

NET GOLD AND DOLLAR ASSETS
On Last Day of Each Month

(Provisional Estimate)

December 31, 1941 to December 31, 1942.

In Millions	Dec. 1941	Jan. 1942	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Total Gold (incl Belgian)	515	570	617	649	676	714	738	747	773	804	793	807	793
Less:													
Belgian gold	105	105	105	105	105	105	105	105	105	105	105	105	105
Other gold liabilities	<u>98</u>	<u>104</u>	<u>117</u>	<u>123</u>	<u>131</u>	<u>137</u>	<u>144</u>	<u>151</u>	<u>157</u>	<u>167</u>	<u>175</u>	<u>180</u>	<u>190</u>
Net Gold assets	<u>312</u>	<u>361</u>	<u>395</u>	<u>421</u>	<u>440</u>	<u>472</u>	<u>489</u>	<u>491</u>	<u>511</u>	<u>532</u>	<u>513</u>	<u>522</u>	<u>498</u>
Official dollar balance	88	55	54	71	52	106	140	144	195	223	237	226	243
Less:													
Registered sterling	<u>6</u>	<u>7</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>14</u>	<u>23</u>	<u>21</u>	<u>33</u>	<u>44</u>	<u>37</u>	<u>53</u>	<u>47</u>
Net dollar assets	<u>82</u>	<u>48</u>	<u>48</u>	<u>63</u>	<u>44</u>	<u>92</u>	<u>117</u>	<u>123</u>	<u>162</u>	<u>179</u>	<u>200</u>	<u>173</u>	<u>196</u>
Summary:													
Net gold assets	312	361	395	421	440	472	489	491	511	532	513	522	498
Net dollar assets	<u>82</u>	<u>48</u>	<u>48</u>	<u>63</u>	<u>44</u>	<u>92</u>	<u>117</u>	<u>123</u>	<u>162</u>	<u>179</u>	<u>200</u>	<u>173</u>	<u>196</u>
Total	<u>394</u>	<u>409</u>	<u>443</u>	<u>484</u>	<u>484</u>	<u>564</u>	<u>606</u>	<u>614</u>	<u>673</u>	<u>711</u>	<u>713</u>	<u>695</u>	<u>694</u>

Notes: (1) The figures for gold liabilities are tentative and subject to confirmation from London (except for the figure for December 31, 1942, which was supplied by London for the statement for Congress). So also is the figure for registered sterling for December 31, 1941. The error should not exceed \$5 millions or so in any month.

(2) A further dollar liability of which we have not monthly figures are Australian accounts transferable into dollars. These amounted at the end of December, 1942, to \$22 millions--the only figure we have. Being a result of the presence of U.S. forces in Australia, this has presumably risen from nil to this figure during 1942.

By Mr. D. W. Bell by Sir Frederick Phillips.

Liabilities at December 31st, 1942.

U.K. banking and other short term liabilities may be summarized as follows. (Net means that banks' working balances, retained accounts, etc., to a total of some \$600 million have been deducted before the figures of liabilities were arrived at).

TOTAL U.K. NET LIABILITIES
(Figures in \$ million)

India	1,644
Egypt and the Sudan	700
Rest of the Sterling Area	2,540
Countries outside Sterling Area	516
Allied Govt. in London	528
Enemy & Occupied countries	<u>156</u>
 Total	 <u>6,084</u>

2. Assets at December 31st, 1942.

Net gold and dollar balances freely available at the same date came to some \$700 million. However, the total of liabilities set out above included some sterling funds carrying specific rights of conversion into gold and some registered sterling carrying the right of conversion into dollars on demand, the two together coming to a total of \$229 million. As gold and dollars to this amount were set aside before the above figure of \$700 million for assets was arrived at, a corresponding deduction must be made for the liabilities.

The picture which emerges is that of liabilities of \$5,855 million, against which we hold only \$700 million.

Debts represented in this total of \$5,855 million are of varying degrees of urgency and importance. Debts to the enemy and occupied countries, or to Allied Governments in London are of lesser importance. As regards the countries outside the Sterling Area, we have already in reaching our net gold and dollar figure deducted debts specifically payable in gold on demand or at a settled time, and the remaining \$516 million is not in itself a problem of great magnitude. As regards the figure for the rest of the Sterling Area, partly this represents sterling held against note issues (e.g. Fire and many of the Colonies), and in a number of other cases such as Sterling balances owned by Australia and New Zealand there is little to worry about. The existence of Sterling balances on this scale will, however, be an embarrassment after the war in view of the fact that many parts of the Empire will no doubt wish to convert some part of their balances in London into foreign currencies for reconstruction purposes. This is likely to be an important factor in Burma and Malaya especially.

Substantially however, the great danger is from India and Egypt. The figure of \$1,644 million representing the sterling balances held in India is, it must be emphasized, a net figure. We have already used up the whole of our marketable sterling investments in India, some \$1,200 million, and but for this latter fact the Indian sterling balances would now be nearly \$3,000 million. Whatever arrangements were made with India would have to be extended to Egypt.

3. Future Movements of Liabilities

Estimates of the future movement of liabilities over 1943 show the following:

U.K. LIABILITIES: ANTICIPATED INCREASE IN 1943
Increase: \$ Million

India	1,280
Egypt	320
Rest of Sterling Area	720
Allied Governments	120
Other	260
	<u>2,700</u>

This anticipated increase is completely dominated by our Eastern expenditures: 1600 out of 2700 comes from India and Egypt, and a considerable part of the remainder is swollen by expenditures in present countries, such as Iraq, Iran and Palestine.

Figures of this character are necessarily rough and ready, but happily they are unlikely to prove exaggerated. During 1942, making allowance for non-recurrent capital transactions, the corresponding figure of increase would have been 2,420. In the estimate it has been written up to 2,700 for the coming year, and this seems modest since increasing prices and increasing military commitments will have to be taken care of.

The very heavy accumulation of debt to India has so far been due in large part to our paying for the employment of Indian forces and Indian supplies in the Near East. * It would be likely to rise to even greater dimensions as active operations against Japan based on India are expanded.

4. Future Movements of Assets.

There is no prospect of our net gold and dollar balances increasing during 1943 by more than \$525 million, making a total of \$1,225 with the \$700 million which we already hold.

This estimate is reached/as follows:

	<u>\$ Million</u>
Net balances at Jan. 1, 1943, say	700
Add gold received against South African securities	150
U.K. receipts of new gold	55
Deduct adverse balance as estimated for U.S. Treasury	-55
Deduct growth in gold obligation	-25
Level at March 31, say	825

For the next three quarters it is assumed the total will increase by a further \$400 million, made up of a further \$10 million through repatriation of South African securities, plus an average quarterly increase of \$130 million for each of the remaining quarters. Their average growth is arrived at as follows:

	<u>\$ Million</u>
New gold receipts	50
Troops in U.K. #	75
Troops elsewhere	45
Deduct gold payments	-20
Deduct growth of gold obligations	-25
Deduct purchasing Missions net payments	-15
Add net surplus of dollar earnings on all other heads ##	20
Net average quarterly growth	130

This figure is highly speculative; it has been greatly written up over the current quarter.

Figure written down by 15 for Tobacco and 10 for other things removed from Lend-Lease.

The ultimate picture is therefore that during the year our liabilities may rise \$2,700 million and our assets by \$525 million or under 20 per cent. With increasing overseas prices and activities our experience may prove even more unfavourable.

* Under an agreement arrived at early in the war, the burden of defence expenditure falling upon India was to be limited to the normal cost of India's pre-war forces, adjusted upwards for increases in prices and rates of pay plus the cost of special defence measures undertaken by India in Indian interests.

In general, the main features to be taken into account are:

- (1) Our difficulties arise almost entirely from our expenditure in what might be described as the Eastern war areas.
- (2) These vast expenditures pile up liabilities which may prove embarrassing because of the post-war political background in those parts: sooner or later we may be faced with a refusal to accept further sterling except on conditions.
- (3) No unilateral action on our part could deal effectively with such refusal, and its consequences would be disastrous whether in wartime or in the immediate post-war period when political feeling is bound to be running high.
- (4) The fact of the existence of these huge sterling balances is known, and will attract more and more attention.
- (5) Any concession to e.g. India will almost certainly call for parallel concessions to Egypt (and probably also Iraq where a similar problem presents itself on a lesser scale).
- (6) The last increments in the balances are, in a sense, the most dangerous. A refusal to make what may be thought by the Indians, etc. to be proper provision for them would provoke a demand that balances which otherwise would never be touched (e.g. backing for note issues) should be changed from sterling to gold.
- (7) Once we got out of the stormy waters of the post-war political settlement with India and have met reconstruction needs, the position will be easier; but it is essential that the problem should be prevented from coming up in its most dangerous form.

15, 1943.

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COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTAL No. 52

Information received up to 7 A.M., 15th February, 1943.

1. MILITARY

LIBYA. 13th. Elements of the 8th Army advance along the coast road as far as RAS ADJIR on the Tunisian Frontier without meeting any opposition. TAGUELMIT, 20 miles southwest, is now clear of enemy.

BURMA. Several Japanese attacks on our position in the MAYU Peninsula and on RATHLADAUNG Fronts have been repulsed with loss of the enemy. An attempt to dislodge the Japanese from a hill one mile north of DONBAIK was unsuccessful. In the CHIN HILLS an enemy force estimated at company strength twice attacked our levies but was beaten off with loss.

2. AIR OPERATIONS

WESTERN FRONT. 13th/14th. LORIENT. 1,137 tons of bombs dropped in slightly higher proportion incendiary to H.E., attack in 2 slightly separated phases. First phase directed on PORT MATHAIRE and KEROMAN Area. Crews could identify objective visually by fires and moonlight. Centre of town and docks area reported well ablaze. Second phase on approximately same area but slightly further east without Pathfinders. Objective illuminated by fires already started but visibility somewhat hampered by smoke. Defence slightly increased since last attack.

14th. 6 Mosquitos effectively attacked railway workshops at TOURS, 2 large workshops collapsed and the engine sheds were hit. Our Fighters damaged 13 locomotives in Northern FRANCE. In STRAITS OF DOVER area enemy fighters operating against shipping were intercepted by Typhoons. Enemy casualties 4, 3, nil. Ours 2 lost.

14th/15th. 389 bombers sent out - COLOGNE 243 (9 missing, 3 crashed in U.K.); MILAN 142 heavy (2 missing); SPEZIA 4. At COLOGNE the attack was made through thick cloud, at MILAN weather was excellent and operation is considered successful.

SOUTHERN ITALY. 13th. U.S. Liberators bombed NAPLES through thick cloud and COTRONS. Mosquitos attacked railway objectives in CALABRIA and SICILY.

TUNISIA. 13th. 13 escorted U.S. Marauders bombed EL AOUNIA airfield, enemy fighters intercepted, their casualties 4, 3, 4. Ours one missing.

MEDITERRANEAN. 13th. U.S. Mitchells destroyed 5 German transport aircraft and a glider over the SICILIAN CHANNEL.

February 16, 1943
9:17 a.m.

HMJr: You're coming in at nine-thirty, aren't you?

Daniel
Bell: Yes.

HMJr: And do you think I ought to have Graves and Buffington here or just you and me?

