take it up with Beany Baldwin.
- White: Yes, they have done a lot of work on that.
- H.M.Jr: I told the President all about this, and yesterday he completely forgot that I had; and he said, "Sometime when you have got a little time and you want to do something for me, take this on." And then he tells me the whole stuff that I told him.
- White: Our men made a preliminary survey, but it got very involved, and I think--

- 24 -

- H.M.Jr: Well, he is interested and I am interested, and as we get odd moments--
- Foley: Somebody said that Rex Tugwell was working on it.
- H.M.Jr: Possibly. Just in odd moments. It is an interesting problem. I never did know how the sugar benefit money to the Phillippines was set up. I know that goes into a fund to buy land. You know that.
- Foley: Yes, we looked at that.
- Bell: I don't think it helps very much.
- Foley: It doesn't help an awful lot. The real trouble is this sugar quota. If they allow the sugar to come in here without a duty, it would probably be all right.
- H.M.Jr: Let's keep poking at it.
- Pehle: The Export Managers' Club has asked that somebody from the Treasury talk on Foreign Funds Control at a luncheon they are giving March 25. Do you have any feelings about that?
- H.M.Jr: I would like you to talk to them.
- Pehle: All right. That is all I have.
- Cochran: Mr. Clark is arriving from Ottawa this noon. Could you give us an hour on Monday for a meeting?
- H.M.Jr: Well, I have got Walter Stewart coming in at eleven on Monday. Why not say Clark at three o'clock Monday?
- Cochran: Do you want the British in at the same time?

- 25 -

H.M.Jr: Yes.

Cochran: You see, they have asked me now for it.

H.M.Jr: Three o'clock. I will save three to four.

Cochran: All right, sir.

H.M.Jr: Harry, will you be in on it too?

Cochran: Then have you any feeling on Gifford giving out lists as of the first of March of securities completely liquidated? He did it the first of January and the first of February. He is a little nervous lest it gets to be every month that they might press him at the end where they could identify by a process of elimination what securities he has left.

H.M.Jr: I don't know how much he would have. I am in favor of it unless it wouldn't make a good showing now.

Cochran: Well, they sold a fair amount the last few days, just two days, and then there were several days when they didn't sell very many.

H.M.Jr: It doesn't have to - when is the first?

Schwarz: Tomorrow.

H.M.Jr: The thing to do is to do it for the Monday morning papers.

Cochran: Yes, sir, but whether you think he ought to continue doing it monthly, that is the question.

H.M.Jr: Well, he can skip until the middle of the month so as to get away from a fixed date if he wants to. I think this month would be good. My heavens, it would show some activity on their part. I think I would tell him that

- 26 -

this month he should do it, so we will get some idea in the financial community that they are doing something. My recommendation this time is yes, for Monday morning's papers.

- Cochran: All right sir. Then you asked the British for a copy of the statement which was given out by Kingsley-Wood.
- H.M.Jr: Yes.
- Cochran: I have a cablegram today, and they have the text today. It is just the same as the cablegram. This is a clear copy.
- H.M.Jr: Did that come through one of those morning messages to you or not?
- Cochran: No, sir. You spoke about it - you told me the other day you had asked them, and I told you I thought we had the copy in our own files. I had Miss Chauncey look it up.
- H.M.Jr: Anything else?
- Cochran: No.
- Sullivan: I have a memorandum on yesterday's meeting, and I gave a copy to Mr. Bell and Mr. Foley this morning. I didn't know whether you wanted it now or wait until they go over and supplement it.
- H.M.Jr: That is right, and then let it come to my office.
- Sullivan: And I called Mr. Kuhn when I got back as you suggested, and he wasn't in town. As soon as he gets back, I will go over that with him. Did I understand you to say Dr. Stewart is coming in town Monday?

- 27 -

H.M.Jr: Yes.

Sullivan: I would like very much to see him. I will leave word with Stephens.

H.M.Jr: O.K.

Sullivan: On this matter in which you and I are in a hundred and ten percent disagreement, I was wondering whether I could talk with Herb and Chick and Ferdie about sealing the newspapers up editorially on the week after the returns are filed.

H.M.Jr: I don't know.

Sullivan: Well, after all, these people pay their income taxes and file their returns and it might be a pretty good time for an editorial comment on this special privilege class that is set up because of the continuation of tax exempt securities.

H.M.Jr: I am for it.

Sullivan: All right, I will do it.

H.M.Jr: We have got to put some heat on these people. We have got to go to the country on it. We have got to go to the country on it.

Foley: If we can get a court decision, we will have them behind the eight ball.

H.M.Jr: That was the automobile decision.

Foley: Right.

Sullivan: There is another matter.

H.M.Jr: I am all set up to be put in the same class with

- 28 -

Greta. That makes me feel good. As long as it isn't Marlene Dietrich.

Sullivan: She is no economist. Harry can tell you that.

White: I don't know what John is talking about. It makes it very difficult to employ the young lady we are considering. (Laughter)

H.M. Jr: All right.

Ed?

Foley: We are going to see Bob today sometime on that and at the same time I think John had better go with me because we want to talk not only about that problem but also about certain state excise taxes on Federal activities in connection with the defense program. Now, you can't go two ways before this court on the question of the elimination of the exemptions. If we are going to reach out for additional taxing power, we have also got to let the states come in and tax our activities. You can't say that the states can't do what we say we want to do in so far as they are concerned and over there in the Department of Justice, Francis Shea is taking the attitude that the Department ought to go in and resist before the court certain inroads by the different state taxing authorities and fellows like Sam Clark and Francis Biddle and the others over there that are interested on the Federal side toward extending the tax basis are a little bit upset about it, and they want to get the Treasury views. So I think this is a good opportunity for John and I to discuss the whole subject, if that is all right with you.

H.M. Jr: Sure.

- 29 -

- Foley: I think Bob sees the thing the same way we do. I think we ought to get the thing out in the open and talk about it.
- Bell: Are you going to allow the states to tax some of our activities?
- Foley: Yes.
- Bell: Are you going to offset the subsidies we give them and grants for roads and old age?
- Foley: No.
- Bell: You know, there was quite a report made on that question a few years ago.
- Foley: Yes, I know there was, Dan, but I think it is not a question of revenue so much as it is tax philosophy. I think we have got to have a tax philosophy that works both ways. I don't think we can be one way for ourselves and another way in so far as the local taxing authorities are concerned.
- Sullivan: That comes up largely on the taxing of contractors who are building new facilities for the Army and Navy, Dan.
- (Messenger lit fire in fireplace.)
- H.M.Jr: Lighting the fire under you, Harold, has no significance. (Laughter.)
- Foley: That memorandum on the freeze control that you sent around yesterday was very interesting.
- H.M.Jr: We will get together, but on freeze control, I told Harry last night, it comes - it will have to wait until I get this savings bond thing straightened out.

