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Wings for Norway, Incorporated

See Norway

November 10, 1942
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. Buffington
Mr. Odegard
Mr. Gamble
Mr. Thompson
Mr. Stewart
Mr. White
Mr. Sullivan
Mr. Paul
Mr. Haas
Mrs. Klotz

H.M.JR: Read this and then if necessary read it out loud, Ted. (Telegram dated November 9, 1942, from Mr. Henry Bruere handed to Mr. Gamble.)

MR. GAMBLE: I don't think it is necessary. Patterson called about this.

H.M.JR: Mr. Gaston?

MR. GASTON: We have not heard any further word on that so far as I know on the designation of those men. I have a letter here from Mabel Newcomer, in which she says: "I am speaking in Wilmington Friday before a group of women's organizations, in New York on November 17th before a group of social workers, and in Springfield on December 4th for the Connecticut Valley Vassar Club -- all on the tax program. I am afraid that is about all."

H.M.JR: Write a letter for my signature saying I am very much pleased, will you?

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MR. GASTON: Yes, she is plugging right along.

H.M.JR: By the way, on that thing, inasmuch as you seem to be handling the speakers bureau, what about this professor from Wisconsin?

MR. GASTON: Harold Groves?

H.M.JR: Yes, could we put him on the circuit?

MR. PAUL: He is a good speaker.

MR. GASTON: I should think we might.

H.M.JR: Who would undertake that?

MR. GASTON: Crampton has been handling the dates for speakers.

H.M.JR: But somebody has got to handle Groves in the first instance.

MR. SULLIVAN: I will call him.

H.M.JR: Will you?

MR. SULLIVAN: Yes.

H.M.JR: Crampton is doing the dates?

MR. GASTON: He is keeping the dates.

H.M.JR: All right.

MR. GASTON: I handed Ferdie a letter from Lithgow Osborne. He sent me a copy of a letter he had sent you. He is anxious to have you talk at a Scandinavian--

H.M.JR: His wife is a Dane - a countess - a Danish countess.

MR. GASTON: He was over in Denmark Foreign Service at one time - one of the Scandinavian countries.

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He not only wrote me a letter, but he called me on the phone. He is so anxious that you should participate.

H.M.JR: It means nothing in my young life; we can't sell a bond there.

MR. GASTON: Nor a tax program.

H.M.JR: No. Do you want to go up?

MR. GASTON: He wants you to suggest somebody else.

H.M.JR: Do you want to go up?

MR. GASTON: No, I don't. He wants somebody.

MR. KUHN They are contributing three hundred thousand dollars as a contribution for Lend-Lease, and they want you to accept it.

H.M.JR: Tell them to send up handsome Ed Stettinius; Oscar Cox is another good-looking fellow. (Laughter)

MR. GASTON: He asked for Harry Hopkins.

H.M.JR: Don't worry, it is inconsequential, it is unimportant; let him go to the Lend-Lease crowd. We are too busy raising money. What else? I turned him down. I wrote him that I would not go.

MR. GASTON: I haven't been able to see that man that wrote you a letter.

H.M.JR: Let Sir Oliver Lyttleton go up there.

MR. GASTON: Is he here?

H.M.JR: Yes.

MR. GASTON: Or Cliff Mack.

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H.M.JR: No, no, Cliff Mack is busy.

MR. GASTON: I was joking.

H.M.JR: Anyway, it isn't our worry. I mean, he is interested on account of his wife. I am not interested in his wife. (Laughter)

MR. GASTON: Ferdie and I are seeing Felix Belair today.

H.M.JR: Good.

MR. GASTON: I called up that other man that wrote you a letter. I haven't been able to reach him yet; he is a bad actor.

H.M.JR: That man is a bad actor, too, is he?

MR. GASTON: Yes. He had this United States Savings Bank up here. He is trying all kinds of dodges to be able to open the new bank, and this is his final dodge. He has been up on repeated appeals, and he has started various lawsuits against the Comptroller, and he has been a pain in the neck to them ever since 1933.

H.M.JR: How about telling the Treasury press about this thing so in case they hear about it they will know?

MR. GASTON: I don't think it is worthwhile. It isn't anything that will come out. I will try again to get hold of this fellow.

H.M.JR: Just so you know, there has been - what is the man's name who is writing a book?

MR. GASTON: This Joseph Leib claims to be writing a book.

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H.M.JR: And he has been trying every possible way to get me and my father by intimidation. He claims that my father and I were in the sponging business during the last war. Does anybody know what the sponging business is? For those who don't know, it is a middle-man who takes the cloth from a woolen manufacturer and sponges and shrinks it; then it goes from there to be cut into uniforms. He claims that we were in all kinds of trouble with the War Department, that we cheated them, and so on, and so forth. I have been in lots of businesses, but I haven't been in the sponging business. (Laughter)

Now, another man comes along - so in case you people hear about it - what is this second man's name?

MR. GASTON: He has succeeded in keeping Leib from putting this story in the book, and in return for that he wants us to open up a defunct bank or something.

(Mrs. Klotz entered the conference.)

MR. GASTON: Yes, that is what he wants.

H.M.JR: Well anyway, that is that.

What else, Herbert?

MR. GASTON: I don't have anything else.

MR. SULLIVAN: You remember I spoke to you last week about these three hundred and fifty new Internal Revenue offices opening up around the country?

H.M.JR: I thought you were going to do that this afternoon.

MR. SULLIVAN: It might be well to postpone it, but I wanted it on here because she wasn't here when I spoke about it the other day, when I suggested it. (Indicating reporter)

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H.M.JR: Suggested what?

MR. SULLIVAN: I told you about these three hundred fifty-three offices.

H.M.JR: What are you trying to make a record on?

MR. SULLIVAN: I don't want any remarks next March about it.

H.M.JR: What? I still don't get it; you have got to be a little more explicit.

MR. SULLIVAN: I would like to have it on record that I discussed it with you last week for a minute and we are going to discuss it again this afternoon.

H.M.JR: And so what?

MR. SULLIVAN: Then I won't have to send you a written memorandum. (Laughter)

MR. BELL: That is the follow-up system. (Laughter)

MR. SULLIVAN: The follow-up system in reverse. (Laughter)

H.M.JR: He is the New Hampshire boy, and we have got to watch him. (Laughter)

MR. SULLIVAN: The auditing of these war contractors' cases has resulted in additional taxes of almost fourteen million already having been paid, and total additional taxes of seventy million being proposed. That is going forward.

You recall that last week you sent me a Dow Jones ticker on a so-called secret ruling on the Bonneville Authority. We did issue such a ruling on October 26.

Now, the Wall Street Journal ran another editorial on it yesterday morning. I see no reason at all why we should not make this public.

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H.M.JR: O.K.

MR. SULLIVAN: You have a ruling that whenever a case is exempted from the decentralization procedure and is sent in here to Washington a memorandum is to come to you. You don't want to be bothered with those, do you?

H.M.JR: Under the new policy since I have been to England, we will discontinue that. (Laughter)

MR. SULLIVAN: That is what I thought, and also advised the Bureau.

Did you happen to discuss Treasury business with the American Ambassador to the Court of St. James?(Laughter)

H.M.JR: Is that nice? (Laughter)

MR. SULLIVAN: All right, what do you want me to do about it?

H.M.JR: As I told Paul and the rest of you, don't consult me.

MR. SULLIVAN: I get it.

H.M.JR: I don't want to know about it.

MR. SULLIVAN: All right, that is all.

H.M.JR: We didn't live in his apartment, did we, Harry? We had one meal off the American Ambassador; that is all, isn't it?

MR. WHITE: British Ambassador?

H.M.JR: No, Winant. We had one meal, and so did twenty-six other people.

MR. SULLIVAN: That is all. Do you want Mr. Cann and me at quarter of four?

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H.M.JR: Yes. You had better be here, Norman; it is on their personnel problem.

Randolph?

MR. PAUL: I have to stay after the meeting anyway. I will give you this story on the closing of the banks yesterday. ("New York Times" handed to the Secretary.)

H.M.JR: You will give it to me later?

MR. PAUL: No, I will give you some more later, a couple of little things.

H.M.JR: Isn't that part of the story? Is that different from what we told them at my press conference?

MR. PAUL: That is just a report of your conference yesterday.

H.M.JR: Yes, I saw that. I get it at the house. They deliver the Times there in the morning.

Is everything else all right?

MR. BUFFINGTON: I have checked over the publicity on tax savings notes with Ferdie Kuhn. I presume you don't want to see the work that Doremus and Ryan, Pedlar are doing.

H.M.JR: Not particularly, but I think this, Ferdie - now, for instance, I have asked for what the War Savings Staff would do, and I think you ought to do this for me. That is why I have the room across there. I like those things - different publicity. If it is going to be done by the Treasury between now and the 1st of January - put them up in that room. Then you can take me in there yourself and say, "This is what we are doing on tax savings notes, this is war savings," and so forth - let's get it all together.

MR. KUHN: Are the proofs in yet, George?

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MR. BUFFINGTON: Yes.

MR. KUHN: That is good; we can put them up.

H.M.JR: Let's have it in that room and then have one board and have it labeled over the top of the board "Tax Anticipation Notes Publicity Exhibit," and then they have something on something else that War Bonds have put up in there for me. Will you? I mean, this stuff that I asked for today, which I know you haven't got.

MR. KUHN: We have it.

MR. ODEGARD: The stuff you asked for yesterday?

H.M.JR: Yes.

MR. ODEGARD: Yes, sir, it is all in my office now.

H.M.JR: Really?

MR. ODEGARD: Yes.

H.M.JR: If you could have it put up on a board in there then during the day, I will go in there and see it. How is that?

MR. ODEGARD: All right.

MR. BUFFINGTON: That is all.

MR. GAMBLE: Would you feel disposed to give five minutes during the day or tomorrow to the heads of the twenty railroad unions?

H.M.JR: Sure, I would love to.

MR. GAMBLE: Fine.

H.M.JR: We can't get along without them. Today or tomorrow?

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MR. GAMBLE: Whichever is the easiest.

H.M.JR: Are you meeting with them?

MR. GAMBLE: We are having a meeting with them yet to be set. It is to be set at your convenience in the event you could see them.

H.M.JR: How long shall we allow for the ABA tomorrow, half an hour?

MR. BELL: Yes, I think that ought to do it. I haven't heard yet from Hemingway, but I understand they are coming.

H.M.JR: You can do a lot in thirty minutes.

MR. BELL: I think so, too, and then we can take them.

H.M.JR: Is it with or without Eccles? (Laughter)

MR. BELL: Well, thirty minutes is all right without. (Laughter)

MR. BUFFINGTON: He indicated it might be Thursday. We ought to check with him.

MR. BELL: They will let me know today.

H.M.JR: Three-thirty.

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MR. GAMBLE: Today or tomorrow?

H.M.JR: Wednesday. That is railroad unions?

MR. GAMBLE: Yes, sir.

H.M.JR: Now, when you come like that, shouldn't Houghteling be here too?

MR. GAMBLE: He will be here. Now that you have been so nice about that would you like to give us about three minutes in advance of that meeting and say hello to Mr. Pelley? We are trying to tie these people up for a nation-wide drive.

H.M.JR: The railroad Pelley?

MR. GAMBLE: Yes, sir.

H.M.JR: Well, I can't do the crowd in the ABA, but I - Pelley and I get along first class.

MR. GAMBLE: See him afterwards, say, for three minutes?

H.M.JR: Will he be with the unions?

MR. GAMBLE: He will not be with the unions, but we would like to have him come in. He is to play a part in this program; we are trying to start a drive on all the railroads.

H.M.JR: Do you want to give him the three-thirty and give the unions three forty-five?

MR. GAMBLE: That would be excellent.

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MR. GASTON: We had better let him out the back door. (Laughter)

H.M.JR: All right.

MR. BELL: When is the ABA, three o'clock?

H.M.JR: Three o'clock.

Walter, how are things down on the farm?

MR. STEWART: Fine - going all right.

H.M.JR: Got your crops in?

MR. STEWART: Yes.

H.M.JR: Bell was here while I talked to my apple man. Everything in the food and fruit line is up except apples. (Laughter)

MR. STEWART: Stabilization. (Laughter)

H.M.JR: By Christmas he thought maybe apples would pick up. Isn't that just - all my eggs are in an apple basket.

MR. WHITE: The Treasury's fight against inflation is effective. (Laughter)

MR. SULLIVAN: Succeeding in one sector.

H.M.JR: On the apple front they would, too, just on the apples.

MR. KUHN: Harold Thomas will do his best to be here at ten tomorrow morning with McClintock.

H.M.JR: Somebody has got to be here.

MR. KUHN: He wants to. I had a good talk with him last night and he wanted some more information which I

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am going to try to get for him today, and in view of the fact that he could not come today, the OWI people would like to put theirs off until after you have talked to the Advertising Council.

H.M.JR: All right, tomorrow. OWI will not be here this afternoon?

MR. KUHN: No.

H.M.JR: Wonderful.

MR. KUHN: We had a good meeting last night with them, at which Peter did a great job, and I think it was useful all around. George was there and spoke, and Mr. Bathrick was there.

H.M.JR: Where is Bathrick right now?

MR. KUHN: I haven't seen him this morning.

H.M.JR: Did they wear him out?

MR. KUHN: I don't blame him. He was listening to people talk for about ten hours yesterday, from ten in the morning until ten at night.

H.M.JR: What can be more tiring?

MR. BELL: He came in at a good time. (Laughter)

H.M.JR: What else?

MR. KUHN: That is all.

H.M.JR: George?

MR. HAAS: I don't have anything.

H.M.JR: Odegard?

MR. ODEGARD: You asked the other day about the scheduling of this advertising by National Advertising.

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I have the schedule for the three - General Electric, Aluminum Corporation, and I.B.M., if you care to have it. I can send you a memorandum on it.

H.M.JR: Do you have it in your hand?

MR. ODEGARD: I have it in my hand. It includes a report on the whole thing from their Mr. Lane to me. If you want it you can have it - also excerpts from letters from a long list of National Advertisers whom we have had contact with on this.

H.M.JR: I would like to have it.

(Memorandum dated November 9, 1942, addressed to Mr. Odegard from Mr. Lane, handed to the Secretary.)

MR. ODEGARD: I ought to explain that that two hundred and fifty thousand dollar appropriation involves two insertions each for each of these advertisers during that period of November 15 through December 31, based on the charge of one hundred and eight thousand dollars for the insertion of full-page ads in a selected list of metropolitan newspapers which we have suggested that they use.

H.M.JR: Who is Lane?

MR. ODEGARD: Lane is the man in the Callahan shop who is in charge of our advertising.

H.M.JR: Good, I will read that. What else?

MR. ODEGARD: That other material that you asked for is in my office. As I say, some of the posters are in production so that we could not get the actual posters.

H.M.JR: Will you give them to Kuhn - what you have got? He can put them up. I am pleased.

MR. ODEGARD: Yes. There is one other thing I would like to mention and get some guidance on. The

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Saturday Evening Post sent a writer down here last week, Mr. Paxton, to do a piece on War Savings, comparing the War Savings program here with the War Savings program in Canada and England. I wanted anyone who has any suggestions to make on that to let me have them. Also, we have an opportunity for the back cover of the Reader's Digest on the general Treasury problem of financing the war. I have a draft of a statement, a very short statement, to go on the back cover of the Reader's Digest. I would like to show that to Randolph and some of the others because I think it is extremely important. It ought not to go on unless--

H.M.JR: I would like to see it, myself.

MR. PAUL: Over six million circulation.

H.M.JR: I would like to see it, myself.

MR. KUHN: For what issue?

MR. ODEGARD: It is for the January issue.

H.M.JR: I would like to see it, myself. Who is seeing this article he is doing for the Saturday Evening Post on War Savings?

MR. ODEGARD: I will see it.

H.M.JR: Anybody else?

MR. ODEGARD: Kuhn will see it.

MR. PAUL: You had better have me see it.

H.M.JR: You mean on the Saturday Evening Post?

MR. ODEGARD: That is on War Savings Bonds - the savings program.

H.M.JR: Are you going to cover it all, I mean, how the thing was conceived, going back to the original, before we had war savings, and all that?

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MR. ODEGARD: I think not. He is not going into the history too much.

H.M.JR: Is he going into personalities?

MR. ODEGARD: No, not at all if I can keep it out. He may mention the Secretary of the Treasury and the Minister of Finance in Canada; aside from that there will be no personalities.

H.M.JR: What else, Peter?

MR. ODEGARD: That is all.

H.M.JR: Harry?

MR. WHITE: When Dean Acheson was here there was a letter that Pehle had sent to Secretary Hull on which you asked me to submit a message to Pehle. I did not know what was in the letter; I assumed Pehle did, but he doesn't. They cannot locate the letter. If you can tell me what is in the letter I can tell Pehle.

H.M.JR: What letter?

MR. WHITE: There was a letter Pehle sent to Secretary Hull that you asked me to transmit a message to Pehle about - first about the form of the letter and also about--

H. M.JR: It was in Dean Acheson's hands. I haven't got the letter.

MR. WHITE: I thought he left it here. Pehle does not remember which one it is. Do you remember what you wanted him to hold in abeyance?

H.M.JR: No.

MR. WHITE: I will find out.

H.M.JR: The point is, I do not think that Pehle should write to Hull.

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MR. WHITE: That was one thing - something about the content you said to hold up.

H.M.JR: I do not remember.

MR. WHITE: I cannot write that letter to Ambassador Winant. Currie said Winant knows nothing about it, that Winant's approval was to be obtained after - if and when you approved, then they would ask for Winant's approval.

H.M.JR: I mentioned it to Sumner Welles, yesterday.

MR. WHITE: What?

H.M.JR: I showed Sumner Welles a letter I had from this man - the Bank of Manhattan - he wanted to come down to see me. I showed him that letter and asked him what about it. He knew nothing about it.

MR. WHITE: That is where it stands. I am not writing that.

Pertinent to the discussion of a few days ago, there were two articles that appeared in the Banker - "The British Banker" which, as you know, is a very estimable magazine, and both these articles are on the equality of sacrifice, and they emphasize the desire of returning to the British their overseas investments lost as a result of the war, after the war. I thought you would be interested.

There are two points about the Chinese matter that I want your opinion on. One is the question of the unreasonable rate which the official rate represents as against the real rate which we have been talking about. It is constituting a more and more aggravating problem. One of the ways in which we might correct that situation is to get China to lend-lease to the United States for payment of, perhaps, some of the money. I think it would be a good thing. It will not cost her much and has many advantages. Is it all right with you if we take that up with Lend-Lease?

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H.M.JR: Lend-lease what?

MR. WHITE: Some of the yuan, so we can pay them in yuan without buying it; so we would not have to buy it at a special rate. We could maintain the official rate and yet we would have yuan with which to meet the expenses there. It does not amount to much.

H.M.JR: I will go "you one" better - why not let them lend-lease in reverse the things that we need to buy there?

MR. BELL: The soldiers need yuan to spend.

MR. WHITE: Probably some of those things might not look well in Lend-Lease arrangements. (Laughter)

H.M.JR: You have a hard time living up to your reputation. I want to tell you, after three weeks with Harry, his reputation is amiss as far as I saw. (Laughter)

MR. WHITE: I regard that as a perfect record. (Laughter)

MR. BELL: General Carter was going to discuss that with the Lend-Lease organization - the question of lend-leasing the yuan.

MR. WHITE: I did not know that he was.

MR. BELL: He said he would discuss it and then he would get in touch with us later.

H.M.JR: Couldn't I leave it, as long as you and Bell are in it - whatever the two of you agree on is O.K. with me.

MR. WHITE: There is this item which I mention only because there are possible implications. The Chinese have asked us whether they couldn't use some of their dollar funds in the Stabilization Fund, if necessary,

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to pay for imports from Russia - commercial imports. A "yes" answer is consistent with every position we have taken, and unless you have some view to the contrary, we will continue to say "yes" on that.

H.M.JR: "Yes" will be consistent?

MR. WHITE: Yes.

H.M.JR: All right.

MR. BELL: The fifty million or the five hundred million?

MR. WHITE: That is the fifty - just the fifty, stabilization - what is left of the fifty. It will be forty very soon.

We have been talking about silver for some time. There is an opportunity now, if you want to use it, to go before the committee to press for the passage of the Green bill. The Army has asked us for this additional silver. We can give it to them, actually, because apparently the Defense Plant Corporation is not utilizing the silver which it asked us to lay aside, nearly as rapidly as they had anticipated. So we can meet the new demand of the Army with the silver which has been previously allocated to Defense Plant. So you can either meet it that way or you can take the position that as long as that other silver is allocated, you cannot meet the Army's demands and will need further legislation. My own view is to meet the Army's needs and let it go at that until the thing becomes more acute, rather than take it up with Congress.

H.M.JR: Nobody has ever accused the silver people of not being smart. If I come up there and press for this legislation, the first thing they will say is, "Well, have Mr. Donald Nelson and his people used the silver that they said they needed?" The answer is no. "Well, then, why not give the Army part of that?" That would be the first thing that they would say, so I do not want to go up and press for it.

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MR. WHITE: I will first clear with WPB to make sure we have their permission, and then work it out with the Army.

H.M.JR: Does that sound all right?

MR. BELL: I agree with that.

MR. WHITE: There is some material that has been going to your files from our files, to Miss Chauncey - routine material - but we are trying to cut down on some of the work. Unless you have a definite preference, I would like to cut out sending such material. I have got a lot of samples here; I will just read one. "You will receive two and a half million. Please charge our account; this is a repeat transaction." This is from the Federal Reserve Board, a transaction of the Stabilization Fund. This practice had its origin at a time when they were meaningful.

H.M.JR: Cut them out.

MR. WHITE: There are a lot of them of that character. We have them in the regular stabilization records. That is all.

MR. BELL: I have nothing.

H.M.JR: Thompson?

MR. THOMPSON: I have one deferment case; a chemist in charge of the New York office of the Alcohol Tax Unit, forty-two years old, unmarried - father, 79 years old, is dependent. His two chief assistants have already left, so they will be in bad shape if he goes.

H.M.JR: How long are you asking for?

MR. THOMPSON: Six months. He is over forty-two.

H.M.JR: O.K.

(Six months' deferment approved by the Secretary in the case of Mr. George W. Romig, Jr.)

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H.M.JR: Something else?

MR. THOMPSON: The Plate Printers' Committee gave us seventy-eight names of prospective plate printers that we could appoint, and we got ten. Sixty-eight either declined or did not answer our letters. So on the nine-hour shift that they have, the work program is going along all right, but it looks as though they will have to go to a ten-hour shift pretty soon.

H.M.JR: All right.

MR. THOMPSON: The teletype people are having a time finding equipment and they cannot furnish the War Department with sufficient teletypes, so I am scouring around to see what machines I can pick up. They would like to take from us what we have in our telegraph office.

H.M.JR: No.

MR. THOMPSON: We do not use it very much, and can transfer all that business to the Secret Service teletype.

H.M.JR: It is just for an emergency. It is one machine, only?

MR. THOMPSON: Just one machine.

H.M.JR: It is just for that extra emergency thing. I would rather give up one of the teletype of Customs in the field, than give up that machine.

MR. THOMPSON: We use it very little.

H.M.JR: Just in an emergency when there is an overload of things; I want to send out messages and have them come back on my own teletype. I am sure there are other machines.

MR. THOMPSON: The Secret Service machine is open twenty-four hours a day.

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H.M.JR: No, but to get the thing from there up here - how many others in Internal Revenue?

MR. THOMPSON: We are using all the others sufficiently to justify.

H.M.JR: No, I want this as a safety valve.

MR. THOMPSON: That is the reason I took it up with you.

H.M.JR: No, there must be others around.

MR. GASTON: Does Harney still have one, Norman?

MR. THOMPSON: Yes.

MR. GASTON: Maybe we could part with that and use the Secret Service instead.

H.M.JR: Who is Harney?

MR. GASTON: He is in Ireys office.

H.M.JR: Well, there you are.

MR. THOMPSON: I will check with Ireys.

H.M.JR: If Harney has one let that float through, but this one up here is definitely for a safety valve.

MR. THOMPSON: Fine. The military police guarding the White House want to have their picture taken down here.

H.M.JR: That is all right.

Look, just so I get these things, I told some of the people to stay in at ten, and I want - I have got to catch my breath - make it ten-fifteen. That is Bell and White and Paul and Gaston, if they would come back at ten-fifteen.

MEMORANDUM

November 10, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JHS

This morning I spoke to Professor Groves on the telephone, and he advised me that he will be very happy to make speeches in behalf of the Treasury on any dates that do not conflict with his University appointments. I have notified Mr. Crampton of Professor Groves' availability.

NOV 10 1942

Secretary Morgenthau

Mr. Paul

You have asked whether you are required to fill out and return to your local draft board the Selective Service Occupational Questionnaire (D.S.S. Form 311), which was mailed to you by Local Board No. 9, District of Columbia, on October 16, 1942.

It is my conclusion that you are required to fill out and return that form to your draft board.

Nothing in the Selective Training and Service Act, or regulations issued thereunder, exempts the head of an Executive Department from registration. You have been duly registered and, therefore, are subject to the regulations applicable to registrants. Section 159 of Executive Order No. 8545, dated September 23, 1940.

The Selective Service Occupational Questionnaire is required to be sent to groups of registrants designated by the Director of Selective Service. Section 821.11 of Selective Service Regulations. A registrant

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to whom the questionnaire is sent must fill it out and return it to his local draft board within ten days from the date of mailing. Section 621.12 of Selective Service Regulations.

Although Form 311 was mailed to you on October 16, 1942, your local draft board is authorized to grant an extension of time for you to complete and return the form if you have a valid reason to require more time, such as absence from the country. Section 621.12 of the Selective Service Regulations.

(Signed) Randolph Paul
General Counsel

JAG:ST:cl
11/9/42

November 10, 1942
10:20 a.m.

ECONOMIC STABILIZATION

Present: Mr. Bell
Mr. White
Mr. Paul
Mr. Haas
Mr. Stewart
Mr. Gaston

MR. BELL: May I have a copy made of that for my files? I want the minutes, too.

H.M.JR: Tell Mrs. Klotz and Miss Chauncey that a copy of any communications between my office and Justice Byrnes should be supplied to the people here in the room automatically, with the exception of Mr. Stewart.

Mr. Sullivan should also receive one if they relate to wages and salaries.

Now, what do I do next, vis-a-vis Mr. Byrnes?

MR. WHITE: I think the situation is much clarified. Mr. Byrnes would like a statement such as the kind you have already prepared, to be used by him as the basis for discussion and to permit the various members to express their views on the matters which were raised in that particular memorandum. He thought that that was all he would want for the first discussion.

MR. BELL: Is that the one that we prepared and pretty well finished?

MR. WHITE: It is the one which we will have finished tonight. We promised him that he would get

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it at the latest tomorrow morning and we would be able to clear it and have it ready by tomorrow morning. He will send it out to the various members, and you will be present, and there will be some discussion. How much you will participate - I seemed to gather from him the impression that you would take a pretty active part, but I am not sure of that.

MR. PAUL: He wants to draw them out and get all their views.

H.M.JR: Byrnes is having lunch with me tomorrow, and what I am going to ask him is whether I can bring White and Paul with me.

MR. PAUL: I think that would be enough.

H.M.JR: Says Paul modestly. (Laughter) I am not saturated with the stuff. The point is, I am going to treat this like a committee on the Hill. I just haven't got the time to get saturated with it myself; and, therefore, I want to take Paul and White with me. Do you mind sarcasm?

MR. PAUL: No.

H.M.JR: I can cut it out.

MR. PAUL: No, just as long as I have a like privilege.

H.M.JR: You have.

MR. PAUL: I like it.

H.M.JR: You have - anything in this room can always go both ways.

MR. BELL: I can give you some ideas as to how it has operated heretofore. Mr. McNutt and Secretary Wickard both prepared memoranda on the subjects that were up for the last meeting, and McNutt's memorandum

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was circulated to all members of the group. Wickard did not get his through in time, but he read it at the meeting. The chairman asked each member of the committee if he had any questions to ask McNutt and Wickard or if he had any comments to make on the memorandum. That is how the discussion proceeded.

H.M.JR: I am not going to make any bones about it. I cannot change my method of operating the Treasury. I was particularly interested to learn that over at the English Treasury they do that. I mean, they always have their experts. I would practically have to stop doing everything else to saturate myself with this, and I can't do that.

MR. WHITE: You will have an opportunity to read this statement over very carefully before you get there?

H.M.JR: Why, yes.

MR. PAUL: Byrnes said that by circulating it ahead it would save you from reading it.

H.M.JR: I want to read it myself; I have got to.

MR. PAUL: I mean, aloud.

MR. WHITE: Not only reading it, but if you have one session on it--

H.M.JR: I will try to. I should have one.

MR. GASTON: One thing we want to pay particular attention to in that memorandum is the outline of the tax program.

MR. WHITE: There is nothing in it of that. That is the second point.

MR. GASTON: The Byrnes letter?

MR. WHITE: The second part, in which you suggested that Randolph have a discussion with him, which he will describe and elaborate on in a moment; but the first

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task and the immediate task which we have and the only task for this next meeting is the completion and the submission of that memorandum in time for them to submit it to other members.

MR. GASTON: That is the first letter to Byrnes on rationing?

MR. WHITE: That is right, a description of various motives. He said he was very favorably impressed with it, and, personally, I think it is a very good memorandum. With some slight changes it might be a memorandum that could well be mimeographed and given pretty wide publicity, but this is a decision we can make later. That is the only task we have for them.

Now, Randolph can tell you about the talk he had with them on taxes, which gives his view of additional taxes and the problem which is before you on the matter.

MR. PAUL: We tried to feel him out a little bit about his attitude toward the tax problem.

H.M.JR: As I understand it, the memorandum that is going is one on which you have already been consulted.

MR. STEWART: Yes.

MR. WHITE: There will be another change.

H.M.JR: But people in the room here - please let everybody have plenty of time to look at it before it goes over.

MR. WHITE: We are working on it this morning and will have a draft ready early this afternoon, which will be close to a final draft unless there are further changes made. We will have an early meeting this afternoon of this group to give an opportunity to incorporate any changes, to be mimeographed tonight or tomorrow, to be in his hands tomorrow.

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H.M.JR: Give them ample time so that they are not rushed.

MR. BELL: Have you made any substantial changes?

MR. WHITE: I don't think they are substantial. There are a number of small ones, but I don't think they are substantial.

H.M.JR: Harry, could I just suggest when you go out of the room that you fix a time for this afternoon so that the people will allow ample time? Here-tofore there has been criticism about being rushed too much. Give them ample time. And apropos, just because I have got it on my mind - it is a silly time to pop it, but I have been trying to say it for ten days - would you sometime talk to me about bringing Larry Seltzer back?

MR. HAAS: I have talked to him about it. He can come back on a part-time basis about November 15.

H.M.JR: Will he be through with this other thing?

MR. HAAS: He is working on that Port of New York authority case, and if he drops that--

MR. PAUL: He is going to be a witness, isn't he?

MR. HAAS: Yes, he thinks he will be through about November 15.

I have also talked to Don Woodward. He thinks he can be in tomorrow from his insurance company.

H.M.JR: Good. Could Seltzer sit with us while we are trying to price this thing?

MR. HAAS: I mentioned that to him. On this particular thing?

H.M.JR: Yes.

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MR. HAAS: I don't think the pricing is such a problem.

H.M.JR: Well anyway, don't you think he is a good man?

MR. BELL: Yes.

MR. PAUL: Larry Seltzer is a swell fellow.

H.M.JR: Harry, do you know him?

MR. PAUL: He has been with Tax Research quite a while.

H.M.JR: He used to sit in originally with us on the pricing; he was George's right-hand man.

MR. HAAS: I asked him if he could come down when we were working on a particular financing. He said he thought he could arrange that.

H.M.JR: What university did he go to?

MR. GASTON: Wayne University in Detroit.

H.M.JR: I was just thinking of another man, that is all. And Woodward--

MR. HAAS: Woodward was coming in.

H.M.JR: I didn't mean to bust in, but I have had this on my mind.

MR. PAUL: Woodward is a very fine fellow.

H.M.JR: I thought he was doing statistics for Lew Douglas.

MR. HAAS: No, he had a break-down and an operation. He was taken off the train in Philadelphia. He almost died a few months ago.

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H.M.JR: Now he is back?

MR. HAAS: He is back with the company. He is taking it a little easier.

MR. PAUL: He had appendicitis.

H.M.JR: I am sorry to interrupt the train of thought, but I have had this thing - I have been trying to clear this.