B: Why don't we hear what he has to say first?

HMJr: Okay.

B: Yes.

HMJr: And now would you let the A.B.A. know about this fight that I'm putting up for them?

B: They're coming in to see me at ten-fifteen.

HMJr: All right, you might tell them....

B: Do you want to tell them?

HMJr: You tell them I took it up on my own initiative.

B: All right.

HMJr: And then I want you to be very stiff with these fellows this afternoon.

B: All right.

HMJr: I want to get the thing settled.

B: All right. You know that the Byrd Committee is doing something on it.

HMJr: No, I didn't.

B: I think with a little prodding we might go into that whole lending thing. They mean with a little support from down here they might really go into that whole agriculture set-up.

HMJr: Well, I - they're doing it at ten o'clock tomorrow morning.

- 2 -

B: Byrd?

HMJr: The hearings.

B: Really?

HMJr: Yeah.

B: Well, I think if they had a little prodding they might go into that whole thing and maybe come out with a pretty good report.

HMJr: Yeah. Well, I'd like - I hate to do it that way. I might get....

B: I don't think you can get out too far on it. I....

HMJr: I'd like to get this fellow - I'd like to get this thing settled today, if possible.

B: All right. I'll see what I can do.

HMJr: Thank you.

B: All right.

February 16, 1943
9:40 a.m.

FINANCING

Present: Mr. Bell
Mr. Bathrick

H.M.JR: What have you learned about what Mr. Grant thinks, and what do you think about organization?

MR. BATHRICK: Without answering that question directly, I would like to give you a little background. This committee, as you know, met three times in Washington.

H.M.JR: You mean altogether?

MR. BATHRICK: Yes, sir. Frankly, we haven't been able to accomplish much for the reason that when we came over here there was nothing - no one seemed to have anything in mind as to what we were supposed to do. We had some ideas, but no one to tell them to. Now, this, please understand, is in no sense a criticism, just a relation of the way the thing is lined up.

We had two meetings, as you know, with Mr. Buffington and Mr. Gamble and Mr. Hobbs. Ferdie Kuhn sat in on one of them. We were shown charts, and in every occasion - every meeting - we were so impressed with how well things were going that we wondered just how we could contribute to this thing. At no time were we asked to perform a certain duty other than, "What do you think of it?" Not having any background or any knowledge of their source of information in the field, we assumed they were right, and still do; but based on that, if they were, all we could do was indorse whatever was presented, don't you see?

The last time the members of the committee frankly wondered how we could function and when we could function.

- 2 -

As you know, we sensed, rightly or wrongly, the need for one man over here who didn't have all the things to do that you have, or Mr. Bell, but just one man whom we could work with and report to out there who really could sit down with us and tell us what he would like; or if we had a suggestion, how would it fit in with his; and could we go ahead and implement it.

So, lacking that, we felt rather impotent. Then I understand - I know in talking to Harold Thomas - that he and some other men have been doing some work over here. From what I know, and from talking to Harold Thomas, if I may say so, it was a fine move, and I think whatever they recommend will undoubtedly be based on facts, because they have had an opportunity to not only study the organization here, but study the organization in the field, which our committee definitely did not have.

As I say, the only knowledge we had of what went on in the field was what we were told in these meetings, and it was more on the basis of after the thing had happened, rather than before it had happened.

Now, this committee stands ready to do anything it can on the forthcoming drive. We originally had a meeting called for next Monday.

H.M.JR: Could I interrupt you?

MR. BATHRICK: Yes, sir.

H.M.JR: You know, Mr. Grant never wanted to formalize the committee. I sort of felt that we were on trial with the committee.

MR. BATHRICK: That is hardly it, Mr. Secretary, although I can understand how you would get that.

H.M.JR: I never knew just how much I could ask of the committee; so if you want to look at it a bit from my side--

- 3 -

MR. BATHRICK: This is in no sense criticism, but what I am trying to do is just what you are indicating, get a little clearer delineation, or a little better working agreement.

H.M.JR: I wanted to explain to you. You said, "I don't want any announcement. We will see how it goes." They did make certain inquiries on their own in the field. Each person did, and so forth, and so on. It was nothing like what Thomas attempted to do. I never felt that I could make very many requests of the committee because it was on sort of a nebulous basis.

MR. BATHRICK: On the other hand, the committee sensed a lack of those requests. So, as I say, I hope out of this, and am sure out of this will come a little better understanding of what is expected of us, and I say to you again that we stand ready to do anything you want us to do and are anxious to do. We did have a little trouble, and are still having a little trouble, you might say, getting in the water, to have it clearly understood how we are to function.

As I say, we came to the first meeting of the committee, which was about at the start of one drive, so we had an opportunity to do nothing there, except to tell you that the plans looked all right to us, and they did. Then there was an indication of this coming drive in April. We came down to sort of get some background for that, and we really didn't get much. We didn't have any place to go to, if you understand what I mean, to get this.

H.M.JR: When was that?

MR. BATHRICK: If I am not mistaken, that was a week or two before Christmas, just two or three days before you went away. Then we had, as I say, a meeting set up for this next Monday, which we can still have.

I am very grateful for this opportunity to talk to you this way for the reason that we have sensed some place along the line that we are not functioning because

- 4 -

of our inability to talk to some one individual over here who is not so busy that he has time to give to us and at the same time knows what is expected from him by you. We certainly recognize that neither you nor Mr. Bell - this is just one of many duties you have to perform. So out of this, if I may go back again to the Harold Thomas committee - talking to Harold a couple of times as I have, I felt and hoped that out of that our committee could function with Harold 'Thomas' committee, or Harold Thomas and the two of us could sit down and probably come up with something and would be capable of projecting a program right on through. With the knowledge that Harold and his men have of this organization here and in the field, and our, you might say, general knowledge of merchandising, I felt that the two could work very closely together. With your approval, if you feel there is any sense to that, and we could be of any service; I would like to have Harold Thomas sit with our committee at the next meeting, if you want us to have such a meeting. I think that would be very helpful.

H.M.JR: Let me tell you what the status is. He has made his report, which we have studied very, very carefully; and in the report he pretty well scraps everything that we have. He wants to start with a new man here and with about nine division heads under him. All these men are to be experienced in selling and merchandising. That is to be duplicated all the way down the line. He brought two men in with him last Wednesday or Thursday, and I said, "I agree with you, and Mr. Bell agrees, that we would like to get a general sales manager who could take the burden of the thing." We need that; I have said that right along.

On thinking it over - I haven't yet told Thomas about my reactions - I asked him to try to find me such a person. When we go into the other thing and figure out what it would cost, the people give a rough guess of fifty to a hundred million dollars, somewhere around there, which is out of the question. It involves some twenty-six thousand paid employees, we figured. We couldn't get the employees, and we couldn't get the money from Congress. We had a twelve million dollar War Bond appropriation which the President has cut to nine.

- 5 -

Then the other thing - we have these War Bond organizations which are built on a State basis. They have a lot of enthusiasm and a lot of volunteers; and under this other plan I think we would lose a good piece of it. The same goes for the Federal Reserve. So, I have asked him to give me some of these field reports, which he hasn't done yet. I want to sample some of them. I haven't seen them. They brought back a report of more criticism than we were able to find. That is why I asked for some of the reports.

Of course, Mr. Grant always felt that we ought to keep the two separate organizations. What we worked out here yesterday - if you would sit over here and let me show you - I have to move fairly fast on this thing. This is very tentative. We have set up here an executive committee with a chairman who doesn't exist. He would be somebody we want. This is why I sent for you.

MR. BELL: He is the super salesman.

H.M.JR: General sales manager, and so forth. Mr. Eccles is liaison between the Federal Reserve and myself, and so forth. Over on this side here (indicating) would come the War Savings Staff, feeding into this executive committee. The same with the Victory Fund, with one boss. We would lift the Press and Radio Section out of the War Savings and make it serve the executive committee so there would be just one. Then here (indicating) we would have the Federal Reserve - the president of the Federal Reserve in the District is now chairman of the Victory Fund Committee. We would take him out of that and make him chairman of an executive committee on which would be members of both the local War Savings and Victory Fund. That would meld the two.

MR. BATHRICK: You are duplicating the same in the field? It usually works.

H.M.JR: When I was in Farm Credit in '33, we had four different lending agencies. I appointed twelve general agents who were coordinators with full authority -

- 6 -

we looked it up the other day, and after ten years they still have it that way. That was much more difficult. The only difficulty that would have to be straightened out is - for instance, New Jersey falls into two Districts. We would have to get the two committees together and say, "Such and such will have to flow into so and so." Those things are not insurmountable.

MR. BELL: They don't follow State lines. The War Savings set-up is on a State basis.

H.M.JR: This is Thomas' report. Here is Thomas' chart, with a corresponding thing in the field. We figured that by the time we hired these people--

MR. BELL: He breaks that down to a county level. You have three thousand counties besides some cities.

MR. BATHRICK: He proposes these are all paid?

MR. BELL: Each sales manager would be paid.

MR. BATHRICK: This (indicating Bell chart) certainly looks workable to me.

H.M.JR: I am not saying this is perfect, but I could do this for the April drive in a week; then we would be under way. If I did this thing, I would have all kinds of resignations, dissatisfaction, and discord.

MR. BATHRICK: This is like setting up the OPA in the field. That hasn't been done yet.

H.M.JR: We have been under way almost two years in building the State organization, and then to just scrap it - this would be another OPA, and it isn't going ahead.

You can't do these things any more than if you started an automobile company today and wanted a sales organization. How long would it take you? Look how long it has taken Pepsi-Cola to build a sales organization. They are still building to catch up with Coca-Cola.

- 7 -

MR. BELL: That is the same thing with the Press and Radio lifted out and left here (indicating).

H.M.JR: This (indicating Bell chart) is the one I want.

MR. BELL: That was involved in our discussion.

MR. BATHRICK: I do know, from discussing it with members of our committee, based on our limited knowledge of the situation, that this very closely approximates what we had in mind, and to me it looks very workable. There isn't any question about it. I am not going to take issue one way or another as to whether eventually the Victory Fund and the War Savings Staff should be separated, but certainly in the interest of time, with April upon you, it is no time to do it.

H.M.JR: I could do this overnight. This other (indicating) I couldn't. Thomas doesn't know how I feel, but I think he is going to be very disappointed. I would like him to come down here Monday and talk to you fellows.

MR. BATHRICK: I would, too.

H.M.JR: Then let us put up this thing. I may move in the meantime, but this - your horseback opinion, is that it - looks workable?

MR. BATHRICK: Yes, it does; there is no question about it.

H.M.JR: We have these twelve presidents of the Federal Reserve; they would resign as chairmen of the Victory Fund and become my coordinators. I have a going organization with just a little juggling of territory.

MR. BATHRICK: It looks very workable, very simple, and very understandable.

H.M.JR: That is what I wanted to hear from you. I mean, that is what I hoped I would hear from you.

- 8 -

MR. BATHRICK: Oh, yes, there is no question about it, particularly in the interest of time, and I don't know, of course, but properly worked I can see no reason now, unless there is something in the field that I don't suspect, why that can't always work, because, as I understand it, we are just going to be going from one campaign to another. That is a constant operation. I don't see how you at any time can scrap everything you have set up, and I am not taking exception to Harold Thomas' report. I am expressing my opinion of this organization against that (indicating). I don't see where at any time you would have the time to do that.