- 30 -

Foley: Bob may mention that because he apparently has gotten a copy of that memorandum.

H.M.Jr: Yes. But that has got to wait. The savings bond thing comes first.

All right?

Foley: Yes. One other thing.

H.M.Jr: I am going to ask those that got the memorandum for advice as to who should be secretary of that committee. They might be thinking about it. I thought it was good of the President to ask us to name a secretary.

Foley: Sure, that memorandum was weighted very much in our favor, I thought, and it ought to have a pretty wholesome effect.

H.M.Jr: Are you all right now?

Foley: Yes.

Hanson, the Chief Counsel up in New York, is resigning to take a position with one of the oil companies as tax council, Standard Oil of Indiana; and we have to fill that place and it is a pretty important place. It is the most important field office in so far as the legal division is concerned. About 24 percent of the cases come through there. That is the largest staff we have in the field.

H.M.Jr: Give me a recommendation.

Foley: I will give you a recommendation.

H.M.Jr: How about Sammy Klaus?

- 31 -

Foley: No, not that job.

H.M.Jr: I was being funny. No, give me a recommendation. Herbert, if you would come in at a quarter of 12 today with a letter to the President on the Coast Guard matter.

Gaston: Yes.

H.M.Jr: And finish that one.

Will you have Admiral Waesche with you?

Gaston: I will have Admiral Waesche at a quarter to 12. I wasn't able to see Barkley yesterday. I got his secretary on the phone on that Pennsylvania matter, but he was tied up in committee. I don't believe I need to do anything about it except to let him know I am ready to see him when he wants to see me.

H.M.Jr: Or tell him--

Gaston: I can tell his secretary the facts.

H.M.Jr: Who is his secretary?

Gaston: I don't know his name.

H.M.Jr: If you can get the man who is the secretary to the leader - what is his name?

Foley: Biffle.

H.M.Jr: You can talk to Biffle all right, because he looks after those things.

Gaston: I will tell Biffle the story.

General Maxwell's so-called policy committee

- 32 -

yesterday met. I went over.

H.M.Jr: Is he a general now?

Gaston: He is a brigadier general now. That adds to the importance of the committee. (Laughter) But this so-called policy committee did the same yesterday as it does at the other meetings. There is no policy determined at any meeting. They have done one other thing. The licenses for the plans and specifications which they are putting under the controls are to be issued direct by General Maxwell's office instead of by the Division of Export Controls in the State Department. They seem to have agreed on that with the State Department, so it splits the issuance of the licenses on materials that come out of the State Department and on the plans and specifications that come out of the Administrator's office.

H.M.Jr: Well, I think you will find this committee of four that the President set up and the remarks that he has made, that all of those things are going to be given to them to decide on.

Gaston: Dean Acheson was there yesterday by the way. He was trying to find out what it was all about.

H.M.Jr: All right, Herbert?

Gaston: All right.

H.M.Jr: O.K.

February 26, 1942

Harold Graves

Secretary Morgenthau

Have you been successful in getting aluminum necessary
to make additional plates for our addressograph system?
Please let me know today.



TREASURY DEPARTMENT
WASHINGTON

February 28, 1941.

MEMORANDUM FOR THE SECRETARY:

Re: Your memorandum of this date regarding
aluminum.

Satisfactory arrangements have now been made by the Procurement Division to make available the necessary supply of this metal.

GRAVES.

*See also 9:30 meeting
on this date.*

February 28, 1941

Harold Graves**Secretary Morgenthau**

I wish you would think over and talk to me about getting a representative of the A. F. of L. and the C.I.O. to work with us on the selling of these savings certificates.



TREASURY DEPARTMENT
WASHINGTON

February 28, 1941.

MEMORANDUM FOR THE SECRETARY:

Re: Your memorandum of this date regarding
the A. F. of L. and the C. I. O.

This is a matter which we will take up promptly,
probably, as you agreed, through Mr. Isador Lubin of
the Labor Department.

GRAVES.

*See also 9:30 meeting
2/28/41 when this was
discussed.*

February 26, 1941

File

Mr. Graham

At the Staff meeting this morning I handed to Secretary Hargreaves the original of my letter received from Mr. Vincent, under date of February 27, and its enclosure, consisting of the text of the announcement published in the English press on January 31, 1941. I told the Secretary that this text, which he had requested through Mr. Purvis a few days ago, is identical with the text of the communique quoted in cablegram No. 376 of January 31 from the Embassy at London, a copy whereof I had provided the Secretary.



C O P Y

BRITISH EMBASSY,
WASHINGTON, D. C.

27th February 1941.

Dear Merle,

At a recent interview which Mr. Purvis had with the Secretary, the latter asked to be supplied with a copy of the announcement which was published by the British Government on the subject of our direct investments and of Sir Edward Peacock's visit to the United States. I enclose copies herewith of the announcement as actually issued in the British press.

Yours ever,

(Signed) Jerry Pinsent

Mr. H. Merle Cochran,
U. S. Treasury,
Washington.

41

**TEXT OF ANNOUNCEMENT PUBLISHED IN THE ENGLISH PRESS
ON 31st JANUARY, 1941.**

In the light of material assistance already supplied and contemplated by the U.S.A., it may now be freely published that H.M. Government have realised and disposed of a very great proportion of their gold holdings and are steadily realising the American securities owned by their nationals at every opportunity. A more difficult problem is presented by investments such as businesses in the United States and United States companies controlled by companies in this country whose shares are not quoted on the Stock Exchange. The Government are resolved to make the best possible use of these investments and with this end in view they have requested Sir Edward Peacock who has great experience in such matters to go over to the United States and examine the possibilities on the spot. Sir Edward Peacock will reach America very shortly.

TO THE SECRETARY
TECHNICAL ASSISTANT
OF THE
OFFICE OF THE

80 & MA BR 1140

RECEIVED
TECHNICAL ASSISTANT
OFFICE OF THE

British Embassy,
Washington.