Now the way I understand the thing is that amongst yourselves you will agree what time the thing will be available. Is that right? Then I would like a copy tonight so I can read it before I have lunch with Byrnes tomorrow. I think that this is all right. The thing that we will do - this is what I am groping for: Byrnes made it very plain, and I think he is right, that this is going to be the kind of thing that only the principals can come to. He has in mind what happened to Wallace's meetings. So when I am not here Bell will have to go for me, but my understanding which I had with Bell when I took up the thing was that I will always have Bell sit in so he will be posted. Then in case I am not here and he goes, he will know about the other arrangements I made and they are entirely agreeable to him. I told Bell that when I do anything on this Jimmy Byrnes front he will sit in with me; but please keep it in mind that in case I am not here Bell will go, so he has to be kept posted. Is that right, Dan?

MR. BELL: Yes. I will try and sit in on some of the meetings, too, preliminary to--

H.M.JR: Which ones?

MR. BELL: White's and Paul's and the rest of them. I absorb it a little better when I get the foundation.

MR. PAUL: I think that was very educational for me.

H.M.JR: Bell did a fine job while I was gone.

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MR. PAUL: I wanted to tell you that I took the opportunity to try to discover all I could of Byrnes' views. I discovered some of them the night before from Ben Cohen, on relay through Ben. His views on the tax are something like this, that first he feels that we have got to do something about taxes or compulsory savings on the inflation front. Otherwise, all this other work of trying to control wages is perfectly useless. He understands that basic point.

Second, when he comes to taxes he is firmly of the opinion that there can be no increase in income taxes. He thinks that there is no reason why we can do today - or in January - what we could not do earlier in '42 on the straight tax front. He thinks there is a lot of resentment against additional taxes - that the general feeling in Congress is against imposing any additional taxes.

MR. WHITE: At this time?

MR. PAUL: At this time. Therefore, he says what we will have to do is move in on the second front, get through as strong a compulsory savings, not a spendings tax program, because there won't be the resistance to that, and it is kind of a flank attack; and then later in the year of '43, after some of the objections to taxation per se have been forgotten, we can perhaps get some taxes through, but not now. He is not very strong. He is pretty much inclined to take - if you do take any taxes - to take a sales tax.

H.M.JR: I would like to make a suggestion with which I hope you will agree with me. I would like you as rapidly as it is physically and mentally possible to see other people around town who are interested in taxes.

MR. PAUL: I have already moved on that front. I tried to have Leon Henderson come to dinner last night. He could not make it. I am seeing Lauch Currie Saturday.

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H.M.JR: And you have got to see Eccles.

MR.WHITE: Eccles is in favor of higher taxes, definitely.

H.M.JR: But Paul has got to see him.

MR. PAUL: That is right.

H.M.JR: I had this thought, that we might do this thing - after all, I know Jimmy Byrnes - it doesn't mean that that is the last word. For instance, you will find that Eccles and Henderson - I don't know who else in town there is--

MR. PAUL: Smith.

H.M.JR: Harold Smith is very important. They have other ideas. Let's say that all of them, for argument's sake, want higher income taxes. I think we ought to come as near as we can to being of one mind on this thing. Then I would like to try something entirely different than I ever did before. Then I would like to say to George and Doughton, "I would like to have you pick three Democrats and three Republicans, and let's spend a couple of evenings together, inviting in Henderson and Eccles and the others."

MR. PAUL: A good idea.

H.M.JR: Then let them blow off steam. These men won't be so busy, and with this thought in mind, that instead of the Treasury coming up, we will do our fighting there; and if we find it is impossible, that if, for instance, Connally, or the Speaker or somebody says, "Now look, Henry, there is no use; I have got you licked; I have got the votes. Why come up and waste your stuff on community property," and so forth, and so on, we have done our best. I mean, I am just thinking out loud.

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MR. PAUL: Incidentally, you got community property through on the estate tax - the worst part of it.

H.M.JR: I am just thinking out loud. I may be wrong; there are two ways to do the thing we have done; One is to intellectually and honestly present the program and get thoroughly trounced.

MR. PAUL: Byrnes thinks very much along your lines. He said, "Let's not go up there and butt our heads against a stone wall." He said, "We can get this all agreed on before, and then you can go up. We can stage the show."

H.M.JR: Well, I think that that is a good frank attack to these people on the Hill who say that they are not going to ask the Treasury's advice. If they think they are going to have the people like Eccles and Henderson come up and sound off, we could stop that. I think they will - if they won't go on my request, then if necessary the President's request, and maybe I could get this end of the Avenue pretty well lined up so that whatever we agree on they will stick to.

MR. PAUL: I feel pretty sure that we can line up all these others. I did see Eccles after he saw you. He stopped in the office and was there until quarter of seven.

H.M.JR: What do you think of that as an idea?

MR. BELL: Very good.

H.M.JR: I mean first have Paul do the groundwork of seeing these people as rapidly as possible, and then if they are not in agreement with Byrnes we will ask Byrnes and Cohen and all the Administration people for one evening or two or three evenings to sound off - have kind of a smoker and see how near we can get together.

MR. PAUL: That is a very good idea.

H.M.JR: I mean, have as many meetings as necessary - a smoker - I won't attempt to invite them for supper.

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We might, but we can think that over.

MR. PAUL: You might have a buffet--

MR. BELL: Do it well in advance of January 1.

H.M.JR: I can still do it this year; I don't know whether I can afford it next year, but this year I can still afford it. (Laughter) Anyway, have enough evenings until the thing is thrashed out, then certainly Byrnes can't feel that we are trying to hog the thing. We have the authority direct from the President, but I don't want to use it.

MR. GASTON: I think that is exactly right. First work on these fellows on this end and then use them to work on the Hill.

H.M.JR: We can do it in a series of evenings; and then after we get together, then invite the people down from the Hill, including the Republicans.

MR. BELL: I think Byrnes can help you a lot.

H.M.JR: I have got a call in for Prentiss Brown. Incidentally, I am going to try to get him to come to the Treasury. Did you know that?

MR. PAUL: No, I didn't know that. He is a fine fellow. They feel his loss up there more than anybody's.

H.M.JR: I am going to try to get him to come to the Treasury and help us just on this kind of stuff. How does it sound to you, Walter?

MR. STEWART: It sounds good.

H.M.JR: In other words, if we do the spade work between now and the first of January it will make life so much better. We have been Sir Gallahad; we have made our record.

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MR. BELL: I think that is right. We have made our record. Let's get some compromises here to get some taxes.

H.M.JR: We have had the satisfaction of being noble about it.

MR. GASTON: We laid pretty good ground work. The thing has sunk in all over the country everywhere that the points you made are correct, and the tax bill did not yield enough revenue, and it didn't do what it should do to control inflation. Everybody is convinced of that.

MR. WHITE: More than the question of ability there. I think by taking the position you did you make the Congressional position that much weaker. If it wasn't important, they wouldn't care what you did. They are in a sense vulnerable before their own taxpayers that they dislike the position that the Treasury takes. I think much more has been accomplished than merely the statement of a principle to which you subscribe.

MR. HAAS: If you don't do this type of thing, the education which is involved is so important they will hire a whole group of experts up on the Hill and sort of duplicate the Executive Department. They are talking about that now.

H.M.JR: Well, they may do that anyway, but this thing - if we can get this group down here, we can have an understanding. After all, we agree on something, on a program on the Executive end. Then the last evening would be with the President. On Byrnes' committee he has got Agriculture and Labor, and they should sit in. Then the last evening have the President say this - what I want the President to do is to make a speech. I want him to go out on the end of a limb once on taxes. Does it sound all right?

MR. GASTON: Yes.

MR. PAUL: A swell idea. We are going to have a little more time, too.

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H.M.JR: Well, we have got six or seven weeks.

MR. PAUL: More than that, because there is quite a period for them to organize their committees in January.

H.M.JR: We have got two months, and I think we ought to keep at this thing and at this thing. Then we will get somewhere. And it will be so much easier when you go up on the Hill.

MR. PAUL: You can't hurt my feelings by making that easier.

H.M.JR: This will just jump the gun - anybody who is sitting up nights and trying to circumvent the Treasury on this thing.

MR. PAUL: One of our great enemies in that respect was defeated - Boehne of Indiana.

MR. BELL: Was he defeated?

MR. PAUL: Yes, by a big margin, ten thousand votes.

MR. BELL: What did you get in his place?

MR. PAUL: He won't be on the committee.

MR. BELL: You will get more Republicans on the committee this year.

MR. PAUL: A share-the-wealth Republican in his place.

H.M.JR: He may not be interested in taxes.

MR. PAUL: He won't be on the committee.

H.M.JR: Talking about share the wealth, Josh Lee was kind of a wild fellow, too.

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MR. GASTON: Maybe we had better talk to Willkie.
(Laughter)

MR. PAUL: It might not be a bad idea. I talked with Douglas and Hugo Black last night and found them very interested and quite informed about taxes.

H.M.JR: Douglas and who?

MR. PAUL: Hugo Black.

H.M.JR: Well, are we all right?

MR. PAUL: Yes.

H.M.JR: Walter, you sit in on that thing with me at eleven, will you please?

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

November 10, 1942

TO Secretary Morgenthau
FROM Randolph Paul

There is attached, for your information, a copy of a memorandum entitled "Tentative Tax and Savings Program for 1943," which I received from Ben Cohen.

A handwritten signature, likely of Randolph Paul, consisting of stylized initials and a long horizontal stroke.

TENTATIVE TAX AND SAVINGS PROGRAM FOR 1943.1. Tax Program

(a) Regular Taxes - Apart from social security tax and spending tax below referred to, it might be well for the present, instead of seeking a general revision to the tax law, to concentrate on the plugging up of major leaks and the correction of glaring inequities. These inequities are:

- (1) Depletion allowances for oil and other mineral.
- (2) Tax exempt securities. In taxing income from outstanding tax-exempt bonds and possibly also from future issues, tax credit should be allowed equivalent to the increased yield he might have obtained from an equivalent investment in a taxable security. Such credit would tend to maintain existing market differentials between tax-exempt and taxable securities.
- (3) Joint Returns. Tax on joint return basis might be applied only to combined income in excess of \$2500, permitting combined income

2.

under \$2500 to be reported separately by husband and wife. (Consideration might also be given to permitting combined income under \$2500 to be equally divided between husband and wife by whomever earned, thus giving all states the benefit of the community property principle on combined income under \$2500 income.)

(b) Social Security Taxes. A substantial increase in the social security tax would seem desirable and if obtained would remove the need of applying the proposed compulsory saving plan or the victory tax to the low wage groups earning less say than \$20 or \$25 a week. If coupled with increased coverage and benefits, this would constitute an acceptable and highly beneficial form of compulsory saving.

(c) A graduated tax on retail spending. It is suggested that coupons be required for all spending for essential consumption items (except those specifically exempted by the government, because of their abundance, or for special policy reasons such as might be present in the case of milk and bread, the consumption of which might be encouraged within the limits allowed under

3.

specific rationing schemes.) Each adult individual should be entitled to a minimum amount of free coupons, say \$1,000, (coupons acquired in excess of that amount would be subject to a graduated tax, starting at 10% on the first \$500 excess with an additional 10% increase in the tax until the tax reaches 100%, or there might be some advantage in gearing the scheme from a \$50 per month free coupon base.

2. Compulsory Lending, collectible at the source.

A stated percent, say 10 or 15 or possibly 20 percent, of all salaries, business drawing-accounts, wages, in excess of \$25 per week, a similar percent of all dividends and interest payments, a somewhat smaller percent on all fees and commissions earned by firms and individuals bearing their own overhead expense. No interest should be paid on compulsory lending, but principal should be returned within 5 years after the close of the war, with provision for earlier payments in cases of actual need.

The privilege of applying compulsory pro tanto credits on income tax might be allowed to a limited extent in specified cases. The credits might be allowed

4.

for life insurance premiums, not exceeding a specified portion of the taxpayer's income, or for the payment of a limited class of debts or in the case of special hardship such as that of a taxpayer whose income has been sharply reduced from that of the preceding year.

Consideration should be given to extension the compulsory lending scheme in appropriate form to corporations, not so much because of its stabilizing effect as because of its merits in reducing the cost of financing the war and in reducing the need for high pressure war bond campaigns.

3. If these proposals are properly integrated into the tax system, it might be possible to drop the victory tax entirely. It might also be possible to substitute for, or add to the present high salary controls, a special tax of 50% of all net income in excess of \$25,000, after the payment of all other taxes, of 75% of such income over \$50,000, and 100% of such income over \$100,000.

November 10, 1942.
11:10 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Stewart
Mr. Eccles
Mr. Rouse
Mr. Piser
Mr. Goldenweiser
Mr. Draper
Mr. Szymczak
Mr. Williams
Mr. Young
Mr. Haas
Mr. Baker

H.M.JR: Well, gentlemen, the question before the House is should we have a combined effort to raise twelve or thirteen billion dollars between now and the first of January, with the hope that we can rest in January and let them do something else, or do it in the usual way that we have been doing it, in two bites, and we have been spending quite a lot of time.

Mr. Eccles came to the house Sunday. I ruined his golf for him on that day; he didn't play at all. I thought if he had the financing on his mind he would go over eighty, so he thought he would rather not play.
(Laughter)

MR. ECCLES: Yes, I'll say.

H.M.JR: Then we had this Victory Fund Committee in all day yesterday, and I think from all accounts it was a good meeting.

I think we can follow the usual procedure and let Mr. Bell tell us what we have in the way of money and what we need from now until the first of January -

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the first of February, and then we can continue the discussion. So, Dan, if you will tell these gentlemen--

MR. BELL: All right.

H.M. JR: Is Sproul ill?

MR. ECCLES: He is in California.

MR. BELL: We went out of October with about three and a half billion dollars, and I figure that we need three billion dollars in November, three billion dollars in December, and about four billion dollars in January. That is based on the present bill program which would give us six hundred million dollars in each of the months of November and December, and two hundred million dollars in January when the present cycle runs out.

We estimate that we will get six hundred million in tax notes in November, five hundred million in December, and five hundred million in January; and I admit that those estimates may be low, but I still do not want to depend on those notes too much until they have been proven for several months.

We expect to get eight hundred million dollars in November from savings bonds, a billion and seventy-five million in December, and a billion seven hundred and eighty-five million in January. On that basis we would go out of November with three billion four, and go out of December with about three billion, and out of January with three billion.

If we adopt the program that you have just suggested of trying to get thirteen billion dollars instead of the ten billion six, which we need for November and December, and we are successful in getting that much, I think we could run until possibly the first or the middle of February before having another major financing or another drive. About that time we would run out of money.

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That, of course, would eliminate the four billion dollar contemplated financing here in January. This contemplates taking up the two hundred and thirty million dollars of maturing notes on December 15 - cash.

H.M.JR: Are you through?

MR. BELL: Yes.

H.M.JR: Rouse, no one has told me - what is the condition of the bond market?

MR. ROUSE: The bond market?

H.M.JR: I mean the Government security market.

MR. ROUSE: The Government security market, during the past ten days, has pretty well gotten over the psychological effect of the two's and the one and a half's. The certificate financing was very successful, and the certificate market is in excellent condition. In fact the prices of them have gone beyond where they should be from our standpoint. The one and a half's are still in some supply, but the one and a quarters of March '45, which were in full supply, all through October, dried up and there is a small premium bid, but there is a premium bid for the two's of '50-'52.

The selling we are seeing in the market now is in anticipation of a reopening, or the equivalent of the registered two and a half's, '62 - '67. We are having a substantial amount of selling from insurance companies, pension funds and endowment funds, looking for the opportunity of reinvesting in the tap two and a half's, so-called. That is where the supply is.

Excess reserves have been fluctuating about two billion dollars, and everybody appears to be very comfortable. The news of the past week or ten days has put the October situation pretty well behind us. These people are interested in other things and talking about other things. Now they are looking ahead rather than behind.

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H.M.JR: As we continue to get this flow of good news, what effect will that have on the Government bond market - Government security market.

MR. ROUSE: I think our active participation in the war, and more activity as evidenced by the African developments, will bring the war home to people more closely, plus the additional casualties that are coming into every community. I think it should help the distribution, especially of the war savings bonds and the distribution to individuals if such a campaign is carried out as is talked about.

H.M.JR: Marriner, I do not know - a commitment has to be made by either the Federal Reserve Board or the Executive Committee. Is the Executive Committee - I mean, are you gentlemen ready to advise me that you would like me to go ahead with a drive and participate in this drive? I mean, have you got that information, or do you want to ask me some questions? It is the Executive Committee, isn't it?

MR. ECCLES: Yes, it is the Executive Committee. I discussed this letter with the Board, too. I had not had a chance until yesterday because, as you recall, I saw Dan on Friday and you on Friday, and then I saw you on Sunday, - Saturday intervened - and then I was here yesterday at this meeting. I left here at four o'clock and met with the Board and gave them a report of the developments up to last night, and then we discussed the whole situation. This morning we met at nine o'clock, and we have been discussing the various aspects of it for a couple of hours. Bob and Hap Young and Al Williams joined us. Al and Hap are the banking members of the Executive Committee. Hap is the alternate to Sproul. We discussed the whole situation this morning.

I think, as I interpret the discussions with the Board last night and with the Committee this morning, they are favorable to a drive, trying to get a substantial amount, but it is like I said the other day, it is a conditional thing. They think that it can be done if

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other things are done, and they would favor a drive and favor doing what is necessary to make the drive successful.

If any of the rest of you--

MR. WILLIAMS: That is correct.

H.M.JR: For instance, I do not see - Bell told me, one of the things is, should we or should we not have a certificate. I do not know whether you fellows want to go into that this morning or not.

MR. ECCLES: We are prepared to go into the whole thing, and I think while these men are here that we should give - we have not much time, we feel if a drive is going to be made that we need just as much preparation as possible because there is lots to be done.

H.M.JR: There are two thoughts. One is that we should start the 23rd or 24th - then you see, you go right into Thanksgiving; and another one would be to start on Monday, November 30.

MR. ECCLES: That is too late.

H.M.JR: You think that is too late?

MR. ECCLES: Yes, I think it is pushing it over too far into December.

MR. BELL: You mean to start on the first?

MR. ECCLES: Start on the 24th and run over to the 7th. You ought to figure two weeks, there - allow for that long.

H.M.JR: I don't know as I understand - as to when we are going to start, that is the question.

MR. ECCLES: That would be the 24th.

H.M.JR: That is a Tuesday.

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MR. ECCLES: Well, Monday, the 23rd.

MR. BELL: The question was raised as to whether that could not go over to the first, that starting time.

MR. ECCLES: Al, what do you think about that?

MR. WILLIAMS: As to the effect of the additional week?

MR. ECCLES: Start on November 23 - do you have any strong leanings?

MR. WILLIAMS: No, I have no strong leanings. I think the 24th - the additional week is not sufficient to do a thorough job of expanding and intensifying the organization.

MR. ECCLES: You would have the drive go just as long whether you start on the first or the 24th. It is merely a question of the starting date.

MR. YOUNG: I think you would start the last week in November - the 23rd, and give us more time.

MR. ECCLES: I do not believe that it would make an awful lot of difference - the exact week. I mean, if we saw that the time between now and the 24th crowds us, I think you could push it over to the first. If we could be ready by the 24th, I think that would be better.

H.M.JR: Marriner, between now and Thursday morning I want to settle this thing - are we going to have a drive and when, and then have everything focused toward that thing. I mean, I would like to announce when I have my regular press at ten-thirty Thursday morning, either that we are or we are not going to have a drive, and if so, when; then concentrate, if it is going to be the 23, which is a Monday, concentrate everything; or if it is going to be a week later - the 30th.

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MR. ECCLES: There is a lot for these Victory Fund Committees to get organized; there is a lot to do in getting additional war loan accounts set up in these banks, and getting banks that now have war loan accounts to carry larger balances to avoid a shift of funds which is very important; if you are going to make a big drive you have got to keep the funds in the banks. You cannot have a lot of them coming out or you will upset your whole financial picture, and there is quite a job to be done on that score.

MR. SZYMCAK: That would speak for waiting until the last of November in place of the 23rd.

MR. ECCLES: I think it could be done if we started Thursday. If by Thursday the Victory Fund Committee could start to expand and get organized and the Reserve Banks started to work on the member banks, and get the banks which do not have war loan accounts prepared to take war loan accounts.

H.M.JR: You would have ten days from Thursday to get ready.

MR. ROUSE: It requires Board action - the war loan deposits require Board of Directors action.

MR. ECCLES: They could call special meetings, I suppose. Well, let's do this. Could we leave the question of the date, whether the 24th or the first, and let us consider it? We did not discuss that aspect of it very long. I would like to think about it and maybe check it with some of the other bank people.

H.M.JR: Let's call it the 23rd or the 30th. They are both Mondays. The only question I raised - it was the Victory Fund Committee raised it--

MR. ECCLES: It is a proper question.

MR. BUFFINGTON: They would like to have until the first, if possible. They think they can do more in

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getting this added personnel in if they have that additional time. They do feel that if you go ahead on the 24th that they can effectively utilize the volunteer directive personnel that they have.

MR. ECCLES: I would give a lot of thought to their advice because we are going to put a lot of responsibility on them. If they want the first, I certainly would not press them.

H.M.JR: They did not say definitely.

MR. BELL: No, they did not recommend the first. They just say, "If it could be put over it would help us tremendously and we would do a better job."

H.M.JR: Bell and I talked about it and I think Bell ought to tell you what it means if we went over in the 30th in the way of over-draft.

MR. BELL: We will be out of money, as it looks from these estimates, on the 27th. We are spending pretty heavy on the first of this month. Whether it will keep up or not, I don't know. If it does we will run out of money before that. But according to this we would not have an over-draft with more than two or three hundred million dollars on the 30th when we opened it.

MR. SZYMCAK: The more money you need and the more of an over-draft you have, the easier it is for the Victory Fund Committee to go out and sell. I mean from two points of view, you have deposits, you have excess reserves and you have the organization.

MR. BELL: We might even decide that before we open it we want a larger over-draft than that so we would leave some balances.

MR. ECCLES: This is a point; Doctor Goldenweiser made it. I think it is important to think of it in this way. I think if you will you might feel better about it. In effect, really, what you have is a five billion dollar balance with the Fed. I mean, that is

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what you have got at all times, and it is an overdraft, in a sense, but you give to us a certificate of deposit; that is what it amounts to. We would like, all of us, for the Treasury to feel that in considering the question of balances, that there is this five billion dollars available as a balance that can be drawn upon. It would make the financing much easier where we are going to raise large amounts to be used over a period if you would let the actual balances run very low, or disappear and begin to use this overdraft or this balance with Fed. It is a revolving fund, and then as you get the money in, you pay that back. It is an automatic instrument, here, that just works automatically; that is what it does. We would like you to look at it and feel that that is really a balance you have got there.

H.M.JR: I appreciate Doctor Goldenweiser's naming the child, but there has got to be an awful lot done to educate the public on this thing, because there has been this terrific criticism which I had to take personally on account of the last financing. A number of people talked about it and said the only thing worse would have been if the Federal Reserve had handed in a subscription, itself. There is an awful lot of education that has to be done. It is easy enough to educate the people in this room, but when it comes to the others who do not want to understand it--

MR. ECCLES: I think this is true, though - that is quite a different thing than direct purchases, because it was used in this manner - this overdraft privilege - during Mr. Hoover's regime, and during peace regimes. I mean, no one has looked upon the use of these funds for a few days - an overdraft privilege - as a direct purchase, and at the time we got the legislation from Congress that very clear distinction was made.

H.M.JR: That is right.

MR. ECCLES: It was for this purpose, primarily, and I think that there would not be the same criticism at all as there would be if you put an issue out of a fixed amount and then Fed had to take up part of the issue.

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H.M.JR: Well, Marriner, I think the thing - whatever we decide to do, we have got to have the most careful press conference, and go into the thing more carefully with the newspaper men than we ever have before.

MR. ECCLES: Could we do this - could I give you what I think we are all agreed upon as a recommendation on the whole program?

H.M.JR: Have you got it written out?

MR. ECCLES: I have got the figures, but I would like to - I have to say something. Piser, will you give the Secretary some of those copies? I have the original here.

(Two papers entitled "Treasury Financing in December 1942 and January 1943" handed to the Secretary.)

MR. ECCLES: That is Number 1 - that is the first choice, and this is the alternative. There are two different programs here. If I can make a preliminary statement--

H.M.JR: How much time do you want for your statement? (Laughter)

MR. ECCLES: Just a few minutes so I can get to this figure here. (Indicating)

We feel that - and I would like Al Williams, a little later, to discuss certain aspects of this - I won't go into the detail of it, but in order to put a program over with the public and with the banks, there is a good deal of educational work that has got to be done, and clarification of quite a number of points that has got to be made. We feel that this is a transition from one type of financing to another. We are getting onto a real war financing basis. It is important that the public be taken into our confidence completely on the picture, and that they see it, so they will know exactly just what it all means and get an understanding of it.

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We feel that this is of such great importance that a radio address should be made and it should cover not only the specific terms of the financing and the future needs of the Government, but some of these other questions should be answered in this radio speech to be made, and even the question of, possibly, the views of the Treasury with reference to - we must do all we can to get more in taxation. Don't let them think we are just going out and financing this thing with borrowing; let them feel that much more should be gotten in taxation. Have them understand why it should be gotten, and how important it is that investors should come into this, and the duty of corporations - what is available for corporations, the duty of savings institutions, insurance companies, and so forth - individual investors and banks. Give them all a picture of what part they are expected to play in this. We feel that all this is terribly important.

Now, getting down to the specific problem - and we would be glad if you were willing to make such an address - to submit some suggestions and recommendations that we feel that you possibly should include in such an address.

H.M.JR: I would be more than pleased to receive them.

MR. ECCLES: Now, getting down to the specific problem, we feel that we should approach this financing, not from the standpoint of November at all, but we should think of this as a December and January financing. November will be practically over at the time the radio speech would be made, and it could be stated that the Treasury's balances are nil - that we start December with a clean sheet so far as having funds are concerned.

Our thought is this, we would take this sheet, the budget deficit of twelve billion four - our estimate of the budget estimate. Piser's figure is eleven billion four for these two months, taking the estimated expenditures as given out by the Budget, less expected tax assets, and so forth, eleven billion four, but we have added a billion just for the purpose of figuring.

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That twelve billion four less "special issues to trust accounts" - four hundred million - really means - and this is a figure that could be stated to the public - that the Treasury, after taxes, will actually need, to take care of their estimated expenditures, about twelve billion dollars.

H.M.JR: Excuse me, what is the difference between these two sheets?

MR. ECCLES: We have added a billion dollars to one. One is eleven four, and the other is twelve four. Just take the eleven, now.

This would give the public some gravity of the size of the job. Here is twelve billion dollars that the Treasury estimates will be needed here, approximately, that must be secured from the banks and the public. That is the way they intend or desire to finance that requirement; that the war savings or war bonds campaign that will be going on continuously for December and January will give two and a half billion. Now, Dan figures it will be more than that. This is conservative. I think it will be closer to three than two and a half.

From tax notes other than what would be sold during this campaign - at the end of December and during the month of January, you see, these are on tap all the time and there will be a substantial amount of taps, of notes, sold at the end of December, and during January - we estimate a conservative amount of five hundred million that would just come in currently during this two months' period. The Treasury bills will give us six hundred million new money in December on a basis of the present amount of Treasury bills; in January, if you do not increase the amount of Treasury bills at all, you get two hundred million, so that you get three billion eight without doing anything. I mean, this is just an automatic - this is financing that is already going currently.

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Now, I think that three billion eight is very conservative. That is four billion, anyway, you might say. That would leave an eight billion that would be needed from the drive or from all other sources.

Now, our thought is that you should indicate that you want in this campaign about six billion dollars. You open the two's and a half and make a coupon issue out of them; the one and three-quarters bond; make a real drive on the tax notes, particularly the two-purpose note that is an investment note as much or even more than it is a tax note. We give a quota to each Federal Reserve District for their share of the six billion, and announce that you are going to get - that you want six billion, and that you are going to make a drive for it over this two weeks' period, using the Victory Fund Committees.

You have offered a choice of three issues. To the extent that you make the drive, the banks will likely be required to take some of that amount; but the amount that the banks would be required to take would depend upon what was left after the drive, and the more that is gotten through the drive, then the less the banks would have to take.

Now, that puts the pressure on the banks, and on the public, to go out and get it outside of the banks. Criticism has been made that we get too much from the banks. We said, "If we get it from the banks it is because the banks and the public, generally, do not take enough, and therefore we are putting it on you." We are pushing it right out to the banker, not to the public, generally. These committees would go out and get just as much as they can get, and when that is over with, then what is left we would expect the banks to take.

Now, in the one and three-quarters percent bond

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and the tax notes, so far as their own taxes are concerned, they can take tax notes for their own taxes.

Then you could say that in January you would not make a drive, but any additional funds that might be required you would expect to get through Treasury bills and certificates. Now, that would be about two billion dollars, we estimate, that you would have to get in January out of Treasury bills and certificates, having your balances practically run out by the end of January, creating an overdraft preliminary to another big campaign to get funds for the next two or three months.

Now, six billion does not sound too ambitious. An estimate of this sort gives the public a clear picture of what the needs are for December and January, and lets you know exactly where you expect to get the funds, and that the banks are only expected to take what they fail to sell. The responsibility, then, for what the banks take is not up to the Treasury; it is up to the committees that are making the drive.

My thought in issuing a certificate now, is that it does compete to a considerable extent with the short tax note; that if a salesman goes out to sell securities, and if all he sells is a certificate, if he did not have the certificate he would be more likely to sell one of these bonds or one of these three-year tax notes. I do not like to see the effort put in by a lot of salesmen to try to sell certificates if we can avoid it. That is the one argument against a certificate. That is number one.

The alternative plan - take a look at that.

H.M.JR: As long as you are going from one plan to another, let me take that telephone call, may I?

(The Secretary left the conference temporarily.)

MR. ECCLES: Well, now, if the deficit is what we figured, eleven billion four, that would leave eleven billion to be raised.

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MR. DRAPER: That is the lower figure?

MR. ECCLES: Yes, if you put it at twelve, deduct three eight from that and that would leave you, if you figure it as eleven, seven two; or if you figure the deficit as twelve, it would leave a deficit - the money needed to be raised - at eight billion.

Now, we have put down here - this is the second one - that then if you want to announce eight billion as the funds that are required, then you would include the seven eighths. You would have the four issues and get eight billion, and then not undertake, in January, to do anything with either bills or certificates.

We feel that to get the six is an easier figure, and you get more flexibility than if you leave open January - not for a drive, because when it comes to bills and certificates, the public is not concerned about that. You could always get what you need in bills or certificates to fill in what you need in January, and you have got an ace in the hole, always, without making any drive at all.

H.M.JR: What do you think, Dan?

MR. BELL: Well, I certainly do not like, in each Federal Reserve district - I think if we are going to make an over-all limit it ought to be the over-all limit that includes the banking financing as well as the drive through the Victory Fund Committees.

MR. ECCLES: I agree with that, Dan.

MR. BELL: I would like to see the Secretary, when he makes that over-all limit, say how much he expects to get from the banks. Then there is no question in the end about it being a failure by anybody. We have told them beforehand that we want four billion dollars from the banks, and I think it is in everybody's mind, then, what he wants.

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MR. ECCLES: But that does not mean the banks will come in with four billion. You still might have a failure.

MR. BELL: We have got it set up so that it is almost sure of success to the extent of the money we need, but I think that if you have the Secretary say that he is going to take whatever we did not get outside of the banking system from the banks, and then these unfriendly newspapers are going to say, "Well, it was a failure." I do not think you can get around it.

MR. ECCLES: It does not amount to a failure. He has to say the total amount he wants. In an over-all picture, you have to say eight billion, or what you are after. The committees would be lost without some indication of what is to be gotten.

The question is, if you want to get eight billion and you say you are going to get four from the banks, then that means you are going to get four from the public. You have as much chance of a failure that way because if the public does not come through with four billion, then what? It seems to me that you have got to forget the question of failure and say we need six or eight billion; then that is the drive and you are going to have to get it.

H.M.JR: Bell tells me you have been on this thing for three hours yesterday - on the same thing - and there is no use hounding him. He does not agree with you. He said for three hours you did this thing yesterday, and there is no use. He has thought this thing over very carefully. He talked to me about it this morning, and possibly he is a little bit more conscious of what I went through, because he was by my side the whole time the last time, and he wants to protect me, not as an individual, but as an official - the head of the Treasury - so that I do not have to go through the very same situation I did last time. I have said right along, if the thing does not go well - they do not know this committee exists; they do not know who is a member of it; that is no reflection on the committee. I mean, the name of

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the committee or the member; that was never once mentioned. In the papers it was all Henry Morgenthau, Jr. - or were you mentioned once? Bell wants to look after the Secretary of the Treasury.

MR. ECCLES: I do not see that that protects you any more than this other method.

H.M.JR: But listen, you have been on this for three hours yesterday; you have had your day in court, and Bell and I did not agree with you. There is no use pounding us into insensibility on this thing. I mean, for three hours you were on this thing - what is the use of pounding us into insensibility on this thing?