What you would have to do is go ahead and set that up with no regard for this (indicating). It might take years. Of course, that is impossible, because you have the same personnel in both cases.

H.M.JR: What he said was to get the man and let him work through the April drive in the field, and at the end of that time he would be ready to set this up, but I don't think there are people around whom you could get. I don't know where you would get twenty-six thousand people.

MR. BATHRICK: If you did, you would get people who for some reason or other haven't been able to hook on to anything, with the tremendous activity going on around the country, and I doubt if they would be the men you want after you get them.

H.M.JR: What I need now, and need fast - they are looking for - they are talking about the president of the National Cash Register Company who came up through the sales organization. You most likely know him. They talked about a man by the name of Dodge of the Texas Oil Company.

MR. BATHRICK: He is over in WPB; I know him; he has been there for eight months.

H.M.JR: Whom do you know? Is there anybody whom you could recommend for the number one man as general sales

- 9 -

manager? That is what it amounts to, isn't it?

MR. BATHRICK: Yes, sir.

H.M.JR: I mean, a fellow - he would have to be--

MR. BATHRICK: I know the kind of man you mean.

H.M.JR: He would have to be sympathetic with us. He doesn't have to say that everything Mr. Roosevelt does is right, but at least he would have to be sympathetic with him.

MR. BATHRICK: There are two men I have in mind. I told Harold Thomas about them. I took it upon myself to contact one of them and ask him to come down here on Harold Thomas' committee, but the circumstances were such that at the moment he couldn't do it. I believe maybe if you talked to him, possibly he would, and I would like to give you a little of his background.

His name is McDonald. He is third vice president of the Metropolitan Life Insurance Company, and the vice president in charge of their Canadian operations. He has been up there about a year and has made his reputation in the Metropolitan. I have watched this man, because it goes back to the point where we went to military school together, to college, and were in the Marines together. I tell you that to show how much I have known him and watched him work. He made his great reputation by selling group insurance for the Metropolitan Life Insurance Company.

H.M.JR: They were suggesting somebody yesterday. I said that if that man had sold twenty-five cents a week of industrial insurance in the Metropolitan Life, I would consider him, but, I said, "The man has had no sales experience." I said that if he came that route - that was the suggestion of George Harrison - I said, "George Harrison doesn't know any more about selling a twenty-five cent weekly employment thing," but if he had been through that experience he would be a man I would talk about. He was just a Federal Reserve lawyer who went over and was made president of the New York Life.

MR. BATHRICK: This man's experience has been just that. He became first vice president of a little insurance

- 10 -

company in Louisville, and attracted so much attention and got so much business away from the Metropolitan that they thought if they couldn't lick him he had better join them, so they hired him. He sold the group-insurance plan to General Motors, among other things.

As I say, he has now gone to Canada. When I called him for Harold Thomas shortly before - shortly after Christmas - I told him what I wanted him to do. He said, "I would be delighted to do it, but I must talk with my company." He talked with his president, and the president left it pretty much up to him. But the hooker at that time - he has been serving on the Committee for Canada on their war bond drives. They were just going into a drive, and they put it up to him in cold turkey up there, "Of course, you can do what you want to do, but we are depending upon you for this drive to a great extent." So he just said, "What would you do?" There was nothing I could say. I do know that his heart and his interest are here rather than in Canada. I do know he could do the job.

He has a delightful personality, and has great ability to get along with anybody. He understand all there is to understand about it. My hunch is that if you talked to him and if you sized him up the way I did and then checked his record - if you asked him to take this job, he would do it.

H.M.JR: I know old man Ecker; he was a great friend of my father's. I think he would do anything within reason for me. He has always said he would - the old man - he is still the boss, isn't he?

MR. BATHRICK: Yes. I met his son over at Lend-Lease. I think he has gone back.

MR. BELL: No, he is still here.

H.M.JR: His son, unfortunately, has the - the father is still active, and the son never grew up. Maybe that is unkind, but he is a man of fifty who has never grown up in business responsibility.

MR. BATHRICK: So, there is one man. As I say, I know this man better than any other man we will talk a bout. I have no reservations about him.

- 11 -

H.M.JR: Louisville - that was his home?

MR. BATHRICK: No, he is in Canada. His home was in Columbus, Ohio. His name is Edwin C. McDonald.

H.M.JR: But he did have some insurance company in Louisville.

MR. BATHRICK: He worked for an insurance company. That is where he got into the insurance business. He has been with Metropolitan for twelve years.

H.M.JR: He has had this experience in Canada with their drive?

MR. BATHRICK: Yes, he had been on that fund, I think, about a year before we got into it. He has been in Canada two years now.

H.M.JR: Do you think he is high-powered enough?

MR. BATHRICK: I know he is. I wouldn't hesitate.

H.M.JR: Who else did you have in mind?

MR. BATHRICK: Harold Thomas asked me about Bill Hollar, who is sales manager of Chevrolet. I know Bill very well, and I told Harold just this: I said, "If Bill's health will permit, and if he will subject himself and his personality, there is no question about his ability to do it. It is a question of whether he can operate in a job like this the way the sales manager of an automobile company can operate."

H.M.JR: I don't know what that means.

MR. BATHRICK: Well, it is a question of whether or not Bill will subject himself and subjugate himself to this job without too much publicity. I want to say it kindly, but Bill is a great inspirational salesman. There has to be a lot of personality in that. You don't get the opportunity in a job like this to get yourself before

- 12 -

your salesmen, you might say, like you do in an automobile company.

H.M.JR: In other words, he likes the personal publicity.

MR. BELL: He puts "Bill" into it?

MR. BATHRICK: Yes. He can do that in the automobile business because he has been in it so long and is well known among his salesmen all over the country. Here it is an operation of a different character, as I see it. You don't have that opportunity; you are directing things, getting out in the field when you can, and right now people aren't so much interested in who you are and what you have done. That is said in all kindness, but I didn't want to give Harold a bum steer on it. Incidentally, Harold happened to catch me when Mr. Grant was in my office, and that was my answer. I said to Mr. Grant, "That was Bill Hollar I was talking about." He just nodded, so I assume he feels the same way about it, knowing what this job is like. Again, he is a man of high ability in selling and organizing.

H.M.JR: I think when we were discussing who we should bring in, they talked about you and Hollar; and the thought was that you would be more cooperative than Hollar would, as I remember it. I think that was Mr. Grant's recommendation, and he brought you in, rather than Hollar at the time. I remember his talking about the two of you. All of this is just in the room here.

MR. BATHRICK: Harold Thomas asked me about Roy Peed, who is sales manager of DeSoto. He has been with Chrysler for years, and before that he was with Willys-Overland. He is a dynamic sort of a fellow with a charming personality, and he is a good organizer. That is all I know about him. I know nothing against him. I do know that he would be cooperative if he were sold on the point that he would like to take this over. He is smart enough to realize that operating conditions here are a little different than out in business.

- 13 -

Those are the three men that I have had in mind. The one I threw in the hat was this McDonald.

H.M.JR: You feel quite positive of him?

MR. BATHRICK: Yes. I have no reservations about him, Mr. Secretary, from the standpoint of his experience and his ability, his personality, and particularly his ability to catch on to what this is. With his experience in Canada he should be invaluable.

MR. BELL: He should be good to fit himself into this picture.

H.M.JR: Let me just ask you this - what is the name of your man who did the World Fair for you on publicity, General Motors - your director of publicity?

MR. BATHRICK: Paul Garrett.

H.M.JR: What is his position in General Motors?

MR. BATHRICK: Director of public relations. He is vice president and director of public relations.

H.M.JR: As between - for instance, a man in charge of sales - you are for Pontiac - and Paul Garrett - who comes first? I mean, how does that work?

MR. BATHRICK: Paul Garrett has nothing to do with Pontiac or with Pontiac publicity or with Pontiac public relations or advertising. In Pontiac the advertising and publicity directors report to me or to the sales manager. There is no similar set-up in the corporation, unless it be Mr. Grant. You would call him the general sales manager, but he has no operating functions. Paul Garrett, in our scheme of things, reports to Mr. Grant, but he handles only the instructions and advertising of the corporation, and the public relations and publicity of the corporation.

MR. BELL: No divisional--

- 14 -

MR. BATHRICK: No divisional responsibility or authority.

H.M.JR: What is he doing these days?

MR. BATHRICK: Just that, his publicity and public relations.

H.M.JR: What I was thinking of - let's take just for a minute a Mr. McDonald, and under him to tie in our publicity we will need an advertising man.

MR. BATHRICK: Yes.

H.M.JR: I suppose he would want to pick his own, wouldn't he?

MR. BATHRICK: I would think so. At least he would like to submit several names to you for approval and pick someone he had worked with and knew. On the other hand, I know that he would take the best man who came along.

H.M.JR: It ought to be somebody who could work closely with the Advertising Council on it.

MR. BATHRICK: Yes, it should. I don't know anyone in the Advertising Council who I would call a ball of fire from the standpoint of publicity and public relations. That is only based upon my limited knowledge of the Advertising Council. I haven't had any experience with them. The man I knew best was McClintock, who is gone now.

H.M.JR: He was a ball of fire.

MR. BATHRICK: Yes, he was all right. He was a good man. I did one job of coordinating for the Advertising Council, and that was my only experience with them. That campaign is still around down here.

H.M.JR: Which was that?

- 15 -

MR. BATHRICK: It was a conservation campaign which was gotten together - it coordinated the agencies involved that handled rubber, gas, and automobiles. It is a campaign that Mike Cowles is very insistent that somebody buy now.

H.M.JR: It hasn't been bought?

MR. BATHRICK: It hasn't been bought. It is all set up, and in my job as coordinator I was allowed to pick any agencies I wanted, and I picked three agencies. We came down here and went to all the various Government agencies who would be interested to make sure we had all the bases covered. Then we came up with the program, which has had the approval of everybody who would have any interest in it in the Government. But industry, for some reason or other, is not quite clear on how they would stand if they bought it, and it is a ten-million-dollar campaign. No one has seen fit to walk up and buy it.

What will probably have to happen is, it will have to be split up among three industries, which it is really designed to be anyway. On that basis it can be bought. That is my experience with the Advertising Council.

H.M.JR: Would you say that Paul Garrett is a ball of fire?

MR. BATHRICK: No, sir. I would rather you would ask Mr. Grant that question. I mean, get his opinion. As I sense this thing and see it, that man has also got to have some selling experience, and Paul has had none of that.

H.M.JR: I wasn't thinking of--

MR. BATHRICK: I know, but an advertising manager with selling experience is very helpful. I only mention that because I happen to know more about it than any other. We bring our advertising manager in from the field - he is operating what we know as a branch office - to interpret into the advertising end

- 16 -

and appeal to the selling slant, which I think are very necessary.

Paul Garrett, in my opinion, would not be the man for this job, because of his experience and because of his retiring manner, you might say.

H.M.JR: Do you know the Commercial Credit Company crowd in Baltimore?

MR. BATHRICK: I used to know them, Mr. Secretary.

H.M.JR: Duncan is the chairman of the board, and a man by the name of Wynegar.