27th February 1941.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 25, 1941

TO Secretary Mergenthau

FROM Mr. Cochran

At the Staff meeting this morning I reported that Deputy Minister of Finance Clark of Canada would arrive from Ottawa at 12 noon today. I asked the Secretary at what hour the meeting with the British and Canadian Treasury officials should be fixed on Monday. He said that he was receiving Dr. Walter Stewart at 11 a.m. on Monday and desired the joint meeting at 3 p.m. I gave this information to Mr. Hayfair by telephone at 10:40 this morning.

J.M.R.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 26, 1941

For Miss Chancery

TO Secretary Morgenthau
FROM Mr. Cochran

At the Staff meeting this morning I told the Secretary that Mr. Gifford had inquired as to how the Treasury felt as to his issuing on March 1 a statement of the American securities which the British had liquidated during the month of February. I told the Secretary that the British desired to meet our wishes, and had issued lists as of January 3 and February 1, but they were a little hesitant about establishing a precedent for the regular monthly release of such statements, lest embarrassment might be experienced when a point is reached where a market could tell about what securities remain unsold in the British portfolio.

In accordance with the Secretary's instructions I telephoned Mr. Gifford's office at 10:30 this morning and, in the absence of Mr. Gifford, told his assistant that Secretary Morgenthau would prefer that a statement for the month of February be given out on Monday. In our conversation it was brought out that the list would be a representative one but, due to the fewer business days in the month and the dullness of the market for a good part of February, the number of securities disposed of would be considerably shorter than the list for January. Nevertheless, I told Mr. Gifford's assistant that we thought it would be a good thing if Congress and the public could see that there had continued through February a definite sale and liquidation of the securities. Mr. Gifford's office stated that this opinion would be passed on to Mr. Gifford as soon as he returned to the office, and would be carried out on Monday, unless we had some word directly from Mr. Gifford himself.

J. M. F.

February 28, 1941
10:45 a.m.

RE FINANCING

Present: Mrs. Klotz
Mr. Haas
Mr. Murphy
Mr. Bell
Mr. Newcomb

H.M.Jr: At your service.

Bell: Well, we had a conference the other day with the Federal Reserve people, Eccles and Ransom and John McKee of the Board, and Piser and Edmiston of the Staff.

Szymczak had gone to Chicago. They had been over George's memorandum and his tables and they have agreed that the present type of savings bond should be changed so that the step-ups would be more in line, or at least under the current money, and the longer they held it would be inducement for them to hold it to maturity.

That was in line with George's memorandum, that the limit of \$10,000 should be reduced and they didn't seem to care whether it was three or five, and they suggested that it might be five, because it was half way down and that that was quite a reduction after all, and that this was the time that we were wanting money.

H.M.Jr: That is right.

Bell: And they thought maybe the 5,000 would be a

- 2 -

little better, although they weren't very strong for it. You see, we suggested three in our memorandum. They were in favor of continuing to restrict sales to natural persons; but John McKee, I think, because we wanted money, said he questioned whether we ought to reduce it at all from the 10,000, but just on that basis alone. He had to agree with our argument that a man who had \$10,000 a year to invest was not a small investor, and we had no justification for paying him the subsidy. The proposal might reduce the annual proceeds of our present bond down to somewhere between four and 600 million dollars.

H.M.Jr: What do you mean, "annual proceeds"?

Bell: From the sales. We are now getting close to a billion dollars.

H.M.Jr: On what?

Bell: Of the present savings bonds. The reduction in the limit may reduce the annual proceeds just based on the present drive down somewhere between four and 600 million dollars.

Now, maybe we can increase that some by this intense drive. We don't know.

H.M.Jr: Well, I haven't agreed to the reduction yet.

Bell: I know you haven't, but I am telling you what we were agreed to in this committee.

H.M.Jr: All right.

Bell: Now, this new type of savings bond proposal is for two, and would be along the general

- 3 -

lines of the present savings bond, that is, it would be a discount bond, except that the return would be more closely to the market rates, say either a two per cent or a two and a quarter per cent yield over - to maturity. That would be sold to individuals and trusts, trust accounts, pension funds and so forth, but try to keep out the commercial banks.

Then there is another type of savings bond or just a bond which would be sold at par with a current return - we would either give it in the form of a coupon or give them a check on a registered security, but if that bond is redeemed before that maturity, we pull back some of that current return by redeeming it at some figure below par.

- H.M.Jr: Is that the one that drops to 93?
- Haas: Yes.
- Bell: Well, that was the one that you had in Haas' memorandum where we sold it for \$95.50 and then we pull it back and redeem it at \$92.50, but we have come around to the other proposition of selling it at par and then redeem it at less than par. We think maybe it will have a little better appeal than to sell it at par.
- H.M.Jr: How much would you pull it down to?
- Bell: It would come down to --
- H.M.Jr: Well, I will get the whole picture.
- Murphy: \$94.90, about.

- 4 -

Bell: Now, on these last two new proposed bonds, we would have some limitations as to the amount that a person could acquire in any given year. We have suggested 50,000. Some one in the Board suggested it might be a hundred thousand.

Now, that 50,000 we thought would be about the right figure, and we think that the redemptions ought to be made on an interest payment date with 30 days advance notice, that that ought to be in the picture right from the start and that if anybody comes in and wants to redeem or gives notice that they are going to redeem, they ought to be held to it, no change, they can't go back and forth.

Then there is a third type which Eccles brought in and --

H.M.Jr: I thought you have given me three types now.

Bell: Well, A and B are of the same type. This is really the fourth type, which Eccles brought in and which may get a large sum of money. I don't know. It is for the purpose of attracting the idle balances of individuals, corporations, and possibly insurance companies, and that would be where you would sell, say, a two-year note is what he suggested, registered and non-transferable, with interest at a quarter of a per cent for the first six months, a half per cent for the second, three fourths for the third, and one per cent for the fourth. In other words, a graduated interest, which would be an average of about five eighths over the two-year period, and I - you put in a provision that that could be redeemed on any interest payment date with 30 days

- 5 -

advance notice, and it would not be available to commercial banks, but only to those types of individuals. There are large balances in these corporations such as General Motors and so forth, and insurance companies have large cash balances which they probably would like to put to work where they could get within say six months, a year and so forth.

H.M.Jr: Well now, could we leave that until the last?

Bell: Yes.

H.M.Jr: And that would not have to be in the popular --

Haas: I would like to do a lot of studying on that last one.