MR. ECCLES: Your idea is, we will make our recommendation. As I said, we unanimously agree that it would be a mistake to put a quota on the banks at first. We all unanimously agree.

H.M.JR: Gawd, there are a lot of other people in the room. I do not know what they think.

MR. ECCLES: We discussed it this morning. I told them the issue and I am speaking for the Committee. They can speak for themselves, if you want.

H.M.JR: I would like to hear them once.

MR. BELL: Do you all agree there ought to be a quota on each bank? That is what I thought you said.

MR. ECCLES: Here is what I said. We all agree that you should state if you need six or eight billion for this financing - what the total amount is that you want, and that you should then not give the banks a quota, but then you should say, "We are going to make this drive for two weeks; we are going to raise whatever we can possibly raise, and then what is left over, whether it is three billion or two billion or four billion or five billion - whatever it is; after we have

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done all we can through a two-weeks' drive, then we expect the banks to take up the balance." I mean, we feel that any other approach to that would be disastrous - just disastrous.

H.M.JR: How could it be disastrous?

MR. ECCLES: I mean, if you go out and merely say, "We want four billion from the banks, and then we are going to get all we want from the public."

H.M.JR: That is not what Dan says.

MR. ECCLES: As I understand it--

MR. BELL: I am perfectly willing to have the Secretary announce that we have been thinking of November and December, and I had just as soon go to December and January. I would like the Secretary to announce that he needs eleven or twelve billion dollars the next two months, and that he is going to offer all of these securities and the Victory Fund Committee will have them for the next two or three weeks for sale for anybody that wants them, outside of the banking system. During the drive we will open up the seven-eighths and the one and three-quarters to the banks for two days, and we will take two billion dollars from the banks on each one of those issues, and that sets the banks. When you get through if you have got thirteen billion dollars it has been a huge success, and you can so announce it. You are almost certain, in this program, of getting the eleven, because I think you would get it without any drive, so far as outside of the banking system is concerned.

MR. ECCLES: But you don't want eleven in a drive.

MR. BELL: You want eleven, all told. We haven't ridden this horse yet. The Secretary is entitled to some experience before he goes out on a race track.

MR. ECCLES: You are talking about getting thirteen. All we are talking about in this drive is to get six or eight.

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MR. BELL: I have hopes of getting thirteen.

MR. ECCLES: You have got to get thirteen. I mean, that is what you have got to get.

MR. DRAPER: He means - don't you mean, 'Dan, thirteen before these other credits for which we have allowed almost four billion - three billion eight - savings bonds, tax notes, Treasury bills, and so forth?

MR. BELL: That is thirteen including those.

MR. DRAPER: That is right, so his figures practically jibe with ours.

MR. BELL: I am taking it up to December 31.

MR. DRAPER: That is right. We were going through January.

MR. BELL: If this program goes, and we get thirteen billion dollars, and then on January 1 we will have about six billion dollars to carry us through January and part of February, at which time you can have another financing like we have had in the past or you can have another drive.

H.M.JR: The only difference--

MR. SZYMCAK: There is no question, I think, between us on the amounts or the drive or banks. It is just a question of whether or not you should announce at the same time that you want four billion from the banks.

H.M.JR: That is all, and you are going to do it anyway. Bell simply says if you are going to get four billion from the banks, why not say so in the beginning instead of making it look - as they will surely twist it - as if the thing was a failure and I had to go to the banks for the four billion. You are going to do it anyway, so why not say so? It is a much franker procedure.

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MR. ECCLES: You may want three from the banks, or you may want five.

MR. BELL: Supposing you only want three and you got four; it just cuts down on subsequent bank financing; that is all it does. What I am trying to do is to make this first step sure. There is no difficulty about getting your money, I don't think, that you need, and you might get a great deal more than you need. It certainly doesn't put the Secretary out on a limb. In my opinion--

H.M.JR: I am not going out on a limb if I have my wits about me.

MR. ECCLES: What assurance is there that the banks will come through at four?

H.M.JR: I will tell you what assurances - wait a minute, nobody has mentioned this, and this is terribly important. The ABA appointed a committee to work with the Treasury and the Federal Reserve, and they will be in here tomorrow and they, at their own offer, are going to set a quota for each bank in the United States as to how much it should do, and they are going to see that they take it, by Gawd. I will put it up to them tomorrow, just the way we did to the Victory Fund - "Can you do this first job - take four billion dollars, two billion of each of these securities?" and I will get a "yes" or a "no". They are going to tell each bank how much they will take.

MR. SZYMCAK: Then the question of timing - would you make that announcement simultaneously with your drive or before your drive opens, that you are going to get four billion from the banks; or would you try to make your drive first and then make the announcement later?

H.M.JR: No, what Bell and I have in mind, and I don't see that there is so much difference, we think that when this thing is announced that the American public is entitled to know everything.

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MR. SZYMCHAK: We agree with that.

H.M.JR: The whole business - and if we have in mind to get from the banks two billion dollars of two different securities, that that is part of the picture. Now, if we want to give them all the facts - if the Victory Fund Committee is not able to raise as much money as we expect - if they should fall down - we have said here that we can always increase our bills by that amount, but that is a safety factor to see us through.

MR. BELL: Yes.

H.M.JR: The only difference I can see is - between Eccles and ourselves - is that we want to tell the whole picture and we expect, within this period, to sell two banking securities, to raise four billion.

MR. SZYMCHAK: There is just this thought that Marriner expressed to us, yesterday, and again today, and that is that if you do not say, at the outset, that you are going for four billion to the banks, then the banks, and the investment bankers, and the Victory Fund Committee would all unite to get as much as possible by this popular drive.

MR. ECCLES: And reduce what the banks have to take.

MR. SZYMCHAK: You may still want to take four billion from the banks, but that would only increase the total amount you would have.

H.M.JR: But, Szymczak, unfortunately, there are a number of people in this country that do not like what the Open Market Committee and we are doing. They look forward to twenty or thirty years - ten or twenty years - and they see that instead of financing this war at an average of four and a half percent, we are going to finance it at two percent, and it is worth a lot of money to them to wreck us. Unfortunately, you can buy a certain kind of publicity and they are not going to sit back. They are going to do everything they can to undermine the people in this room in order to get the additional high rate of interest.

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Now, if you take time in this campaign and tell the whole story, so if we go after four billion it is part of the program--

MR. ECCLES: Isn't this telling the whole story? You are implying that what I am proposing is not to tell the whole story.

H.M.JR: Yes.

MR. BELL: You are leaving an open end on the banks; that worries me.

MR. ECCLES: You are leaving an open end on the public.

MR. SZYMCAK: May I ask this other question? The committee of the ABA that is studying this is coming in tomorrow. They are studying it along the lines of the four billion, or just the question of quotas?

MR. BELL: I gave Mr. Hemingway the whole story, but they are studying it from the standpoint as to what the banks should do in helping the Treasury program. One is that they should get behind the Treasury program and sell as many securities as possible outside of the banking system; and that should be their first duty. The second is that they should see that every issue goes over where it is a banking issue, and to see that that goes over, they want to write formulas in their letter telling them about the way they should subscribe to securities, based on their deposits or other resources.

MR. SZYMCAK: That brings us to another point which Al Williams brought out this morning, and that is a lot of the bankers want to go all the way, as you know, but they want to know something about the pattern of rates, they want to know something about the reserve picture, they want to know something about the ratio policy, and there are certain other questions in their minds.

H.M.JR: They will be down here.

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MR. SZYMCAK: Fine.

H.M.JR: And I have invited Eccles, and whoever he wants to bring, to sit with us when I see them, so it is one family, and if there is any thought of playing one against the other, it cannot be done.

I think I can answer you, Marriner, may I?

MR. ECCLES: Yes.

H.M.JR: Couldn't we do this, in order to satisfy what Eccles has in mind - and a quota is a good thing - why don't we set a very low quota for ourselves with the public?

MR. SZYMCAK: By districts - to you mean the total quota, or by districts?

H.M.JR: No, no, an over-all. I mean, set one that we feel is an absolutely sure fire; then if we go over it by twenty or thirty or forty percent, that is all to the good. I think, if I understand what Eccles has in mind, that would take care of his point.

MR. ECCLES: No, that is not my point. My point is to tell the public that you want what you are going to need here, which figures eight billion dollars, approximately, to take you through. That is about what you need after you get four billion from these current war savings and other issues. You have got about eight billion left. Now, if you are going to give the public the full picture of what you are going to have to spend for December and January, and you deduct from it what you get from these other sources, it leaves eight billion, and you have got to let the public know or you are not telling them the story. You need eight billion dollars. Now the question is, where do we get eight billion? If you say we are going to get four billion from the banks, that means we are going to get four billion from the public, and as much more as we can.

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H.M.JR: You don't object to that, do you?

MR. BELL: Well, I still think it leaves you out on a limb by leaving that banking issue open. Whatever you put into the banks after you have your drive is going to be a failure.

MR. ECCLES: Announce four billion, if that is your point. My point is that you have--

MR. BELL: Announce that at the beginning?

MR. ECCLES: My point is, if you are going to take the public into your confidence on your whole financing need for December and January, if no more financing is done in December and January, then you are going to need eight billion dollars - that is where you come out.

MR. BELL: That is about right if you want to go out of January with no balance.

MR. ECCLES: Now, the public is going to be interested - the first question that is going to be raised is where do you get the eight billion dollars and how do you expect to raise it? Now, if you want to say that we expect to raise four billion from the banks and four billion from the public, then of course--

H.M.JR: Is that what you want to say?

MR. ECCLES: I think you are taking more of a chance, and putting the Secretary more on a limb that way than if you - my suggestion is to protect the Secretary, and I think you protect the Secretary more fully if you say you are going to get all you can get from the public and then the banks are going to take up the balance, whether it is one, or two, or three, or four, or five. Everybody knows that the banks are the last line of defense, and they are going to have to be used to take up what is left over.

H.M.JR: Now let me ask Bell. Bell, if it was left entirely to you, how would you announce it?

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MR. BELL: If it was left entirely to me, I think I would go back to the original.

H.M.JR: What is that?

MR. BELL: I would not announce any over-all limit. I would say that we are going to have a drive to sell as many securities outside of the banking system, and then all I would announce would be the four billion dollars from the banks as the limit.

Now, I know the Victory Fund Committee all feel that you have got to have an over-all limit, something to shoot for, but I think if you had that program, and said that what you are going to get from the banks are those two issues of two billion dollars each, and then you came out with this thirteen billion dollars - I think it would be hailed as a great success.

H.M.JR: Well, I mean, if the eight billion dollar figure - say you are going to get four billion dollars from the banks and four billion dollars from the public--

MR. BELL: Or any more that they want to subscribe over and above, but four billion is the limit from the banks.

MR. SZYMCAK: You wouldn't mention the four billion from the public?

MR. ECCLES: If you mention the over-all figure, it is a natural deduction. I think if you are going to take them into your confidence you have got to give them the story. The Victory Fund has to have something to shoot at.

MR. ROUSE: With a general statement it won't be as hard to get something satisfactory as the extreme position indicates.

H.M.JR: I do not think this is nearly as important as spending the time on the organization and getting the salesmen together, and all those things. I mean, it

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seems to me - Eccles has his ideas, and he may be right; we have ours; we may be wrong, I do not know, but I would like to think more about it. I do not think the thing is going to sink or swim on that.

MR. SZYMCHAK: No, it is just a question of whether you are going to mention the total amount that you expect. If you mention the four billion from the banks, then by deduction, that is what you expect to get from the public, and if you do not get that, the reaction will be bad.

H.M.JR: Could I think about it some more the rest of the day? I would like to say this. The more I have listened to this discussion the more I realize how many things there are to do, and with Thanksgiving coming on the 26th, I am very much inclined to start this on the 30th.

MR. SZYMCHAK: I think you are right.

H.M.JR: If you do start it on the 30th and get three full weeks ending the 19th - you could end the thing, definitely, on the 19th, the Christmas week comes a week later, you would have three full weeks in December and you would not come into the people who want to shop for Christmas. You would get three full weeks in December.

MR. SZYMCHAK: Are you doing anything with the war bonds?

H.M.JR: There are a lot of things which are being done and I have got their statements here, and as to the publicity - we are clearing everything, working through not only OWI but, which is more important, the Advertising Council. They have a lot of things on the fire. The only thing about which there is any argument is on the F and G bonds. They plan a big drive beginning with the 16th of November. I think I am correct - they, so far, have said they would discontinue this in every place except the State of New York, but the State of New York people are coming down here tonight to have an additional conference, with the possibility of their giving that up as well. Isn't that the status of that?

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MR. BUFFINGTON: Mr. Secretary, four of the Executive Managers, Perry Hall, Patton, Bendere, and Grunigen, are in my office now, and they think some very definite statement should be made that the F and G drive is called off in all states or they feel that the confusion will not permit them to do a good job on this deal. They came in this morning to see me after I talked with you. We planned to have a meeting with Mr. Bell as soon as we can to discuss it with Gamble, but I do think, after listening to an hour's conversation this morning, that that is vital to the success of this undertaking.

MR. WILLIAMS: I think that is correct, Mr. Secretary.

H.M. JR: To answer Szymczak - as far as I know that is the only thing. They have got a lot of other drives which would not in any way bother, but the F and G drive - we have been over everything.

MR. BELL: I think that is right.

MR. SZYMCHAK: Can I ask one more question? Shall George Buffington and all of us go right ahead with this Victory Fund Committee - have them get organized and get going, or do you want us to wait, I mean, on this plan of expansion and hiring people.

H.M. JR: As far as I am concerned. I do not know what Williams had in mind - I haven't talked about keeping up the excess reserves or anything like that, because I take it that you people will do everything that is necessary to be done. I could spend a couple of hours on that, but I take it that is what you are going to do.

MR. ECCLES: That is right. You will have substantial reserves if you let your balances run out. That will become deposits - instead of the Treasury, it will become deposits of other people and will help you in your drive and, likewise, it would mean the excess reserves would automatically increase as the balances the Treasury has with Fed disappear and you get an overdraft. All that will automatically build up the excess reserves so you ought to have a substantial amount of excess reserves on this program.

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H.M.JR: I still lay more stress on the excess reserves than I think you people do.

Williams wanted to say something.

MR. WILLIAMS: My mind has been active on a somewhat different, but I think even more important phase of the program than the details of the program immediately ahead. As I see the picture, we are entering into a new phase; we are going over from a monthly to a bi-monthly basis, with a lull in January which gives us the figures of a magnitude that we have never had before. We are thinking of thirteen billion from November 30 to January 1. Now, I think that calls for a general statement of policy, a bringing together of policies from whatever sources from which they emanate and tie them together in a general pattern which might prevail throughout the war and be announced by you to the country.

Now, I called together the ten banks in Philadelphia that had made supplementary contributions. We subscribed two hundred million to those two's and one and a half's. By any fair standard, we should have produced two hundred and sixty. The burden of our conversation was what can we do to avoid a repetition of this, and the bankers were willing to do their share, but they said, "Now, you can overload a willing horse. There are a lot of banks in this district that are not doing what they should." We said that there ought to be a quota - a bank quota, and there is a lot to be said for having that self-imposed.

MR. ECCLES: Individual banks?

MR. WILLIAMS: That is right. You experimented with it and we experimented with it, and I have got some very interesting results here by specific banks which I think will throw light on the general point that I am making.

Here is a bank that subscribed five million and their quota was four million six. Here is one that

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subscribed fifteen and their quota was thirteen. Here is another that subscribed four million and their quota was three. Here is one that subscribed a million four and their quota was five eight. There is one that subscribed two hundred thousand and their quota was eight hundred and fifty. Here is one that had a six hundred million eight hundred thousand subscription and their quota was two million eight.

MR. BELL: Based on deposits?

MR. WILLIAMS: Well, that is based - it is a combination of adjusted deposits and what we call adjusted capital. The reserve did not come into it; we purposely eliminated it. You could work out any rational system for the distribution. I think the principal point is that there was wide variation here in what the banks did.

"Well," they said, "we are not going to criticize the small country banks that did not come along because there are a lot of questions in their minds and they want those questions answered." Well, what are some of those questions? The question that they raised was what is going to be the attitude in the future towards an all-out effort on the part of the bank in support of the Treasury's program that extends to liberal borrowing? What is going to be your attitude toward a marked shift in the capital deposit ratio? What is going to be the attitude toward certain maturities? A man specifically told me that he had been criticized for purchasing Governments. For over five years, when we were coming along asking him to buy Governments, he had responded to our request, but, he says, "You had better get integrated on this."

MR. ECCLES: The examiners?

MR. WILLIAMS: Now, the examiners - the State Banking Commissioners - in the country are meeting next Monday and Tuesday, and it would seem to me that if the regulatory authorities here in Washington could get together on what was not a detailed announcement of policy, but

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something that was general enough to be of guidance, if we could have an announcement from you, Mr. Secretary, as to what you were expecting the banks to do - the insurance companies, the pensions and other trust funds, and the corporate business interests of the country - if we could make an announcement concerning the shift to a bi-monthly basis, if there is likely to be one. I do not think you would have to be definitive, but I think you could give to all of the interests of the country a statement that would weld them together. We are in a natural transition period here, now. We are intensifying the organization of the Factory Fund Committee; we are in a new phase of the war. There would be a lot to be said for the laying down of a general policy which might prevail. You could reiterate your stand on the two percent, which I think could bear repetition.

H.M.JR: That is all right with me.

MR. ROUSE: I should have amended my statement or added to it to say that Dan's speech to the IBA in New York facilitated this transition in the market the last three weeks very materially. The general comments which you are all familiar with have been said before, but it did register; there isn't any question about it.

H.M.JR: What the "Time" magazine called "eyewash".

Well, anyway, I agree with everything you say, and I think, Bell, if we could get Preston Delano in on this and possibly - is he well received by the State? Couldn't he go to the meetings?

MR. BELL: Yes, he and Leo and Marriner's crowd could get together on some kind of a statement. He has already made a statement on this ratio.

H.M.JR: Couldn't Preston go up representing me and talk to them?

MR. BELL: I think so.

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MR. ECCLES: The FDIC and the Federal agencies ought to get together first - the Federal Reserve, the FDIC, and the Comptroller's office should get together on a statement, and then that statement should be prepared and it isn't necessary for any one individual, necessarily, to discuss it except to say that this is a policy of the Federal Agencies, and the Federal Agencies recommend to the State Bank Commissioners the adoption of a like policy. If the Federal Bank Commissioners know, specifically, the policy which has got to be written out - they have got to write it out - the policy that the Federal Agencies have all three agreed upon, it would seem to me that there may well be a resolution passed in which the commissioners--

H.M.JR: Which are the three agencies?

MR. ECCLES: The FDIC, the Comptroller's Office, and the Federal Reserve.

H.M.JR: Would you have time?

MR. BELL: I will take care of it.

H.M.JR: Would you call a little meeting?

MR. BELL: Yes.

H.M.JR: Then maybe Preston could go up.

MR. BELL: When is that?

MR. SZYMCAK: Monday and Tuesday in Philadelphia.

H.M.JR: Couldn't somebody from the Treasury, the Fed, and the Comptroller's Office go up there and have some one person talk for the three?

MR. ECCLES: Have somebody go up and present a written statement and suggest or request that they might adopt a similar policy in convention assembled then you have pretty well accomplished it.

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MR. WILLIAMS: I had just one more point. I think it would be unfortunate if the War Savings Staff made a vigorous drive on F and G's. It would cut across our territory, taking them into trust companies and elsewhere, at a time when this was going on.

H.M.JR: I agree with you. The thing is - look, you asked me a question. I agree with you. We will go back - I have cleared the decks with OWI. They said not only they would not put anything in our way, but they would also assist us. You might be interested to know they are supervising for the Government fifty-two different publicity campaigns. I have got to see the Advertising Council tomorrow morning at ten. I want to know how much help I can get from them, and I want to see the ABA, so I want to keep this thing fluid until Thursday morning.

MR. SZYMCAK: In other words, we will stand by with the Victory Fund Committee until Thursday.

H.M.JR: I think so, don't you, Dan?

MR. BELL: We will send a telegram telling the Secretary's decision on Thursday if he announces it at his press conference.

MR. BUFFINGTON: They are now in the process of sending to us suggestions for an enlarged organization, which should be here by Thursday. So the minute we get word here they can start to proceed with enlarging their organization.

MR. SZYMCAK: Because that is a job in itself, as you know.

MR. ECCLES: What ought to be done is that a very comprehensive statement or wire should go out to the chairmen. They are all in the dark. They don't know a damned thing about what is going on here. It seems to me that the sooner that we can get--

H.M.JR: Thursday morning isn't holding it up.

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MR. ECCLES: No, but you ought to prepare in the interim a comprehensive wire that would bring up to date these chairmen, these bank presidents.

MR. BELL: That is right.

MR. ECCLES: With reference to the organization of the Victory Fund Committees, their managers were in here; but they are the chairmen and they are not here. They should be advised, it seems to me, so that they can go ahead and get back of these managers to expand this organization.

Then the Board, in turn, has got to advise their chairmen that the expenses of this organization, which have been approved by the Treasury according to this wire that you would send them, will be paid for, for the time being, by the Federal Reserve; that the Secretary would expect to put this on a reimbursable basis at such time as appropriations were made available to meet the problem. When it comes to the question of this big expansion and increased expenses, we have got to let them know, now, that they have got to pay for it for the time being. That could be done simultaneously with your approval of this expanded organization, when your wire is sent out to them as chairman. Do you agree with that, Dan?

MR. BELL: Yes, that is all right.

H.M.JR: Well, now--

MR. BELL: Bob Rouse suggested that you might want to open it on Friday, right after Thanksgiving, making your speech Thanksgiving Eve, and letting Thanksgiving day be a day of interim so that your material could all get out.

H.M.JR: That would gain--

MR. BUFFINGTON: That is a bad day to open, following a holiday, in between a holiday and a week end.

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MR. BELL: Is that bad?

MR. BUFFINGTON: There will be a lot of people who aren't available and a lot of men who aren't going to start off with a bang on this thing.

MR. BELL: We could give up the holiday.

MR. ROUSE: We could take the advice of the Victory Fund Committee, I think, very largely, about the opening.

MR. BUFFINGTON: They have already urged that that not be done, as you remember, Dan.

H.M.JR: What did they say? Give them Rouse's suggestion, anyway. There are three days suggested, the 23rd, the 27th, and the 30th.

MR. BUFFINGTON: I would follow the recommendations of these four men.

H.M.JR: I would listen to them, anyway.

Now, my schedule is this - this ABA is coming in tomorrow. Who over at your place, Marriner, could help us both draft a statement for me for Thursday - who over there could help?

MR. ECCLES: Let us discuss it, here. You mean a statement for the press, not the radio?

H.M.JR: No, no, for the Thursday announcement, on the assumption we are going to do it.

MR. ECCLES: Let me discuss it.

MR. BELL: We would also like to have their help with this Banking Committee. They are going to sit here and try to write a statement and also the formulas. The formulas have to be given quite a bit of consideration.

H.M.JR: ABA are coming in at three o'clock on Wednesday.

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MR. BELL: And they are prepared to stay over a day or two.

H.M.JR: I wanted Eccles and somebody else from his shop to come in.

MR. ECCLES: Well--

H.M.JR: Tomorrow afternoon at three. Could somebody from your committee stay over?

MR. ECCLES: I think that Al Williams ought to be here and maybe Hap, too, because it is the ABA boys that deal with all of their boys.

MR. WILLIAMS: I can give them the advantage of these calculations.

H.M.JR: I think things are going to happen so fast between now and Thursday morning that if they could stay on it would be very helpful.

MR. ECCLES: How are you fixed, Hap?

MR. YOUNG: I can stay.

MR. ECCLES: These two fellows can work with the ABA.

H.M.JR: There is another thing. I have asked Bell - it would be the Fed, the Treasury, the FDIC, and the Comptroller - to get together on what you want to agree to put up to the State bankers, and Williams and Young could help us on that, too. There is plenty to be done.

MR. BELL: I think Sienkiewicz might help us on this publicity. He is a very good economist and vice president of the Federal Reserve in Philadelphia.

MR. ECCLES: On what is that?

MR. BELL: On drafting all of our material in the next ten days.

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MR. ECCLES: Let's have him come down.

H.M.JR: Sienkiewicz?

MR. BELL: Yes, he is an economist and vice president of your (Williams') bank.

H.M.JR: Could you have him here tomorrow morning?

MR. WILLIAMS: Yes, we will get him down.

H.M.JR: Well, everybody think between now and--

MR. ECCLES: Of course, before you draft your statement for the press you have got to have a lot of these discussions, because that is what will make up the statement.

H.M.JR: That is right. We will start drafting. You might start drafting, and then we can get together tomorrow morning sometime.

Walter, do you want to say anything?

MR. STEWART: I have nothing to add, Mr. Secretary.

H.M.JR: Goldenweiser?

MR. GOLDENWEISER: No.

H.M.JR: Draper?

MR. DRAPER: No.

H.M.JR: Well, let's be in close touch with each other the next two days.

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TREASURY FINANCING IN DECEMBER 1942 AND JANUARY 1943
(In millions of dollars)

Budget deficit		11,400
Special issues to trust accounts		100
Securities issued to the public and the banks		<u>11,500</u>
Savings bonds - December and January	2,500	
Tax notes - Other than in campaign	500	
Treasury bills - December	400	
Treasury bills - January	<u>300</u>	<u>3,700</u>
Other securities issued		<u>7,800</u>
Campaign including 2 1/2 and 1 3/4 per cent bonds, 7/8 of 1 per cent certificates, and tax notes		<u>6,000</u>
Treasury cash balance at end of January		<u>1,000</u>

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TREASURY FINANCING IN DECEMBER 1942 AND JANUARY 1943
(In millions of dollars)

Budget deficit		12,100
Special issues to trust accounts		100
Securities issued to the public and the banks		<u>12,200</u>
Savings bonds - December and January	2,900	
Tax notes - Other than in campaign	900	
Treasury bills - December	600	
Treasury bills - January	<u>200</u>	<u>1,800</u>
Other securities issued		<u>2,200</u>
Campaign including 2 1/2% and 1 1/4 per cent bonds and tax notes		6,000
Certificates and additional Treasury bills - January		<u>2,200</u>
Treasury cash balances at end of January		<u><u>200</u></u>

FINANCING PROGRAM FOR NOVEMBER-DECEMBER

	<u>In our cash estimates</u>	<u>May be added by a drive</u>	<u>Total</u>
From banking securities:			
Treasury bills	\$1,200 M	-	\$1,200M
7/8% G/I's (Nov. 1 - \$.5M)	2,500	-	2,500
1-3/4% bond	2,000	-	2,000
	<u>5,700 M</u>		<u>5,700M</u>
Non-banking securities:			
7/8% and 1-3/4% securi- ties above	-	500 M	500 M
Savings bonds	1,875 M	625	2,500
Tax notes	1,100	1,000	2,100
2-1/2% bond (tap)	1,000	1,500	2,500
	<u>3,975</u>	<u>3,625</u>	<u>7,600</u>
(Need \$10,675M)	<u>9,675</u>	<u>3,975</u>	
Non-banking funds		7,600	
Banking funds		5,700	
Total		<u>\$13,300 M</u>	<u>\$13,300 M</u>

November 10, 1942

Nov. 18, 1942

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Mr. Sullivan phoned Sen. George's secretary
and said this American Legion Commander
is going to send a committee to Washington
to confer on this matter.

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Mr. Sullivan and Mr. Gamble read this.

November 10, 1942
12:33 p.m.

HMJr: Hello.

Senator George: Hello.

HMJr: Walter?

G: Yes, Henry. How are you?

HMJr: Oh, I'm alive and kicking. How are you?

G: Fine. Did you have a nice trip?

HMJr: Very, very interesting and very encouraging.

G: Well, it must be.

HMJr: Yes.

G: Looks like things are breaking.

HMJr: Yeah, breaking our way at last.

G: Pretty fast.

HMJr: Yeah.

G: Well, that's fine. Henry, I - I wanted to make a suggestion to you.

HMJr: Please.

G: You know down in Georgia....

HMJr: Yes.

G:our local bond folks, the people that are selling, they called on the American Legion - the State Legion....

HMJr: Yes.

G:and they built up a fine program, and they're going to - they're going to take care of about eleven hundred - about a million one hundred thousand bonds in November.

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HMJr: Is that....

G: They've already got it underway.

HMJr: Yeah.

G: Which will be about two million - ah - two million about over - over their quota.

HMJr: Yes.

G: And those men who are familiar with it tell me....

HMJr: Yes.

G:that if you would - if you would request the National Commander....

HMJr: Yes.

G:to put it on, say in January or February, all over the country....

HMJr: Yes.

G:that they would - they would sell a lot of bonds.

HMJr: I see.

G: And it's one of the - one of the - they've got one of the best programs worked out, one that has the finest direct personal appeal....

HMJr: Yes.

G: ...and they just know it can be worked because it's being worked with us now....

HMJr: Fine.

G:on a big scale in a fine way.

HMJr: Fine.

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G: And the National Commander would be very glad to do it, because he's familiar with what the Georgia Legion folks have done.

HMJr: Well, it sounds very interesting and very encouraging.

G: Now I think that if - if you'd just ask him if they wouldn't duplicate the Georgia program throughout the country, say during the month of January or February - or I'd say January....

HMJr: Yes.

G:well, I think it - I think it would get real results.

HMJr: Well, I'll get on it right away.

G: All right. He'll be here, you know, to talk tomorrow over at Arlington with the President, for a few minutes.

HMJr: Well, I'll have Sullivan contact him. He knows him.

G: Yes, he knows him, knows him well. He knows something about this Georgia situation, I dare say, but my reports that are reaching me indicate that they're going over big down there. They - they've - they thought they had a job they couldn't do, but they're going to do it and do it - they're going to exceed the State's quota.

HMJr: Well, maybe the volunteer War Bond program isn't so bad.

G: No, it'll work that way. Those fellows feel that they've got something worthwhile to do, you know....

HMJr: Yes.

G:and they're glad to do it.

HMJr: Well, I hope I can see you soon.

G: Yes, thank you, Henry, thank you. I hope to see you.

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HMJr: I'll get right on this.
G: All right.

I just had a very important conversation with Senator George and I want Miss Chauncey to let John L. Sullivan and Ted Gamble read it. And between the two of them, I'd like to see something done about it today, still, and I'd be glad to write a letter or telegram to the National Commander of the American Legion and say in this telegram that the suggestion is made by Senator George. And then send a copy of my telegram to Senator George. But I'd like to personally be kept posted, because I consider it very important, considering the fact that it came from Senator George. I'd like a report on it and what can be done from Gamble and Sullivan this afternoon without fail.

MEMORANDUM

November 10, 1942.

TO: The Secretary
 FROM: Mr. Sullivan

JHS

Commander Roane Waring of the American Legion is leaving tomorrow afternoon for New York. However, he is returning Thursday, November 12th and will phone me in the morning when he arrives. He is anxious to see you and if you will set a time either in the late forenoon or afternoon I will have him here to meet you.

I have phoned Senator George and advised him of developments.

11:15 Thurs.

RECEIVED
 1942 NOV 10 PM 5 10
 TREASURY DEPARTMENT

4:15 Thurs.

11/12/42
 appt change to
 11-12-42 at
 10 am

November 10, 1942

Otto Jeidels came in to see the Secretary at 3:30. Mr. Jeidels told the Secretary that as he undoubtedly knew he was the partner of Lazard Freres and was quite happy there. However, he had been recently approached by Mr. A. P. Giannini to join the Bank of America, and before he committed himself, knowing of the differences between the Bank of America and the Treasury, he wanted to know whether he could get the approval of the Secretary on his joining the Bank.

The Secretary's reply was as follows:

"I have never since I have been at this desk told any banking institution whom they should or should not employ, and I think it would be very foolish for me to start at this time. Mr. Mario Giannini came in to see me sometime within the last twelve months, and we had a very frank talk, and from that day on the Bank of America has complied with the rules of the Treasury, and I have no complaint about the Bank. Since Mr. Mario came in, and since they employed the attorney, I think his name is Kelly - I am not sure - here in Washington, things have been going all right and Kelly has been very constructive. If the Bank of America wants to employ you or anybody else, that is their business."

Mr. Jeidels thanked the Secretary very much, and said he was very happy to hear that the Bank of America had complied with the policy of the Treasury; that he hoped it was not improper for him to submit the matter to the Secretary, and that if the Bank of America had not complied with the spirit of the government authority that he would have felt it improper and disloyal to join the Bank of America.

November 10, 1942
4:10 p.m.

INTERNAL REVENUE PERSONNEL

Present: Mr. Sullivan
Mr. Cann
Mr. Thompson
Miss Elliott

H.M.JR: What I wanted to know, gentlemen, was this. Would you give me a thumbnail sketch of what you are doing to get ready for the first of January.