MR. BATHRICK: I have met Wynegar. I used to have - when I was with Ford I had a lot of experience with credit. I don't know them now, other than they are a pretty good outfit.

H.M.JR: How were they?

MR. BATHRICK: They are a pretty good outfit.

H.M.JR: I was thinking of somebody in their--

MR. BATHRICK: Their experience - not knowing the men - but it is a good outfit, and their experience is pretty good. I would say that anybody who came up in that organization to a position of importance should be a pretty good man.

H.M.JR: I was thinking, they would be the type they must have had selling, and then they have to have credit and finance and all that sort of thing.

MR. BATHRICK: John Schumann on our committee - I don't know whether you recall him or not - he is president of GMAC - has taken a tremendous amount of interest in this.

MR. BELL: Is this a comparable agency?

- 17 -

MR. BATHRICK: Commercial Credit - that is a Ford--

H.M.JR: No, this is privately owned--

MR. BATHRICK: Yes, it is privately owned, but Kanzler used to be with that outfit.

H.M.JR: Edsel's brother - he used to be in this?

MR. BATHRICK: Ford used to handle their stuff through National Bond and three or four other outfits. Then there was a deal made - what it was, I don't know, but all of the Ford papers went into this outfit, and Kanzler went over to that outfit.

H.M.JR: I didn't know that.

MR. BATHRICK: It was about 1930, wasn't it?

MR. BELL: I don't remember. I always thought Commercial was tied up with Ford.

MR. BATHRICK: I am sorry; it is Commercial - CIT.

MR. BELL: Commercial Investment is Ford.

MR. BATHRICK: But that is a good outfit.

H.M.JR: It has grown. They sort of started after CIT, and they had to fight their way up.

MR. BATHRICK: It is good and well managed. It has gone ahead of National Bond, which used to be one of the big outfits, National Bond Investment Company. It is a good, well-managed outfit, and bears a very good reputation. John Schumann would know all of those men, and know them all well.

H.M.JR: Schumann has taken an interest in our outfit?

MR. BATHRICK: He is on our committee. There isn't a week goes by that I don't have a letter from him giving

- 18 -

pretty good suggestions to throw into the hopper for discussion.

H.M.JR: General Motors - that must be at a standstill.

MR. BATHRICK: Yes.

H.M.JR: What is his background?

MR. BATHRICK: Prior to the forming of GMAC in 1920, he was a banker. He came with General Motors in 1920 as president of General Motors Acceptance Corporation, and has been there ever since. He is a vice president and director of General Motors. His experience has all been selling in commercial papers, you might say.

H.M.JR: Why did you overlook him?

MR. BATHRICK: It isn't a question of overlooking; I was never asked about him before.

H.M.JR: You are recommending McDonald. I mean, between the two, who would do the best job for us?

MR. BATHRICK: Schumann - you may remember him--

H.M.JR: Yes, I remember him.

MR. BATHRICK: Schumann has had a little sacroiliac trouble, and, frankly, in connection with this job it never occurred to me until you asked. I don't know, because of his age and that trouble, you might say, whether he would be as good a man as McDonald for this job. I am talking now just about this job, because John Schumann is one of my closest friends and associates.

H.M.JR: How old is Schumann?

MR. BATHRICK: I would say he was fifty-eight or sixty.

- 19 -

H.M.JR: This will be a killing job.

MR. BATHRICK: McDonald is forty-seven or forty-eight.

MR. BELL: He will have to put in long hours on this one.

H.M.JR: Could you ask Schumann about some of these Commercial fellows in Baltimore?

MR. BATHRICK: I would be delighted to.

H.M.JR: Who is the spark plug there in Commercial Credit? I tell you what we will do. I will call up old man Ecker now, and you be thinking about this thing.

MR. BATHRICK: Do you have any particular name you want me to ask him about?

H.M.JR: I just don't know. There are three top names. There is Mr. Duncan, who is chairman of the board; and Grimes, vice chairman; and Wynegar, who is president. Those are the top three. None of those fellows may be the spark plug.

MR. BATHRICK: I will find out. How about this fellow Robbins?

H.M.JR: Of?

MR. BATHRICK: General Foods.

H.M.JR: He hasn't been suggested, has he?

MR. BELL: I haven't heard his name before.

H.M.JR: He is on our committee?

MR. BATHRICK: He is on our committee; Robbins is on our committee. He came to our committee - we tried to get Francis, as you know, and he couldn't serve. He

- 20 -

recommended this man Robbins. I didn't know him before, but I know something about him. It is all good.

H.M.JR: What is his position in General Foods?

MR. BATHRICK: He is sales manager. He is now over here, I think, on ninety-day leave at WPB in the Food Administration some place.

I tell you why I suggest him, Mr. Secretary. We were talking about just such a man.

H.M.JR: What are his initials?

MR. BATHRICK: I don't know.

H.M.JR: He ought to have good experience.

MR. BATHRICK: He has, and he has a lot of fire. The reason I suggest him is this: We were talking about this in committee one day, and we were talking about a certain man. Someone said, "I don't know if he could do it or would want to do it."

Robbins spoke up immediately and said, "That isn't important, whether he wants to do it; if he is the man, he should come," which to me indicated a trend of thinking at least, and within two or three weeks I find him over there in WPB, so he apparently made the move, feeling it was a necessary thing to do.

I said to Mr. Grant at the time, "Robbins talked as if he could get away, and would if approached." Well, we were going to feel them out - I was.

Then we thought we would wait until such time as you clearly indicated that you wanted such a man. There the matter rests.

(Mr. Bell left the conference.)

- 21 -

MR. BATHRICK: He is a young man, and he is full of fire. He must be pretty good to be where he is. He is a nice-appearing sort of a fellow. You could size him up without tipping your hand if we had this meeting Monday - if you cared to--

H.M.JR: I have to move a little faster than that. Why don't you make a note if you could, and maybe you could have lunch with him.

MR. BATHRICK: I would be delighted to.

H.M.JR: I am kind of up against the gun. I am not going to make a mistake.

MR. BATHRICK: Has Kittinger's name come up?

H.M.JR: Who is he?

MR. BATHRICK: Vice president and sales manager of Shell Oil. He is on this committee. I am having lunch with Kittinger and Wilson. I have to be on this National Salvage Committee. We are having a meeting this noon with Prentiss Brown. I could feel out Kittinger if you felt he was the man.

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

MR. BATHRICK: He apparently stands well in the oil industry. He is the one man they picked in his company to become the allocator for all the oil companies.

H.M.JR: They wouldn't want me to take him.

MR. BATHRICK: I doubt it, although I think he is getting pretty well fed up with it.

H.M.JR: This thing is imminent. If I can get the man I want - I authorize you to talk and sound out people. How is that?

MR. BATHRICK: That is all right.

- 22 -

If you will follow up this man McDonald - I won't be insistent upon it. I know the job you have to do.

H.M.JR: I am going to get old man Ecker on the telephone, because I think that is the way to do it, and just tell him, "Now, Mr. Ecker, what about it?"

If he says, "All right" - of course, we had one experience with a Metropolitan Life Insurance - we had him in charge of our field forces, and he didn't work out. They loaned him to us for almost a year, but he didn't work out.

MR. BATHRICK: I know this, that in talking to McDonald, and knowing him so well, I know that had it been put up to him in any other way, other than a moral responsibility by Sir somebody in Canada, he would have come down here and served on Harold Thomas' committee. He had it cleared with his committee. So it would be well for you to talk to Mr. Ecker to clear it again and also get his opinion on it.

H.M.JR: I think the first thing to do is to get the general sales manager. Then he will have ideas as to who he wants as his director of advertising and so forth. The cards shouldn't be stacked before.

MR. BATHRICK: That is right. There is nothing worse to have than to hand a man a chart.

H.M.JR: That is good. (Indicating Bell chart.)

MR. BATHRICK: That is good.

H.M.JR: I am quite proud of that. That was three hours yesterday.

Do you want to read this Thomas' report?

MR. BATHRICK: I would like to, if you have no objection.

- 23 -

H.M.JR: I have no objection. It is very critical. When could I get it back, tomorrow morning? Would that give you enough time?

MR. BATHRICK: Frankly, it wouldn't. I have one meeting this afternoon and another tonight. I could get it back tomorrow afternoon.

H.M.JR: When would you want it?

MR. BATHRICK: Tomorrow morning. I could send for it or come over and get it.

H.M.JR: No, we will send it to your office tomorrow morning.

MR. BATHRICK: I will get it back tomorrow afternoon.

February 16, 1943
10:40 a.m.

HMJr: Hello.

Operator: Fred Ecker, Sr.

HMJr: Hello.

Fred Ecker, Sr.: Yes.

HMJr: Henry Morgenthau, Jr.

E: Yes, sir.

HMJr: How are you?

E: My regards to you.

HMJr: Thank you. Mine to you. Mr. Ecker, I'll get to the point. I have been looking around for somebody who could be a principal assistant to me on this War Bond drive. Hello?

E: Yes, I get you.

HMJr: And the name of Edward C. McDonald....

E: Yeah.

HMJr:has been suggested. Hello?

E: Yes, I get you.

HMJr: And I wanted to ask you, first, what you thought of him, and second, whether he would be available.

E: Well, I think 100% of him, but he's the vice president in charge of our Canadian head office.

HMJr: So I was told.

E: Pretty terrible thing to take him away from us up there, because that's a country.

HMJr: Yes.

E: We haven't anybody that could really fill his shoes at the moment. He - he recently went there, that is, a year or so ago. He's a top

(cont.)

- 2 -

E: man for us there.
(cont.)

HMJr: Yes.

E: He's got an excellent name in Canada, which you'll appreciate at this time also.

HMJr: Has an excellent....

E: He's Scotch, you know, and not mixing with the English or the Irish too strongly....

HMJr: Yeah.

E:and the - and the French.

HMJr: Yeah.

E: And it would be a pretty difficult thing for us, Mr. Secretary, to take him away from us.

HMJr: Yeah.

E: You know, I'm with you 100% in everything I can do.

HMJr: I know. Because they tell me he's had this experience up there on the War Bonds.

E: I think that may be a little overstated.

HMJr: A little overstated.

E: He is associated, of course, representing this company. He's been associated with the people that have run that campaign.

HMJr: Yeah.

E: We've supported them up there, the same as we have the United States.

HMJr: Is he a very aggressive fellow?

E: Yes, he's aggressive, but - but not to the extent of being a nuisance or anything like that. No, he's just an able executive.

HMJr: Yes.

- 3 -

E: Very able.

HMJr: Well, these people that have been advising me down here knew about him, you see?

E: Well, their - their information is correct as to his qualities - qualifications.

HMJr: But it would put quite a hole in you~~er~~

E: It would be quite serious to us, really, and not - not just ordinarily.

HMJr: Yeah.

E: Just like a man out of the office here, which would be difficult to replace. How long would you need him anyway?

HMJr: Oh, any arrangements I want to make now, I want to make for two years, the balance of Mr. Roosevelt's term.

E: Oh, you startle me at the suggestion.

HMJr: What? Startled that his term is two years more?

E: No. (Laughs)

HMJr: (Laughs)

E: Dammit, I want the world peace. I wish to God he'd stay as long as we got to fight the war. Afterwards - I don't happen to be on that persuasion, but, nevertheless, I'm for him and you all the time.