H.M.Jr: I would like to leave that until the last. Let me see if I have this thing clear. In the first place, I take it we are going to stick to the United States Savings Bond, but we are going to make it less attractive in the early years and more attractive at the end, but keep it 2.9 just the same.

Murphy: That is right.

H.M.Jr: Could I see the schedule on that?

Murphy: This is the schedule we worked out, and there are certain modifications that Mr. Broughton suggested. (See attachment 1.)

Bell: I would leave out the modifications. They are details, and you don't have to worry about them.

H.M.Jr: Let me see. The President planned 75. It goes up to a hundred.

- 6 -

Bell: You see the difference in the yields, the starting of the yield during the period held, you see, the first column representing the present and the second column what we proposed, 133 as compared to 67/100ths.

H.M.Jr: Is this the way it was written originally?

Murphy: Yes.

H.M.Jr: Has anybody made any change?

Bell: There has been no change in the present savings bonds.

Haas: Piser didn't like the thing at the end, that \$5.00 that made it jump sharply.

H.M.Jr: Is Piser against it?

Haas: He doesn't like that --

H.M.Jr: I am for it. (Laughter)

Haas: Well, we thought it was all right.

Bell: You notice in the last column, the last figure in the last column, Mr. Secretary, that you have a yield in the last year of ten and a half per cent. That is the reason for the jump. He didn't like that. Well, he didn't - I won't say he didn't like it, he said that it might look bad.

H.M.Jr: You have showed it to other people, haven't you, besides the Federal crowd?

Bell: Yes, you talked to some of those people that came around to see you (Haas) the other day, and I talked to George Harrison about it the day he was in here, and we have had Rouse

- 7 -

on it and Rouse was in on the Federal Reserve Board conference when they talked about it.

- H.M.Jr: Any suggestions?
- Haas: Rouse had a good one. You know this discount, the bond we had with a coupon on that started at less than par? By doing that, you tell the public you are paying one and a half, say, on it - the coupon is one and a half and you get part in appreciation. It has got a greater sales value if you can say it is a two per cent coupon bond.
- H.M.Jr: But it has nothing to do with this.
- Bell: He had no suggestions on that.
- Murphy: We really have adopted his suggestion in Plan 2.
- H.M.Jr: But don't confuse me. Let's just stick to this thing that I have got in my hand.
- Murphy: He was in perfect agreement with it.
- H.M.Jr: Do you think we ought to show it to any more people?
- Bell: Well, you said the other day that you thought we might want to get some people down and show this whole thing to them.
- Haas: I showed it to Park. You asked me to. That is the man from Manufacturers Trust. He thought it was excellent.
- H.M.Jr: The only suggestion I have is, when we get

- 8 -

through with this morning, is the possibility of putting it airmail and sending it to the president of each - of the 12 Federal Reserve Banks and give them one day so they would have it Monday morning, you see, and say that they should discuss this with their staffs and we would like to have an answer from them Tuesday. That would go out to the 12 banks, and you would get the geographical - they would know how the thing - and tell them that they can call in anybody that they want to. Show it to their own staff and anybody they want to consult, that we would like to have them give us an answer by telegram so we would have it back Tuesday. Is that good enough?

Bell: Tuesday is all right.

H.M.Jr: Have it back Tuesday.

Bell: Yes.

H.M.Jr: Now, I think that that would be helpful. I would word the telegram, "We would like you to get reaction of your staff and anybody that you wish to call in from the outside to show this to, but please get us off a telegram Monday night so we could have your answer Tuesday morning."

Bell: We would get it out tonight - I don't know about the air. They could get it tomorrow by air if the airmail goes.

H.M.Jr: Well, I mean --

Bell: Otherwise, they wouldn't get it until Tuesday morning.

H.M.Jr: Well, that exception can't be helped. If it is in the mail this afternoon, if the plane left Saturday afternoon, Saturday

- 9 -

night, they would still have it Monday night. If the plane left Sunday morning, they would still get it - there would certainly be a plane out of here between now and Sunday noon.

Bell: Oh yes, sure there will.

H.M.Jr: It would reach everywhere except Frisco, and then tell them to send us a telegraphic answer. Is it slowing it up too much?

Bell: Oh no.

H.M.Jr: And tell them to have an answer in here? But you won't be back here until Wednesday. Why not give them until Wednesday morning?

Bell: It is all right. It will give them an extra day.

H.M.Jr: Tell them we want an answer by Wednesday morning, Dan.

Bell: How about this group here this morning? Would you want to discuss it with them.

H.M.Jr: Yes, if you could. But I don't want to interrupt myself.

Bell: Well, if they are still here, I think we can get them. This Savings Bank group is here this morning, George.

Haas: They would be very good on it.

H.M.Jr: What are you doing this afternoon?

Bell: Not a thing that I can't shift, but I could probably see them before twelve.

Now, you are contemplating having an

- 10 -

advisory group on this other program. I don't know whether you would get any suggestions out of that group if they were available say early next week to discuss not only the program, but this type of plan.

H.M.Jr: The trouble is, Dan, I think that if we can get this, show it to 12 Federal Reserve Districts, ask them to see their own staffs plus any other people, that covers the country pretty well and on this advisory thing, once you ask a man on, you can't get a man off. And I want to pick that advisory group very, very carefully. I won't have my --

Bell: You won't do that then within time for this. That is all right then.

H.M.Jr: I will not.

Bell: Will you have decided on any?

H.M.Jr: Excuse me?

Bell: Will you have decided say by the middle of next week, any of the people who will be on it?

H.M.Jr: Dan, this is the first time I am putting my mind on this thing. I don't know.

Bell: If you have and if they are people other than advertising people, then it might be well to let them have a look at it.

H.M.Jr: Check, particularly if they have the labor people. Well look, if you people are satisfied with this, I am satisfied with it because everybody has been over it - subject

- 11 -

to again doing this thing Wednesday.

Bell: Yes.

Haas: What do you think about the amount?

H.M.Jr: Well, now on the amount, what are our sales now? How are they running?

Bell: Well, they are up now because it is a lag from Christmas, you see, but they ran anywhere from 35 to 50 million dollars a month last fall and will probably run about 70 million dollars this month, and they will drop down next month to 50 or 60 and stay along in there.

H.M.Jr: I don't see at the beginning why we should change it from 10,000.