MR. SULLIVAN: Twenty-four hundred people are to be employed on the first of December; three thousand on the first of January, which is a total of fifty-four hundred people. We think that will be adequate to handle the additional work required by the new tax bill.

H.M.JR: How are you getting those people?

MR. CANN: We are getting those people, Mr. Secretary, by having each one of our local collectors contact the people every way that we possibly can, through schools and through local contacts. You see, all the offices of Civil Service, to my knowledge, have thrown up their hands in that they are unable to supply us with adequate accredited lists.

H.M.JR: What success are you meeting with?

MR. CANN: We have just started this, Mr. Secretary, as you no doubt know, and we have not had any comprehensive reports because, as Mr. Sullivan just told you, we plan to put these people on commencing December first.

H.M.JR: Are you going to have a school for them? Are you going to teach them?

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MR. CANN: We generally send around from Washington, teachers from our school unit that we have over there. Then, of course, they will be assigned, as you know, probably, to older and experienced deputies in breaking them in.

H.M.JR: Are you trying to get women, mostly?

MR. CANN. We are putting the emphasis to use women wherever we can possibly get them, where they are qualified.

H.M.JR: What do you pay these people when they start?

MR. CANN: We are increasing the pay as much as we can and stay within prescribed standards - eighteen hundred dollars.

H.M.JR: You start at eighteen?

MR. CANN: Eighteen hundred dollars. Wait a minute, let me correct that - eighteen hundred dollars to our zone collectors, our deputy collectors. Now, our clerks in the office start from fourteen forty up.

H.M.JR: Now, how many of those five thousand - I have been getting my news from the Wall Street Journal--

MR. SULLIVAN: They have had better access to you lately than we have. (Laughter)

MR. CANN: We are going to put on twelve hundred Grade 6 deputy collectors at an annual rate of twenty-three hundred dollars. Now, actually, what will happen there, Mr. Secretary, we will promote people that we now have in the field offices that are in a lower salary grade, and move them up so that those which we hire will be in the lower grade. Then we propose to put on twelve hundred Grade 5 deputy collectors.

MR. SULLIVAN: I think the Secretary wants to know what proportion of those do you expect will be women?

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H.M.JR: No, I just wanted - I mean, if you can't get - for instance, are you using the radio, or anything like that - the local radio?

MR. CANN: We have done this, I happen to be a member of the American Institute of Accountants, and through that agency at their last convention in Chicago we had a statement made pointing out the openings and the advantage of women entering Government service in the Internal Revenue.

H.M.JR: Have you circulated the women's colleges?

MR. CANN: I would say locally, yes; I would say from Washington, no.

H.M.JR: There is a list of seven or eight hundred colleges.

MR. SULLIVAN: I think that is a very good suggestion.

H.M.JR: And they all have employment services for graduates.

MR. SULLIVAN: I think that is a good suggestion.

H.M.JR: Miss Elliott, upstairs, could help you on that.

MR. CANN: We have been contacting, Mr. Secretary, more particularly commercial - these commercial schools, of course, have their people--

H.M.JR: But the trouble with that is, from what I gather, all those people, they have all had the cream - I mean, everybody has been to them. You have got to go to new sources. I mean, everybody has been to those things. It is all right to go to them.

MR. SULLIVAN: We cannot bid against industrial jobs.

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H.M.JR: But I think you will find that unless we go to something new - now, what I am thinking, I want to talk to Miss Elliott. I just wondered if you couldn't get somebody, maybe some of these colleges might give a short course for us right in some of these colleges, or send a Treasury man to the college.

MR. SULLIVAN: Well, you mean have the girls go back there and have one of our men--

H.M.JR: Go to the colleges.

MR. CANN: You mean have, for example, some courses in taxes?

H.M.JR: I mean, whatever they are going to have to learn. I mean, supposing - there is a certain routine they have to learn; you have to teach them.

MR. SULLIVAN: That is correct, but I think they would have to learn with the other people who are going in the course.

H.M.JR: Where are you going to run this school?

MR. SULLIVAN: Around in the different schools.

MR. CANN: We send them to each collector's office. We have done that for a long period of time.

H.M.JR: As I say, I may be wrong, but I think you are going to be disappointed. We just had that little experience with the English Purchasing Commission, the way they tried to get the people from all the business schools and everything. It may be a little easier if you are going to want them in the field. I think you are going to have a tough time here.

MR. CANN: These are not for here, Mr. Secretary. This supplemental appropriation, which is what we are referring to, is entirely for the field.

H.M.JR: That is fifty-five hundred?

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MR. SULLIVAN: Fifty-four hundred.

MR. CANN: Yes, fifty-four hundred and seven, and twenty people for the departmental, here in Washington.

For example, if you take a city like Detroit - I was just talking to a collector. They are reaching out trying to make these contacts that you refer to - although I did not discuss academic subjects.

(Miss Elliott entered the conference.)

H.M. JR: This is quite different from war bonds. We are talking about how we can get fifty-four hundred new employees for Internal Revenue, and I raised the question about going to the women's colleges. I am afraid when we go to accountants and schools of commerce all that we are going to find is that they have been pretty well skimmed. Tell Miss Elliott, just briefly, the kind of job it is so she could be thinking about it and make some suggestions. I want to get up a letter to the women's colleges telling them what we want - graduates, you see - and tell them what the jobs are.

MR. CANN: These positions, Miss Elliott, would start in anywhere from sixteen twenty to eighteen hundred per annum, largely composed of two classes of jobs; first, outside officers, which are deputy collectors in two grades, for example, Grades 5 and 6. Now, each one of these deputy collectors would have to know and have to be able to administer, check, and advise taxpayers on probably somewhere in the neighborhood of ninety different types of taxes. Of course, a great deal of their work would pertain to income tax and social security employment taxes.

Now, these people on the outside jobs would be called upon to contact people whom they had never met before. That is to say, we take our collection districts. Take a city like Detroit, we divide that city geographically and we have deputies which would be assigned certain blocks. They might have Mr. Brown, Mr. Smith and Mr. Jones, and have never seen any of them.

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The different types of people and conditions would call for judgment and discrimination in the handling of those people. The collection of taxes, which is the primary function of the deputy collector, calls, as you would no doubt guess, for great discretion and diplomacy. A woman would have--

H.M.JR: All at eighteen hundred? It sounds awfully low to me.

MR. SULLIVAN: This has recently been raised, Mr. Secretary. It heretofore has been as low as fourteen forty and sixteen twenty.

H.M.JR: But all of these jobs but twenty are outside of Washington.

MISS ELLIOTT: Are they regional? Do you know just about how many you would need in each region?

MR. CANN: Yes, indeed, we know that. We would break it down - referring again to Detroit - we would know how many we would want in Saginaw and in the other places in the Upper Peninsula. We have that all blocked out based on the number of income tax returns which were filed for preceding periods. We can determine fairly accurately what the increase of returns will be.

MISS ELLIOTT: Most of the colleges have rather well-organized appointment bureaus and if a very clear and concise letter was written to these appointment bureaus, and the number needed in certain divisions - for example, take universities like Wisconsin, Ann Arbor, Illinois University, and Chicago, and so on, if the letter indicated how many people we needed in that particular region they could pretty nearly tell you whether they had--

H.M.JR: Would you be willing to sign the letter?

MISS ELLIOTT: Yes.

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H.M.JR: I think it would be a personal touch - I mean, they know who you are, and they don't know the rest of us.

MR. CANN: If she were to sign the letter, Mr. Secretary, and suggest that they call at the office of the local collector there--

H.M.JR: It is just the idea, "Oh, look, Miss Elliott is writing us from the Treasury. She says they need twenty people. That is nice of Miss Elliott to think of us." That would be their attitude, that you are doing them a favor. "That is nice."

MISS ELLIOTT: In turn, would the collectors know that these colleges--

MR. CANN: We would have to let the collectors know.

MISS ELLIOTT: Know that a letter was going to these colleges, or they would say, "What are these colleges calling us up about?"

H.M.JR: A copy of her letter could go out in advance to the collector, couldn't it? It could be in the collector's hands, say, a day or two in advance of Miss Elliott's to the college. Could that be done?

MR. CANN: Indeed it could.

MISS ELLIOTT: Let me think about that a little while.

H.M.JR: Suppose you think about it. Mr. Sullivan's room is almost below you. You might talk to him. I am only thinking; this is not prearranged. It is a difference of - this is just another letter from the Government service wanting people, but if, on the other hand, a little personal touch--

MISS ELLIOTT: There are so many women and I am trying to get them not to go into the WAACS and the WAVES if there is another service they are efficient in, if they can be made to understand that this is an

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emergency and has a future in it. Another thing that I think women are worried about now is that they are going to be drawn into things and then will be dropped when the men come back and want the jobs.

MR. CANN: That is what my wife says. She says I should let her go back to work because she is going to be called up here - mobilized into something.

H.M.JR: Did she used to work in the Government and she wants to go back now?

MR. CANN: Yes, she hounds me every night.

H.M.JR: I knew Miss Elliott would have some ideas.

MISS ELLIOTT: Those women would never transfer to the Internal Revenue office in Greensboro if they thought that within eight or nine months or a year or two years, they would be dropped and a man come back and take their place. You will never be able to get good women to do this.

H.M.JR: Aren't these new jobs?

MR. CANN: We are faced with that, and these positions are all for the duration only. That, you know, is a handicap.

MR. SULLIVAN: That is true, but you certainly can assure them that the burden of work that the Bureau will have to carry is not going to be lessened within the next fifteen years.

MR. CANN: We do that.

H.M.JR: Excuse me, this fifty-four hundred, Miss Elliott, is not to take the place of men dropped; it is to take care of additional taxpayers.

MISS ELLIOTT: Then these people would not be taken on just for the duration?

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MR. CANN: No. As a practical thing, we tell people that we are putting on now - they read "appointment for the duration" and we try to explain to them, "Now just be practical, we know that this emergency for revenue is going to exist for years after this war is over and this very substantial block of taxpayers will continue. Therefore, while other departments will be curtailing personnel when this emergency is over, the Bureau of Internal Revenue will not be curtailed." That is what Mr. Sullivan said.

MISS ELLIOTT: I think that statement should be made in your letter to these personnel people - to these appointment bureaus. Everybody is working hard to get people and there is a tremendous appeal for women.

H.M.JR: That is what I have been telling these men. They do not believe me.

MR. SULLIVAN: We don't?

MISS ELLIOTT: There is a tremendous drive on that. There is hardly a day passes - for example, this morning Mr. Phillips, the head of our appointment bureau, called me up about the situation there at the college. There were two people there who have been offered better positions, and we have got to increase their salaries down there if we hold them.

MR. SULLIVAN: We won't let you - salary stabilization. (Laughter)

MISS ELLIOTT: You will in that bracket.

MR. THOMPSON: People will be very fortunate to get into Internal Revenue because that is one of the agencies that will not be decreasing its forces.

MISS ELLIOTT: I would be perfectly willing to sign a letter to these people saying I am interested in this because it looks like something - I would write that kind of a letter. I wouldn't want to commit myself, you see, to a letter that did not have in it-- (Laughter)

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H.M.JR: Only for war bonds you do that. (Laughter)

MISS ELLIOTT: You see, I have told the women my only advice is, tell the truth and sell bonds. (Laughter)

MR. CANN: Let me ask you this, Miss Elliott. Do you think that there would be a substantial number of women available as of, let's say, December first and January first, at that particular time of year? That is what I am thinking of.

MISS ELLIOTT: A substantial number?

MR. CANN: We are talking here about fifty-four hundred jobs, now, Mr. Secretary. Of course, a number of those jobs college women would not be interested in because I assume they might not be interested in typing and stenographic jobs.

MISS ELLIOTT: There are many college women going out with A.B. degrees in English who do not want to teach - don't want to do the other. I think you will find that if this has a degree of permanency in it and assurance of future in it - if this assurance is given these appointment bureaus - I would not be willing to venture the number that you would find, but I think you will find more - I will put it that way - on that basis. Now, for example, we have a four-year course at the college and those women go out with an A.B. degree; they have training for office work but with a regular college degree. We are doing that really to prevent girls from going into these business schools and taking one year, who really want to do office work. Many of our students who are taking A.B. degrees in English are also taking the business course, some because they do not want to do that other work.

MR. CANN: This is fine.

MISS ELLIOTT: I think that if a letter is written in such fashion that it will give the appointment bureaus the assurance that this is not just a temporary thing and will be over and that these girls will be

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dropped when the thing is over, that they can actually call in and can write students who already have positions, that you can interest a good many. Now, just how many, I do not know. In transferring to the--

H.M.JR: I think the way I would start the letter is something like this: Due to the fact that there will be - how many more taxpayers next year?

MR. CANN: Six or eight million.

H.M.JR: Due to the fact that six or eight million taxpayers will be added to the tax rolls, it is necessary for us to add fifty-four hundred more employees to take care of these additional taxpayers. That is true, isn't it?

MR. CANN: That is correct.

H.M.JR: And then go on from that so they get the idea this is not just to replace the people, but it is to take care of the six or eight million additional taxpayers.

MISS ELLIOTT: If I should sign the letter I would have to say that this has been brought to my attention and in view of this, I am calling their attention to it with the hope they would be interested in going into the Internal Revenue Department.

H.M.JR: Supposing they fix up a letter for you. Don't sign anything you don't want to; I don't have to tell you that. But it occurred to me there must be so many agencies writing to colleges, but if they got one from you it would make a lot of difference and it might be helpful to us.

MISS ELLIOTT: I will be glad to try it.

MR. CANN: We will be glad to work up a draft of a letter.

H.M.JR: And Mr. Sullivan will get in touch with you.

November 10, 1942
4:45 p.m.

WAR BONDS

Present: Mr. Kuhn
Mr. Bell
Mr. Gamble

H.M.JR: I am beginning to have this crystallized in my mind, what I want to do. I don't know whether Kuhn told you.

MR. GAMBLE: He did, yes, sir.

H.M.JR: I haven't seen Bell. Did I pull you out of a conference?

MR. BELL: Yes, they are going ahead. We are about through.

H.M.JR: This won't take very long. I will tell you the way I feel. I think that on the 1st of December we should transfer the sale of F and G bonds to the Victory Fund Committee - on the 1st of December - and have this a clean-cut thing. I will give you what is in my mind. This thing for them - Kuhn was here - is a mental hazard. They can argue that it shouldn't be, but it is. The men are volunteers, and we are relying on them largely. I explored them; there is nothing else in their mind. Some say that when they get this there is something else - an endless row. Is that right, Ferdie?

MR. KUHN: I am not sure; I have one remark after you get finished.

H.M.JR: Anyway, we have pretty well decided that we have to start this thing on November 30, which is a

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Monday, and there are a lot of arguments on both sides. But there is the conflict of personnel - I mean, there is this whole fussing. I should think that you War Bond fellows would say, "Let's get through with this thing; we will concentrate on payroll deduction, which is our job. E Bonds is our job; the hundred thousand dollar thing is something else." As far as I am personally concerned, as to appearing before Congress or anybody else - I mean, in my own mind, the amount that we get from a number of employees and the amount and the percentage that we get from the workers of the country will be the decisive factor in my mind, not the F and G bond thing.

As far as the War Bond State Administrators - that doesn't enter into the thing at all as to measuring success. I mean, it adds to the total; it is a difference of, say, five hundred or seven hundred and fifty or six hundred or eight hundred. But as to the final success, in my mind, has this thing this year been a success or not, the amount of F and G bonds that you sell really is not a contributing factor.

MR. GAMBLE: I think that is partly true - but I don't think it is wholly true.

H.M.JR: I said, "In my mind."

MR. GAMBLE: Yes.

H.M.JR: I have carefully said, "In my mind," see?

Now, I have another job. As I say, this other job is to sell this other. I have another organization and we can't keep up this damned bickering every time we get out another rule - well, a word in here, or this, or something. It is getting under my skin.

MR. GAMBLE: I agree on that.

H.M.JR: Maybe it shouldn't get under my skin, but here I have got two sales organizations, and I am

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responsible for both, and I want them to work smoothly. As far as I can tell, this is the only point of friction. My mind is crystallized towards removing--

MR. GAMBLE: I think it is the only point of friction at the moment, but I think it is continuing.

H.M.JR: No, I don't see - I mean, certainly from the standpoint of the Victory Fund Committee there is nothing that they have mentioned; there is nothing that I can see.

MR. GAMBLE: They are now talking about publicity, and they mentioned the fact that the War Savings Staff receives promotional benefits they have not received, and it is questionable as to what they should have, the kind of market they are trying to reach.

H.M.JR: That is why this Advertising Council has to come in. That is what I have got that exhibit in there for.

MR. GAMBLE: Our only fear has been, Mr. Secretary - and we have thought about this wholly from the standpoint of the Treasury - our only fear is that you are going to lose a market that is not going to be canvassed by anybody. We take no claim for selling the F and G bonds. Seventy-five percent of those have sold themselves on the market. We think that will continue to be true, that the investors will buy them whether the Victory Fund people are assuming the responsibility or we are.

We think our over-all promotion has helped announce and back up the distribution of F and G bonds, but we do feel that when we have such drives as the motion picture industry drive, for example, that those people go out and reach a group of investors of F and G bonds who would not otherwise be reached.

H.M.JR: What they did was they sold themselves first.

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MR. GAMBLE: That is true, but when we have farm activity we feel that we sell F and G bonds to a class of people that would not be reached by the Victory Fund people - the labor unions, for example.

H.M.JR: Well, there are not many farms.

MR. GAMBLE: I appreciate the fact that there aren't many, but you take the way our program is set up - it is organized to reach a group of people in this country that no one else is organized to reach.

H.M.JR: All true, and you were in the field alone and had to cover the field for me.

Now we are coming along and I have to reach - everybody says I am not reaching enough people, which is true. All right, I have to get another class of salesmen, another kind of organization to do it, and I am severely criticized for not doing it. I have got this organization. It is, I suppose, a little bit similar to what a motion picture producer has to do, first-run houses and second-run houses, which one is he going to get; and when he gives the big theater in New York that seats--

MR. GAMBLE: ... five thousand, he treats it differently, that is true.

H.M.JR: Is he going to distribute the pictures and hold his pictures back from the mass? There is that conflict always, isn't there?

MR. GAMBLE: We recognize that.

H.M.JR: There is that conflict.

MR. GAMBLE: We know that, and know that it is not healthy.

H.M.JR: You have not talked with Bell, and I am not going to decide tonight, but I just wanted to let

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you know that my mind is going to crystallize towards it. I got this idea during the night to make the cut-off date December 1.

MR. GAMBLE: But I don't think, personally, that you should deprive the War Savings Staff of the right to sell either the F and G bond or a similar bond.

H.M.JR: Or do what?

MR. GAMBLE: Or a similar bond. By the same token you shouldn't tie the Victory Fund up.

H.M.JR: If I am going to do it, Ted, it is going to be a clean-cut piece of business. I can't have this bickering. I send telegram after telegram out; and as soon as I send them out, they misunderstand it.

MR. GAMBLE: I am not asking you to do that, but give serious thought; for example, it is not going to be long until the War Savings has completed its pay-roll savings. We have a direct contact with one hundred and fifty thousand firms, and thirty million people.

H.M.JR: You haven't thirty.

MR. GAMBLE: Twenty-three million three hundred thousand on pay-roll savings. Now employed in those plants where we have twenty-three million there are thirty million people.

H.M.JR: But of the twenty-three million exposed to it there are not twenty-three million--

MR. GAMBLE: There are twenty-three million three hundred thousand on pay-roll savings now, buying every pay day, twenty-three million three hundred thousand.

H.M.JR: Well--

MR. GAMBLE: My only point is that we have contact with those people, and I don't think that you should overlook

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the fact that you have an organization that can, when we have done our ten percent job, go into those places, maybe, with something similar to the G bond. Mr. Bell has often spoken of the fact that we should go to E's, work E's, give them an opportunity to buy in excess of ten percent when we have gotten the ten percent.

H.M.JR: There is nothing to keep them from signing up for more than ten percent.

MR. GAMBLE: There is nothing to prevent it, but in many instances they may be people who would be buying the limit of E bonds, and we can reach them and sell in those places.

H.M.JR: The first thing to do is, if this would sweeten the pot any, it might be well to raise the limit on E bonds as of December 1.

MR. BELL: As of January 1 would be better, a new series.

H.M.JR: I haven't talked to Dan during the day, but I can't stand - this seems to be the biggest hurdle.

MR. BELL: I haven't crossed the permanent bridge at all. I hadn't thought about that. But I did tell Ted this afternoon that I thought it was important for this big drive that you have got in contemplation, that this other drive be postponed until at least January 1, because I don't want any excuse when this thing is over for failure.

H.M.JR: But look, Dan, they say that starting - I know these people - I know the same thing; they are trying to beat the gun. Up in Boston they are trying to get a lot of people, and there are only so many people to go around.

If I am going to do it at all, I am going to make a clean-cut thing; I am going to stop the one definitely and start the other.

- 7 -

MR. BELL: As I say, I hadn't thought much about it from that angle, but I was thinking about it from this--

H.M.JR: I can't stand this wrangling any longer.

MR. KUHN: Could I ask Dan a question? Will this stop the bickering between War Savings and Victory Fund?

MR. BELL: It is the only thing; I don't know of anything else. Ted said there was something else.

MR. KUHN: I am not just sure that it will, but I hope it will - each has a job to do. They want a liberty bond.

MR. GAMBLE: They don't want a G bond.

H.M.JR: We are not going to give them a registered bond.

MR. BELL: I think if you took the recommendation of the Victory Fund Committee you would eliminate F and G entirely.

H.M.JR: They said so.

MR. KUHN: They said so in here.

MR. BELL: There is not the demand for strict investment bonds as there is in the investment field, they claim, and this is an investment bond.

H.M.JR: They said so.

MR. BELL: They would eliminate it altogether if they had their recommendation, Mr. Secretary.

MR. KUHN: There are only two things that bothered me in that little talk I had with them. I liked the clear-cut way they said what they wanted, and no doubt, it

- 8 -

is a mental hazard, but I didn't like their trying to follow that up, trying to follow your indications up with suggestions that you ought to abolish the F and G bonds first; and secondly, that you make this arrangement permanent. Now, I don't think that you ought--

H.M.JR: Once you do it, it will be permanent.

MR. KUHN: It will be?

H.M.JR: You can't throw it back and forth like a football. They asked me about permanency. We are on a twenty-four hour basis; the very fact that I am going to change shows that we are on a twenty-four hour basis. I reserve the right to change my mind any day. I announced that the day I walked into this office. I was most criticized for it, and it is the most sensible thing I have ever seen. Remember how I was criticized by the very fact - vacillating - meeting the situation as it comes up.

Anyway, Ted, some time during tomorrow we will have another talk.

MR. GAMBLE: I think in fairness to Mr. Graves and Mr. Odegard and others who feel very keenly about this we should have another meeting.

H.M.JR: Where is Graves?

MR. GAMBLE: Graves is sick.

H.M.JR: I can't wait on him.

MR. GAMBLE: I understand he will be here tomorrow.

H.M.JR: I can't take all this pressure. If Graves is here, I will talk to him; but there is no reason for me to talk to Odegard. He is on publicity. I mean, I am not going to be high-pressured.

- 9 -

MR. GAMBLE: It is not a question of high pressure. We recognize - don't think we are not sympathetic to your problem - sympathetic to Mr. Bell's problems, because we are.

H.M.JR: I am not going to be subjected to all this high-pressure stuff. I can't take it these days. I mean, I have got to make up my mind quietly. If Graves is here, of course I will see him, but I don't see what argument he can give. I don't want to be high pressured.

MR. KUHN: I think you should see Mr. Graves.

H.M.JR: If Graves is well, I will see him.

MR. GAMBLE: He will be here tomorrow, and he would only do as I am trying to do, point out the plus and minus side, that is all. I think you are entitled to know this.

H.M.JR: Well, you have all day tomorrow.

MR. GAMBLE: You don't want us to call this drive off until after we have had this chat tomorrow?

H.M.JR: No, no, because I haven't decided yet that I am going ahead with the whole drive.

MR. GAMBLE: We are prepared, and I told Mr. Bell.

MR. BELL: You ought to make that decision first, I think.

H.M.JR: No, I haven't decided yet that I am going ahead with the whole drive, and I won't until between now and tomorrow night.

MR. GAMBLE: We are prepared to fill the role we think we should fill in this picture, get all of our people in line for it.

(Draft of suggested telegram to War Bond Administrators handed to the Secretary.)

- 10 -

H.M.JR: This is not enough. It doesn't do what I want.

MR. GAMBLE: I appreciate that, but I wanted you to know that we are prepared.

H.M.JR: I will see you and Odegard and Graves tomorrow after I have decided whether I am going to go through with it.

MR. KUHN: I would like to tell you what Mr. Bathrick had to say any time you are interested and want to hear about it. He spent all day yesterday with the Victory Fund people and the evening with the War Savings people. He suggested the formation of a committee - an advisory sales committee - made up of big merchandising men from the corporations. He gave me the names of six. I can give you those names: John Schuman, the president of General Motors Acceptance Corporation; Terry Kittinger, the vice-president of Shell Oil; Bill Howard of Macy's, who has been active on the retailers' things and who knows the retailers around the country; Wilson, the vice-president of Goodyear Rubber in charge of advertising and merchandising; Mr. Grant, and Mr. Bathrick. He also would like very much to have a banker on that committee of seven because he said there are all kinds of questions that they will need to answer.

H.M.JR: That Schuman is enough.

MR. KUHN: Well, anyway, if you would like the formation of such a committee, he would like to have those people come down here next week. He would like them to spend a day in absorbing the information from the people who have got it to give, about the types of securities and so on and so forth.

Mr. Bathrick thinks that this committee will enable you to go to the executives of the corporations by industries. That is, the oil man here will be able

- 11 -

to handle the oil industry and all their outlets.

H.M.JR: That was my suggestion.

MR. KUHN: I am just batting back what he gave me.

H.M.JR: Do it by industries.

MR. KUHN: He thinks that that kind of committee can comb the big men in the industrial field and also give a push to the ten-percent pay-roll thing. He said in those industries that they control they ought to be able to say, "You have got to get to the ten percent."

H.M.JR: If it is a by-product of this, they can give back - I will swear - don't think I am not with you fellows, but as Bell told Graves, I can't let the tail wag the dog, and the dog is - I mean, you fellows are doing about one-eighth of the total.

MR. GAMBLE: We were not thinking of that, Mr. Secretary.

H.M.JR: I am just thinking, and I will see the three of you tomorrow. Don't let Graves get out of bed if he is not well.

MR. KUHN: Bathrick also talked about advertising. He says that the Government bond is the one thing that no stockholder can get up and yell about if his company spends money on promoting, except possibly transportation - rubber conservation.

H.M.JR: I mean, they can't complain.

MR. KUHN: He said no stockholder could complain. He said if those people get together he thinks that the Treasury can get a lot out of them in the way of money for continuous advertising - a share of their continuous output. He said those people are running short of copy; they haven't anything to sell, haven't anything to say.

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MR. BELL: They are advertising scrap drives and everything else.

MR. KUHN: He said none of those things are as good as war bonds, because all of them have a controversial aspect. He says that the people are not going to raise their hands and say, "Mr. Secretary, we would like to put up this money." He said that somebody else has got to go to them, and I think we can use the Advertising Council as an intermediary in that kind of thing, so he is very much impressed. He was particularly impressed, he told me, with what he heard last night. He said that that was a deeply impressive story. It shows how thoroughly the thing has been done up to now with very little in the way of expenditure of money on organization.

H.M.JR: I would say he was fairly well sold.

MR. KUHN: He is well sold, and he would like to come on the committee.

H.M.JR: You speak to me about this again tomorrow morning - the very thing that you have said now - repeat it tomorrow morning.

MR. KUHN: All right, at that meeting with Harold Thomas. He is coming down.

MR. GAMBLE: I don't want to make any case, but this is something that you might think about. We have a hundred-million-dollar promotional campaign laid down back of this war bond effort. When we start doing this sort of thing, setting up a parallel organization to do somewhat the same thing, there might be some merit to be thinking about some kind of a merger of these organizations without having them lose their identity.

H.M.JR: Listen! Supposing you have a full page contributed by General Electric, is there any reason why that page can't be divided so that you present all of the Treasury securities? I am just using that.

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MR. GAMBLE: There is some merit to that, but that is my very point, that you are not going to get one group of people and one department that is out carrying its bags from door-step to door-step, promoting this sort of thing that it has for eighteen months, to enter into this - and a voluntary organization - unless you do something in the Treasury to centralize that.

H.M.JR: For the moment it is centralized in me.

MR. GAMBLE: That is correct.

MR. BEIL: It was the purpose of the committee to advise you on these very matters.

MR. KUHN: Bathrick says one is general public; the other, not.

H.M.JR: This group that I am getting in of five or six men to advise me on sales, and the Advertising Council has advised me on that, and the OWI. Of course, my own common sense - for whatever it is worth - tells me we have got to put the weight where it will do the most good; that is all. Each fellow will get recognized according to his ability to produce. That is the business world, isn't it?

MR. GAMBLE: That is right. But I think there still would be some coordination here in the Treasury.

H.M.JR: That is what I am trying to do right now.

MR. GAMBLE: And not through a committee, but people who are actually going to operate it; that is my point.

H.M.JR: O.K. Kuhn sits in on everything that I am doing so he can tell both sides what is going on.

C
O
P
Y

November 10, 1942

My dear General Strong:

Mr. Harold Hochschild, President of the American Metal Company, New York City, has asked me to write you in his behalf. He is very desirous of entering the Intelligence Service of the Army.

I have known Mr. Hochschild all my life and can assure you of his integrity and intelligence. Mr. Hochschild has had wide business experience and speaks a number of languages.

I would appreciate it if you would give him an appointment to see you.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Major General George V. Strong,
Assistant Chief of Staff, G-2,
War Department,
Washington, D. C.

Treasury Department 119
Division of Monetary Research

Date Nov. 10, 1942 19

To: Miss Chauncey

The tables for transmittal
to the Secretary of State differ
from those being sent to the President
in that certain military figures are
not broken down.

MR. WHITE
Branch 2058 - Room 214 1/2

Treasury Department
Division of Monetary Research 120

Date Nov. 10, 1942 19

To: Secretary Morgenthau

Original of this report
appended to prepared letter to
the President.

MR. WHITE
Branch 2058 - Room 214 1/2

SECRET

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November 10, 1942

Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the eleven-day period ending October 31, 1942

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending October 31, 1942 amounted to \$45,701,000 as compared with \$55,083,000 during the previous ten-day period. Military equipment amounted to \$18,417,000 or 40 percent of the total and included 12 light bombers, 45 fighter planes and 109 military tanks. (See Appendix C.)

2. Exports to Free China

No exports to Free China were reported during the period under review.

3. Exports to selected blocked countries

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland amounting to \$2,724,000.

ISF/grs
11/11/42

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APPENDIX A

**Summary of United States Exports to Selected
Countries as Reported to the Treasury Department
from Export Declarations received
During the Period Indicated 1/**

(In thousands of dollars)

	11-day Period ended Oct. 31, 1942	10-day Period ended Oct. 20, 1942	Total Domestic Exports Aug. 1, 1942 to Oct. 31, 1942	Total Domestic Exports July 28, 1941 to July 31, 1942
U.S.S.R.	\$ 45,701	\$ 55,083	\$ 365,855	\$ 742,941
Free China	—	30	6,933	97,720
Spain	361	2	757	2,858
Switzerland	2,724	281	4,249	11,537
Sweden	—	117	2,625	18,056
Portugal	211	22	796	9,743
French North Africa 2/	—	—	2,088	6,305

Treasury Department, Division of Monetary Research

November 10, 1942

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.

2/ Includes Morocco, Algeria and Tunisia.