HMJr: Yes. No, I mean whatever I want now, I want for the balance of his term.

E: He'd be an excellent man, but I - it would be a very serious blow to us to take him out of our organization now.

HMJr: Well, let me put it this way, if I took any first-rate man out of your organization, wouldn't it be a blow?

E: Yes, it would, but I doubt that it would be - mean as much to us. In Canada - we've got a big business

(cont.)

- 4 -

E: up there. We do more business than any insurance
(cont.) company in Canada.

HMJr: Well, have you got as good a man in this country?

E: Hmmm. Gosh! Well, I tell you....

HMJr: Yes.

E: Let me - let me - don't ask me to answer a
question like that without a little warning.

HMJr: (Laughs) I see you're an honest fellow.

E: (Laughs)

HMJr: Look - I tell you - why don't you think it over,
and I'll give you a ring tomorrow?

E: You know where my boy's going? They're sending
him over to India.

HMJr: Is he?

E: Yeah.

HMJr: I didn't know that.

E: Yeah, well, he's starting with Lend-Lease, and
then I think ties up pretty close to the State
Department.

HMJr: I....

E: He's done some work with you too, hasn't he?

HMJr: Oh, yes, I've seen him from time to time. He's
come over when Stettinius couldn't come.

E: Yeah..

HMJr: Yeah.

E: He's a good man. I'll - you'll be in - I can
give you a ring and find you, more or less,
can't I?

HMJr: Yes, if you want - you - should I call you
tomorrow, or....

- 5 -

E: No, I - I'll - I'll get a call through to you.
HMJr: All right. Will you call on District 2626?
E: District 2626.
HMJr: Yeah, that's my own number.
E: All right. I'll do that.
HMJr: And....
E: Goodbye.
HMJr: Thank you.

February 16, 1943
10:53 a.m.

HMJr: Hello.

Jesse Jones: Hello.

HMJr: Yes....

J: Two things.

HMJr: Yes.

J: I liked your program very much.

HMJr: Thank you.

J: Pretty good staging, pretty good arrangements, and excellent talk....

HMJr: Thank you.

J:all the way through. It ought to do a lot of good. Another thing, we have - we have a request from W.P.B. to buy another ten million pound - ounces - ounces or tons of silver. I don't know whether it's tons or ounces. (Laughs)

HMJr: (Laughs)

J: And what do you want - well, what do you think about it? What shall we do?

HMJr: Well, goosh, I - I haven't followed this very....

J: Will you check in with it, and you see we bought a - ten million ounces sometime ago....

HMJr: Yes.

J:or agreed to, and that....

HMJr: I'll - I'll have Harry White check in and....

J: If you'll do that, I'll appreciate it.

HMJr:and give you a call.

J: They've been calling us a little bit, and I've been sort of waiting for you to get back to talk to you about it.

- 2 -

HMJr: W.P.B.

J: Yeah, they've asked us to buy another - up to another ten million ounces.

HMJr: Right.

J: It's foreign silver - and, of course, as you know, and that doesn't let it get a lot - tied up in the - in your....

HMJr: Foreign silver?

J: Yeah. It's forty-five cents.

HMJr: Right. Is there any - should Harry contact you direct?

J: If he'd give me a buzz, I can get - just give me a buzz and we'll do it right now.

HMJr: I'll do that immediately.

J: Thank you very much. Goodbye.

HMJr: Hello?

February 16, 1943
10:57 a.m.

HMJr: Hello.

Operator: Mr. Davis is at State Department. They expect him back in about half an hour.

HMJr: Well, if Gardner Cowles is there let me talk to him, and if he isn't there, Milton Eisenhower.

Operator: All right.

10:58 a.m.

HMJr: Hello.

Operator: Mr. Cowles.

HMJr: Hello. Is this Mr. Cowles?

Gardner
Cowles: Yes.

HMJr: Morgenthau.

C: Good morning, Mr. Secretary.

HMJr: How are you?

C: Fine, sir.

HMJr: This is not a complaint. (Laughs)

C: Fine.

HMJr: I have a letter before me of February 12 from Elmer Davis to Mr. Bell, and I'll just read - in regard to our April Victory Fund Drive - and he says, "Mr. Dudley and Mr. Lewis, who has recently been appointed assistant director in charge of operations under Gardner Cowles, will both be in touch with Buffington on the matter."

C: Yes.

HMJr: Well, I wanted to sit down this afternoon and have a little talk myself and get oriented, with you people. Hello?

- 2 -

C: Yes.

HMJr: Now I don't know how you people function - whether - does this all come under you or Eisenhower or how?

C: It all comes under me.

HMJr: It all comes under you.

C: Yeah.

HMJr: Now are you busy around three?

C: No, three o'clock would be all right.

HMJr: Do you want - and would you want to bring somebody with you?

C: Yeah, I'll bring along a couple of fellows, I believe.

HMJr: Right. Well, I just want to get started. I want to tell you what we have in mind, and I'd like to see what you fellows can do to really help.

C: Fine. All right. We'll be in your office at three o'clock.

HMJr: Wonderful.

C: Thank you very much.

HMJr: Thank you.

February 16, 1943
11:00 a.m.

FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Eccles
Mr. Sproul
Mr. Kouse
Mr. McKee
Mr. Szymczak
Mr. Williams
Mr. Piser
Mr. Kennedy

H.M.JR: Which would you rather talk about, Mr. Eccles, cash requirements, date of drive, amount and types of securities, and so forth, or organization?

MR. ECCLES: I think that the organization is something that we should talk a lot about first, because I think that all the rest of it is dependent upon it. I reported this morning on our meeting yesterday.

Mr. Sproul and Mr. Williams came down last night, and we did not have a lot of time. We met over there for about an hour or an hour and a quarter. I reported our conference, and I would like to have - in fact, we spent most of our time on just that discussion.

If agreeable with you, I would like to suggest that Mr. Sproul and Mr. Williams discuss the question with you - give you their points of view - because, after all, they know more about the problems of organization, having had the direction of it in a very important area.

- 2 -

H.M.JR: I would just like to say I will have to stop at twelve. The reason I am announcing it now is that if I am getting the worst of the argument at twelve, I wouldn't want you to think I was running out on you. (Laughter) So, if we could have that, and you people still want to talk, Mr. Bell's office is available.

I would be glad to hear from either Mr. Williams or Mr. Sproul. I know Mr. Sproul has written several memoranda, not showing his complete satisfaction with how Mr. Bell and I have been conducting the thing, so we would be very glad--

MR. SPROUL: I am still not satisfied, Mr. Secretary.

H.M.JR: Neither am I.

MR. SPROUL: Mr. Eccles told us this morning that the organization plans that you were considering were purely tentative and that the situation was still fluid. It seemed to me that when you have gotten down to the district level, that the plan would still permit and allow, and possibly perpetuate, too much confusion and too much division of authority so that it failed in what I see as the essential purpose of our expanded program; that is, to develop a sense of national unity in this whole financing picture - a sense of a national drive which is co-equal with the production drive, as part of the war effort. At the district level this program would maintain a confusion in the public mind, and some differences in the organization, and some lack of authority in the organization, which would cause us to fail in reaching that sense of a united drive on a national program, which I think is the most important thing we have to achieve.

A second question I had about it was I understood you were considering favorably the idea of a director of all sales of Government securities. I think, if you are going to get a director of all sales of Government

- 3 -

securities, who, I think, should be a man of sales experience, organization experience, publicity experience - and not have a banker - that that man should not be brought in and presented with a frozen picture of organization; that he should be brought in and if he is the kind of man that I should expect you would be wanting to get, he would be able to see the organization problem here very quickly, and would have his own plans and own ideas as to how that organization should be developed out of what you already have. I think it would be unfortunate to try to present him with a frozen organization before he comes in.

So, for those two reasons, which seem to me most important, I don't think the tentative plan as outlined would be a satisfactory one.

H.M.JR: Let me press you a little bit. You say it wouldn't be satisfactory. What would you suggest?

MR. SPROUL: My suggestion is, as it has been, that it seems to me there is only one place where a division can be made and that is on the pay-roll allotment plan. I think that is a special and very successful undertaking which should be pressed more than it has been, and that it is wholly separate and apart from the general drive sale of securities; and that if you make the division as between pay-roll allotment and all other sales of securities, that then you have a workable program which doesn't involve the divisions in national approach nor the divisions in organization and in authority which this program would involve.

H.M.JR: I still don't understand. Take the present State organization of War Bonds. What would you do with it?

MR. SPROUL: Take the pay-roll allotment section of that present organization and have it continue to work or increase its work on pay-roll allotment. As for the rest of it, my idea would be to put it in with the district

- 4 -

committees - whatever parts of it can be used - and to have these district committees then function for the general sale of securities during the drive periods.

H.M.JR: After that, what would you do?

MR. SPROUL: There would be nothing after that. You would have this one group which worked during the drives, and you would have the pay-roll allotment drive which worked steadily on pay-roll allotment.

H.M.JR: You mean leave the War Bond group - just leave them the pay-roll allotment?

MR. SPROUL: They have a special section on pay-roll allotment, have they not?

H.M.JR: Yes. Well, I mean, just leave that, say, under a man like Patterson?

MR. SPROUL: Leave that under this director of sales here, under you at Washington, who would direct all of the sales of Government securities, and he would organize that as he saw fit, with your O.K. The rest of the selling would be the drive selling by the district organizations, whatever they are called.

H.M.JR: What would happen to the present State War Bond organization?

MR. SPROUL: The parts of it that could be used would be taken into the district organizations for the drive sale of securities.

H.M.JR: You mean bring it in under the Victory Fund?

MR. SPROUL: Bring it in under Victory Fund, if that is the way you decide to have it, or have some other name - or have a separate organization - but have one organization which is doing all the selling of Government securities during the drives.

- 5 -

MR. ECCLES: And no selling in between drives except the pay-roll deduction - except it would just be on tap in the banks as it is now, so that if people want to buy, they can, but I mean there would be no real drive. It loses its effect after you keep pounding and pounding away every day. It seems to me that the momentum of the drive is much less than it would be.

MR. BELL: But you would reduce your monthly sales of Series E bonds.

MR. ECCLES: If you did you would increase your--

MR. SPROUL: I may be wrong on that, but I think you will get a very substantial portion of those sales of Series E bonds through pay-roll allotment. I think a large part of the rest--

MR. BELL: Half of them.

MR. SPROUL: I think a large part of the rest comes in through banks as a part of the response to your advertising and publicity campaign, and they are not sold by salesmen going out and ringing doorbells.

MR. ECCLES: I think that is true. They are the large amounts - the five thousand.

MR. BELL: But they are sold through efforts made by the War Savings organization through other organizations. They don't work as individual salesmen. They work through other organizations, fraternities, and service clubs - societies of different kinds. You lose all of that.

MR. SPROUL: That could be continued, but they would make their purchases as they do now, through banks - savings banks.

MR. BELL: But you would lose all that effort if you took everything out except the pay-roll savings.

- 6 -

MR. SPROUL: That would be the place where their organization would be working - would be pay-roll allotment. You would have the drive when the big push was on to get money. Those other securities would continue on tap and if service organizations and savings banks continue to promote their sale you would get most of that money in, I think.