Haas: Well, one reason, Mr. Secretary, is, you are putting out these two other types to meet another type of investor, you see, the large investor. I would think 5,000 would be all right. It is for the small man, and you can hardly argue it is for the small man if you leave it at 10,000.

Bell: But you could prevent the big man from taking 5,000 and then shifting over the other part of his funds into the other two or one. But it is pretty hard to argue you are putting out this 10,000 to subsidize and at the same time put out two others for the purpose of meeting the large holder, meeting the requirements of the large holder.

H.M.Jr: I see. Of course, I am arguing with you. If you make it five and then if I ever need the money and it goes up to ten, that doesn't look so good; but if you kept it

- 12 -

at ten and then the thing began to swamp, you could always drop it back to 7,500 or cut it down.

- Bell: Well, it seems to me the thing to do is if you need the money and you have to get it through this process, where you ought to get it is raise one of the others.
- Haas: That is right.
- Bell: Rather than tampering with the small one. Raise the other more nearly to 291. It is a little closer.
- Haas: I think, Mr. Secretary, if you need money your regular financing --
- H.M.Jr: You don't say "if".
- Haas: your regular financing would still be your big source.
- H.M.Jr: "As" is the word. I suppose so. Do you have a little doubts, Henry, about dropping it?
- Murphy: I think five is quite satisfactory. I see your qualms and I have had them myself. On the other hand, if we are going to offer these new securities, we have to give them some elbow room.
- H.M.Jr: Who?
- Murphy: And I am inclined to drop it.
- H.M.Jr: Have to give who some elbow room?
- Murphy: The potential market for the new securities. We are putting the new securities out at say

- 13 -

a \$50,000 limit, and if we have a \$10,000 limit on the outstanding ones, we are going up awfully high on our market on the heavily subsidized issue.

H.M.Jr: Say that again, Henry.

Murphy: We are putting out a new security, and we want to make a market for it. That market is supposed to be intermediate between the market for the small investors and the market for the regular marketable securities. We ought to give it a wide enough bend to operate in, and if we go up as high as \$10,000 on the heavily subsidized security, it would seem that we have not left a very wide market, or at least a wide enough market, for the --

H.M.Jr: But what about - just let's say for argument it is going to be 5,000. Take \$5,000, not 5,000 face amount.

Bell: Five thousand face amount.

H.M.Jr: All right, then that is three quarters of that. That is how much?

Murphy: Thirty-seven hundred fifty, or 7,500 for a married couple. They can buy five for the husband and five for the wife, and one for each child.

H.M.Jr: Now, are we satisfied that this is the best thing for the little fellow, no coupon at all? Are we satisfied?

Murphy: I am.

Haas: Yes, I think so.

- 14 -

- H.M.Jr: You don't want a coupon?
- Bell: It has been going awfully well.
- Haas: He could buy the other one with a coupon if he wanted to.
- Murphy: It seems to me that the little fellow is interested in saving money. The amounts that he deals with are so small they can't produce any worthwhile income. I think he would prefer to have his interest compounded for him by us.
- H.M.Jr: Do you know what the English have done on that?
- Murphy: They just made their quota.
- H.M.Jr: No, no, I mean what do they do?
- Murphy: They have one of each. They have coupons and appreciation security and coupon security.
- H.M.Jr: Do you know what the rates are?
- Bell: Aren't they three and a half?
- Murphy: I think it is about three and a half on the appreciation and the coupon which is offered to the larger investors, as a coupon, and they redeem it at a one point premium when it finally matures so it is a very split combination of coupon and appreciation, but almost all coupon.
- H.M.Jr: But you think for the working man this is the answer?
- Murphy: I think so, Mr. Secretary.

- 15 -

- Bell: Well, he if he interested in a coupon, he can shift over into the other one. And he gets a return, which is a little higher than anything he can get in the market.
- Haas: Yes.
- Murphy: Do you feel that there would be a demand for a coupon security corresponding to this?
- Bell: No.
- H.M.Jr: You know, for instance, you take a person like Mrs. Scheider, who is Mrs. Roosevelt's secretary. She tells me she puts all her money into this. She was all mixed up on the tax business. She didn't understand about taxation and how this thing was taxed, so I explained it to her and she pays a tax where she gets the income. They didn't understand it at all. There is a woman that is certainly intelligent, and she is all worried about what is going to happen to savings bonds. I don't think it is clear to the people who buy previous to March 1 that their status doesn't change.
- Bell: I am not so sure that our policy on taxing these securities is correct. I think it is something that we want to have John Sullivan go into very carefully. These people are going to be hit - they may be hit pretty hard in the tenth year, whereas if they have been allowed to spread it over the years in which it accrues, they would get the current rates of taxation as well as having it fall down in their income brackets at that time.
- 5

- 16 -

- H.M.Jr: The way it is now, you pay the tax in the tenth year.
- Bell: Yes.
- H.M.Jr: On the whole amount.
- Haas: But you can do it the other way if you want under the present regulations. If you keep your books on an accrual basis --
- Murphy: But you have to report your whole income on an accrual basis then, and that is pretty tough for an individual.
- H.M.Jr: I am just raising the point I don't think the tax is understood. I don't have to cross that today, do I?
- Bell: No, but it is in the picture and it is also in the picture on our regular coupon securities. Take a bank that buys our securities at 107. As I understand it, the Internal Revenue makes them pay taxes on the two and three quarters per cent coupon, not on the effective yield or rate of two and a quarter, so that when they get to the end and - if they redeem it at a hundred, they are allowed to write off the \$7.00 as a loss in capital. I think the effective rate is the proper way.
- Around in the Comptroller's office they have regulations that make the bank amortize that premium over the period so they have really got to keep two sets of books, one for the income tax and one for the Comptroller's office; and I think it is terrible. It just complicates it.
- H.M.Jr: Well, you are beyond me right now.

- 17 -

- Bell: I think it ought to be looked into.
- H.M.Jr: Let's be ready to make up our mind Wednesday on this stuff.
- Haas: We have already done some work on that thing you (Bell) are talking about.
- Bell: I am glad of that. Well, that is No. 1.
- H.M.Jr: And I think in the telegram, you can say if they want to ask any questions, they should call up George Haas. He would be glad to answer any questions if they don't understand the telegram. In the telegram to the Federal Reserve.
- Bell: We sent it out by letter, you see.
- H.M.Jr: If it is something they don't understand or want to talk to anybody on Monday or Tuesday, they can call George.
- Murphy: There is one more question, Mr. Secretary, about this first type of security. Governor McKee suggested that we make it eligible for - broaden the type of persons who are eligible to buy it, to include fraternal associations and trusts and so forth, other than natural persons, and I think that you ought to at least give consideration to what you want to do about that.
- H.M.Jr: I think we ought to do it on something else, but not this one.
- Murphy: We recommend natural persons only, but I wanted to bring it out because Governor McKee mentioned it.