MVF/KFM/grs
11/10/42

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APPENDIX B

123

Exports from the U. S. to Free China and U.S.S.R.
as reported to the Treasury Department
July 28, 1941 - October 31, 1942 1/
(Thousands of Dollars)

	Exports to Free China	Exports to U.S.S.R.
July 28, 1941 - Jan. 24, 1942	\$ 32,798	\$ 98,902
1942		
Jan. 26 - Jan. 31	6,938	9,608
Feb. 1 - Feb. 10 2/	4,889	13,315
Feb. 10 - Feb. 20	4,853	26,174
Feb. 20 - Feb. 28 3/	2,921	28,119
Mar. 1 - Mar. 10	2,879	32,309
Mar. 10 - Mar. 20	8,058	28,556
Mar. 20 - Mar. 31 4/	2	42,435
Apr. 1 - Apr. 10	4,836	41,698
Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
May 1 - May 10 5/	296	26,652
May 11 - May 20	1,872	18,000
May 21 - May 31 4/	2,533	26,180
June 1 - June 10	3,399	12,764
June 11 - June 20	2,707	53,799
June 21 - June 30	1,664	49,919
July 1 - July 10	7,900	35,657
July 11 - July 20	590	33,940
July 21 - July 31 4/	3,066	35,669
Aug. 1 - Aug. 10	208	14,970
Aug. 11 - Aug. 20	192	23,325
Aug. 21 - Aug. 31 4/	2,850	112,492
Sept. 1 - Sept. 10	855	24,339
Sept. 11 - Sept. 20	11	44,434
Sept. 21 - Sept. 30	902	30,947
Oct. 1 - Oct. 10	1,885	14,564
Oct. 11 - Oct. 20	30	55,083
Oct. 21 - Oct. 31 4/	--	45,701
TOTAL	\$ 107,256	\$ 1,109,615

- 1/ These figures are in part taken from copies of shipping manifests.
2/ Beginning with February 1, figures are given for 10-day period instead of week, except where otherwise indicated.
3/ 8-day period.
4/ 11-day period.
5/ Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research

November 9, 1942

WVF/EFM/grs
11/9/42

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APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the eleven-day period
ending October 31, 1942

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of dollars)</u>
TOTAL EXPORTS			\$ 45,701
<u>Military Equipment (\$18,417)</u>			
Ammunition			6,835
Aircraft			4,604
Light bombers (2 engine A-20)	No.	12	
Fighters (1 engine P-40)	No.	45	
Military tanks			2,225
Light tanks (M-3)	No.	1	
Light tanks n.e.s.	No.	52	
Medium tanks	No.	10	
Medium tanks n.e.s.	No.	40	
Ordnance Combat Vehicles			1,710
Scout cars	No.	305	
Light armored cars	No.	109	
Ordnance combat vehicles n.e.s.	No.	25	
Explosives	Lb.	7,234,860	1,409
20 mm. Gerlikon guns			450
All other.			1,124

SECRET
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Appendix C (Con't)

Page 2

	Unit of Quantity	Quantity	Value (Thousands of dollars)
<u>Non-Military Goods (\$27,284)</u>			
Food products.	--	--	\$ 6,147
Industrial, agricultural & electrical machinery & parts.	--	--	6,080
Iron and steel mfgs. & semi-mfgs. .	--	--	3,534
Motor trucks, motorcycles and parts. .	--	--	3,496
Metals and manufactures n.e.s.	--	--	1,557
Aluminum & manufactures.	--	--	1,473
Cotton, wool & other textiles	--	--	1,434
Leather and manufactures.	--	--	1,042
Chemicals and related products	--	--	706
Petroleum products	--	--	497
Rubber and manufactures.	--	--	450
Merchant vessels	--	--	374
All other.	--	--	490

Treasury Department, Division of Monetary Research November 10, 1942

MVF/EFM/grs
11/10/42

Regraded Unclassified



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

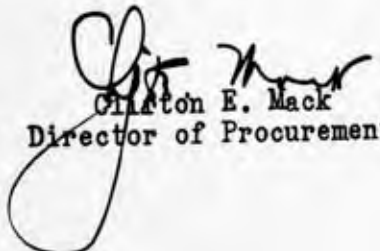
WASHINGTON

November 10, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended November 7, 1942.

It is proposed that, effective December 1, 1942, all Lend-Lease shipments will be consigned to the War Shipping Administration, and they will likewise act as the forwarding agents. The procuring agencies under the Lend-Lease program will continue to participate as heretofore with the exception that there will be a single consignee and a coordination of the respective efforts by the War Shipping Administration.


Clifton E. Mack
Director of Procurement



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF NOVEMBER 7, 1942
(In Millions of Dollars)

	<u>Total</u>	<u>U.K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Undistributed and Miscellaneous</u>
Allocations	\$2327.3 (2327.2)	\$1234.9 (1202.7)	\$756.9 (739.2)	\$56.7 (56.7)	\$3.7 (3.7)	\$275.1 (324.9)
Purchase Authoriza- tions (Requisitions)	\$1796.8 (1790.4)	\$1065.3 (1062.8)	\$672.4 (669.3)	\$40.1 (40.4)	- -	\$ 19.0 (17.9)
Requisitions Cleared for Purchase	\$1735.3 (1724.1)	\$1053.6 (1049.1)	\$622.9 (617.3)	\$40.0 (40.0)	- -	\$ 18.8 (17.7)
Obligations (Pur- chases)	\$1654.9 (1620.6)	\$1007.1 (996.3)	\$590.1 (567.3)	\$39.8 (40.0)	\$2.8 (2.6)	\$ 15.1 (14.4)
*Deliveries to Foreign Governments at U. S. Ports	\$ 703.0 (683.5)	\$ 561.1 (544.0)	\$117.0 (115.2)	\$20.2 (20.1)	- -	\$ 4.7 (4.2)

* Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of October 31, 1942.

TREASURY DEPARTMENT

129

INTER OFFICE COMMUNICATION

DATE Nov. 10, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich

Subject: Shipment of Planes and Tanks to the U.S.S.R.

1. During the month of October, 150 planes were sent to the Soviet Union from the United States. Of these, 113 were Curtiss P-39 and P-40 fighters, and 37 were Douglas A-20 Boston light bombers.

2. Military tanks shipped to Russia in October totalled 143 (71 light - under 20 tons, 72 medium - 20-40 tons.)

Table A

Shipment of Planes and Tanks from the
United States to the U.S.S.R. *

	Shipments during <u>October 21-31, 1942</u>	Cumulative Total January 1, 1942 to <u>October 31, 1942</u>
<u>Planes</u>		
Fighters	45	1,046
Bombers	<u>12</u>	<u>836</u>
Total	57	1,882
 <u>Tanks</u>		
Light	59	1,551
Medium	<u>10</u>	<u>1,437</u>
Total	69	2,988

* Based on export declarations received.

Table B

Shipments of Planes and Tanks to the U.S.S.R.
by months *

	<u>Fighters</u>	<u>Bombers</u>	<u>Total Planes</u>	<u>Light Tanks</u>	<u>Medium Tanks</u>	<u>Total Tanks</u>
January, 1942	56	4	60	20	22	42
February	123	115	238	172	38	210
March	68	170	238	159	258	417
April	120	54	174	287	216	503
May	52	42	94	94	45	139
June	127	104	231	143	206	349
July	123	134	257	151	157	308
August	202	126	328	299	261	560
September	62	50	112	155	162	317
October	<u>113</u>	<u>37</u>	<u>150</u>	<u>71</u>	<u>72</u>	<u>143</u>
Total 1942 to October 31	1,046	836	1,882	1,551	1,437	2,988

* Based on export declarations received.

Table B

Shipments of Planes and Tanks to the U.S.S.R.
by months *

	<u>Fighters</u>	<u>Bombers</u>	<u>Total Planes</u>	<u>Light Tanks</u>	<u>Medium Tanks</u>	<u>Total Tanks</u>
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Total 1942 to October 31	1,046	836	1,882	1,551	1,437	<u>2,988</u>

* Based on export declarations received.

NOV 10 1942

Dear Mr. Stettinius:

I have received your letter of November 2, relative to the desire of Vikings for Norway, Inc., to deposit with the United States Treasury funds to pay for airplanes and spare parts to be purchased by this Government and transferred to the Royal Norwegian Government for the training of Norwegian pilots.

This Department is prepared to receive any donation which may be made by Vikings for Norway, Inc., for the purpose indicated in your letter. Upon receipt of the donation, the money will be deposited in an appropriate special deposit account with the Treasurer of the United States. When your office advises the Treasury Department with respect to purchases made and the applicable appropriation to be reimbursed, funds will be withdrawn from the special deposit account and transferred to the proper appropriation.

It is assumed that your office will complete the arrangements with Vikings for Norway, Inc. The check should be made payable to the Treasurer of the United States and forwarded to this Department for attention of the Division of Bookkeeping and Vouchers.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable X. L. Stettinius, Jr.,
Administrator, Lend-Lease Administration,
Washington, D. C.

Photo file in Diary
Del. by Mess. Sturgle
5:20 11/10/42

Orig. file returned
direct to Miss Browning,
A & D.

KTB:bw 11/10/42

November 9, 1942

Copies to: Mr. Bell
Dr. White
Mr. Paul
Mr. Gaston

The Secretary would like to have Dr. White prepare an answer for the Secretary's signature after you gentlemen have conferred together.

N.M. Chauncey

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

November 2, 1942

Dear Mr. Secretary:

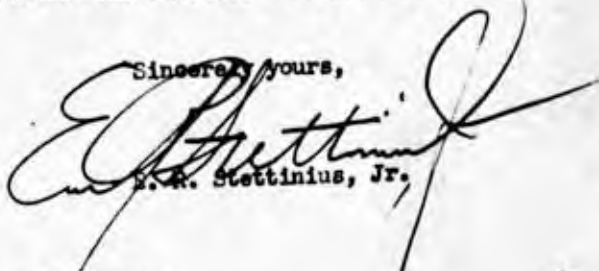
I understand that Wings for Norway, Inc. would like to make a deposit with you to pay for airplanes and spare parts to be purchased by the United States Government and transferred to the Royal Norwegian Government for training Norwegian pilots.

Wings for Norway represents a Swedish-American drive to raise funds in the United States to provide airplanes for young Norwegian pilots continually arriving in Canada and the United States to learn to be pilots. I understand that Wings for Norway would like to deposit additional sums with the Treasury in the future to further this same purpose.

If these deposits are accepted by the Treasury, the procedure for obtaining planes and spare parts will be as follows: Requisitions will be filed by the Norwegian Government with the Lend-Lease Administration. The Office of Lend-Lease Administration will promptly notify the Treasury of planes and spare parts procured and transferred to the Norwegian Government. OLLA will also notify the Treasury of the appropriation from which the expenditure was made so that the appropriation can thereupon be reimbursed with funds deposited by Wings for Norway.

On behalf of the Office of Lend-Lease Administration I strongly recommend the purposes and program of Wings for Norway. If we can be of any further assistance in this connection, please consider our services available to you at all times.

Sincerely yours,



E. R. Stettinius, Jr.

The Honorable

The Secretary of the Treasury



BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON, D. C.

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NOV 1 0 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

In connection with the report BL-10b, "Trade Policy toward Sweden," transmitted under date of November 7 for discussion at the meeting on Thursday, November 12, Mr. Cass Canfield, Chairman of the Sub-Committee informs me that a minority report by Mr. Harold H. Neff of the War Department will be submitted and circulated to the members of the Board within the next few days.

Sincerely yours,

W. L. Perkins
Executive Director

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

November 10, 1942.

SECRET

Dear Dr. White:

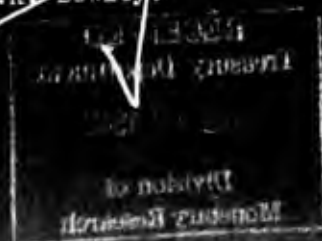
The gold and dollar figures for October are as follows: The gold and dollar money evidently does not yet figure in them.

	<u>Oct. 2</u>	<u>Oct. 9</u>	<u>Oct. 16</u>	<u>Oct. 23</u>	<u>Oct. 30</u>
Total Gold (incl. Belgian)	792	787	785	790	793
Official Dollar Balance	<u>224</u>	<u>222</u>	<u>223</u>	<u>233</u>	<u>237</u>
Total Gold and Dollars	1016	1009	1008	1023	1030
Less: Belgian Gold	105	105	105	105	105
Scattered Gold	201	210	210	210	210
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>700</u>	<u>684</u>	<u>683</u>	<u>698</u>	<u>705</u>

Yours sincerely,

T. K. Dewley
T. K. Dewley.

Dr. H.D. White,
Director of Monetary Research,
United States Treasury,
Washington, D. C.



NOV 10 1942

Dear Mr. Davis:

Reference is made to various communications addressed to this Department concerning the payment out of blocked French Government funds to the American Red Cross of certain sums covering expenses in connection with the purchase and shipment of food packages for French prisoners of war.

By direction of the President, this Department has approved the transfer of \$220,000 to the American Red Cross in reimbursement for past shipments and has withheld action on the remaining applications to effect such transfers.

It is requested that this Department be consulted prior to your effecting any future purchases of prisoners of war supplies for which you contemplate being reimbursed from blocked dollar funds.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Sent by Mess. Givens 4:27 11/10/42

File direct to Mr. Paul

CC in Diary

Mr. Norman H. Davis,
Chairman,
American Red Cross,
Washington, D. C.

MLHoffman:JWPehle:cwh 11-9-42

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE NOV 9 - 1942

TO Secretary Morgenthau
FROM Randolph Paul

In connection with our reply to Mr. Hull's letter concerning the payment of blocked French funds to the American Red Cross for shipments of food packages to French prisoners of war, you inquired as to how the Red Cross could become the creditor of the French Government to the extent of \$200,000 without our approval.

Foreign Funds Control has never undertaken to control the activities of the American Red Cross. The purchase of relief goods by the Red Cross with its own or this Government's funds and the export of such goods are controlled by the State Department and the Board of Economic Warfare.

We understand that the American Red Cross is the executor of agreements which were entered into by the United States, British and French governments whereby certain amounts of canned meat were to be purchased and shipped to French prisoners of war each month beginning October 1, 1941. The Foreign Funds Control became involved in such transactions only after the shipments had been made and the Red Cross, having used its own funds to pay for the meat, sought reimbursement out of French blocked funds.

There is attached a proposed letter to the Red Cross indicating that before further shipments are made for which the Red Cross will want reimbursement out of blocked funds, the Treasury should be consulted.

har

STRICTLY CONFIDENTIAL

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NOV 10 1942

My dear Mr. Secretary:

Further reference is made to your Department's letter of October 14, 1942, in which certain specific measures were suggested for consideration by this Department in connection with the implementation of the Argentine program referred to in such letter.

Your letter was in response to my letter of September 18, 1942, which requested a report on the mission to Argentina of representatives of your Department. As you know, this Department was particularly interested in this mission and was prepared to send its own representatives to Argentina for this purpose. We appreciate your furnishing us with a copy of the report, which has been carefully studied by this Department. We have not found this report particularly helpful in the evaluation and solution of the Argentine problems to be met.

It is noted that your letter refers to the development of an Argentine program of which the financial measures suggested are only a part. This Department would appreciate receiving full information as to the entire program in order that it may be in a position to integrate its financial controls with the other portions of the program.

The development of a satisfactory Argentine program in the financial field has been the subject of considerable discussion for many months between representatives of our respective Departments. As you know, this Department has been contending that Argentine financial transactions subject to the jurisdiction of this Government should be placed under supervision and control through the issuance of an order freezing Argentina, accompanied by appropriate general licenses. Inasmuch as your Department has objected to such an overall control of Argentine transactions, a series of specific measures designed to enable this Government to

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obtain more complete information concerning Argentine nationals and transactions and to control Argentine financial transactions in so far as possible on an ad hoc basis have been discussed with representatives of your Department.

The specific measures which have now been approved by your Department and which are described in items (1), (2), and (3) of your letter are designed to implement, in part, an ad hoc program. Since your letter was received, this Department has taken the following action with respect to those measures included in your letter:

(a) By letter dated October 22, 1942, we forwarded to your Department the names of 64 persons and firms in Argentina having unsatisfactory ratings according to the records of the World Trade Intelligence Division of your Department, together with a summary of certain information concerning the undesirable activities of such persons and firms. It was proposed in the letter that these persons and firms be subjected to ad hoc freezing action immediately and be given immediate consideration for inclusion in The Proclaimed List. These cases were discussed at meetings attended by representatives of our respective Departments, and your Department approved the immediate application of ad hoc freezing action to 44 of these persons and firms. Appropriate instructions have been issued to the Federal Reserve Banks ordering that such persons and firms be ad hoc blocked. For your information in connection with the procedure employed in taking such action, there is enclosed a copy of Confidential Circular No. 153A to all Federal Reserve Banks and a copy of a telegram dated November 2, 1942, sent to such Banks.

(b) By letter dated October 30, 1942, we forwarded to your Department the names of over 180 individuals in Argentina who are closely connected with firms on The Proclaimed List, and proposed that such individuals be subjected to ad hoc freezing action immediately.

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(c) By letter dated October 31, 1942, we forwarded to you a list of exchange houses in Argentina, which, as reported by the Embassy in Buenos Aires, have continued to deal in dollar currency transactions in the black market. We proposed that these firms be subjected to ad hoc freezing action immediately.

(d) By letter dated October 31, 1942, we proposed the application of ad hoc freezing action to Banco de la Provincia, Banco de la Nacion, and Pascual Hermanos and proposed action with respect to Shaw Strupp and Company which would enable this Department to supervise the transactions subject to our jurisdiction which are engaged in by such firm.

With respect to item (4) of your letter, this Department by letter dated October 30, 1942, submitted for the consideration of your Department a proposed general ruling which excludes transactions between persons in Europe and persons in the American Republics from outstanding general licenses and requires that before any such transaction may be engaged in, it must receive the specific approval of the Treasury Department.

With respect to the country-by-country analysis of TFR-300 data, referred to in your letter, you are advised that such an analysis has been under preparation for some time, and as soon as such an analysis is completed with respect to any particular country in Latin America, it will be furnished to you.

The success of any Argentine ad hoc program is necessarily dependent upon the ability of this Government to obtain adequate information concerning persons within Argentina engaged in undesirable activities and concerning undesirable transactions subject to our jurisdiction engaged in by persons within Argentina, and to obtain this information in ample time to prevent these undesirable activities. Under existing circumstances the primary sources for obtaining this information are the representatives of this Government stationed in the field, in particular the officers and personnel of our Embassy and Consulate staffs in Argentina.

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In the light of the above, it is believed that the following steps are desirable in connection with the administration of the ad hoc program described in your letter, and these steps are recommended for your consideration:

(1) Our Embassy and Consulate staffs in Argentina should be made thoroughly familiar with the functions and purposes of the ad hoc program described in your letter and should be requested to compile lists, on the basis of the information available to them, of those Argentine persons, firms, and accounts which should in their judgment be subjected to ad hoc freezing action. Such lists should be made promptly available to this Department, with your comments and such other information as may be available to your Department.

(2) In addition, the State Department should advise the Treasury Department of any other persons, firms, and accounts in Argentina which, on the basis of all the information available to the State Department, the State Department believes should be subjected to ad hoc freezing action.

This Department will, of course, continue to advise your Department of those cases in which, on the basis of information available to this Department, it is believed that ad hoc freezing action should be taken.

This Department desires to cooperate fully with your Department in the implementation of the Argentine program referred to in your letter. This Department strongly recommends, however, that additional measures be adopted so as to enable this Government to supervise and control more adequately Argentine transactions.

You state in your letter that the Argentine program which has been developed is designed to prevent, within the limits of our control, economic operations beneficial to

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the Axis. It is the view of this Department that the program described in your letter is inadequate to prevent such operations, although it will have some effect in that direction. The program described in your letter contemplates the control of transactions through the application of ad hoc freezing action to certain persons and firms in Argentina. The program does not envisage the control on an ad hoc basis of individual transactions, which may be inimical to this country's war effort, but which may be engaged in by persons who would not be subject to ad hoc freezing action on the basis of the standards set forth in your letter.

It was to meet this particular objection that this Department has suggested that arrangements be made with the Office of Censorship so that all financial communications between the United States and Argentina will be examined and the information contained therein forwarded to this Department, and, in case of communications relating to the more important transactions, that the contents of such communications will be received by this Department in advance of their transmission to destination. By utilizing the information thus obtained from Censorship, and from other sources concerning Argentine transactions, this Government would be in a position to single out those transactions which appear to be of an undesirable character, and require the American banks or institutions which are parties to such transactions to hold up their execution until we obtain further information as to the nature of the transactions. This Department is prepared to take such action immediately if you have no objection.

So long as this Government attempts to control inimical Argentine transactions, through the procedure of an ad hoc program, as distinguished from an overall supervision and control, this Department is of the opinion that additional measures such as those referred to above are essential in order to give the fullest possible effect to such an ad hoc program. Nevertheless, this Department is still strongly of the view that Argentine financial transactions subject to our jurisdiction should be subjected to an overall supervision and control. It is impossible adequately to control

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inimical financial transactions subject to our jurisdiction which are engaged in by persons within a foreign country such as Argentina through a procedure whereby such transactions are freely permitted unless this Government has already obtained positive information, prior to the time they are engaged in, indicating that they should be examined. Any program which is fully adequate in this respect must be based on the premise that transactions are prohibited unless this Government is furnished with full information concerning such transactions and is satisfied that such transactions should be approved. Since the time that this Department recommended in May, 1942, the issuance of an order freezing generally all Argentine nationals (accompanied by an appropriate general license), the information which has come to the attention of this Department concerning Argentine activities more than confirms the views of this Department as to the necessity of such an overall control.

It is understood that the principal objection to a public order freezing Argentine nationals, which was raised by representatives of the State Department at the meeting held in May, 1942, to consider this matter, was the contention that such an order would have an adverse effect on certain friendly groups in Argentina and on our good neighbor policy in general. In view of developments since that time, including official statements relating to Axis activities in Argentina, it is suggested that the issues involved be re-canvassed.

Recognizing the political considerations involved, I am of the opinion that this Government can not justify its failure in this case to take adequate steps designed to prevent transactions, subject to our jurisdiction, which are engaged in by persons within a country maintaining diplomatic and commercial relations with the enemy and which may be detrimental to our war effort.

Very truly yours,

Henry Morgenthau, Jr.
Secretary of the Treasury.

The Honorable

The Secretary of State.

Enclosures

JED/ma - 11/6/42

File direct to Mr Paul
Short 11:17 11/6/42
By Messenger

PROCEDURE FOR "AD HOC" BLOCKING PERSONS OUTSIDE OF THE UNITED STATES 145
BY DESIGNATING THEM SPECIAL BLOCKED NATIONALS

C O N F I D E N T I A L

Treasury Department
FOREIGN FUNDS CONTROL
November 2, 1942

CIRCULAR NO. 158A

Reference is made to Confidential Circular No. 158 concerning the procedure to be followed in "ad hoc" blocking. The procedure described therein is designed to be used with respect to persons within the United States. The procedure described below is to be used with respect to persons located outside the United States whether or not they have assets within the United States.

1. General Procedure

Persons who are "ad hoc" blocked under the new procedure will be found by the Secretary of the Treasury to be "special blocked nationals," and special blocked nationals will have the status under the Order of persons who are nationals of a blocked country. This office will forward to the Federal Reserve Banks the names of persons who have been designated as special blocked nationals, together with the general blocking instruction described below. Upon receipt of these names the Federal Reserve Bank will send them to those banks, brokerage houses, shipping concerns, etc., within its district, which in its opinion are handling a substantial volume of business transactions for foreign account, together with instructions (of the type indicated below) to the effect that such persons have been determined by the Treasury Department to be special blocked nationals and that no transaction in which they have an interest may be effected unless licensed by the Treasury Department. This office will send to the Federal Reserve Banks, along with the blocking instructions, information for the use of the Federal Reserve Banks, giving some indication as to why each of the persons is being blocked. Such information will be transmitted with a covering letter referring to this Circular and to the applicable blocking instruction.

2. Form of Blocking Instructions

The basic blocking instruction to be sent from this office will generally be in the following form:

You are hereby advised that the persons named below have been designated special blocked nationals.

3. Form of Unblocking Instructions

The basic unblocking instruction to be sent from this office will generally be in the following form:

You are hereby instructed to inform appropriate institutions within your district that effective [here insert date] the following special blocked nationals have been unblocked.

4. Action to be taken by the Federal Reserve Banks

The Federal Reserve Bank will notify those banks, brokerage houses, shipping concerns, and other institutions within its district, which are handling a substantial volume of business for foreign account, that the named persons have been designated by the Treasury Department as special blocked nationals. In sending the names of special blocked nationals to any such institution, the Federal Reserve Bank shall send a letter modeled after Form Letter E-6. The notice of unblocking may be handled by a letter modeled after Form Letter E-7.

In those cases in which a special blocked national is known to have assets in this country, Form Letter E-6 should, of course, also be sent to the banking institution with which such assets are held.

Any institutions holding property in which any special blocked national has an interest will be required to file appropriate TFR-300 reports, and in those cases in which TFR-300 reports are filed, the Federal Reserve Bank shall prepare Form TFR-AH-1 in the manner prescribed in Confidential Circular No. 158.

5. Text of Form Letter E-6

You are hereby notified that the Secretary of the Treasury, pursuant to the provisions of section 5(b) of the Trading with the enemy Act, as amended, has designated the persons named herein as "special blocked nationals" and has ordered that such persons shall be deemed to be nationals of a foreign country and shall be treated for all purposes under Executive Order No. 8389, as amended, as nationals of a blocked country.

Pursuant to the direction of the Secretary of the Treasury, the special blocked nationals named herein are entitled to the privileges of general licenses, except that they are not entitled to the privileges of any general license which by its terms is limited to a national or nationals of a country named therein, and, in addition, they are not entitled to the privileges of General License No. 53.

In accordance with these instructions you are directed to block all of the accounts, safe deposit boxes, securities, etc., that any such persons may have with you or in which you believe any such person has an interest. Please notify us when you have taken this action, and advise us of the name of any other institution in which you believe any such person has an account and the name of any business enterprise in which you believe he has an interest.

No payment or commercial or financial transaction in which any such person has an interest may be effected by you except as authorized by an appropriate license. You may not participate in any financial transaction; forward any draft, bill of lading, invoice, or similar document; honor any instructions to make payments, to buy or sell securities, etc., in which any person named herein has an interest, unless the transaction has been licensed. Any application filed by you with respect to any transaction in which any such person has an interest should indicate that such person is a special blocked national.

Within fifteen days of the date on which you receive this letter, you should submit to us reports on Form TFR-300 as required under Public Circular No. 4C. The report on Series L of the form should show the property held by you on the date you blocked such property.

If you have any questions, please communicate with here insert the name of the individual in the Federal Reserve Bank designated to handle such inquiries of our staff.

6. Text of Form Letter E-7

Reference is made to our letter to you of here insert date advising you that the following person has been designated as a special blocked national. The Treasury Department has requested us to inform you that effective here insert date such person is no longer a special blocked national.

J. W. Pehle
Assistant to the Secretary

COPI

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11/2/42

200/10120
Salaries and Expenses
Foreign Exchange Control 1940 and 1941

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

Reference is made to Confidential Circular No. 158A. You are hereby advised that the persons named below have been designated as special blocked nationals.

Argentina de Representaciones Cia.
Bauman, Carl Sydney (Jr.)
Benvenuto y Cia.
Borello, Jose
Burkert, Luis
Camara de Comercio Italiana
Crocitto Cuonso, Francisco
Dannemann, Otto, S.R.L.
De Souza, A. J.
Federacion de Circulos Alemanas de Beneficencia
Federic, Helmut
Froeschle & Cia.
Goggi & Cia.
Handelskommission - Junta Consultiva de Comercio
Hermann & Goldschlager
Junge, Hans
Kahlke y Cia.
Kohl and Buraschi
Koppel and Company
Lira y Cia., Radolpho A.
Henri Meier
Merello Hermanos
Muller, Fernando Enrique
Myalovich, Mauricio
Nippon Gawa
Olssen, Olaf
Ortelli, Elviesio
Pick, Adolfo
Renshaw, A. L.
Rojas Camporde, Antonio
Rotaprint Argentina, S. de R. L.
Schula, Francisco
Schwabe, Gras & Cia.
Schwarz, Pablo
S.I.M.A.I. (Soc. de Importacion de Motores Agricolas Ind. de Resp. Ltda.)
Dr. Arnaldo Steep

Sudamericana de Bombas, S. R. L., Cia.

Antonio Tomaselli

Dr. Luis Witte

Wojahn, Kurt

Wohlmueth, Leo

Furst, Dr. Oskar

Yamashiro Hermann

The address of each of the above-named persons and firms should be given as "Argentina."

15/J. W. Pehle

J. W. Pehle
Assistant to the Secretary

BRITISH MOST SECRETU.S. SECRETREF. No. 189

Information received up to 7 A.M., 10th November, 1942.

1. NAVAL

FRENCH NORTH AFRICA. 9th. The discharge of assault convoys over beaches continued.

ALGIERS. Shipping entered harbour during the day. Shore labour was most cooperative. A United States transport was sunk, one of H.M. Destroyers disabled and one of H.M. Antiaircraft ships damaged by bombs. One of H.M. Destroyers was blown up from unknown cause and another has now sunk.

ORAN. FORT SANTON is still holding out after bombardment by one of H.M. Battleships and harbour cannot be used until Fort is reduced. Two French Destroyers were engaged by two of H.M. Cruisers, one being set on fire and beached, the other returned to ORAN. One of H.M. Corvettes was sunk in collision.

CASABLANCA. The French battleship JEAN BART is burnt out and at least 11 destroyers sunk or damaged.

BIZERTE. The French authorities are blocking the harbour entrance. One of H.M. Destroyers sank a U-boat and another sank a French submarine on the 8th. The Italian cruiser torpedoed yesterday by one of H.M. Submarines has returned to PALERMO. Two enemy cruisers and 3 destroyers were attacked by aircraft off MESSINA and one ship was torpedoed.

2. MILITARY

EGYPT. 8th. Our forces continued their advance to within 30 miles of SIDI BARRANI. Among 1100 prisoners captured was the Commander of the Italian Pavia Division.

3. AIR OPERATIONS

WESTERN FRONT. 9th. 47 United States bombers were sent to attack St. NAZAIRE dock installations. About 100 tons of High Explosive were dropped and reports indicate attack very successful. Three bombers missing. Bombers bombed and probably damaged the NEUMARK raider at HAVRE.

9th/10th. 228 bombers were sent out - HAMBURG 213, leaflets FRANCE 15. Weather conditions HAMBURG disappointing with severe icing conditions and heavy cloud over objective. 15 aircraft missing, one crashed.

FRENCH NORTH AFRICA. 8th. 23 United States Spitfires arrived at TAFAROUT airfield ORAN. 4 R.A.F. Hudsons are missing from patrols in the CASABLANCA area. 9th. There were 61 serviceable R.A.F. Spitfires at M. ISON ELANCHE airfield ALGIERS. About 11 French bombers were destroyed in the air.

EGYPT. 8th. Fighters and fighter-bombers heavily damaged mechanical transport in BUQ BUQ and SOLLUM areas. At night bombers attacked mechanical transport near SOLLUM and HALFAYA and started many fires.

November 11, 1942
10:10 a.m.

FINANCING

Present: Mr. Bell
Mr. Kuhn
Mr. Gamble
Mr. Buffington
Mr. Bathrick
Mr. Thomas
Mr. McClintock
Mr. Tickton

H.M.JR: Mr. Thomas wants to ask us some questions about this whole drive. I have time now, and I want you (Bell) to sit in on it.

The first question he asked was - I had your memorandum on how much extra do we expect from the E bonds out of this thing. I mean, we want nothing over and above what they had already told us?

MR. BELL: The billion eight hundred and seventy-five is the quota for November and December of all three series. I really don't know how it is broken down. I merely added the six hundred and twenty-five as a guess as to what you might get. Some people think it is high. I think the most of it might come in series F and G bonds.

H.M.JR: Dan, we are not asking these gentlemen to do anything other than they already plan to do on the E bonds. We are not asking for additional help on the E bonds. I have seen what you people have done. My heavens, all the stuff that is piled up in the next three or four weeks - it just leaves me breathless.

MR. THOMAS: That is the thing I wanted to find out, Mr. Bell.

(Mr. Buffington entered the conference.)

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MR. THOMAS: There has been an addition to the one billion eight figure, which is, we might say, normal expectancy on the E, F, and G's as operating to date. One billion eight is the expectancy on the E, F, and G's.

MR. BELL: That is right, for the next two months.

MR. THOMAS: Now you have added six hundred and twenty-five million. How much of those are E's, how much F's, and how much G's?

MR. BELL: I haven't split it. The staff did not put this figure in. I merely put this down as something that we might shoot for. This is not a staff quota at all.

MR. THOMAS: If it is to be the quota, then I think we have got to ask you to tell us what you expect in the way of E's, F's and G's, because, of course, your markets and methods of promotion are quite different on E's than they are on the F's and G's.

MR. BELL: I think that is right, and I think the staff would have to break this down.

H.M.JR: I just sent for Harold.

MR. KUHN: The quota on the F's and G's in November is two hundred five, and in December it is two hundred twenty.

MR. BELL: That four hundred and twenty-five million for the two months.

MR. KUHN: That is right. That is part of the one, eight.

H.M.JR: How much is that?

MR. KUHN: The quota you asked me about yesterday for F and G is two hundred and five million for November.

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H.M.JR: Two hundred five in November?

MR. KUHN: And two hundred twenty in December. That is part of the one billion eight hundred seventy-five.

H.M.JR: Gamble is coming, but Graves is sick, unfortunately. What other questions do you have? Go right ahead.

MR. THOMAS: You have six hundred twenty-five that has been added to that. How do you break that down?