MR. ECCLES: I think your advertising that is going on all the time is the thing that is getting them to buy, rather than the personal solicitation. I think your personal solicitation, outside of pay rolls, is nil.

H.M.JR: Williams?

MR. WILLIAMS: I agree with the two general points Mr. Sproul has made. With regard to the immediate problem, I come with the feeling, as I put it this morning, that the hour is eleven fifty-nine.

We are confronted with two possibilities. One is a temporary arrangement for the April drive, or a postponement of the non-banking phase of the drive - getting whatever funds would be needed through a banking effort - which would give us time to do a thorough job of reorganization.

I have a feeling that not only do you have to have one director at the top, but you have got to have a similar focusing of responsibility all the way down the line in one individual - a line individual with executive responsibility all along the line - and to try to effect an amalgam by organizing a committee would not get results at the district level. I think we have reached the stage where we need a war finance organization that thoroughly integrates the efforts at the bottom right on up to the top. That organization must necessarily be on a district rather than a State line, largely because of the reliance that we have to place on the commercial banks. Those banks are organized district-wise, and all of their professional organizations take that into account.

- 7 -

H.M.JR: I don't know what Sproul thinks that we do here, Bell and I, all day long, but I sort of get the impression he thinks that at this end nobody pays any attention to this thing. But we pay a great deal of attention to it, and we have taken almost two years now - about two years - to build up the State War Bond organizations, and they have served a real purpose. We went through December with what I thought was real success. I can't bring in a total stranger and expect him, in a month or two months, to tell me what to do. I have just had these people go all over the country under Harold Thomas, and they made a recommendation which just isn't workable. They had these so-called market experts, the heads of these different agencies. They went out, and we have estimated here it would cost somewhere from fifty to a hundred million dollars to put in this organization, and it would take twenty-six thousand paid people if we carried out the Thomas report.

Well, I just had Mr. Bathrick in, who is sales manager for Pontiac, and one of the main men under Mr. Grant. He was one of these sales managers who were advising me, and he is a practical fellow. He talked to Mr. Grant on the telephone and everything - Mr. Grant is the number-one man in General Motors, who certainly in that field is the outstanding man - and they feel that the Thomas report is impractical. We would just have another OPA, and it is not organized yet. He has been with us now for about three or four months. I showed him this thing (indicating Mr. Bell's chart). He thought that as the next step it was very feasible.

I don't want to postpone the April drive.

I had a much more difficult thing than this in Farm Credit and they reminded me of the thing. We had twelve coordinators and we called them--

MR. HAAS: General agents.

H.M.JR: ... of these various lending agencies and put them in, and the thing worked. I am not saying -

- 8 -

let's say tomorrow I had a general sales manager come in. If he is the right man, he isn't going to say, "Well, Mr. Morgenthau, this is a complete--" - let's say he was sales manager for any national company, doing a large business - he wouldn't be much good until he went through one drive. I mean, I have lived with this thing, now, since '35 when we first started this War Savings thing. I don't say that this is the right thing, but I feel that it is a step in the right direction.

Now, I want to say this, and I don't want to seem to be - I mean, after having talked to more of the presidents of the Federal Reserve banks - and I realize New York is the most difficult one - if I could get any feeling of encouragement from them, and then, if some of the presidents said, "We don't want to do this," well, that is all right. It isn't going to be anything mandatory; we can put somebody else in as coordinator. I don't want the presidents of any Federal Reserve banks to feel this is something he has to do. I certainly don't want him to do it unless I can get his whole-hearted support. It would be the worst thing in the world to have a president of a Federal Reserve bank as coordinator for this ~~new~~ drive and not have his heart in it.

This may not be a very good comparison, but we had the same thing on law enforcement when I came in here. We had somebody who was shot up in Connecticut. I found there were seventeen different Treasury people went up there to investigate. Now we have a coordinator or law enforcement in each district. It so happens that they rotate every six months. One month it is Secret Service, another month it is Alcohol Tax, and it used to be another month Coast Guard. We picked the best man in each district. It was under Harold Graves, and it worked very successfully. There were six different detective agencies and we coordinated them without actually amalgamating these various six agencies. We didn't want to amalgamate them; we thought it was a mistake - we had such a large Federal police agency.

- 9 -

It was too much like a Gestapo. We had twelve or fifteen thousand men. I thought if we put that in one place, under one man, it would be too much like a Gestapo. I don't want it. We had the organization. The thing has worked beautifully for seven or eight years, hasn't it?

MR. BELL: Since '34 or '35.

H.M.JR: I am still not saying that this is the thing, but this thing has to jell. It certainly ought to jell within a week, oughtn't it, Marriner?

MR. ECCLES: Well, I--

H.M.JR: We ought to know where we are within a week, as far as organization goes.

MR. WILLIAMS: We have to know, Mr. Secretary.

MR. ECCLES: You have to know just as quick as it is possible.

H.M.JR: Take New York or Philadelphia - I can't just say to these people, "Your organization is through; we are just going to keep the pay roll and turn all the rest over to the president of the Federal Reserve bank for this district." I don't know what would happen. You talk about a national approach, and all that. I mean, the terms - they are words - they might mean something and they might not mean anything.

MR. McKEE: Mr. Secretary, have you really decided to get one man to head up the whole thing?

H.M.JR: My answer is, John, I have decided to get him if I can find him. I have got all kinds of lines out. If I can get the man, the answer is yes.

MR. McKEE: If you can get the man, you certainly ought to leave it practically to him. That doesn't mean the April financing. I don't mean that. But if

- 10 -

you are going to expect him to do that job, shouldn't you defer until you get that man and let him - you are going to hold him responsible - why shouldn't his ideas be pronounced in the program of organization, whether he scraps the Victory Fund Committee or the Bond Savings program as now constituted, what does it matter as long as he gets the job done?

H.M.JR: It isn't as simple as that because in the final analysis I am responsible to the President, and after all, I don't think it is immodest to say that after ten years I ought to know a little something about this thing, and whoever comes in will know nothing about it.

MR. McKEE: That is right.

H.M.JR: And Mr. Bell and I have sweat blood on this thing now for ten years, and after all, we have been successful at it.

MR. McKEE: That is right. Nevertheless, you can get, sometimes, too close to your own organization, where a stranger may bring organization ideas in to you that none of us would think of, today, that maybe we would all agree on in principle when properly presented.

H.M.JR: The man that I am going to bring in will be not necessarily a national figure, but he will be an outstanding success in his field. Naturally, I want the benefit of his experience, but I am not going to turn the thing over lock, stock, and barrel to him, because it is too risky. This is the biggest selling job that has been undertaken in the world.

MR. McKEE: You ought to have the best salesmen.

H.M.JR: I am looking for them.

MR. McKEE: If I were in your place, of course you are sure you are going to cooperate with him and you are going to tell him your experience and so forth, but I certainly would pass that buck to him.

- 11 -

H.M.JR: I would love to if I could. I will pass all to him that he will take. But I mean - any more than take over in your place. If you decided to bring in somebody and put him in charge of these - what do you call these loans?

MR. ECCLES: V Loans.

H.M.JR: Supposing you decided to bring in a man - that you needed somebody just to do that, would you just turn the whole thing over to him, tomorrow?

MR. McKEE: No, I agree with your point because of the history and the experience that you have, to date. But that is going to be very helpful to him to take your history and your experience and dovetail it in with his ideas and come out, if he is the right kind of a man, with a solution you could all agree on.

H.M.JR: What is my purpose? I am trying to add to the manpower of the Treasury, and I am going to try to get the very best man in the United States. Then I will give him all the leeway and authority that he can handle. But certainly the man should have, and would want, the benefit of the experience of Bell and myself and everybody else in the Treasury. It isn't as though this thing had been a flop, I mean, like OPA, or something, with all that battling going on and with Nelson and Eberstadt and all that. We don't have that thing. I want honest criticism and I always want it while I sit here, but there has been no public revolt or anything else because the December thing went so well.

MR. WILLIAMS: Mr. Secretary, there is a lot of evidence that we have reached a point, though, where we need reorganization, or at least a different type of organization than we have had. All the presidents - they are unanimous in feeling that we need more intensive effort, and some feel, in their districts, as a result of the December experience, that they have got to add to their manpower four or five or six-fold.

- 12 -

In Philadelphia we have got to step up from twenty-two hundred members, we feel, to fifteen thousand. Now that very fact imposes upon us the necessity of getting clear our relations to the War Savings Staff, and it ought to be a decision, I think, that isn't entered into hurriedly.

Meanwhile, we are right up against the April financing, and I would much rather see a temporary ad hoc arrangement for April and leave this other.

H.M.JR: What is the matter with this thing that we are suggesting now - not even suggesting, just bringing to your attention?

MR. McKEE: I don't think we have seen that, Mr. Secretary - I haven't.

MR. SPROUL: That is what Mr. Eccles explained to us.

H.M.JR: Haven't you seen it?

MR. McKEE: I haven't seen it.

H.M.JR: Would you explain it, Bell?

MR. BELL: I am sorry I haven't got copies. This starts off with the Secretary of the Treasury at the top, and over on the side, here, is liaison -- Mr. Eccles; we set up in Washington an executive committee, chairman of which would be this man that the Secretary is talking about as a national sales manager.

We draw into that committee representatives from the Victory Fund Committee here in Washington, and representatives of the War Savings Staff here in Washington.

We set up under that executive committee a little section called the press, radio and advertising. That

- 13 -

would be headed by a man of experience in those fields. That would be a service organization serving both the War Savings Staff here in Washington and in the field, and also the Victory Fund Committee.

That same organization drops down and is set up in the Federal Reserve district with the president of the Federal Reserve bank district chairman of the executive committee. He would draw, for his committee, from the local Victory Fund Committee and from the local War Savings Staff; and he would also have the press and radio advertising set up under him for local advertising - this being the national advertising, up here - and the making of policies through the executive committee, and down here your local advertising such as suggested by the coordination of the two groups in this district.

That is what we contemplated for the April drive.

MR. McKEE: You made a statement, Mr. Secretary, that you don't want to defer the April drive. Is there any real reason you have for that if you could get your money from some bank paper before to carry you through to the end of that month?

H.M. JR: I don't see what we would accomplish. What would we accomplish by it?

MR. McKEE: Just more experience for your new director, whoever he may be.

MR. ECCLES: There is a certain amount of financing got to be done by the banks and the question is, what advantage is there to have the bank financing after the drive instead of maybe before, and delay the drive. Our thought was this, that you would have somewhere, I imagine, between two and three billion of balances on the fifth of April. You could put out either a short note, which would be a bank issue, one and a quarter percent note, or some seven-eighths certificates - a couple of billion - as of the first of April. That, together with your balance - and I would run right down, before your drive,

- 14 -

down to the overdraft, because I think that helps your whole situation to do that - at least the Reserve end of it - and it will likewise - up to the time the drive starts, you have created the most favorable condition for the drive, to the extent that you have used up your balances.