- 18 -

- H.M.Jr: What does natural persons include?
- Bell: Individuals, no corporations or trust funds.
- H.M.Jr: No, this is for individuals.
- Bell: Just the regulations as they now stand as we amended them last March.
- H.M.Jr: I am satisfied on that as it is, subject to sending this out to the 12 Districts, letting them talk to their own staffs and calling in people to have an answer Wednesday, and I will make an appointment now for three o'clock Wednesday afternoon, at which time these fellows will have had a chance to assimilate the suggestions and we will make up our mind. How is that?
- Bell: All right. We want to change our memo to the banks to say a \$5,000 limitation instead of ten.
- Haas: To bring it up to the date of this conference.
- Bell: Yes.
- H.M.Jr: I will put down "Bell, savings bonds," and I am going to put you down from three to four and at that time you will have it assimilated, Dan, and we will work from three to four Wednesday and settle it. You see, there are certain geographical differences and the thing in Dallas, Texas, there may be certain things there that are entirely different than up in Minnesota.
- Haas: In addition to that, Mr. Secretary, they will start working for you then if you take them in on it.

- 19 -

H.M.Jr: And I want them to pull the people in and we just don't use this organization enough and we will see where they are short and they are on their toes.

Now, I spoke to Allen Sproul and I said, "You haven't got a good enough organization and I want a better organization," and he is working on a memorandum for me, you see.

Bell: Well, they are going to have to be in this more as we go along and the program gets so big. It is just almost like the last war.

H.M.Jr: This is the way to bring them in.

Bell: I think so.

H.M.Jr: They all have a feeling on it.

Bell: And I think that our contacts ought to be direct, not through the Board.

H.M.Jr: Yes. I am going to - if they don't like it - you remember I asked you and you didn't give me an answer, how much money we pay these birds.

Bell: I haven't got it. You see, there are several - it isn't all centralized.

H.M.Jr: It is around four million dollars. I pay these fellows and I can not go through these people. If Mr. Eccles doesn't like it, I will say, "All right, we will set up our own fiscal agents. We will pay four million dollars to somebody else."

He doesn't like it. He wants to keep track of everything. Let me just get one thing

- 20 -

off my mind while I can. Just let me stop this one second. This is going as fast as we can.

Bell: Yes, sir. We haven't lost any time. We are now working on the borders. You see, all the borders and the portraits have to be engraved, and we have been working on that some time. It is just the type and the context of the thing that have to be settled.

H.M.Jr: And as we go along today this thing will look clearer to you.

Bell: Yes.

(Discussion off the record.)

H.M.Jr: All right, gents, we will go a little further.

Bell: Well, the next one is a somewhat similar bond (see attachment 2) except that it would be on either a two or a two and a quarter per cent basis instead of the 291 basis, and I think we are pretty well agreed that it ought to be a two and a quarter instead of the two, because it ought to be a little above the market; and it ought to have some cushion to take care of the dips and valleys in the market, and it would be a small step-up in the beginning just like the other one with a hump at the end. I don't know how much that hump is worth. How much is it, Henry? Four and a half per cent in the last year.

Now, this one would be sold to individuals and trust accounts and pension funds and institutions, probably endowment funds, practically everybody, I would say, except commercial banks and possibly insurance companies.

- 21 -

H.M.Jr: You are going to do it - where is that other sheet that you gave me that I was just working from?

Haas: That may be it. At least that is a copy of it.

Murphy: This is the one from the present plan?

H.M.Jr: Yes.

Murphy: They are both identical.

H.M.Jr: Well, we are not going to do the two per cent, is that right?

Bell: We recommend the two and a quarter.

H.M.Jr: Now, if I want to buy this it costs me \$80.00?

Bell: Yes, sir.

H.M.Jr: Do you have a coupon with this?

Bell: No, sir, you do not, this is the same type of bond except with a lower return and a wider distribution.

Haas: And a higher limit?

Bell: Yes, and possibly a higher limit.

H.M.Jr: Well, who would this appeal to rather than the other?

Bell: Well, this would appeal to the fellow who has got more than \$5,000, just an individual. He can take \$5,000, I take it, in the other bond and then if he wanted more of this type of bond, he would step over into this one.

- 22 -

H.M.Jr: Who could buy this?

Bell: It might appeal to banking institutions that have trust accounts, individual trust accounts, where they are not so much interested in the income but they want something that will give them a fair return.

It might appeal to pension funds. You remember we had a lot of pension funds coming in the last time, a year ago in January, and we ruled that our regulations permitted it, because they are not interested in current return, they are not interested until some time off in the future when they have to meet their liabilities to exceed their current receipts.

H.M.Jr: I agree with you. I would go on this thing direct to the presidents of the banks. I would tell them I am doing it, and insist that we go direct to them. How much would you let anybody buy of this?

Bell: Well, we thought this might be tied in with the Texas plan and you ought to say that he can have \$50,000 of one or the other, or he can have an aggregate of \$50,000 of the two, and we have to admit that that is quite an arbitrary figure.

I think someone in the Federal, probably John McKee again, suggested a hundred thousand because we would get a little more money.

Murphy: He wouldn't put any limit on it at all.

Bell: Oh, that was it. Eccles would put a hundred thousand, I think, and John would put no limit at all. If you do that, you are really getting into our regular program.

- 23 -

Haas: They will sell the other securities and buy this.

Bell: That is the trouble.

Murphy: Rouse was a little disturbed with a 50. I thought that might be high. It was a couple of weeks ago. So there is criticism both ways.

H.M.Jr: Why don't you fix an amount at the beginning of 25,000 rather than an aggregate of 50 of each? Why not say 25 of this and 25 of that?

Bell: Well, you might scare somebody away.

H.M.Jr: Is it going to be a lot of bookkeeping to see how much a man owns?

Haas: We talked to Broughton about this, and he would call this like bond two, A and B or B and C, and they would keep their records that way. This would be bond two, and you would have B and C as divisions under it.