MR. BELL: I don't know how we would break it down, frankly, and that was of course a figure just put in there by me without any consultation with the staff. They might take some exception to that figure. The executive managers thought that it was high, too.

(Mr. Gamble entered the conference.)

H.M.JR: You ought to know about this first-hand. Bell had down a figure for E, F, and G for November and December of one billion eight hundred and seventy-five, and then he put down six hundred and twenty-five as a possible addition. Do you know what the six hundred and twenty-five represents? Is that some figure that you people supplied?

MR. GAMBLE: No, that is a figure that Mr. Bell put down.

H.M.JR: Just for good luck? (Laughter)

MR. BELL: And I rounded it off, you notice.

MR. GAMBLE: Two and a half billion.

MR. THOMAS: You understand, Mr. Bell, that we have no quarrel with it; we just like to define it so that we can think in terms of the markets and possibilities and methods of promotion.

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MR. BELL: I think we have to discuss it with the staff to see whether or not we can increase the E's during the Christmas period, and what we can do with F and G's on the other side.

H.M.JR: This thing has to be changed now anyway for concentration pretty much in December. I think, if you would make a note, you might give us a new figure of what you think you are going to do in December.

MR. GAMBLE: This billion eight seventy-five represents our goal for November and December.

H.M.JR: November is through; you can't do anything more about November. It is finished.

MR. GAMBLE: December a billion seventy-five million.

H.M.JR: A billion seventy-five million?

MR. GAMBLE: Yes.

H.M.JR: That is for E?

MR. GAMBLE: That is for E, F, and G, our quota for the month.

H.M.JR: Two twenty is--

MR. GAMBLE: Two twenty is F and G's.

H.M.JR: So it is a billion and seventy-five less two twenty; that is eight fifty, E's. This is December now. That is what you really want, Mr. Thomas, isn't it?

MR. THOMAS: Yes, sir.

H.M.JR: There is no use, I don't see what is the sense of saying you are going to do much more than that.

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MR. GAMBLE: We won't, and six and a quarter - I think the six and a quarter--

H.M.JR: Six twenty-five? I put E's down for eight fifty. We are lucky if we get it.

MR. GAMBLE: Yes, sir, it is a big task for us.

H.M.JR: And with this contemplated switch-over - if we do do it on F and G, I put F and G down, say, for two hundred.

MR. THOMAS: What do you mean by the contemplated switch-over, if I may ask?

H.M.JR: I am giving very serious consideration, after the first of December, to having F and G sold by the Victory Fund Committee rather than the War Bond Staff.

MR. THOMAS: Let me ask you this question, if I may.

H.M.JR: Ask anything you want.

MR. THOMAS: Who do you think are your prospects for F and G's?

H.M.JR: George, you answer that.

MR. BUFFINGTON: Individuals who have accumulated excess savings, trust funds, institutions and some corporations. Some corporations will buy them on the theory that they are redeemable at will of the purchaser, although ten to twelve year obligations. Unions will buy them; some societies; other funds of that type, and we have felt for some time that those are the types of people whom the Victory Fund Committees are constantly in contact with on other types of general market securities.

MR. THOMAS: Now then, if that is the case, you have got corporations - what is that, about two hundred thousand?

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MR. BUFFINGTON: Mr. Thomas, generally I would not say that G bonds - if there were two hundred thousand corporations - that those two hundred thousand corporations are prospects, because generally corporations will buy a short-term security with a temporary employment of capital.

MR. THOMAS: I am merely outlining the total first. There are about two hundred thousand corporations, and only a hundred thousand that are prospects. It can't be much more than that.

MR. BUFFINGTON: Yes. Dan, how many people are there running over five thousand dollars a year income tax?

MR. BELL: I don't know.

MR. BUFFINGTON: I think there are four and a half million who receive an income over five thousand dollars a year.

MR. THOMAS: Do you think that income of five thousand makes a man a prospect for F and G?

MR. BUFFINGTON: If he has bought his quota of E's, I think the next best thing would be to start on G bonds. I don't think all of them are prospects, but a larger number than a hundred thousand are. As you increase the sale of E bonds and get to that point of the limit that they can buy, we would certainly think that the next thing they would be interested in would be G bonds.

MR. THOMAS: I guess we will have to leave that to difference of opinion, Mr. Buffington, because I don't think you have a prospect list that big.

H.M.JR: While we are on that, do you have an opinion as to whether, in view of this campaign, I ought to leave the F's and G's where they are or transfer them over to the Victory Fund Committee?

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MR. THOMAS: I was just trying to think in terms of the analysis of this problem along that line. If I may, let me put down the figure of a hundred thousand individuals, which might be five hundred thousand according to your analysis. Maybe you have got twenty thousand associations so that you have got three hundred and twenty thousand prospects according to my guess, and that is all it is. How many of those have already bought F's and G's? There are a lot of corporations, for example, that have bought the full amount. Don't we have records here in the Treasury Department where that could be checked back to find out?

MR. BELL: They are pretty old, aren't they?

MR. GAMBLE: That would not be easy to get.

MR. BELL: We don't keep up-to-date statistics on the F and G bonds.

MR. THOMAS: I hope I am not--

H.M.JR: You are doing just what I want, only better. (Laughter)

MR. THOMAS: You are very kind.

H.M.JR: I have got from now until eleven, and you are doing exactly what I want, so keep right on, will you please.

MR. THOMAS: If you have no records to check back against this--

H.M.JR: Will you wait two minutes until Tickton comes in? We will find out whether we have or haven't. But would you mind going back, while we are waiting for Tickton, as to my question, have you any feeling yourself about what you would do about the F and G's?

MR. THOMAS: This whole thing is leading up to that very point, Mr. Secretary.

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H.M.JR: That is all right.

MR. THOMAS: Your F's and G's have so far been sold by the War Savings Staff?

H.M.JR: Yes, sir.

MR. THOMAS: With the exception, maybe, of quite a while back when the Victory Fund Committee had them for a short period of time. If we could analyze the total prospect list and see how good a job the War Savings Staff has already done, then we could better determine whether it should be shifted or might be shifted.

H.M.JR: What we did along those lines - I asked these two investment councils, Moody's and--

MR. BELL: Standard Statistics.

H.M.JR: Monday we sent out a return postal card to a thousand people inquiring if they had ever been approached by any representative of the Treasury on any Government bond issue. Now, of course, we have a man who is advising with us, and this man corresponds regularly with a hundred and fifty people, and he wrote them a letter and asked if they had ever been solicited. Not one of them had ever been solicited to buy a Government bond.

(Mr. Tickton entered the conference.)

MR. THOMAS: Don't you think there are a lot of people who have bought F and G's who have never been approached?

H.M.JR: He asked if they had bought any.

MR. BELL: One question asked was, "Have you bought any," and the answer was, "No," in most cases. Another was, "Have you been solicited?" They said, "No," in most cases. "Have you got money to invest," and in most cases it was, "Yes."

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MR. THOMAS: Of course, that is the kind of information that I am trying to drive at.

H.M.JR: You will get it - I mean, in this case I am one jump ahead of you, because two thousand postal cards were supposed to have gone out to these lists.

MR. BELL: Last Saturday, yes.

H.M.JR: They are to come back to them, and they would analyze the cards for us just for that sort of thing.

You ask Tickton what you are asking me.

I was shocked to find out - I mean, if that is true all over the country, then we have done a very bad job on F and G's.

MR. THOMAS: Roughly, as I have set the figures down, there are about two hundred thousand corporations. I was wondering if you had any information as to how many of them had bought F's and G's, and in what quantities.

MR. TICKTON: Well, the answer on F's and G's is that the people in Chicago who have been sorting Savings Bond stubs have had so many stubs of series E to sort that they have kind of chiseled us out of the statistics on the number of corporations that have bought series F and G's. We have gone along with them, because the E accounting problem has been more than they have been able to cope with, so we let them chisel us on the F and G's.

H.M.JR: So the answer is that you don't have it?

MR. TICKTON: The answer is we don't have it.

H.M.JR: That is the answer.

MR. THOMAS: Then without factual information upon which to base this thing, I think perhaps there are two factors that we might take into consideration in relation to the question that you asked. One is the fact that your War Savings Staff operation is a long-term operation. It is really not a drive operation. They have, of course, much contact with most of these two hundred thousand corporations and will have more as time goes on with the pay-roll allotment plan.

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Now, psychologically they have been quite stirred up. I might add, Mr. Secretary, that I had the privilege of being at that Kansas City meeting, and it was perfectly wonderful. Psychologically I think they are quite stirred up about the prospect of selling F and G's; and thinking of the long-term operation of the War Savings Staff and the possible effect of taking F and G's away, I think that might be something of a blow.

Now, that is purely opinion, and it is rather an intangible sort of a thing, but I think it is definitely a factor.

H.M.JR: Well, I am asking you for an opinion. I have got the other psychological factor on the other side, and there seems to be a real mental hazard for these Victory Fund fellows. I have just got to make up my mind where it will do the least harm and the most good.

One of the things which is in my mind is that we may let the F and G die anyway, because it is a demand obligation, which is not a healthy thing. I can justify the E; but if we can sell a long two and a half, so-called tap issue, successfully, there is not much justification for the F and G; and the War Savings people might feel a little happier if they knew we were going to let the F and G die anyway within a month or so. I mean, there has been some criticism of the fact that we are selling so many of these demand obligations, and some Secretary of the Treasury is going to have them hit him in the face maybe the day that peace is signed. There is that factor, but I appreciate the thing.

But on the other hand, we are talking here about a very large campaign. I am not going to try to sell you, but they are down for two hundred and twenty million in December as against a possibly very much larger figure that this other crowd might do. But as you sit around today, I wish you would be thinking about it. If you get any very definite ideas, I would be glad to have

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them because certainly between now and tonight I have got to make up my mind.

MR. THOMAS: What I was driving for was to try to get some fact here upon which we could say whether six hundred and twenty-five additional million dollars is possible. I don't know.

H.M.JR: I wouldn't count on it. I would just strike it off. I wouldn't count on a dollar over the eight hundred fifty.

MR. GAMBLE: I wouldn't either.

H.M.JR: I would much rather have a minimum which would be definitely attainable and anything above that would be a pleasant surprise.

MR. THOMAS: What other securities, Mr. Bell, do you propose to sell in this drive for the three and a half billion dollars which I believe is required?

MR. BELL: The securities that we have been talking about, seven-eighths percent certificate of indebtedness to run for one year; one and three-quarters percent bond--

H.M.JR: Excuse me, Dan, don't you want to tell them as you go along which one of those we need publicity on and which we don't? I mean it would make it easier for him. You don't want any publicity on the certificates particularly.

MR. BELL: I don't think so, except that if you are going to have over-all publicity, it might be mentioned some as to what it is and the kind of funds.

H.M.JR: As you go along on the seven-eighths certificates, we will need general publicity or a lot of publicity. Explain it.

MR. BELL: It is a one and three-quarters percent bond, somewhere in the neighborhood of five to seven

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years, wherever it fits, and it is in line with the seven-eighths percent certificate. Generally speaking it is a banking security, and would not need a lot of publicity, although it is expected that some of it and some of the other could be sold outside of the banking system.

Then there are tax savings notes which are already in the picture, but which would need more publicity, and on which the drive could be intensified and more money gotten, I think, ~~than~~ the last two months. We figured you might get two billion one out of that.

MR. THOMAS: That is total ordinary expectancy plus a drive?

MR. BELL: That is right.

MR. BATHRICK: What is the ordinary expectancy?

MR. BELL: We got eight hundred million in the last two months, in each of the last two months. In my estimates I put five hundred and fifty million dollars for the next two months without any drive.

MR. BUFFINGTON: We got nine hundred.

MR. BELL: I meant a billion eight.

MR. KUHN: A billion eight for the last two months.

MR. THOMAS: You say you have put in an additional five hundred million for each of the next two months, but the Secretary says we are thinking now about December, so that brings it down to five hundred million. Is that the idea?

MR. BELL: What I am thinking of in this statement is November and December.

H.M.JR: Well, November is out, Dan.

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MR. BELL: But you have to raise money to replenish your balance.

H.M.JR: Let me explain what we want: how much money from certain securities in December during this drive, and which ones we want to put the heat on - they don't care what we do on November; they will not take any part in it, but for December the kind of securities, who the possible buyers are, how much, which ones we want the heat on.

MR. BELL: Let's talk about two months, two billion one hundred million dollars which means two months' money.

H.M.JR: In which months?

MR. BELL: I don't care whether you say November and December, or December and January.

H.M.JR: Wait a minute. If we are going to do any of this - tell them what we are going to do beginning with the 30th of November, from then on.

MR. BELL: I don't think you can change this program any.

H.M.JR: All right, let's start over again.

MR. BELL: The seven-eighths percent and the one and three-quarters percent bond--

MR. THOMAS: Any extra over your usual financing operation that you expect to get from those?

MR. BELL: We have expected to open those two securities to the banks, say, not to exceed two billion dollars on each of them, and we thought we might get as much as five hundred million dollars combined outside of the banking system in addition to the four billion dollars.

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MR. THOMAS: From whom?

MR. BELL: Outside the banking system.

MR. THOMAS: Yes, but who are those people outside?

MR. BELL: They would be the corporations and individuals who wanted short-time money, and that is not a high figure. That is a conservative figure. On the last certificate issue we got six hundred million dollars outside the banking system.

MR. THOMAS: By your usual processes without any special drive?

MR. BELL: Yes, the Victory Fund Committee did work on it, but certainly not as intensive as they would work on a drive of this kind.

MR. THOMAS: Would you say that your seven-eighths certificates and your one and three-quarters bond probably did not need any special promotion?

MR. BELL: I don't think that I would give them special promotion, but I think I would let the Victory Fund Committee have them to sell; if they approach a man, and he says, "I don't want a two and a half, or, "I don't want a tax note," then they can say, "I have a seven-eighths and a one and three-quarters." They will have them available to sell.

MR. THOMAS: By personal solicitation?

MR. BELL: That is right.

H.M.JR: May I interrupt? The ABA, American Bankers Association, is coming in at three. The ABA appointed a special committee to work with us on this. Whatever they do ought to be coordinated through here the same way. I don't know whether they have a publicity committee, but they will be in at three this afternoon, and they have got certain ideas. Whatever

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publicity is directed at the fourteen thousand members, that ought to - also, if you would make a note of that, possibly you might want to sit in, if you are here all day, with the American Bankers and find out what they have in mind. You see?

MR. THOMAS: Yes, sir.

H.M.JR: Davis wanted a special committee just to work with us on this. The interesting thing that they are going to do is, looking at themselves and industry, that they want to fix a quota for each bank in the country themselves.

MR. THOMAS: That is definitely a rifle-shot job.

H.M.JR: But then how to reach them - what their publications are, I don't know.

MR. THOMAS: We would be very glad to work with them any way we could.

H.M.JR: I would like you to; I want it all synchronized through the Advertising Council. I don't want them going off preparing a lot of copy which might not fit in with our whole plan. So I am asking you to take on the whole job and not have the ABA up on its own.

MR. THOMAS: On these tax notes, we laid before you, Mr. Buffington, a rather modest little program on A's and C's. I think there is where we had better start and go back and take another look at it in the light of this drive and see how much we can help you to effectuate that.

MR. BUFFINGTON: Fine.

MR. THOMAS: Would you think there was anything different we might do in view of this drive?

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MR. BUFFINGTON: No, Mr. Thomas. In conversations with Mr. Lemmon and the other advertising people, we felt that we should intensify more the type of material that we are sending out. I still question how deep down into that forty-three million you are going with the sale of the A notes. A big difference of opinion has developed since that meeting in New York.

MR. THOMAS: Not forty-three million by a long shot.

MR. BUFFINGTON: No. However, on the C notes - they are the biggest money raising feature in the set-up, and I think a great deal can be done in addition to what has already been done to expend the purchases by corporations and other people seeking that variable maturity which you get in the series C notes.

We are planning to send out with the December 15 tax bills seven and a half million of the A folders, which we are very much pleased with, which the Ryan and Pedlar Company worked out. That will go out probably in connection with the "Know your Tax" folder. Then we have additional data that Doremus is working on for distribution to corporations. Certain corporations will send that to their customers and vendors, and we think we can increase materially the distribution of the C notes through that means.

MR. KUHN: We have got a head start on the tax notes, thanks to the work that the Advertising Council has been doing.

H.M.JR: I know.

MR. BELL: I put down two billion one hundred million for tax notes, and I think that is very conservative. The reason I kept it low is because the Victory Fund Committee has already been working pretty hard on those notes. But I still think that that is low. More could be done there.

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Now, we have a two-and-a-half-percent bond which would be a long-term bond, possibly the 20-25 year area, and that will be a tap and will be available to anyone except banks having demand deposits. I put down for that two and a half billion - I think that we could get possibly a billion dollars without any drive.

MR. THOMAS: You want an additional billion and a half from that source?

MR. BELL: That is right.

Now, these are pretty rough figures, and I think they are all pretty conservative, except possibly that savings bond, extra money. I think we will get more than five hundred million on the two short ones outside of the banking system.

MR. BUFFINGTON: Yes, based on what we have done recently with a similar type of security; as Mr. Bell said we got six sixty-seven outside the banking system on that last offer of seven-eighths certificates, with the assistance of the Victory Fund Committee. I would think they would do a fair job on the one-and-three-quarters-percent bond. Mr. Thomas probably would like to ask to whom you are going to sell those two and a half's.

MR. THOMAS: Yes.

MR. BELL: Insurance companies, savings banks, trust funds, and other individuals.

MR. THOMAS: All right, do you have anything else?

MR. BELL: That is all. That totals about seven billion six hundred million out of a total of thirteen billion three hundred million.

MR. THOMAS: The conclusion I would come to, subject to comments from anybody else, because these are matters of opinion, is that you have here relatively a narrow

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market operation, and that the thing that is indicated is a specific promotion to these particular people, and that probably general advertising and general promotion is not indicated. That would be my opinion of the situation as I see it now.

What do you think about that?

MR. McCLINTOCK: I would rather have Don react to that. I concur heartily; I will say that right now.

MR. BATHRICK: I agree with that. If I understand this thing, I agree with that heartily. The thing that keeps occurring to me is, how much increment do you attribute to any campaign you put on? What is it good for, up to twenty-five percent, thirty percent, or what in the campaign? I mean, you must have some figure in mind.

H.M.JR: We are "babes in the woods" on this thing; we don't know.

MR. BELL: Just as a stab in the dark, I think that outside of the banking system we ought to raise about four billion dollars without any intensified drive other than what has already been done, is now being done by the War Savings Staff, and otherwise. I think we ought to raise three billion six hundred million dollars with the drive.

H.M.JR: How much?

MR. BELL: Three billion six.

MR. KUHN: Additional?

H.M.JR: Just one minute - now you cut out that six fifty which you put in there, six twenty-five for War Savings.

MR. BELL: No, that is in there, because I was expecting some of the others to go over where any of them are under.

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H.M.JR: How much is the figure that you used?

MR. BELL: Three, six.

H.M.JR: I would use three then.

MR. McCLINTOCK: May I ask a question? This is a little confusing to me. Mr. Bell, to what degree do these issues here overlap the normal market for the F and G bonds? I mean, to what degree does the F and G bond and the service features, and so forth, appeal to the same groups of people who would normally buy these issues here described?

MR. BELL: I think the two-and-a-half-percent long tap might be in the same group as the series G bond.

MR. McCLINTOCK: That is the principal one, although the others by shadings of interest--

MR. BELL: To some extent they are in the same category.

MR. McCLINTOCK: I will ask this question, if I may, because I am a little confused about it in my mind. Perhaps it is out of ignorance of the situation. You mentioned that because of the demand features of the F and G's, and the hazard which they hold, there was a possibility that they might be permitted to die and that would mean, of course, either that these issues would replace them as a normal financing operation, or that you would replace the F and G's with a new type of bond which might be a little unlike any of the bonds that are here. But if this drive that is contemplated for the last two months of this year is now possibly for December only or possibly for a carry-over into January, should be to emphasize the F and G bonds, it would seem to me that there might be a little inconsistency of policy in greatly expanding the sale of F and G bonds when you know they are hazardous. Rather, the emphasis might be placed upon these other issues which

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form the same purpose, and do present a marketing problem which is a great deal simpler. It is a rifle shot, a highly specialized market, whereas, the F and G's begin to overlap on the whole savings.

H.M.JR: Your question is to the point and is intelligent. The two-and-a-half-percent issue that we had in mind to push would be a coupon bond.

MR. BELL: That is right.

H.M.JR: How long?

MR. BELL: In the territory of twenty to twenty-five years.

H.M.JR: Yes, a twenty or twenty-five-year bond with a coupon, not registered.

MR. THOMAS: With resale features?

MR. BELL: Banks can't hold them.

H.M.JR: Except to the banks.

Now on the other side is the F and G, which if held to maturity is just under two and a half percent, a twelve-year bond. From the Treasury standpoint there is no comparison. The so-called twenty to twenty-five-year, two-and-a-half-percent is a much more desirable security to have in the market than the F or the G bond.

Therefore, we like to think we are intelligent and honest, not only with ourselves, but with the people we serve - the public. Therefore, if I decided to do this thing - I compare the Victory Fund salesmen - and maybe they will not like it to their face - to subscription salesmen for the Crowell Publishing Company. They used to have seven magazines - I do not know how many they have now - and you could buy any one of the seven, or they would give you a combined

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rate if you buy the lot, but he has a group--

MR. BATHRICK: A package.

H.M.JR: Yes. Now, the Victory Fund people have in this package both the two-and-a-half-percent tap issue, as we call it, and they would also have the F and G - they are honest about it, that they would not push the F and G and they simply have it in their package. If the fellow says, "I want a G bond; I like it," they can say, "All right, I have it in my portfolio and I can sell it to you."

On the other side, so you get the picture, you have got some of these very high-powered drives ready to go, one in New York on November 16. That is for the whole country, is it?

MR. GAMBLE: Just for New York.

H.M.JR: They say that they are going to have ten thousand salesmen selling. They have got this drive all ready to go. The Victory Fund said, "They will go in there and they will muddy the waters for us, and then we come along two weeks later and try to do the thing," plus giving the argument that they would be drawing a lot of the security salesmen into this thing and putting on an intensive drive for two weeks. At the end of two weeks, having given their time, they are tired, exhausted, and they have to go back - I am talking about the Victory Fund Committee - and see exactly the same people and try to sell them over again.

Now, I don't know whether - I have tried to answer your question and give you a little bit more. I mean, I want you to have as much as you can; so if you could formulate an opinion and help me make up my mind, it would be good. If we transfer the thing, the F and G will be carried along in the portfolio. It will not be pushed beginning with the 1st of December. Does that answer you fully?

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MR. McCLINTOCK: Yes, it does, Mr. Secretary, and it does have a definite bearing upon the type of promotion, the marketing analysis, and the approach to that whole marketing problem involved in Mr. Bathrick's thinking or in the thinking of Mr. Thomas's group. I did want to clarify it in my mind, because I was a little confused.

H.M.JR: Do you differ with anything I said?

MR. BELL: No, I don't differ with it. I think you might find situations where a man might ask a security salesman who has this basket of securities to go over his investment requirements, and I think that security salesman might say very well to him that, "You need a G bond in your investment as well as these other types," not pushing it especially, but saying, "Look over the investment requirements." You might very well say, "You ought to have a G bond, because it is a good bond."

MR. THOMAS: Doesn't the thing come back to your fundamental policy in the matter? Do you want to push these F and G's, or don't you? The way I understand this thing, the Victory Fund crowd would carry it, but the War Savings Staff would really put some pressure on it.

H.M.JR: No, if I am going to make the decision as to what they want - every time we send out a telegram on this thing, it is misunderstood, and there is always some word in the thing that they hang a hat on, and they twist the thing. I don't think it is enough. I am either going to do nothing, or cut this cord which has been bothering everybody now for months, but just to say to the War Savings people, "I don't want any campaign," I don't think that is enough, because I complement them to think that they are so high powered that they would go out and do it anyway. That would muddy the water. I had too narrow a squeak on the last one, due to many reasons, and I don't want any more narrow squeaks in the two years that I am still here, God being willing. I don't mean Roosevelt. (Laughter)

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So there are certain things, and this is the only thing, as far as these two sales organizations, for the moment, that I am conscious of, that have to be cleared up. But it is a disturbing element between two sales organizations both working for the same man, and same crowd.

MR. THOMAS: I think it probably comes back to your basic policy, your viewpoint. I mean, whether you want to organize a high pressure operation on F and G's or whether you just want to let them go along.

H.M.JR: I can answer that; I don't want a high pressure thing on F and G's.

MR. McCLINTOCK: Mr. Secretary, doesn't the overlapping - actually all of these other issues are not War Savings issues. I mean, they are a different kind of financing operation. Doesn't the confusion lie in the F and G area? Whereas, there is an overlapping, and there are the stresses and strains that take place in that area, an area which you would perhaps like to liquidate anyway, get out of it, and if so, that might help solve the problem. I mean to simply permit them to die and then to replace them either on the War Savings side with a new type of security, which might add some flexibility to the E situation, or on the general financing side, would permit each of the operating groups, the Victory Fund group and the War Savings, to have a perfectly defined market. I can see there is an overlapping of their activities, and that confusion and difficulty will undoubtedly continue as long as there is that ambiguity between the two groups.

MR. KUHN: As long as the issue remains sold.

MR. McCLINTOCK: Yes, sir.

MR. GAMBLE: Will it be aggravated if they continued to call it a War Bond after it is turned over to the other group? Then we will have two bond sales instead of an investment.

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H.M.JR: No, no, it wouldn't be called a war bond.

MR. THOMAS: You would drop the name, war bond.

H.M.JR: Is it on the face of the bond, the G?

MR. BELL: Yes, I am sure it is.

H.M.JR: That could be taken care of through the publicity, through the circulars.

MR. BELL: Of course, that is an over-print; and as we get out the new stock, it could be changed. It is just an over-print; it isn't in the engraving itself. In the engraved part it is "United States Savings Bond."

H.M.JR: There you are.

MR. GAMBLE: We would want it understood that it was not going to be the war bond type.

H.M.JR: If we do that, I can assure you that now it will not be; I can assure you that. I mean, I am just as anxious not to do anything to hurt your organization as anybody in this room. We certainly won't, if that is your worry.

MR. GAMBLE: That is one worry.

H.M.JR: You can forget that one.

MR. THOMAS: Mr. Bathrick, going back to your question, I don't think from what I know of the situation that there is any evidence that would give an answer to your question.

MR. BATHRICK: It doesn't seem so. To me it goes back to the fundamentals, deeper than that. If I understand this, Mr. Secretary, the purpose of this conference this morning is to help you determine in your mind whether or not you want a campaign starting for the next

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two months. Looking at it as an over-all picture for the next two years, we will say - or any time that you want to designate - first I would think you would have to determine what you would normally do, your normal expectancy. If you do nothing more than you are now doing - in other words, how much money do you want to go into February 1st with, and how much could you logically assume that you would get if you did nothing more than you are doing now?

Undoubtedly you have got a cushion and a figure that you put up which, of course, is the thing to do. I am thinking more from the standpoint of one campaign after another, every sixty days; it is bad for an over-all picture. If you have got any degree of safety in your operations up to February 1st, which I presume then will be starting all over again; if you have any degree of safety of doing no more than you are now doing, and putting a little burr under the operations that are now going in the various sales forces, you can accomplish that job. Then start February 1st with a real campaign, all-inclusive, covering all the angles and all the markets, the entire markets, because certainly some consideration has got to be given to what this victory tax is going to do to the public psychology as of January 1st or when they get the first pay check with their reduction, in my opinion.

You are going to have a selling job to do on the public's mind, and they have got to have a better understanding of the importance of these various bond issues, not what they are, but just buy something. I would be interested from the standpoint, first - I don't care what they buy, buy something, some kind of a bond, some kind of an issue. You can very easily break your package down. You want X number of dollars in the next number of months, and here is the way you want them, and you might have a campaign on a couple of issues and let the others take their course. So as not to bore you and string this out, I would say that the decision, if that is what the purpose of this is - I would say the decision

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will have to be made on the basis of how much of a safety factor have you in it now, to accomplish your end. How well can you do between now and February 1st without any campaign? Then you will probably decide that you do need a little lift on a couple of issues, and direct any campaign to those issues, and then have everybody going and have plenty of time to prepare for an all-out push, an all-inclusive campaign February 1.

Now, with my brief knowledge of the situation here, gained in a couple of days, it would look to me like the decision should be based on that. Does that make sense to you from the standpoint of the problem?

MR. THOMAS: Yes, it does. If I may ask you one question - do you mean that this campaign beginning February 1 is to be a continuing campaign?

MR. BATHRICK: I would think it would have to be.

MR. THOMAS: I prefer that kind of an operation myself, but I understood - maybe rightly or wrongly - that there was a need for a special drive to get this three and a half billion dollars.

MR. BATHRICK: If there is a need for a special drive between now and February 1, the thing to do is just say, "Well, we are going to have it," and let's get going on it. If there is not a need - if you have so much of a cushion in there between now and February 1, that maybe you can squeak through anyway, I would say shush a campaign.

H.M.JR: Well, there is another thing which you have got to throw into this thing, and that is the relationship of the Treasury with the Congress, and that is, I think, that Congress has felt, and felt wrongly, that we have not done enough to seek money outside of the banks. That is one of the factors why I would sort of like to get a campaign going by the 1st of December, to not only impress the Congress, but the people who are interested in Treasury financing, that

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we are not leaving a stone unturned to get every dollar we can outside the banks.

MR. BATHRICK: Could that committee be satisfied on the basis that as a continuing and a long-haul proposition you very definitely have a program to do the majority of your financing other than through the banks.

H.M.JR: I think we have got to do something a little bit more--

MR. BELL: More tangible.

MR. BATHRICK: You mean in the next sixty days?

H.M.JR: Yes.

MR. BATHRICK: Then that is your answer. I would say you would have to do it.

MR. KUHN: Mr. Bathrick, in line with your comment, suppose that you conduct this campaign beginning December 1 on very special targets, let's take the tax notes; those are the biggest slices of it. Was that what you had in mind as an alternative?

MR. BATHRICK: Yes, and that would not create a lot of publicity.

MR. THOMAS: That is right. That comes back to the point; it is a specific job.

MR. BATHRICK: They would say, "The Treasury went out on a campaign and set themselves a quota, and fell short." I would think that would be handled, possibly, by direct mail and direct contact. In that case, it would not be generally known whether you hit your target or not or whether you had a campaign on. I would not think it would be harmful.

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H.M.JR: Would not?

MR. BATHRICK: No.

MR. McCLINTOCK: We all deeply appreciate the tremendous burdens under which you are laboring, and the unhappy pressures of criticisms; but I think that probably no matter what is done, there will still be people on the Hill who will be critical and complaining about one thing and another. If there is a possibility of carrying through from the fiscal standpoint, I think Mr. Thomas will agree that a much more intelligent, long-term and constructive job could be done if plans are now laid for a full operation and continuing operation rather than sporadic drives one after another with different names attached to them, which inevitably results in confusion.

If those in Congress who are critical of the planning activities were thoroughly cognizant of the fact that these plans were, other than banking, definitely fixed in policy and definitely followed by the strongest kind of promotional and selling activities, any legitimate man, any legitimate critic, certainly would be silenced by that. I suppose you can't bow too much to those who are merely trying to be difficult.

MR. BATHRICK: I visualize outlining our job for a year in advance, laying out a campaign to handle it that way, broken down by months. In other words, this month you do that; the second month you do this, and so on, a continuing thing, because I don't believe the public can be allowed to lapse back as they are wont to do with this war news today.

I think it very clearly has a psychology, that they will lapse and say, "We got that over with, now what?" I think they have got to be continually dinged. The only way to do it is to lay down a job a year in advance; in January we do this; in February we do this. Have our whole organization all over the country and the buyers, too, conditioned that it is

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coming. I may be wrong, but that is the way I visualize it from what I have heard here.

H.M.JR: Could I interrupt you a minute? What I would like to do - I hope you people allowed enough time - I have two appointments from eleven to eleven-thirty - I wish you would adjourn into Mr. Bell's room and talk this thing over for thirty minutes. Maybe in thirty minutes you will be a little further along. Then I would like to see you again at eleven-thirty. Maybe between eleven-thirty and twelve we can decide the thing.