It would seem to me you could possibly carry over to the first of May instead of April, and then you would undertake at that time to make a drive strictly to the public - no banking in the picture - leaving the opening - we will just assume as a safe amount, eight billion as a public drive, and state that you will, at the end of the drive make available to the banks at that time, or some time after the drive - it has been suggested, for instance, that a two percent bond - it has been last October since the two's were offered, and there has been considerable demand for the two's. I know we have sold over a hundred million out of our portfolio, showing there is a real demand. So if you should include a two, you might at the end of the drive make available those two's to the banks without indicating until the end the amount that it is going to be.

In other words, fix the amount for the public, leaving what you want to use the banks for - the amount you are going to give them as indefinite because that would depend on what you might get. You might get ten billion from the public.

Now, in that case you could delay it here for thirty days - your public drive - by using the certificates, which merely means that you get more from the banks before the drive instead of more after the drive. And that would give the question of your organization a little chance to shake down and give these fellows in the field a chance, as Al says, to get set up after some decision is made. It is a terrific job in the time available.

- 15 -

We all favor putting it off for about a thirty-day period, or three weeks, at least, and selling the banks before a couple of billion - before the drive - in a pure bank issue, instead of during the drive.

H.M.JR: Bell has mentioned that possibility. Maybe he got it from you, I don't know.

MR. ECCLES: I hadn't talked to Bell about it at all. I didn't get it from any place. It just occurred as a matter of giving us a little more time on the drive, that that was the way it might be met.

MR. BELL: I mentioned that in connection with the Thomas report. If you were going to put in the Thomas organization, you would have to have more time.

H.M.JR: My gawd, you would have to have a year.

MR. SPROUL: How does that organization fan out at the district level? You have this executive committee - presidents of the Reserve banks as chairmen, drawing from the present Victory Fund and War Savings Staff; we have then the two questions, one, the setup of one on State lines and one on district lines, with the State lines crossing district lines in many places; and second, we have the question of where the lines of authority are, taking in the War Savings Staff, which has been running its own organization, and to look here to Washington for its directives - and frankly, nurtured, in some areas at least, in a spirit of non-cooperation with the Victory Fund Committee - how would it fan out below that executive committee in the district, then, as a working organization?

That is where I think we run into difficulty.

H.M.JR: I would like to answer that question. If we did this thing, the coordinator - let's call him that - would be the boss in the district. He would be the boss.

- 16 -

MR. ECCLES: The Victory Fund wouldn't go directly to Washington; it would all go through the local.

MR. BELL: The chairman of the committee - and there should be no solicitation and no advertising, radio or press releases of any kind in that district without the approval of the chairman of the committee. Even the solicitation, the house-to-house canvass and soliciting subscriptions should be done through the committee, so that there would be no duplication of effort.

The one job that we have got to work out, if this is adopted, is the State line thing. We have to work out something on that.

MR. SZYMCAK: To whom would the coordinator report in Washington?

H.M.JR: To this new man, Mr. "X".

MR. ECCLES: I talked last night, as I told you, about the district line thing. The need, if you are going to line it up like the Farm Credit, you had to get it on parallel lines. We talked about that last night.

H.M.JR: I thought about that. I know New York a little bit better - the district - than I do the others. What I would envisage for this drive is that the coordinator, Mr. Sproul, would say - New Jersey, he would send for the War Bond fellow, for New Jersey, and he would sit down with Al Williams and say, "Now look" - I am just using this - say, "Now look, Newark is part of the metropolitan area, so I will take half of the War Bond crowd, and from Trenton down - which feeds to Philadelphia - is your s." You would just have to split it in half. But I would leave it to you fellows to work the thing out. The same thing everywhere.

MR. ECCLES: Pennsylvania--

- 17 -

H.M.JR: We would give you all the authority you would take.

MR. McKEE: I don't see why you presidents in overlapping districts couldn't work it jointly with the understanding of the State supervisor - you three get together.

MR. WILLIAMS: On this matter of authority, I think it ought to be clear that in our attitude there is no desire for more authority, necessarily, because the operating job, now, has come to be a tremendous one. In the one department in our bank where we work for you - Fiscal Agency - since Pearl Harbor we have operated a hundred and sixty-eight thousand hours of overtime.

H.M.JR: That is terrific.

MR. WILLIAMS: So it isn't a thirst for power or more territory.

H.M.JR: It is the other way. I said to Eccles, yesterday, I said, "Marriner, is it fair to ask these presidents of these banks to do this?" And he said that as coordinator they wouldn't have any more to do than they would as chairmen of the Victory Fund Committee. And in their interest and anxiety to get as many bonds as they can outside of the banks, I am sure they will be glad to do it. Is that quoting you correctly?

MR. ECCLES: Yes, I figured that if the organization is set up so that you wouldn't have to do more than you now do, there was no reason why you shouldn't at least give direction - that it wouldn't take a lot of time if you once get the organization functioning. Of course, to the extent that the thing isn't functioning, that is the thing that takes the time. -

MR. SPROUL: I think there is no question about that, but Mr. Williams' point is, I think, that we are

- 18 -

not trying to steal the job of the War Savings Staff to aggrandize the Victory Fund Committee, because we don't have any need to do that.

H.M.JR: Well, my thought - as I say, if we took this thing and made you men - for a better name let's call it "coordinators" - you could call it, instead of Victory Fund, I mean, "Treasury Securities," or something - I don't know - "Government Securities." Give it just a name.

MR. SPROUL: The only difficulty I see with that - I am not trying to raise difficulties, I am trying to get this job done, where we all can see it operate to the best advantage - is that unless there is a national directive as to what the policy is to be and as to what the organization is to be, that you run into this possibility: I will set up one sort of organization in my district, Al Williams will set up another sort in his district, and Day, out in San Francisco, sets up another sort. If I have full power in the New York district, and I say, with full power - if that means what it says - "All I want the War Savings Staff organization to do from here on is the pay-roll allotment plan; and as for the rest of the War Savings Staff, I will take what I can use of it, and work it into the Victory Fund Committee, and use them just in drives," how will that tie in with the national - with the policy in other districts, which is on a different basis?

H.M.JR: Well, when I said full power, what I meant was, we will set the pattern and then give you full power to operate.

MR. ECCLES: Under the type of organization--

H.M.JR: There would have to be a pattern.

MR. ECCLES: That is why it seems to me - I got the impression that you would leave it up to, for instance, Newark - you took that as an example.

- 19 -

H.M.JR: Well, I meant that we would set the pattern as to the committee and so forth, and so on, and having set the pattern - I mean Mr. Bell or I don't want to go - we would have to give you a certain amount of leeway - we certainly would have to have a national pattern and say, "Here it is." And whatever I did, I would want to work it out sitting down with these coordinators on a regional basis, or in their own district, or have all twelve of them come down - whichever would be the easiest for them.

MR. SPROUL: I think that national pattern, to give a decent break to the man you get in, will have to be worked out with him, and not frozen before he comes.

You said you didn't know what I thought you and Mr. Bell do. I think you do an awful lot, and it involves other things than Victory Fund Committees or the War Savings Staff. As far as I can see, it involves a hundred and one things to which you have to give your time and attention.

Secondly, personally, I don't think I am a great salesman. I don't think Mr. Eccles is a great salesman. I don't think you and Mr. Bell - that you are experienced as salesmen and publicity men. As I see this job, you have had the experience and you have sweat blood through eight or nine years - and I have sweat my pint with you, at times - but that here is a sales, publicity, and organization job which calls for, in addition to that experience, which I should think would be the determinate as far as policy is concerned, a type of mind and organization and selling which we haven't yet brought into the picture.

H.M.JR: That is perfectly fair. That is a fair statement.

MR. MCKEE: Eccles isn't a salesman? (Laughter)

H.M.JR: I was going to say, that applies to me, but I don't think it applies to Eccles.

- 20 -

MR. ECCLES: You fellows don't need to rub it in, now! (Laughter)

MR. McKEE: He is a sales preventative. (Laughter)

MR. ECCLES: Just because I sometimes have to stick at a thing, you know it isn't a question of selling - it is a question of wearing you down. (Laughter)

MR. BELL: That is real sales pressure. (Laughter)

I think any organization which you set up for the April drive has to be fluid enough because the new man coming in is certainly going to want to make changes after he has experience. He can't do it the first month. After he goes through the April drive, he naturally is going to want to make some changes.

H.M.JR: What I am fearful of is whether whoever we get can just wind up his affairs and walk from his office to here. He won't be able to do it, you see. We will have to wait, or something like that.

MR. WILLIAMS: How much difficulty is created, Dan, by going from April fifth to April 26, or something of the sort, for the opening of the non-banking drive?

MR. BELL: We could go to May 1. We could shift the non-banking financing - my schedule is from June 1 back to April 1.

H.M.JR: That would take us how long?

MR. BELL: That would take us through April - two billion dollars. Of course, we are going through a very uncertain period, March and April. We are not getting in our income taxes. How far that is going to carry on I don't know. If it carries on much further, we are going to get a lot of income taxes in April, if we get them at all. Our estimates are pretty high; I don't

- 21 -

know whether we will get those estimates - it all depends on that about our balances.

MR. McKEE: How about your war expenditures? Do you look for much acceleration?

MR. BELL: They haven't been going up so fast, and I have just revised the figures. I don't think we are going to meet budget estimates for this fiscal year. I have taken a couple of billion off the estimates.

H.M.JR: You mean you don't think we are going to spend the money?

MR. BELL: No, sir, not the seventy-seven billion, or whatever it is.

H.M.JR: What did they spend in January - under six, wasn't it?

MR. BELL: Yes, it was five billion nine hundred and forty-seven, and they are not going over that figure in February. This is a short month, of course. I have taken about two billion dollars off.

MR. ECCLES: As I see the thing, even if you put over the drive until the last of May - last of April, or the first of May - you still would feel it necessary at this time to decide on some form of organization; whether it would be modified after the drive would be left up to the director? You don't feel you want to leave this question of organization to be determined by a director when he comes in? In the first place, you don't feel that he would have had sufficient time to have formulated an organization, and therefore at this time you want to make a setup? I got that impression yesterday, that that is the way you felt about it.

H.M.JR: Yes, that is right.

MR. ECCLES: Now, if this plan that you have thought about is to be put into effect, I would think

- 22 -

that the only way it would have a chance of working would be for you to formalize it here so that in fairness to the chairmen of the committees - the presidents in each district - in fairness to them - so that your War Savings people and your Victory Fund people would know just which president, for instance - just where they went - just where they fit into the picture. For instance, I don't believe you could take and leave it up to the State chairman of Pennsylvania to decide whether the War Savings was going into the Philadelphia district for the State, or into the Cleveland district, or that New Jersey would decide what would go into New York and what would go into Philadelphia.

I think that you are going to have to say, if it will work at all, that that has to be done on parallel lines, and that the Victory Fund - I mean the War Savings organization in those States where it is in two Federal Reserve districts would have to be split that way.

Now, that would mean that instead of having forty-eight State War Saving chairmen, you would pick the twelve best that would go into the Federal Reserve and would be in charge of War Savings for that district, like you now have a man in charge of Victory Fund in charge of that district under the chairman.

Then you would pick your next best State chairmen and put them in as his assistants or district War Savings chairmen, just as you have district Victory Fund chairmen.