Bell: But you have to keep close references. It does make a little more extensive record keeping.

H.M.Jr: Is it worth it?

Haas: I think it is worth it.

Murphy: I think there is a good reason for a combined limit, Mr. Secretary.

H.M.Jr: You fellows would like it that way?

Murphy: Yes.

- 24 -

H.M.Jr: I am not going to argue about it.

Bell: You may find that a fellow with \$50,000 wants this type of bond, and you are shoving him into another security he doesn't want if you put 25 on each.

Murphy: The reason for a limit at all is to prevent the outstanding bonds being sold. These apply to quite different types of persons.

H.M.Jr: Supposing he takes the 5,000 of Plan 1. Can he have these too?

Bell: Yes. He can have 5,000 of that and 50,000 of these.

H.M.Jr: What is Plan 3?

Bell: Plan 3 is planned to be issued at par, and he will have current returns of two and a quarter per cent if he holds to maturity. If he redeems it at any time before maturity, he will redeem it at less than what he paid for it. That is shown in the -- (See attachment 3.)

H.M.Jr: Excuse me. This - the two per cent is out.

Bell: That is right.

H.M.Jr: Is that right?

Murphy: Yes.

H.M.Jr: And in this case the two per cent is out.

Bell: That is right.

H.M.Jr: Now --

- 25 -

Bell: And the third column, you see, two and a quarter per cent plan, he starts off and puts down a hundred and he gets a current return, which is equivalent to two and a quarter per cent if he holds it to maturity. He gets his current return anyhow.

H.M.Jr: Does it pay regularly two and a quarter?

Bell: Yes. Every six months we give him a check.

Murphy: That isn't on the table, since that is just the same. He is getting two and a quarter per cent regularly.

H.M.Jr: How does he go to four and a half? Oh, on the redemption?

Bell: If he redeems it any time before maturity you see in the third column what he redeems it at. The first year he gets \$98.90, so we draw back from the money we paid him in interest \$1.10, and each time down - it goes down to a low of \$94.80 in the ninth period, which is four and a half years, and then it begins to go back up until when gets to the tenth year he gets his hundred back and he has received two and a quarter interest, current return.

H.M.Jr: I think this is better than the way you started.

Bell: I think it is probably easier to sell.

H.M.Jr: You (Murphy) made this suggestion?

Murphy: Bob Rouse. The supposed advantage of the other way is you don't have to cut down so deep, but since it seems they are willing to cut down deep, this is much better.

- 26 -

- H.M.Jr: Would you make a note, Dan, if we are going to send this letter, I would send them a telegram and say, "There is an important communication coming by airmail from the Treasury. Please be looking for it," you see.
- Bell: Maybe we can just give them the nature of the thing.
- H.M.Jr: I think I would send them a telegram and a letter.
- Bell: O.K.
- H.M.Jr: Well, I will tell you gentlemen. I have had this thing before. I think this is all right subject to a two day check in the field.
- Bell: That is all right.
- H.M.Jr: I think this is all right.
- Murphy: Could I remark, Mr. Secretary, that the thing to determine the amount is that the yield in any --
- H.M.Jr: I see.
- Murphy: Either one of the bonds, you get about the same return on one bond as the other.
- Bell: Well, this is all we --
- Murphy: There is a problem, Mr. Secretary, with respect to trusts which have a tendency to remain there, where the trustee may feel that they are not justified in buying this coupon bond because if their client dies, they lose it. And yet, aside from

- 27 -

this these bonds are ideal for that type of trust, because they give the life tenant the income.

It has been suggested that in order to make the bonds attractive for that type of trust and more generally attractive, that we provide in the event of death of the original purchaser of the bond, his successor in interest should have the right to either take the bonds in kind or secure the original purchase price back. Mr. Wright, our actuary, says the cost to the Government would be very little.

- H.M.Jr: I think so. In other words, if a man has this thing and he paid a hundred and he kept it five years, it normally would be worth what, \$95?
- Murphy: \$94.80.
- H.M.Jr: If he dies, his estate can cash in and get a hundred?
- Haas: That is right.
- Bell: If he cashes in under the regular scheme, he has lost \$5.00, and then they kick the life tenant.
- H.M.Jr: I am for that.
- Bell: That is a little in the form of insurance.
- H.M.Jr: Every estate will take it to the maximum, that has the money.
- Haas: It is not a big enough thing that a man would commit suicide to get the advantage of it.
- H.M.Jr: Every estate would take that.

- 28 -

- Murphy: It makes it ideal for that type of trust.
- H.M.Jr: There isn't a trust in the country that has \$50,000 that won't take it.
- Bell: I talked to Wakefield, is it, or Wakeman, your friend out in Minneapolis.
- H.M.Jr: Wakefield.
- Bell: They have a lot of small trusts. I talked about this current return bond, and he says it is a good idea. But he raised this question. He says, "I think we can work that out without that."
- H.M.Jr: Well, I would put it in. It pays to show these things around, Dan. I would send a telegram saying what is coming so they can have it and then they have two days; and we want the answer Wednesday morning and it comes in here Wednesday morning and in each case if you say, "If you have a teletype, please send it in on No. 168," which is our teletype upstairs. I think you could get much better service..
- Bell: Yes. We are looking into that other thing, too.
- H.M.Jr: If they have teletypes, have it come in that way; because these night letters until you get them and get them delivered, they are terrible. Just ask the fellow to come down. I am going to. I am just curious.
- Bell: You see, we have enough wires to the banks that we don't have much trouble in getting a wire. We have direct wires. We go through the board and we have a direct system from here to the board.

H.M.Jr: I just wanted to ask him. There are a lot of night letters coming in. Do they use night letters? They don't do they? I don't think --

Bell: There is a night letter used, yes, but we never allow the wire man to leave until he gets a clearance from the Treasury, particularly when we have anything important.

H.M.Jr: You mean over at the Federal?

Bell: Yes, they never leave until we clear them. If we stayed here until twelve o'clock, there would be an operator on all during the time.

(Mrs. Klotz entered the conference.)

Murphy: Are you settled, Mr. Secretary, on the matter of the classes of persons eligible to purchase these?

H.M.Jr: Yes.

Murphy: Would insurance companies be in or out?

H.M.Jr: Well, they won't on type one.

Murphy: They are out on type one?

H.M.Jr: That is natural persons.

Murphy: On type two you would have everybody in except commercial banks?

H.M.Jr: Yes.