Nov 11, 1942
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FINANCING PROGRAM FOR NOVEMBER-DECEMBER

	<u>In our cash estimates</u>	<u>May be added by a drive</u>	<u>Total</u>
From banking securities:			
Treasury bills	\$1,200 M	-	\$1,200M
7/8% G/I's (Nov. 1 - \$.5M)	2,500	-	2,500
1-3/4% bond	2,000	-	2,000
	<u>5,700 M</u>		<u>5,700M</u>
Non-banking securities:			
7/8% and 1-3/4% securi- ties above	-	500 M	500 M
Savings bonds	1,875 M	625	2,500
Tax notes	1,100	1,000	2,100
2-1/2% bond (tap)	1,000	1,500	2,500
	<u>3,975</u>	<u>3,625</u>	<u>7,600</u>
(Need \$10,675M)	<u>9,675</u>	<u>3,975</u>	
Non-banking funds		7,600	
Banking funds		<u>5,700</u>	
Total		<u>\$13,300 M</u>	<u>\$13,300 M</u>

November 10, 1942

November 11, 1942
11:36 a.m.

Grace
Tully: Hello, Mr. Secretary. Good morning, sir.
How are.....

HMJr: How are you?

T: Fine, thank you.

HMJr: Good. Grace, I just had Senator Prentiss Brown
in to see me....

T: Yes.

HMJr:and I've asked him whether he wouldn't like
to come into the Treasury as sort of an
assistant to....

T: Uh huh.

HMJr:work with me....

T: Yes.

HMJr:and he's giving it very careful consideration.

T: Yes.

HMJr: And if he was over here, of course, he would be
useful to the President too.

T: Uh huh.

HMJr: There are things he could do for the President.

T: Yes.

HMJr: And I wondered if you could ask the President
if he would drop him a little line....

T: Yes.

HMJr:urging him to come with me.

T: Yes.

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HMJr: Because that would help enormously.

T: Yes. All right, grand, Mr. Secretary. I'll pass it along in a memo to the President and let you know.

HMJr: And would you let me know?

T: Fine, sir.

HMJr: Because if he's here, there are lots of things he could do for the President as well as myself.

T: Yes.

HMJr: And I think it's the alternative of doing that or possibly practicing law in Detroit, you see?

T: Yes, yes.

HMJr: And....

T: And I think he'd probably rather stay with the Government, don't you?

HMJr: I think so.

T: Uh huh.

HMJr: And he - he'd be in here as Assistant to the Secretary.

T: Uh huh. All right, grand, Mr. Secretary. I'll let you know.

HMJr: Right. Thank you.

T: Fine, sir. Goodbye.

November 11, 1942
11:45 a.m.

FINANCING

Present: Mr. Bell
Mr. Kuhn
Mr. Gamble
Mr. Buffington
Mr. Bathrick
Mr. Thomas
Mr. McClintock

H.M.JR: Have you got it all fixed, Dan? You had forty-five minutes; you ought to be able to settle three billion dollars in forty-five minutes.

MR. BELL: I expressed my views as to the drive, why we ought to have it, and what I told you when you first came back; that I thought we had put out banking issues long enough, and that we should now do something on the drive end, particularly in view of the criticism that we had, and particularly in view of what I thought we would get around the end of the year. After telling these gentlemen that, they thought this was more of a psychological attempt, and they thought that if that were the case they would go ahead and have the drive and concentrate on the two issues, such as the tax notes and the two and a half; bringing the others in, of course, as a side issue, but not using all of your ballyhoo on this particular drive that you would on a subsequent drive where you could be better prepared. I do not want to talk for them; they can talk for themselves. I think that is about the gist of it.

MR. BATHRICK: Yes, that is as I understand it.

H.M.JR: If we decide to go ahead, could we have what I think is known in the business as institutional copy - sort of laying out the whole Treasury program, not just war bonds or tax notes, but giving the whole picture to the public?

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MR. THOMAS: Mr. Secretary, we rather thought that that was a pretty big job. I think it can be done. We can certainly furnish you some material along that line. It isn't only a question of furnishing the material, it is to get the avenues of communication and information available to you and organize on the basis where you can get the story over to the public. I rather think the time element is a bit short. It seems to me that if we were to think in terms of starting a long-term financing the first of February, and getting this organized from that standpoint and launching such an effort at that time, that purely from the timing standpoint, it might be better; also from the point of view of effectiveness, it might be better.

H.M.JR: Let me just press a little bit on this. What I was thinking about - somebody said that some of these advertisers - quoting you (Kuhn) - are beginning to run out of copy ideas, so they would be very glad--

MR. KUHN: I was quoting Mr. Bathrick; he said that in his talk with me yesterday.

MR. BELL: In a letter this morning - I forget the name of the company - they said they had run out of material to advertise their own product because they were entirely in the war effort, and they thought, now, that they ought to go more to educating the people in this war.

MR. McCLINTOCK: Mr. Secretary, there is a very great reservoir of copy, both on the air and in space, magazines, newspapers, and outdoors advertising. I think you have a question, however, of the proper position of the Treasury from the standpoint of its over-all marketing problem, and whether or not it would be desirable to do a total market information job; that is, to all consumers on this, rather than, with the shortness of time, to concentrate the appeal much more effectively through those channels which reach, primarily, the market that is the only market that you have for these special issues.

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I would think, Mr. Thomas, that that would be the inclination of your skilled group on it, would it not, that with the time available to do a whole job - indeed, to do a job through all the consumer channels - might result in some confusion. You are driving, here, at a highly limited market, which can be reached, and certainly we can help - and I know Mr. Bathrick can, in that area, too - and it would also provide adequate answers to the critics.

H.M.JR: Let me just - I am not quite satisfied. Maybe I cannot be satisfied, but what I was thinking is the possibility of some full-page ads in the larger cities, which would set out in not too many words, what the Treasury's money needs are, possibly from now until June 30, the end of our fiscal year; and outlining, if we can - we would have to give you the form for the copy - how we propose, in a general way, to get this money; we will be coming to the public for this money, and that there are various sales counters where they can go, that have this merchandise, and where they can buy it. Not so much as a sale, but just kind of a laying down of the principles, so people will get into their minds what the over-all picture is for the next seven months. Now, I saw this ad that IBM - please don't tell me who wrote it because I want to criticize it - I think the spirit was fine, but I think the ad was wrong. I do not think - you were asking me about F and G - I do not think it was strictly ethical - if I don't buy more bonds it means more taxes.

MR. McCLINTOCK: It was not ours, Mr. Secretary.

H.M.JR: I do not know who wrote it, but it is not strictly ethical, that by buying more bonds it means your taxes would be lower. If I had seen it I would have asked them not to run it, but I do think, just on account of that sort of - don't turn me down this morning, see? But the idea of the possibility, on Monday, November 30, in the various big cities, of a full page - what are there, a hundred cities over a hundred thousand?

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MR. BELL: Ninety-two.

H.M.JR: ...An explanation so that the average boy or girl of high school age could understand it.

MR. THOMAS: That is a big physical problem, don't you think so?

MR. BATHRICK: Yes.

MR. THOMAS: It is not only a question of writing the ad, it is a question of organizing the facilities to have the ads actually run.

H.M.JR: Well, think about it. Everything is difficult.

MR. THOMAS: Well, we are here to serve, Mr. Secretary. If that is what you want, we can certainly take a whirl at it.

H.M.JR: No, no, it is not what I want. I would like you to think about it. If I am wrong after you have thought about it, and you do not think that the effort is worthwhile, tell me so. I am not - I think it would be helpful if you digest it, and if your sales people think it is not worth it, O.K. You do not know me terribly well, but on this sort of thing I will listen to the last hat. I may disagree with you at the end, but there will be no bad feeling about it; there will be no bad feeling. After all, I ask advertising and sales experts to come in and advise me, and then, just because they advise me differently - well, that is that; that is all. I have got you people here because you are supposed to be shoemakers and you ought to know your lasts. Now, I am not a shoemaker; I have just got some intuitions. I think I know what I mean, but I can very easily be wrong.

MR. BATHRICK: May I ask one question? What is the purpose of that ad that you are talking about now?

H.M.JR: The purpose of that ad is this - after all, when I started out with this thing, I said, "There are a hundred and thirty-five million people in this country, and I would like everybody to have at least a ten-cent stamp, from there up." I think everybody in this country can afford to buy a ten-cent war savings stamp, and from there up, and everybody should.

Now, we have all of these different campaigns going; they have not been synchronized. What I am trying to do is, to talk in terms of General Motors, when you write institutional copy you are talking for all of your children. You lay down certain principles. When you used to do it I thought it was very good copy. I simply want to go to the hundred and thirty-five million people and say that between now - December 1 and June 30, the United States Government is going to spend so much money. Some of it is going to munitions, and so much of it is going to maintenance, and so much of it is going into administrative purposes; and we are going to raise so much of it in taxes, which leaves a deficit of so much. That deficit we are going to try to raise with the help of a hundred and thirty-five million people. We want to raise every single dollar we can outside of the banks. "Now, we have the following kind of merchandise, and we will be coming to you from time to time." I do not know how much detail, but that is the idea that I have in mind to get over the big broad thing.

MR. BATHRI CK: My only criticism on that would be, Mr. Secretary, that a lot of the people that are going to buy the ten-cent stamp are not concentrated in these cities of a hundred thousand or more. That is the kind of an ad I visualize. Certainly I would go along that the job should be out there. I mean, the public should know just exactly how much you need every month and what you are going to spend it for, but that is such a good piece of copy to educate the whole United States, I would suggest that that be withheld until such time as we are ready to go across the board.

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H.M.JR: Well, you may be right. Think about it the next day or two, and talk about it. You can compare it to the report to the stockholders of the country, see? I am not pushing any one of my children more than the other; I am giving them all the same breaks, but with the taxes and all of these things that happen, I think you could stop a hundred people on the street and if one in a hundred knew what this five percent Victory Tax is, I think they would be lucky - or what it means to them.

MR. McCLINTOCK: Mr. Secretary, as between us - what you said and what Mr. Bathrick said - I concur that that is a thing that should be done, not only once but repeatedly. It is only through repetition that the knowledge can be gained, but most of all, in that piece of copy that you are projecting in your mind you want the people to clearly understand that you are not depending alone, on the one hand, on the payroll deduction or, on the other hand, on the financial operations of banks; that there lies in between there a great market which you are now cultivating with the varied issues that are available. Isn't that the real essence of what you wanted to say there to meet criticism?

H.M.JR: In part, but I wanted to get over the whole picture; what we are spending, the deficit, and how we are going to raise the difference. And then, eventually, we would want to go to explain - I mean we might as well be wholly frank - we have got to have more taxes - we have just got to have more taxes; we cannot do it all through borrowing. But that is something else again. I mean, whether I want to do that through this way or not. That is another problem, but try to clear the air, think about it.

But I gather from what everybody said, we will go ahead with this thing and we will direct the publicity to this very specialized channel.

MR. THOMAS: That would be my thought.

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H.M.JR: ... which would be the people that buy the tap issue.

MR. KUHN: And the tax notes.

H.M.JR: ... and the tax notes. And then considering this suggestion I am making - whether November 30 is the time to do it, or whether it should be postponed, I do not know.

Now, how much more time will I be able to get immediately out of you people?

MR. THOMAS: That is a very difficult one to answer until I begin to rearrange affairs so that I can make time available. I did not know you were going to want it.

H.M.JR: I think I need a lot of time between now and November 30 from somebody.

MR. THOMAS: I thought you meant over the next few days.

H.M.JR: Yes, I do.

MR. McCLINTOCK: We have someone who would be available to concentrate on this, and certainly have the skilled force already set up and in fine order, which can be thrown into gear instantly on the interpretation, preparation, and promotion of materials that you are interested in, now that the policy has been set. So I should think that those men would be able to--

MR. THOMAS: Maybe I misunderstood. I thought you meant between now and the week end.

H.M.JR: I meant between now and the 30th of November.

MR. THOMAS: Well, we can give you - I think I can say we can give you a lot - almost all you would require.

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H.MJR: Now we have an immediate problem and that is the announcement for tomorrow morning at ten-thirty.

MR. BELL: We are working on an announcement and I intended to go over it before this, but I haven't had time.

H.MJR: You are going to have those men, now? We brought George Wanders down from the Tribune, borrowed him for a day or two, to help us. I think Mr. Thomas, if he could help a little, today - are you here for all day or not?

MR. THOMAS: I was scheduled to go back on the one o'clock train, but I will change that if you wish.

H.MJR: If you could see us through until later-- Do you fly?

MR. THOMAS: But where do you get the planes?

H.MJR: I will get you a seat about four.

MR. THOMAS: That will be fine.

H.MJR: I should think we would be through by then, wouldn't we?

MR. BELL: I should think so, if I am going to do any of this other, concentrate on what we have to do in the way of sending out messages.

H.MJR: There is Mr. Thomas and Wanders, Kuhn, and what is the man from Philadelphia?

MR. BELL: Sienkiewicz.

H.MJR: Sort of give them the problem.

MR. BELL: Do you want me to discuss this problem quite frankly with Wanders?

H.MJR: Sure, if he is going to help write it.

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MR. BELL: You said a day or two.

H.M.JR: He is all right, isn't he, Ferdie?

MR. KUHN: Yes.

H.M.JR: Couldn't this thing begin to shape itself up into a statement for tomorrow morning?

MR. BELL: I think so. We have already got some drafts around. Eccles has been trying to get me and I know he has a draft.

H.M.JR: But I mean, if you just sat with these people from now immediately on, and then put them to drafting--

MR. BELL: Well, we will have it by this evening. What time is your press conference, in the morning or afternoon?

H.M.JR: At ten-thirty in the morning.

MR. BELL: We will have to have it this evening.

H.M.JR: I will have to see it. Don't you think Mr. Thomas would be useful on this thing?

MR. BELL: I think he would.

H.M.JR: Well, now, when are you and Mr. Grant going to get together with your committee?

MR. BATHRICK: Next week. We have had five acceptances.

H.M.JR: Did anybody turn you down?

MR. BATHRICK: No, no one has turned me down. I have not talked to him this morning; Grant had two.

H.M.JR: Then you fellows are going to be here next week, is that the idea?

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MR. BATHRICK: Yes, sir.

H.M.JR: They will want a place to work here. Will you tell Norman Thompson to fix them up with enough room so they can stretch their feet and get fresh air for the brains? (Laughter)

MR. BELL: I told Norman that he might expect this so I think he is moving someone out.

MR. KUHN: We talked quite a lot in Dan's office about the date of the campaign, that is, the nature of this pointed, directed campaign at a specific group of prospects, and also we talked a little about the F and G's. You might be interested to hear what was said there from Mr. Thomas or Mr. Bathrick.

H.M.JR: All right, Mr. Bathrick.

MR. BATHRICK: I think Mr. Thomas is better qualified to handle that. If you state what you did in there, I will go along with that.

MR. THOMAS: The first feeling about the matter is that if you have reached the fundamental conclusion that the F and G's are going to be soft-pedalled and not a pressure operation, then the decision as to whether they belong in the Victory Fund Committee or in the War Savings Staff is relatively less important than if you were going to put on a drive. Now, the Victory Fund Committee, psychologically, has a point, that they want a complete package when they go out to sell somebody - they want F and G's as well as these other securities. How important that is, Mr. Secretary, I do not know. I recognize that it might be quite important from the point of view of the War Savings Staff. We all went to Kansas City. We steamed up everybody in the country on F and G bonds; that was one of the things that was to be done. Everybody went back home and immediately got busy on it. Psychologically, I think it gave the whole meeting at Kansas City a lift, and I think that the value of your War Savings Staff is very great. I was very much impressed with it.

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I just wonder what would happen, though, if just at the time they are beginning to get organized and practically ready to shoot, suddenly the word goes out, "All off on F and G's. You are not even going to handle them any more." In other words, the problem is a psychological problem more than anything else. I do not feel, and I am in a position to cite it, although I again say that I do not think it is very important, one way or the other.

MR. BELL: Would you feel the same way if the campaign now in the making was just called off, say, for this month - next month?

MR. THOMAS: You mean if this campaign did not start until the first of January?

MR. BELL: Say, "Don't do anything on F and G's until January"?

MR. THOMAS: To whom are you talking?

MR. BELL: I am talking to the administrators.

MR. KUHN: The War Savings people. The idea is that the road would be cleared for the Victory Fund Committee during the month of December. They would have the F and G's in their package, although they would not push it.

MR. BELL: There wouldn't be this other overlapping campaign at the same time.

MR. THOMAS: I would make up my mind what I was going to do with it; it would be one way or the other.

H.M.JR: That is the way I feel.

MR. BELL: The reason I asked the question, you said you had this lift built up under the War Savings Staff and this would be a let-down.

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H.M.JR: Which would you rather have me do, postpone the thing or make up my mind where it is going to be?

MR. GAMBLE: I think I would rather have you make up your mind which way it is going to be and settle it once and for all.

H.M.JR: I will most likely take a walk in the park and make up my mind by myself. (Laughter)

MR. THOMAS: You see the difficulty I would have as an individual in recommending a course of action to you because I do not understand the problem well enough from the point of view of the Victory Fund Committee.

H.M.JR: I am glad to have you talk as a part of the War Savings Staff, and have you feel that way. I think that is all for the good, and that is the way we hoped you would feel, and I have all the more respect for you for that. But I am torn between two things. I will have to make up my own mind, like I do on all these things, then hope I am right.

Mr. McClintock, if we make up our mind to go ahead now, and then rapidly, with the help of these sales councilors, you people can have something ready for me definitely, beginning with the 30th, can't you?

MR. McCLINTOCK: Mr. Secretary, I speak only on behalf of Mr. Thomas, now, because, as I told you over the phone, he is the Council's sole policy maker.

H.M.JR: I will direct it at him, then.

MR. McCLINTOCK: I think he would say "yes", wouldn't he?

MR. THOMAS: We would be very glad to join with Mr. Bathrick's committee any time he wants. We can get our forces together and we can jointly discuss the

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problem and lay out some sort of a program.

MR. BATHRICK: We can get going right quickly, and we certainly would want you.

H.M.JR: And the American Bankers will be in on it. So the answer is yes, that we will have something in plenty of time?

MR. THOMAS: Yes, we will have something, but let me point this out, that that is preparation of copy; then comes the problem of organizing to see to it that it appears somewhere; that is another problem.

H.M.JR: How much help can you give us on that, Mr. Bathrick?

MR. BATHRICK: Well, I think we could give quite a bit of help.

MR. THOMAS: I think between us we can do quite a bit along that line, but that really is a big problem.

MR. McCLINTOCK: And the Victory Fund Committee ought to be very helpful with respect to the local banks.

MR. KUHN: Is the Federal Reserve engaging in a promotion of its own, or will they be in with us on this?

H.M.JR: You know the setup, don't you?

MR. KUHN: As regards the Victory Fund Committee--

H.M.JR: The presidents of the twelve Federal Reserve banks are directly responsible to me on this thing.

MR. KUHN: On promotion?

H.M.JR: On everything. They are my agents. They are directly responsible. Is Harold going to be in this afternoon, Gamble?

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MR. GAMBLE: I couldn't answer that.

MR. KUHN: His secretary said that she believed that he would.

H.M.JR: Has anybody got any afterthoughts?

MR. BUFFINGTON: On this question of getting this publicity out, I think the American Bankers' Association, working with these men, can be of help. We have a man suggested to us by Doremus and Company, and you might like to look at it.

November 11, 1942
3:05 p.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Haas
Mr. Viner
Mr. Stewart
Mr. Eccles
Mr. Kuhn
Mr. Thomas
Mr. Rouse
Mr. Williams
Mr. Young
Mr. Brown
Mr. Hemingway
Mr. Potter
Mr. Wood
Mr. Wiggins
Mr. Steele
Mr. Stonier

H.M.JR: Mr. Hemingway, can you tell us how far you have proceeded since I saw you the last time?

MR. HEMINGWAY: Yes, I will be very glad to, Mr. Secretary. We have canvassed the matter with some of our members, and we have brought together here today a small committee whom you have met. We are prepared to help the Treasury and the Victory Fund Committee in their sale of Government securities, and at the same time continue our support to that sale of the E, F, and G bonds, the war bonds, our purpose being to carry a message to our member banks in each of the twelve Districts to impress upon them the necessity of selling as many bonds as possible to the public and try in every way that we can to support the sale of bonds through

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the Victory Fund Committee. We have not gone into any details in the matter, but that is what we are prepared to do, if you want us to.

H.M.JR: Let me say thank you, first. Maybe I misunderstood you, or maybe I have talked to so many people that I am confused, or both, but anyway, what I thought you had in mind was that you were going to get this group together with the idea that as an industry you were going to police your own industry in connection with the banks subscribing. I thought that that was the thing that you had in mind, first. Can I just check my own memory? So many things have happened.

MR. BELL: That is the one that Mr. Hemingway mentioned as one, and the second was - or first, whichever way you want to put it - that they would police their own industry.

H.M.JR: I am not questioning him, but I just--

MR. HEMINGWAY: That is correct, but we put the other first, because it seems to us that that is the job that we can undertake first. The other job was to discuss with our members and to try to get the idea across to the members when we finally get to the point where the banks are expected to take the remainder of the securities that have to be sold that this burden would be distributed on a rateable basis among the banks.

H.M.JR: I have got to come back at you again; I don't quite understand.

Now, here we have - here is a president of the Federal Reserve Bank in Philadelphia, and in Chicago, and they are the chairmen of the Victory Fund Committees. Aren't you?

MR. WILLIAMS: That is right.

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H.M.JR: So, we get down to brass tacks. Now, in this sale, if we say we open up a tap issue, let's say - let's be frank with each other - maybe I don't quite understand this. Would you two men, as chairmen of these committees - I mean, are you looking to the banks to go out and sell this thing? Is that the understanding?

MR. WILLIAMS: There will be no question about it, Mr. Secretary. Of course they have been quite helpful, but then you have got the problem of the banks' participation in the issues that are available to them, too. There that participation is not on a rateable basis or wide variations, for a number of reasons. I think perhaps some of the banks are raising the question themselves - they have in the Philadelphia area - as to whether we are not approaching the time when there ought to be perhaps a self-imposed quota to iron out the variations in bank subscriptions to those issues that are open to them.

H.M.JR: I may be wrong, and I don't want to refuse any offers, but isn't the problem--

(Mr. Eccles entered the conference.)

H.M.JR: I want you (Eccles) to hear this. What Mr. Hemingway has said is this: here is a committee, as I understand it, which the American Bankers appointed to work with the Treasury and the Federal Reserve in the sale of Government securities. So far so good, right?

MR. HEMINGWAY: Yes.

H.M.JR: Now they say, first, that they are ready to help the Victory Fund Committee in the sale of these securities to non-banking institutions and personal people; and then also the question of allocation, of helping on the banks' subscriptions, and policing their own industry.

Now, I was just asking both Philadelphia and Chicago, because it seems to me - I may be all wrong - that is why I wanted you to come in and listen and help - my

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feeling is that we don't need the help of the American Bankers so much on the sale of these Government securities to non-banking as it is a question of their policing their own industry.

MR. ECCLES: I think you need both.

H.M.JR: Well, I am not throwing away any help, but in talking with the executive committee of the Open Market Committee the whole question came up of the uneven subscription of the banks in the country to these Government issues, some doing more than their share and some doing less. You pointed that out in that study in Philadelphia.

MR. WILLIAMS: Yes.

H.M.JR: And the thing, Mr. Hemingway, from our standpoint, the more pressing problem would be that if this committee of the ABA could help us with your own members - now, I am not brushing the other thing off.

MR. HEMINGWAY: Yes. Well, we are disposed to do that, Mr. Secretary, but we feel, and I am sure you agree with us, that the more bonds that can be sold to the public, the better it is for all concerned.

H.M.JR: There is no question about it.

MR. HEMINGWAY: And that is the reason we wanted to encourage our members to take their coats off and get in behind these Victory Fund Committees as much as possible.

H.M.JR: Isn't that something which could be pretty well settled in the twelve Federal Reserve Districts if these members of your association understood that they were to work with the presidents of the twelve Banks, which I understand they are doing now.

MR. WILLIAMS: That is right.

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H.M.JR: I mean, we are lucky to have you - Mr Young, what is the situation in Chicago as far as the banks helping and as far as the Victory Fund Committee - do you need any more help selling to non-banking sources?

MR. YOUNG: I would say that the majority of the banks are helping, and we feel free to call upon them, and especially the large banks are helping a hundred percent. Some of the smaller banks are not, but I am sure that they will, and they have been a great help in also suggesting to large investors that they buy the long-term bonds, and we use them very, very much.

H.M.JR: Which is more important, that or the question of getting this thing regulated as to what the banks subscribe and how much they subscribe?

MR. YOUNG: Well, it would be very difficult to say which is most important, but I would think they would police their own industry and then do what they are doing now with the non-banking investors. We would be perfectly satisfied and get results. They are doing a good job in telling their large customers to invest in tax notes and long-term bonds.

H.M.JR: How about in Philadelphia?

MR. WILLIAMS: The banks have been very active in our district. There are perhaps fourteen hundred members in the Victory Fund Committee for the District. My guess off-hand would be that nine hundred of those are bankers. They have been quite active, especially outside of metropolitan Philadelphia. In fact, they are carrying the burden of the chore. While, of course, we can always use more help in intensively cultivating the non-bank market, I think we have reached a point in our District, due to the unequal distribution of excess reserves and perhaps a lack of understanding on the part of the small country bank, of the part that they will play in Treasury financing. We have reached the point where that phase of the problem calls for scrutiny in handling. As a matter of fact, the question has been

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raised by the Philadelphia banks. I called a group of ten or twelve together. The question was raised. One banker put it specifically, whether we hadn't reached the point, perhaps, where the banks ought to have an assignment handed to them, an individual quota, and in the ensuing discussion on that point, the consensus of opinion was that the quota, if it were to be imposed, ought to be self-imposed, and that is the state of the - the current state of thinking in the Philadelphia District.

MR. BELL: Do you think the country banks might do more to sell securities outside of the system?

MR. WILLIAMS: I think so. I think we have not reached the bottom of the barrel there, Mr. Bell. I think that the distribution, which in our District ought to be perhaps six and a half percent or slightly below that, with the exception of the two and a half percent tap where we reached seven percent, has been in the range of four to five percent.

When we come to certificates, we get down to three point eight, instead of six percent, and I think I cited to you, Mr. Secretary, the results that we got when we applied to a group of representative banks, country and metropolitan, the results on that two and the one and a half. I think I have those figures here which would be illustrative.

H.M.JR: I have them. I don't know how long this committee is here for.

MR. HEMINGWAY: They came down at your suggestion to try to do a job, so I think they will stay as long as necessary.

H.M.JR: All right. Could you approach the one first that bothers me the most? I mean, the assistance of the Victory Fund Committee - I mean, doesn't bother me so much, because the impression I have had is that the banks have been good, you see. Of course, we can all be better. And that is this other question of

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policing your own industry and arriving at some idea, some yardstick as to what a bank should subscribe to, and how much.

MR. HEMINGWAY: We have discussed that, and it is not as simple as it may sound, by reason of the fact that some banks today have already been big buyers of Government securities. Others have been small buyers.

Secondly, in some communities, deposits are increasing rapidly. In other communities they are stationary. Those are factors that have to be considered, and then we also meet with opposition, such as I mentioned to you when I was here before, I think, that some banks want a short maturity, and some want a different rate. So it is not as simple a matter as just dividing it mathematically.

H.M.JR: It was your own suggestion, though; it wasn't mine.

MR. HEMINGWAY: No, no, it was not yours; it came out of my talk with Mr. Buffington, yes.

I think we can do something there, but it will take a little time to get it underway. I would like for some other member of the committee to do a little talking, Mr. Secretary, because they are also familiar with this subject, and we have had quite a discussion amongst ourselves about it. Mr. Potter, would you be willing to express your feeling about how far we have gotten in this matter and what our minds are today?

MR. POTTER: Certainly. I think we have laid equal emphasis, Mr. Secretary, on the two points that Mr. Hemingway has talked about. I think we have laid just as much emphasis on the point that seems to concern you the most as we have on the other one. I would say, if I interpret our meeting this morning correctly, that the ABA was thoroughly prepared and all ready to start right away on education of the banks on the matter of their own subscriptions - or their own underwriting, I would like to put it - of the Treasury issues, which

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are designed for permissible bank investment. I don't think that Mr. Hemingway has quite given you the right impression. I think we weight the subject that interests you just as heavily as we weight the other, but I think we weight the other more heavily than you do, and I don't think you weight it heavily enough. (Laughter) I have listened with a good deal of interest to the presidents of the Federal Reserve Banks of Chicago and Philadelphia; and while I defer to their knowledge and judgment, I don't believe the banks have half started to sell Government bonds. I know they have not in New York. New York has had a good deal of dynamite put under their foundations.

I don't believe the banks in New York City, even, have begun to put forth the effort that they can put forth. I believe that the ABA can help the Victory Fund Committee very materially in creating enthusiasm on the part of the banks to sell Government bonds to their clients and friends, which has not yet been generated.

I think that is about all I can say on the subject.

H.M.JR: Well, that is a mouthful, as they say. (Laughter)

Mr. Brown?

MR. BROWN: On the two subjects, my own impression is that the Victory Fund Committees in Chicago - I don't know about Philadelphia - have done damned little in selling Government bonds. That impression is confirmed by talking with the people that are running it. I don't want to sound pessimistic, but I think that a lot more can be done, and I think the cooperation of the banks there is very helpful.

On the question of the American Bankers Association, or anybody else, assigning a quota of bonds to different banks that they should take, or buy - what you called self-policing - Mr. Hemingway certainly did not make it

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clear to me - and I don't think to the other members of the committee - that any suggestion was made by the Treasury Department that the American Bankers Association undertake that job.

In the discussion this morning I think we all felt that no rule of thumb can be applied to all banks. You can't work out a formula.

H.M.JR: Could I interrupt you, just to get this thing straight? We did not make the suggestion. The suggestion was made to me by Mr. Hemingway.

MR. HEMINGWAY: Yes, I did, and I still feel that there should be a sharing of this load when you get down to it. That is what we were talking about.

MR. BROWN: I think we all feel that there should be a campaign of education. I think that the banks of the country realize it is both a patriotic and financial duty, and a part of the service institutions to carry their fair share of the debt. But the question of what Government bonds, what percentage of any given issue a given bank should buy, depends not only on its size, not only on the growth of its deposits, and not only on the amount of Government bonds and other assets it already has; it depends very largely on the ratio of its capital funds to its total exposure. I think that a bank with large capital funds has got a right to buy a much larger percentage of ten-year bonds than a bank with a twenty or a twenty-five to one ratio. One bank's deposits are very volatile and are apt to maybe build up a corresponding bank balance or large corporate balances which are apt to be invested in tax investment notes.

I argued this morning, and I think the majority of the committee felt with me, that all that the American Bankers Association could do would be to conduct a campaign of education, pointing out that the banks of the country had to undertake the load of carrying a large part of the Government debt; that every bank should do its share; that whatever the issue or the total amount

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of Government bonds any bank should carry was a matter which had to be determined by the management of each bank, giving, perhaps, its educational committee, research committee, of which Mr. Burgess is chairman, a job of preparing a booklet giving the general principles which should guide a bank and determine what it should do.

You have the other second thing, which is the underwriting of new issues. I think in the case of my own bank that it is our duty to underwrite a new issue in order to prevent its failure, even though we don't like the terms of the issue, and we don't want it. We have done it before, and we can do it again. By the same token, I think that having done it, we have got a perfect right to sell the bonds in the market if we get too many of them - sell them to other people.

MR. ECCLES: You mean to the Fed, Ned? (Laughter)

MR. BROWN: No, not necessarily the Fed. The Fed may get them, but if the Government puts out ten or eleven-year stuff and we want bills, we will sell the ten or eleven-year, two's, and we will buy bills or something else. But, I think that for either any Governmental agency or for the ABA to undertake to police the banks and tell the individual banks how much they should subscribe and how much they should hold of any new issue, is a mistake. If the suggestion has been made on behalf of the ABA, I am sorry for it.

MR. HEMINGWAY: I want to put it in the record here that that suggestion was not made on behalf of the ABA. We did not at any time talk about policing the banks at all. All we talked about was securing them to take - each bank take its share of the load. Isn't that correct, Mr. Bell?

MR. BELL: It was more of a system of education, I think, than the question of terms.

MR. BROWN: I am all for educating the banks to the fact that they have to do a job, and give them the data on which they can form an intelligent judgment.

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H.M.JR: Well, let's call a spade a spade in the room here. I did not make the suggestion, but I was happy that the suggestion was made because I think before we go very much further somebody is going to have to do it. I would very much rather see the industry do it than to see the Government do it. That is why I was pleased that the suggestion was made to me that the industry should do it for itself. But, I am not ready to go any further than that today. Sooner or later somebody is going to have to do it, because we are going to finance this war, we are going to win this war. The banks so far have been fine and I am sure they are going to continue to be fine, but there is no reason why some of them should do more than their share, leaving others to do very far from their share.

The time will come, and it is not very far distant, when somebody is going to have to tell somebody who is not doing their share what they have got to do. We are at war, and this is not any pink tea party. You might just as well call a spade a spade. Maybe my fiscal agent of the Federal Reserve District may have to do it. That is why I was so pleased to get the suggestion that the industry might take it on itself.