Murphy: That was our original suggestion.

H.M.Jr: Yes, keep the commercial banks out. But

- 30 -

what about insurance companies?

- Murphy: That question was raised at the meeting as to whether insurance companies should be in or out. Eccles and Ransom were inclined to bar insurance companies in order to hold them for the open market, and I just wanted to get your opinion.
- Bell: For the other type of securities?
- Murphy: Make sure that we had that right.
- H.M.Jr: It would make bad feeling and I don't think it is worth it.
- Haas: That is right, you would keep the banks out because of increased deposits.
- H.M.Jr: They have got one thing which interests me very much, Mrs. Klotz. They are going to sell a security at two and a quarter per cent and if you cash it in five years, you only get \$95.00. They want to make it deductible, you see. Then if you keep it longer, it goes back to a hundred. But if you take it for an estate and you have it five years and you die, it would pay \$100.00. So every estate in the United States will want it.
- Klotz: Oh yes, that is very good.
- H.M.Jr: Who thought of that, Wakefield from Minneapolis?
- Bell: Wakefield brought it to me.
- Haas: Several people brought that in.
- H.M.Jr: What we are doing now, we have cleared this

- 31 -

thing and my suggestion is to send it to the twelve Federal Reserve Bank presidents and tell them to invite people in to see it. They have two days, Monday and Tuesday, and then Wednesday it comes in and they will assimilate what it says and at three o'clock we will settle it. That means that maybe 500 people can see this shing. A couple of hundred people will see it.

Bell: Not more than that, I would think.

H.M.Jr: Several hundred people.

(Mr. Newcomb entered the conference.)

H.M.Jr: Mr. Newcomb, if I was expecting a flock of telegrams from twelve Federal Reserve Districts to come in, say, some time Tuesday night, what is the best way to get that. I mean, what is the best system to get telegraphic replies from Federal Reserve Banks in the field, twelve banks.

Newcomb: To follow the system Mr. Kilby does, if you are going to ask them certain questions, ask them to reply immediately or to state a time, and I will send a note to each of the twelve banks to keep operators on duty to cover the situation until it is cleared up.

H.M.Jr: I see. Now, is having them come in by teletype an improvement over telegraph?

Newcomb: Well, we have a new telegraph - you might call a system, which was installed the first of August, the Federal Reserve System. It is an automatic printer system, and I think it is probably the best telegraph system for speed and accuracy that I have seen.

- 32 -

H.M.Jr: They have that over at the Federal Reserve?

Newcomb: Yes, sir.

H.M.Jr: That is the way they receive them?

Newcomb: Yes.

Bell: Our messages come through that.

H.M.Jr: How do you get them from the Federal Reserve over here?

Newcomb: It comes through an automatic teletype system.

H.M.Jr: You mean if it comes on their thing and it is for the Treasury --

Newcomb: They divert it by means of a plug or jack to a new perforator, which connects with our printer; and it is automatically shot up here.

Bell: Just like a telephone system.

Newcomb: Yes. We have been handling Mr. Kilby's business on that now since the first of last August, and I believe to his complete satisfaction.

H.M.Jr: But we don't have that kind of a printer upstairs ourselves?

Newcomb: No, sir. The kind that you probably have in mind is the telephone company teletype which is - operates, you might say, like a long-distance telephone; but it would not have the speed that this does, because it is hand operated. That is, the speed at

- 33 -

which we would get them in would depend upon the ability of the sending operator to move his fingers, whereas this automatic system we have is automatic in that the tape is run through at the maximum speed without any pauses for the operator to shift line spaces or to look at his copy or anything else.

H.M.Jr: Well, how do you get that - how do you make the original impact?

Newcomb: Well, it is purely a keyboard affair like a typewriter.

H.M.Jr: What do you do, cut a tape or something?

Newcomb: No, sir, not here.

H.M.Jr: I mean where they send it.

Newcomb: No, it is sent out on a continuous blank form and then it goes to the next relay point, which in most cases is in Washington, and it appears there on a perforated tape; and that perforated tape in turn, as I said before, is shot through by means of these jacks to the next office, office of destination, which would be this office.

H.M.Jr: But that doesn't go - it comes - if it is Western Union, they turn it over to the Federal Reserve, I think, and then from the Federal it comes here?

Newcomb: No, sir.

H.M.Jr: It comes from Western Union direct?

Newcomb: If it comes direct, but I don't think they could handle it as fast as the Federal Reserve.

- 34 -

H.M.Jr: And they have telegraph with all twelve banks?

Newcomb: With all branches, I believe, except Helena.

H.M.Jr: That works all right?

Newcomb: Yes, sir.

H.M.Jr: This sounds like the same way the Navy sends radio messages.

Murphy: Somewhat the same, yes.

H.M.Jr: And no operator can pick it up?

Newcomb: It doesn't get outside this system at all. No operator can pick it up. The operator at relay point would, of course. He has to know what it is in order to send it to the right point, but the employees are all in the system and there is nobody outside who can interfere with it.

H.M.Jr: All right, I won't interfere. Thank you.

Bell: Do they still have a relay station in Chicago?

Newcomb: Yes. That would be about the only bottleneck that we would run into.

Will that be all?

H.M.Jr: Thank you. Are you all clear now?

Haas: Well, this letter, Mr. Secretary, you remember I spoke to you about getting this information from the insurance companies and so on, and that is the letter which we propose to send out over your signature. It is on the wrong letterhead there, but if we can get approval on that, we can move right away on that. Bell has looked at that.

- 35 -

H.M.Jr: What does Bell say?

Bell: I think it is all right. We thought that Kuhn ought to look at it, but he is out of town over the weekend.

H.M.Jr: Oh no, it is not necessary. This goes to whom?

Haas: It goes to a thousand insurance companies. We are trying to get all of these investors so we will know each month what they are holding.

Bell: And about 7,000 banks.

H.M.Jr: And you are going to accumulate this stuff?

Haas: Yes and put it on machines.

H.M.Jr: Instead of the Federal doing it?

Haas: The Federal has only member banks.

H.M.Jr: Can you do it for FDIC?

Haas: A large part of these banks will be insured banks.

Bell: This will be direct, and we will put it on cards in our accounting section and run it through a tabulating machine.

H.M.Jr: And you are really going to know?

Haas: Yes, sir.

Murphy: It would have been nice to have gotten the rights this time.

H.M.Jr: I'll say. Wonderful.