Mr. Thomas, are you going at four?

MR. THOMAS: Yes.

H.M.JR: Thanks for everything.

(Mr. Thomas and the Secretary left the conference.)

MR. BELL: I think those of us in the Treasury who have given some thought to this matter of making a formula for banks appreciate the difficulty. We think that is the hardest job there is. As Mr. Brown says, you can't get a formula for all banks. We thought that this subject really should be divided into two parts. One is the first part that Mr. Hemingway gave - we should try to get the banks behind the Victory Fund Committees in this drive, and let them go all-out to get as many securities outside the banking system as

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possible; and the second was try to work out some means - whether it is a formula laid down in its finest details, I don't know - but some way of getting the banks to assure the Treasury that each banking issue will go over. And it is their duty to see that it does go over. I think they have got to realize that they have to take the residual of the Treasury offerings that do not go outside of the banking system. But we do appreciate that the matter of writing that formula is a very difficult one. In the little time we have given to it, we have not been able to write one up that would be fair to all of them.

Marriner, do you want to say something?

MR. ECCLES: Yes. Up to the present time, outside of the War Savings effort there has not been any real opportunity to make an effort for any wide distribution of Government securities. Our financing has been a good deal on a peace-time basis. It was offered the day after it was announced, and the opportunity for preparation has never been adequate for the job that has to be done. I am not saying that in criticism; I am merely showing what it seems to me has been said by Mr. Potter and others, and Ned, that there just has not been a job done yet and a distribution.

Now, the Victory Fund Committees are not to blame for that.

(Mr. Kuhn left the conference.)

The Victory Fund Committee is an organization of, pretty largely - almost entirely volunteer workers. Its organization, we have all recognized, has not been extensive enough to do the kind of a job that needs to be done. That, we hope will be corrected. So the Victory Fund Committee, due to the lack of time and preparation, and due to the short period in which an offering is made available, has not had the chance to do the selling, the distribution job, that it otherwise could possibly do outside the banks. I merely

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wanted to say that in defense of the Victory Fund Committees because I feel they could not have done more than they have done under the circumstances.

From the ABA standpoint, it seems to me that they cannot, as a national organization, but in the communities - the members of the ABA in every Federal Reserve District can be of great assistance to the Victory Fund Committees, and they should be. The organization as a whole, it seems to me, should encourage all of the members to offer their services in every way they can, throughout the country, to these committees; in other words, to work through the Victory Fund Committees - it is their organization to work through.

I think the ABA can do an educational job of two types. One is to make all bankers realize that it is in their interest and in the public interest if inflationary credit or money expansion is to be curbed or curtailed. It is in their interest to induce their customers in every possible way to buy Government bonds, to try to sell the very maximum amount in their community of Government securities outside the banks.

In other words, we have the banks taking that point of view that they are losing deposits - a lot of them - and, as a general rule, they are not, because the money is coming back even faster than it is being drawn out. That is due to the growth through bank lending, of course, but they do not understand that - the individual bank - a lot of them - and an educational job needs to be done in these banks where they will be the greatest champions among their customers, because, after all, they know where the money is. They know what the conditions of the customers are. They know what a customer ought to buy, and they are the greatest salesmen that you can possibly get if you will educate them and make them realize that it is in their interest to sell bonds outside.

Now, I think there is a piece of work that would have a very beneficial over-all effect, and that ought

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to be continuous. It is an educational job that needs to be done. Now, when you get down to the other job, I don't think you can make a formula, for the reasons that Ned has stated, with reference to what any individual bank should do. But, I do think that you can make an over-all formula that - along this line - that every bank should invest their surplus funds in Government securities. Now, that takes care of the expansion of deposits. If a bank has a lot more deposits growing than another, it may have more surplus funds. If another bank has no growth in deposits, it may have little or no - their funds may already be invested. It should not be given a quota if it does not have the necessary surplus funds to invest. There may be a plan so the banks can borrow as an underwriting job. There should be no hesitancy for the banks to borrow temporarily for an underwriting. It is not bad for the banks to come in and borrow from the Fed.

We have established a special rate situation to enable them to do the underwriting. There should be no hesitancy in coming in and borrowing at a half of one percent or one percent if they have not enough of short-term paper to do the underwriting.

Now, that is an educational job that can be done.

Insofar as investing for their own portfolio, they should be made to realize they should not hoard surplus funds, not any more than the individual should hoard currency. It is just as bad. They don't need a lot of excess reserves lying around. One bank has no excess reserves, and another has a lot. The bank that has those reserves is the slacker. They ought to invest those funds and ought to keep them invested. We have designed a pattern here that gives them no excuse whatever for keeping their funds uninvested, because if the funds are volatile they can buy bills; they can buy one-year certificates; they can buy notes; they can buy short bonds; and they can buy the ten-year bond. Now, God knows they have got a basket there that is going to meet the condition of every bank,

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irrespective of the type of deposits. I think that the kind of a job to be done is not one of saying that this bank should take so many in relation to its capital and surplus or in relation to its deposits and relations to something else. I think that that is impossible, but I don't think that it is impossible to let a bank know that they ought to keep their funds invested in the securities that are made available to them. If a bond does not fit the situation because the funds are too volatile, then a bill will fit their situation, or a note will fit their situation, or a certificate will fit it. There is just no excuse for these banks sitting around with a lot of idle excess reserve. That is the kind of a formula I would make, no idle funds.

You don't want individuals to have unnecessary balances. You don't want people to sit around with a lot of currency holding it in their hands. Neither do you want a bank to be hoarding its funds. That is the kind of a formula I would use.

MR. WIGGINS: I think that is exactly what they decided on this morning, a general over-all formula, and I think the American Bankers Association could afford to get out one.

MR. ECCLES: They don't need a lot of excess reserves sitting around because they want reserves, or because of capital ratios, or because of something else. They just don't need a lot of excess reserves for that purpose because of the type, the variety of Government securities that are available, because they can sell in a minute's notice a bill to the Fed today and buy it back tomorrow. They can borrow at a half of one percent on a certificate that bears seven-eighths, so that - and there is a ready market if they have to sell. So the need of having to keep a lot of idle - keep excess reserves to be liquidated - just does not fit into this pattern that we have tried to create for them.

MR. BELL: Does the banker group feel that the excess reserves is a problem or a question with the

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country banks, particularly the banks outside of the central Reserve cities? Do they feel they have got to have excess reserves in this picture?

MR. HEMINGWAY: I don't think we discussed that this morning.

MR. BELL: In your contacts--

MR. WIGGINS: I think a lot have more than they need and haven't been educated to the fact, as Mr. Eccles just stated, that they have got to get into this picture and help finance this war.

MR. BELL: Then it is more a matter of education than anything else. If thoroughly explained to them--

MR. WIGGINS: They have got to be told so and believe it and act accordingly.

MR. HEMINGWAY: We have had no thought, Mr. Bell, of policing the industry. What we did discuss, and what I think we are all agreed upon, is to undertake to carry the message to our members of the need of doing this job and to persuade each bank to carry its share of the load. Now, when you get into determining how it shall carry its share of the load, then, of course, you get into a discussion of a lot of details and things that might take some little while to iron out and get our minds to meet on. But, I think that expresses the views of the committee, doesn't it?

MR. POTTER: Absolutely, I think.

MR. STEELE: Can I ask Mr. Bell a question, Mr. Hemingway? You asked if the average bank felt that it had to have excess reserves. Were you including in that such reserves as it might have in the form of till money or correspondent banks, or were you including strictly excess reserves carried in the Fed?

MR. BELL: Just the excess reserves.

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MR. HEMINGWAY: Legal reserves?

MR. BELL: Yes. I was thinking of the excess reserves they are carrying with the Federal Reserve. I know that some of them carry quite large cash--

MR. STEELE: I wanted to know what you meant, because the answer would be different in either case. If you mean simply technical excess reserves, I certainly feel from my experience in the country banks up in Connecticut - that is a very limited field - that there is no feeling that they need to carry excess reserves. On the contrary, however, there is a strong feeling that they need to carry adequate reserves. By that I mean that there is at present, I think, a pretty strong feeling that they must not put themselves in a position where they will have to borrow, and the reason for that is the very unfortunate public psychology that has been built up since 1933 that to show bills payable on a statement is dangerous in the eyes of the public. We have got to get that out of their minds in some way or other. Just to that extent the answer is not that they have to have excess reserves, but that they must have enough. Now, if we are going to get them so that they are willing to borrow, we have got to do some educating.

MR. BELL: Wouldn't they invest their excess reserves in the shorter securities, which they can sell immediately and get the excess reserves back?

MR. STEELE: Yes, if you don't skin them down to the last cent, they will. But they won't yet - at least in my part of the country, they won't borrow yet. I think that is a mistake. I think it is very unfortunate that so many banks - I said this in committee meeting this morning - have published in their statements over the past few years, in black type, "Bills payable, none." I think that has been very bad business. It has created a distinctly wrong impression, and that has to be done away with in some way or other. If it can be, they will begin to borrow again.

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MR. BELL: The war may be over by the time they are educated.

MR. STEELE: No, they can be educated much before that.

MR. BELL: They can?

MR. STEELE: I think so.

MR. WIGGINS: I would like to ask Mr. Eccles how much bank-lending to the Government will the present excess reserves take care of, generally.

MR. ECCLES: That depends on how completely they are utilized.

MR. WIGGINS: Suppose you had all the excess reserves?

MR. ECCLES: It depends - they fluctuate very widely, depending upon the Treasury's balances with the Fed. They will fluctuate a billion in a week, so it is pretty difficult; theoretically, if you used them up completely, I would say possibly ten billion dollars, leaving room for a fluctuation of five hundred million.

MR. WIGGINS: Ten billion dollars is just a couple of months' or so money.

MR. ECCLES: It should be more than that from a bank investment standpoint, but it does not meet the thing definitely.

MR. WIGGINS: I think the feeling that some of us have is that a bigger part of this load should be put on money already created, and that--

MR. ECCLES: The Federal feels very strongly about that.

MR. WIGGINS: The big job is to get out the things that will attract the money that is already

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created rather than to create new money through taking bank loans.

Now, I think the banks are ready, ripe, to go into this job a hundred percent, almost, both on the side of helping sell whatever securities may be designed for the public and helping the Victory Fund Committees and everybody else, to try to keep out of the banking system as much as possible this creation of new deposits. The second part, on a voluntary basis - not on a forced basis, and not on a policing basis - that word sort of scares me - but voluntarily and cooperatively and educationally, and in a friendly way, but maybe a little firm here and there, to do this bank side of the job.

(The Secretary reentered the conference.)

Of course, I think when it gets to pushing we would like for somebody else, maybe, to be pushed along with the banks. I think we are ripe, Mr. Secretary, for a very vigorous, cooperative effort to do this job.

H.M.JR: What did I miss, Dan, while I have been out of the room?

MR. BELL: We were just talking more about the formula and what had to be done in the way of educating the banks. Marriner said that he thought the banks ought to be educated to use up all of their excess funds in purchasing Government securities, and, if necessary, to borrow temporarily to underwrite an issue. He said that he did not think he would have any specific formula, but you might have an over-all formula.

MR. ECCLES: I will put it this way, Mr. Secretary, that what Mr. Brown says about the banks is absolutely true, that in certain areas there is not growth in deposits. In other areas there is a very huge growth. They are getting a lot of this money that is being spent, their deposits are growing by leaps and bounds. In other areas banks have already invested pretty fully in

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Governments, and kept invested. In other areas, other banks have invested very little. There may be a big demand for loans in one area, and practically no demand in other areas, so to say that a bank should have so many times its capital surplus in Governments or that it should have such percentage of its investments in Governments, is an impossible thing to say.

I made this statement, that the determining factor was that when a bank had idle funds that it should invest them, that a bank was no different in that regard than a corporation or an individual that was hoarding money and should be put into use, that if they didn't want a long bond, it could buy bills or certificates that we have designed. The Treasury has designed a variety of securities that gives the bank no excuse for keeping funds idle. If it is already invested up, of course, possibly it has done its part. The other bank that is getting huge deposits and idle funds piled up is the bank that ought to put those funds to use. It is just like an individual that is working and has gotten a big increase in pay. He should do more than the fellow that has possibly had no increase, but maybe a decrease. That kind of educational work, for each bank to invest all of its funds, just keep right on investing in Governments of the various types to meet its requirements, is a general formula that certainly ought to meet every banking situation.

H.M.JR: Well, what I would like to say is this so there can be no possible misunderstanding. We have made up our minds to go ahead with a certain financing program for the month of December. We hope to announce it at ten-thirty tomorrow morning, and there are a lot of things which have not been settled yet. Normally I would wait until every "t" was crossed and every "i" was dotted, but I can't do it. I am going on the assumption that a hundred and thirty-five million people in this country want to win the war, and that they want it financed, and I will have to do some of my home-work as I go along, including with you people. But, I cannot wait any longer on the announcement of what the size of

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the thing will be. I don't know how many details I will go into, but at least we have a program for tomorrow morning, which will stress going to the public for every last dollar we can get out of them, and then going to the banks for a fixed amount.

MR. BELL: You might tell them it is for December 1.

H.M.JR: The thing is to start November 30, on a Monday. We are not contemplating any financing between now and then, so it gives everybody ample time to get ready and make plans.

I sense there is a difference in this ABA advisory committee to the Treasury and the Federal Reserve. You men are here; couldn't you meet again and argue out your own differences and come in with more of a program than you seemingly have today?

MR. HEMINGWAY: Well, Mr. Secretary, there is no difference between us on assisting in the sale of securities through the Victory Loan Committees; and we are prepared, if you want our assistance on that, to work out with your men the way to give it.

H.M.JR: I do want it.

MR. HEMINGWAY: On the second thing, we are agreed with the principle, but we don't yet see how we could work out the exact formula and manner in which it should be done. I think your suggestion is a good one, for us to have another meeting and see if we can whip that into shape.

H.M.JR: How long before you can come back?

MR. HEMINGWAY: I don't know. I don't know how long we are going to talk.

H.M.JR: Are these gentlemen here for a day or two?

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MR. HEMINGWAY: I think so. Mr. Brown told us he had to get back. He has to leave tomorrow afternoon.

H.M.JR: He is here until tomorrow afternoon?

MR. HEMINGWAY: Yes.

H.M.JR: Why not let's leave it this way: You men meet and when you more or less have something, let me know, and I will try to adjust my program.

MR. HEMINGWAY: Suppose we give you a ring tomorrow morning?

H.M.JR: I am in good shape tomorrow after eleven o'clock. I am free from eleven to twelve, but the afternoon is sort of hopeless.

MR. HEMINGWAY: Let's make it tentatively for eleven o'clock tomorrow morning.

H.M.JR: Shall we say tentatively eleven - better make it eleven-fifteen.

MR. HEMINGWAY: Mr. Wiggins has made a very good suggestion. He says that we have done quite a little talking and it might be well for you to tell us what you would like to have so we can see if we could reach it.

H.M.JR: Well, I can't do that. I will be in much better shape at eleven-fifteen tomorrow morning, because by that time I will be able to show you what the program is, you see. I will be in much better shape tomorrow morning.

MR. BROWN: Mr. Secretary, could I make a suggestion? I think it would be helpful to the thing if this committee of the ABA, which met for the first time this morning, could meet Mr. Eccles, if he is free, and the two presidents of the Federal Reserve Banks and Mr. Viner and Mr. Rouse and the other Treasury people here.

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I don't know whether Danny is tied up or not, but we have not had the background of some of these earlier discussions. If we could get a room somewhere in the Treasury, I think that we could probably make more progress by talking in a large group and so find out what the Government desires to accomplish.

H.M.JR: I don't think you can have Bell this afternoon.

MR. ECCLES: I would like to be here on that price thing and on two other things that I think have to be cleared tonight.

H.M.JR: I have one, too. Why not let them go down there to this room - and how about the presidents of the two Federal Reserve Banks?

MR. ECCLES: I would like them here. There are two or three questions I think both of them should discuss with you.

MR. BELL: They can go down after.

H.M.JR: Why can't they go down there now? Let's meet now, and if and when these fellows come up for air they will come down and see you.

November 11, 1942
4:00 p.m.

FINANCING

Present: Mr. Bell
Mr. Eccles
Mr. Williams
Mr. Young

H.M.JR: Was I too tough when I told them somebody was going to have to tell them that?

MR. WILLIAMS: You were coming to it and it is good for the industry.

H.M.JR: I noticed that Hap Young nodded his head, yes. Somebody has got to tell them.

MR. BELL: I think that is right. I think Hemingway was right. It is better they do it than somebody else - than coming from the Government.

H.M.JR: What I wanted to say was this, and I didn't want anybody here. I would like to say it just as quietly and unemotionally as possible. I meant what I said, we have not got time to iron out all our differences. There is a fundamental difference between the Federal Reserve and the Treasury, and I know that in the time left today I cannot convince the Federal Reserve Open Market Committee - at least Eccles, because he feels this thing very deeply, and I do not think he can change us. But we have one real fundamental worry, and that is the amount of excess reserves. Now, without going into any recriminations or anything else, the people are looking back and thinking that part of the failure, or the lack of the subscriptions, or whatever you want to call it, to the last issue was the inadequate reserves.

Now, the people here, Haas, Viner, Stewart, Bell, and myself - and Haas' staff - all feel this thing very, very strongly. We feel that as we go into this thing we are going to need at least what we have got and maybe more.

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Now, what I would like to say is this. We had this thing once before and I want to say, before Mr. Eccles, that ever since December 7, nobody could ask for more cooperation or better service than he has shown. He is entitled to his views, and we in the Treasury are entitled to ours, and he has been fine. Inasmuch as we are going into it, I would like to have this understanding with the Open Market Committee, that if there are any signs of this thing not going well, and we here in the Treasury feel definitely that we need more reserves and ask for them, I would like to feel that we are going to get them and get them willingly, you see, without going into the question of overdrafts, and borrowing, and the whole business.

I cannot settle it this afternoon, but as we agreed once before in this financing somebody has got to be boss, and the one and only time I said that, I think you gentlemen were willing to say that I was the boss. So I do not want to use it. I do not want to bother the President - I think it is the one thing the Federal Reserve and the Treasury have been able to do without having to run to him. But if we get into this issue which the banks take, and we find it inadequate, and after plenty of talks for the next two weeks, and I still feel the same way - and I have suggested to Stewart and Viner and Haas that they get hold of Goldenweiser this afternoon and have a talk with him - and if, at the end, we still feel we need more reserves, I would like to feel that the request will be granted.

MR. ECCLES: All I can say on that is, I will call a special meeting of the Open Market Committee, because, after all, what is done in this whole question is, after all, their statutory authority. I mean they, of course, are not a voluntary setup. They feel pretty strongly the statutory authority, as well as their responsibility, just as the Board does, in connection with both open-market operations and change of reserve requirements. It is all one and the same picture. I want to feel that the twelve Reserve Bank presidents and the Board are all parties to any responsibility in this thing, because

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they have not only this question of reserves, of which there is, as you said, maybe some differences of opinion, but these Reserve Bank presidents are, of course, the chairmen of your Victory Fund Committees, whose final job is to sell three-fourths of all the Government securities that are to be sold. It has largely got to be sold through those committees. It is terribly important that the point of view of these people be gotten, and I would think that it is of sufficient importance - because we are just starting on a program of real financing - and I would think that it is of sufficient importance that we ought to take plenty of time. They are here, and you ought to meet with them, and Dan ought to, at least the Treasury people ought to sit down in discussions of this program.

We have discussed it by the hour. There is an awful lot of feeling in our group with reference to these questions. I think that some of them might even get to the point where, if they are told, that is one thing, and then they have not the responsibility for the action. If they act voluntarily - I mean, for instance, if they can act and say, "We are doing this at the request of the Secretary of the Treasury," that is one thing.

H.M.JR: Well--

MR. ECCLES: Then the responsibility, they feel, is--

H.M.JR: But it was a very moderate statement - I mean, "temperate" is the word for my statement.

MR. ECCLES: It was.

H.M.JR: There is no emotion behind it. Is the Executive Committee of the Open Market Committee in town?

MR. ECCLES: Yes, they are here, plus Szymczak and Draper. Hap is an alternate to Sproul.

MR. BELL: You say you feel you ought to have a full committee meeting on this whole thing. You are talking about what, the lowering of the reserve requirements?

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MR. ECCLES: Yes, if we are going to do something on reserves.

H.M.JR: Well, let me - just one second, do you take any objection to what I just said?

MR. WILLIAMS: Your statement was on a contingent basis, was it not, Mr. Secretary?

H.M.JR: That is right.

MR. WILLIAMS: That is to say, in the light of what is ahead "if".

H.M.JR: Do you take any objection?

MR. YOUNG: No.

MR. ECCLES: I do not want to give the impression I am taking one. All I am saying is, I do not think we can make a commitment on this without bringing in--

H.M.JR: The only commitment that I am asking for is this, that if I make the request, will it be acceded to?

MR. ECCLES: I cannot say. If you make the request we will call the committee, and the committee I cannot act for. That is my point.

H.M.JR: Can the Executive Committee of the Open Market Committee act on a request from me?

MR. WILLIAMS: No.

MR. ECCLES: No.

MR. BELL: They could by purchasing securities to whatever extent--

MR. ECCLES: Up to the limit given to us by the full committee.

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MR. BELL: How much - a half a billion?

MR. YOUNG: It is a billion.

MR. ECCLES: And can usually get additional amounts over the phone.

H.M.JR: Could you get me an answer between now and ten o'clock tomorrow morning?

MR. ECCLES: No - impossible. We cannot clear with this number of people, it seems to me, between now and ten tomorrow morning.

H.M.JR: Well, then, I think I had better postpone the announcement. Can you do it by tomorrow afternoon or Friday morning?

MR. ECCLES: Well, do you mean whether or not they will change the reserve requirements?

H.M.JR: No, I simply mean when we go into this thing and the situation arises that the reason that the banks will not subscribe to the necessary amount is due to the excess reserve situation, and you people still say "We do not want to change reserves," then I, as Secretary of the Treasury, ask you to do something about the reserve situation--

MR. ECCLES: I can say this--

H.M.JR: I just want to know, will whoever is charged with this responsibility comply with the request of the Secretary of the Treasury.

MR. ECCLES: I can say that I would, as a member of the Board. If you would make a formal request of the Board to take such action with reference to reducing the excess reserves--

MR. WILLIAMS: The reserve requirements.

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MR. ECCLES: The reserve requirements, then, if you are willing to take the responsibility for that request, which you would be, I, as a member of the Board, would vote to take the action. Now, I will take it up with the Board and find out from the rest of the Board if you should make such a request whether or not they would do it. That is with reference to reducing reserve requirements.

H.M.JR: Of course, you agreed to this once before.

MR. ECCLES: But we have never done it without discussing it with the Open Market Committee because it all affects the reserve picture.

H.M.JR: Marriner, may I go back? You, once before, several months ago, said that inasmuch as this was a war, that any request that I made of the Federal Reserve Board, formally, you or the Open Market Committee would accede to; you have agreed to that.

MR. ECCLES: I am repeating it now.

H.M.JR: That is all I am asking.

How about you?

MR. YOUNG: I would be, as far as I am concerned, because I have nothing - as far as the vote is concerned I would go along.

MR. WILLIAMS: I acceded.

H.M.JR: With these gentlemen, plus the Board members, you have got a majority.

MR. ECCLES: That is right.

MR. BELL: As I understand it, Marriner, the Board has authority to lower reserve requirements. They do not take action on that front without consulting the twelve Federal Reserve presidents. They are only advisory in that capacity, but they do consult them, and do not have to take their advice, but they have, as a matter of custom.

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MR. ECCLES: As a matter of law we have the right to ask--

H.M.JR: This is the Board?

MR. BELL: The Board has full authority to act on lowering reserve requirements - that is, taking from twenty down to eighteen, but on any other front, where there is purchasing in the open market, that is an Open Market Committee responsibility--

H.M.JR: I am talking about two things.

MR. WILLIAMS: Either, or.

H.M.JR: I am talking against the contingencies. I more or less had this before, but I am just asking for a restatement, if the emergency arises and I formally make this request, either for you gentlemen to purchase more securities or to lower the reserve requirements, will that be acceded to?

MR. ECCLES: As far as I am concerned, I would do everything I could to bring it about.

MR. WILLIAMS: Mr. Secretary, for your own assurance, I would like to say that I have no fear of the likelihood of that occurring because we have taken the precaution, here, of several weeks' preparation. I think we have got a good program; we have got a lot of favorable factors on our side, and I think there is less fear.

H.M.JR: Williams, I am not, either, but I cannot - it is like a general who is starting an attack in Africa - I am simply asking everybody who is involved - it is like General Eisenhower saying to Churchill, "If I call for reserves, will you give them to me?" And Mr. Churchill says, "Well, I have got to call a Cabinet meeting and find out." So he says, "Yes, I will." But I mean, he is in control. He has to go to Mr. Churchill, and he says, "In case of necessity, and I need another twenty-five thousand troops, will you give them to me? I do not think I will, but if I need another twenty-five thousand troops, or

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another ten ships, I want to know, in case of the contingency."

In case something unforeseen comes up - I said right at the beginning that everything I have asked for I have gotten. Some of the things I should have asked for and did not, which is my fault. I should have asked for more reserves. As soon as we asked for them last time, within twenty-four hours we got them.

But I think the comparison of Eisenhower and Churchill is a fairly good one. I mean, he would want to know where he stands. I want to know where I stand so that if and when the battle is hot, and some day I find out the thing is not going well, and Mr. Sproul calls up from New York and says, "I am sorry, the banks won't take any more on account of the reserve situation, will you do something about it?" I would be in a position to do it. But I would look to them in each district to see that this thing is a success.

MR. WILLIAMS: You should have our full support. There may be differences as to details in policy.

H.M.JR: There are differences, but I just want a reassurance before we launch on this very large campaign that there is no conflict of authority. I want to be very frank. I do not look for any.

MR. ECCLES: Of course there can't be.

H.M.JR: But you don't blame me, Marriner?

MR. ECCLES: No, I do not. I would do the same thing.

H.M.JR: It is just like Eisenhower - he can't give any orders to Churchill. I can't give any orders to you. It is a matter of good will and good faith.

MR. ECCLES: I agree with that fully. There is this point that seems to me to be very, very important, that whatever the final decision is, then we have got to go ahead whether we think it is right or wrong. I

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mean, the die is cast, and we have got to do the best that can be done under the circumstances. But up to the point of a final decision, then, of course, as long as we have our day in court--

H.M.JR: Marriner, have we ever - all right, I want to ask these people - have we ever tried to be rough-shod on this thing?

MR. WILLIAMS: I think not.

H.M.JR: Haven't we always been--

MR. ECCLES: Sometimes we felt that the decisions were made too quick, that we did not get a chance. I do not mean rough-shod; it was merely the lack of time.

MR. YOUNG: I would like to differ with the Chairman on this last point, that sometimes decisions are made too soon, Mr. Secretary. I think that they have been made too late. (Laughter)

MR. ECCLES: You know what I meant, though, Al.

H.M.JR: I will take it all, but anyway, in asking for this reaffirmation of policy, all I am doing is just to have this as an ace in the hole. We have got plenty of time to discuss this thing because what we are talking about here is opening a tap issue first and then going to the banks afterwards, so we would not, most likely, get the banks until after the first week in December. So we at least have two weeks.

MR. ECCLES: You are changing the program then?

H.M.JR: We were talking a little bit here that on account of the excess reserves we thought we ought to do the tap first. But, again, that is open to discussion.

MR. BELL: That is the same thing, isn't it? You had in mind opening them all up at once for sale to the public and the banks would not get in on it until--

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MR. ECCLES: Our idea - we modified it yesterday - fixed it in a press release - modified the thought.

MR. BELL: I do not agree with some of it.

MR. ECCLES: That we open it up as of the 30th without saying it is either for the banks or the public, just, in other words, that the thing is opened up to get so much.

H.M.JR: How long would it take you to call up Draper and Szymczak from Bell's room and get an answer on this?

MR. ECCLES: I would sooner take it up with the Board because there is Ransom and McKee, too, because they are just Executive Committee.

H.M.JR: Could you do it still, today?

MR. ECCLES: I can do it - what time is it now?

MR. WILLIAMS: There would be an advantage in not postponing the announcement tomorrow.

H.M.JR: Couldn't you get them?

MR. ECCLES: I think so. I can tell them to wait until I get back over there.

(Mr. Eccles left the conference temporarily.)

MR. ECCLES: I have told them to wait until I come back. I have called a meeting at five-thirty. They will be there.

H.M.JR: Now, on the assumption that I get that, I am not quite ready to do the press statement. I mean, I need a few minutes before I do that.

(The Secretary held a telephone conversation with Mr. Kuhn.)

MR. ECCLES: There are two other things before that press statement goes out. I think it is terribly

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important that you send a wire, as the general chairman of the Victory Fund Committee, to these chairmen tonight.

H.M.JR: Yes.

MR. ECCLES: I think it would be unfortunate if they see this announcement in the papers in the morning without--

MR. BELL: I can do that.

H.M.JR: That goes to the presidents of the banks?

MR. ECCLES: That is right. It is about setting up this fund, and the reasons, and so forth. Then I send a wire out to them as presidents of the banks.

(Drafts of telegrams, copies attached, handed to the Secretary.)

H.M.JR: This is my wire?

MR. ECCLES: That is yours and this is mine.

H.M.JR: Has Buffington seen this?

MR. ECCLES: Yes.

MR. BELL: I have not seen them.

MR. ECCLES: These are approved - as a matter of fact, here is the way I did it: I said to Mr. Young and Mr. Williams, "You are two chairmen, and you are two presidents. What kind of a wire do you think you ought to receive from the Secretary, and what do you think you ought to receive from me, to carry out this program?" They prepared these wires. They have been cleared with the Board.

H.M.JR: Unless somebody has some words to change, they sound all right to me. Has George seen these?

MR. ECCLES: Yes, I gave them to him when I came in.

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MR. BELL: I would like to give them a little more of the details of what you are going to say tomorrow morning. If it isn't what we have discussed with the Executive Managers, I think they will get the wrong impression, to just say "Following discussion" and discuss a number of securities, because then, if we don't put them all out they get the wrong impression. We have to say what we say in the press release.

MR. ECCLES: Why don't you send the press release as a separate matter - put that out - "This is going as a press release" and put that on the wire?

MR. BELL: I would like to look at this after we get the press release approved. This is going to be a formal press release?

H.M.JR: Tomorrow - I think so.

MR. ECCLES: Oh, yes.

H.M.JR: My first blush, unless somebody around the shop has some objections - I wouldn't have any objection - I think it is all to the good.

MR. ECCLES: It is pretty general, and that is what they need, because they have a quick job to do. It gets them moving on this front and then later you can tighten up to the extent necessary. But let's get them going.

I just wanted to say on this thing we talked about yesterday, the attitude of bank supervisory authorities taking one position, telling a bank they should not invest in Government securities - should not go longer than five years, and all the rest of it, then we tell them something else. What happened yesterday, we thought that the supervisory agencies would get together and work something out, but it did not work out that way so we prepared a statement here.

(Statement entitled "Joint Announcement of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System," copy attached, handed to the Secretary.)

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H.M.JR: Do I have to do that tonight?

MR. ECCLES: No, you do not, but I just want to say, now, this is what has happened. This has been cleared with Mr. Crowley and Mr. Delano. We do not have the supervisory groups at all on it because we decided to handle it this way.

H.M.JR: Who did this for you?

MR. ECCLES: That was done by Leo Paulger and Morrill - our group over there.

MR. BELL: I wasn't in on it; I asked Delano about it.

MR. ECCLES: Hap and what's-his-name and Delano and Leo Crowley have all seen it, and both Crowley and Delano have volunteered to present it to this group of commissioners. Either one of them is willing to present it and suggest that they adopt it.

MR. BELL: By the way, you were invited to make a speech to that commissioner convention and Ferdie - I don't know whether with your permission or not - asked Delano to make the speech in your place.

H.M.JR: Personally, I would rather have Delano represent me; I don't know how you would feel. I would rather have him present it.

MR. ECCLES: Fine. I will not have anybody there to present it.

H.M.JR: If Crowley would agree to it, as long as Delano is speaking let him do it.

MR. ECCLES: That is fine.

H.M.JR: Couldn't we do this - couldn't we take that thing up in the morning when we have a breathing spell here?

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MR. BELL: I have some question about it.

H.M.JR: I will tell you, Dan, if you will go over it and let Viner and Stewart and Haas take a look at it, and you fellows agree on it, you don't have to show it to me. If you agree, you don't have to show it to me. That will save your time and mine.

Would you gentlemen mind waiting in Mr. Bell's room for five minutes? I would just like to take a look at what the boys have drawn up before I see you, then within five or ten minutes we will get together. I will come in there.