If you do that, it seems to me you can divide up the visitation, you can divide up the work and say what part is going to be handled by the War Savings group and what part would be decided by the Victory Fund, or in a small district where it isn't big enough to have both and you have got a good War Savings, they would handle it all. Or in another district where you don't have a War Savings and you do have a Victory Fund, they would handle it all. But if you don't have it

- 23 -

on that sort of a parallel organization, you will have all kinds of duplication and confusion as an organization matter.

H.M.JR: Could I suggest this, because this, for me, is the most important - have you got anything at twelve o'clock?

MR. BELL: Not at twelve. I have an appointment at twelve-thirty.

H.M.JR: Eccles, couldn't you and the two bank presidents go in with Mr. Bell and talk until twelve-thirty about this?

MR. ECCLES: I can.

H.M.JR: Why don't you do that, then? What I would like to do - what train did you plan to take back?

MR. SPROUL: I plan to take a train back in the late afternoon. I can change that to meet the situation.

H.M.JR: I would be available again at three-thirty, certainly for the two presidents of the banks. I don't know if Mr. Eccles wants to come.

MR. ECCLES: The only thing is we had a dress rehearsal scheduled yesterday for our friend tomorrow and we were going to meet this afternoon.

H.M.JR: Could you let the two bank presidents come?

MR. ECCLES: Sure, they are free agents.

MR. BELL: You had better get together on tomorrow's meeting. (Laughter)

H.M.JR: I want to get all I can out of them. Are you free at three-thirty?

- 24 -

MR. BELL: I think so.

MR. ECCLES: If you could make it later--

MR. McKEE: Later or earlier.

H.M.JR: I can't - that is the point.

MR. ECCLES: This is a lot more important. This Giannini thing doesn't interest me.

H.M.JR: Personally, I am just doing this - you see, at three o'clock I have got Elmer Davis and his three assistants, who are in charge of all this stuff - they are coming in at three. I want to talk to them, so I am doing nothing but this and will continue to do nothing but this until we get it straightened out. They are in charge of all publicity and everything.

MR. ECCLES: There isn't much need of talking about the types of issues and so forth, until you do two things; first, determine the organization, and secondly, when are you going to have the drive.

H.M.JR: We can move awfully fast.

MR. BELL: They are pretty simple.

MR. ECCLES: The two things - whether to delay it or not and what your organization is going to be--

H.M.JR: Could I ask just this, please not let this discussion get into the field. It would do an awful lot of harm. I am trying awfully hard not to let it get out. It would be very disturbing to people in the field.

I am confident that we can work it out, and work it out soon.

Thank you all.

OPEN MARKET MEETING

Tuesday, February 16, 1943

1. Cash Requirement
2. Date of Drive
3. Amount
4. Types of securities to be offered
5. Should bank borrowing be included
6. Reserves

February 16, 1943
3:10 p.m.

FINANCING

Present: Mr. Bell
Mr. Eccles
Mr. Sproul
Mr. Williams
Mr. Graves
Mr. Buffington
Mrs. Klotz

H.M.JR: I had two minutes with Bell, and that is literally all, because he has these Department of Agriculture men in there on Agriculture loans.

MR. ECCLES: You mean RACC?

H.M.JR: I made the appointment for Hemingway to see Wickard, and they got nowhere. Now we are going to tell them to keep seven thousand banks happy.

Do you fellows want to talk? I have had nothing to think about.

MR. WILLIAMS: We talked with Dan for half an hour or so after we left you. I guess it is accurate to say that we didn't reach any definite conclusion about it. We tried to spell it out at the District level.

H.M.JR: The only thing Bell said was that he would rather keep it informal, rather than formal.

MR. WILLIAMS: Yes.

H.M.JR: What is the difference?

MR. SPROUL: We explored the arrangements to be made at the District level and thought it would be easier

- 2 -

to work them out on a basis which would work better if they were kept informal than if we tried to set up this committee with the differences as between State lines and District lines, and with the questions of personnel which would enter into the setting up of such committees.

H.M.JR: Let me say this - I am going to argue against the informal. One of the things I would like to do is to get the presidents of these banks out of the position as chairmen of the Victory Fund Committee and make them coordinators. I think it would set better with the War Bond people.

MR. SPROUL: We had another reason for suggesting informality, and that is that the less the situation can be frozen prior to the time that, what we see is a major or a permanent reorganization, can take place, which we assume should take place only after you have your sales director and he has discussed the matter with you, - the less the situation can be frozen prior to that time the better.

H.M.JR: I agree with you, but I think this: If I were on the War Bond side, it would set much better if Washington, as they refer to us, would simply say, "Now the president of the Federal Reserve Bank has been appointed as coordinator. He is neither Victory Fund nor War Bond. He is going to be there as the head of this committee, and you fellows are going to sit in with him. Here is a pattern; he is the boss, and ninety percent of the stuff is going to be settled on the spot by the coordinator, but we will do the dirty work."

Let's be frank. I will handle Dick Patterson and the personalities and take the curse off you. I will do the dirty work.

Now, how much does that freeze? Let's just say for a minute that we go ahead and, as Dan said, the northern New Jersey chairman is in Newark, and we will have a deputy in southern New Jersey who will work with Philadelphia. You would have to do that anyway if you are going to get

- 3 -

these fellows to work. It is going to be disagreeable, and it is my job to do the dirty work and let Dick Patterson cuss me out rather than you and whoever else--

MR. ECCLES: Here is your real difficulty, though--

H.M.JR: Just one second - it seems to me that it still is all very fluid with the president of the bank as the Treasury coordinator. Then after they have had the experience of the April or May drive, we have learned that much more, and we benefit by mistakes we made that time.

MR. SPROUL: You then have the presidents of the Reserve Banks as coordinators of this executive committee made up of people from the War Savings Staff, and perhaps some from the existing Victory Fund Committee. You still have in existence then an executive committee of the War Savings Staff, an executive committee of the Victory Fund Committee, which are hanging on there without--

H.M.JR: Where do they hang?

MR. ECCLES: They are there now.

H.M.JR: With whom?

MR. WILLIAMS: Under us.

MR. SPROUL: We don't disband either one of these organizations at the present time.

MR. ECCLES: You are going to raise the dickens. You have a Victory Fund Committee, an executive committee, and committees all down the line.

MR. SPROUL: You have the War Savings the same way.

MR. ECCLES: If you have another one, you will have to disband the ones you have and make an awful lot of people sore. You haven't merged it. As you say, you have left the others--

- 4 -

H.M.JR: Do you have an executive committee?

MR. WILLIAMS: A general District and an executive committee.

MR. SPROUL: And the War Savings Staff has its general committees and its executive committee.

H.M.JR: You would have to meld them, that is all.

MR. SPROUL: Then you would have to disband those two committees before you knew whether the two organizations were going to be put together as a permanent weld or not.

H.M.JR: They have to be put together.

MR. SPROUL: We think they have to be put together, and we think this weld won't hold - won't do the job - and will just postpone the solution, and perhaps make it more difficult because you have set up an interim arrangement which doesn't put them together.

H.M.JR: Well, the one thing - the more I think of it - the one thing I think would be a mistake, which would make it much more difficult for me on the disagreeable task that I have to do, is that if you men stayed as Victory Fund men - I think you ought to become coordinators and disassociate yourselves.

MR. SPROUL: We might abandon Victory Fund Committee altogether if there is a merger and have a national war savings fund or something else which would give it a national name, and retain neither one of these names, which might carry with it some feeling and some friction:

H.M.JR: Yes, but I mean - I am taking a leaf out of Chairman Eccles' book - I am going to be persistent. (Laughter) He usually is successful. (Laughter) I still--

MR. ECCLES: Pardon me, I took mine out of yours a long while ago. (Laughter)

- 5 -

H.M.JR: That is right. (Laughter) We got something done while you were here in the Treasury. You could out-talk John Fahey, and out-sit him. Remember the seven hours - you and John seven hours - you told me you sat with him seven hours. (Laughter)

MR. ECCLES: I had to lick him or we would have been sunk. (Laughter)

H.M.JR: These chickens keep coming back to roost, like this RACC thing.

It seems to me that irrespective of all the executive committees and committees, and so forth, if you people could just disassociate yourselves as chairmen of the Victory Fund Committee and get into the status of coordinators--

MR. SPOUL: We can disassociate ourselves, but if the two organizations continue to exist side by side, we can't just wipe them out of existence.

MR. WILLIAMS: The difficulty with disassociating ourselves, I think - that ought to be done, but it ought to be done after the April drive, because we are right up against the necessity of moving along a wide front immediately. I have about ninety people coming in next week from all over the District who are prepared for the drive. Now, I can't take a couple of weeks and discuss with those men a new arrangement about which they will not be quite clear.

But, if the three state administrators could obtain from you, and they in turn could transmit to their people down the line, a request which says, "Give Williams all possible assistance in the April drive," I could call them in and do it; and without issuing orders, we could work out a plan that will allow us to collaborate here, and we could get it off almost immediately, Mr. Morgenthau.

H.M.JR: It might work there; it wouldn't work in other places.

- 6 -

MR. WILLIAMS: It wouldn't?

H.M.JR: No, there is this competition; there is this feeling. You can't over-look it. I can say to Patterson, "Well, now, look, the man I am asking you to see is the coordinator for the District. He isn't the chairman of the Victory Fund Committee."

MR. SPROUL: Then, he is coordinator of two organizations, which we all agree are going to have to be put together, and it perpetuates the situation, and it seems to give it more permanence than it ought to have.

H.M.JR: I don't think so.

MR. SPROUL: How would it be - it seems to me, speaking after some consideration - after talking with Dan Bell this morning - if we say, "All right, you are going to try to get in your director of sales. We are going to have a national publicity campaign which is directed towards the sale of all Government securities to give this drive the proper national backing; and outside of that for this April or May drive, we will go on as before." I think that would be better, myself, than to make a half-way merger, which, I think, would delay us in our preparations, and which would not solve the real problem we have to solve.

(Mr. Bell entered the conference.)

H.M.JR: I don't understand it. Will you repeat it for my benefit and Bell's?

MR. SPROUL: Rather than to make that half-way merger, which we don't think would work very well, and which wouldn't solve our main and ultimate problem, which is the merger of the two organizations, nor even help to solve it, we say, "All right, we will go along with the national director of sales if you can get him, and most important, with the national publicity program, which gets the whole nation back of the sale of all Government securities for this April or May drive. Outside of that, we will go along with our organizations as we are now

- 7 -

developing them." The War Savings Staff will go along with its sale of E Bonds. We will go along with our sales of all other bonds. This national publicity and educational program will support both efforts.

MR. ECCLES: In other words, you will do exactly as you did in December, the only difference being you have a national director and a national sales campaign, leaving the War Savings to operate as they did in December, the Victory Fund to operate, and to coordinate wherever they can work out their problems as they did. For instance, there were a good many places like Chicago and Minneapolis where it worked out fine, and other places where it didn't.

But, at least let the thing go on that basis instead of trying to jell it on the basis of the two organizations, because I can see that you are going to have, if you take the presidents out and make them coordinators - you have to have a chairman of your Victory Fund Committee. He has to be somebody - you have to have a chairman of the War Savings committee in each Federal Reserve district, and that creates a very, very difficult problem, because one is on a State basis and the other is on a Federal Reserve basis. The more you think of trying to work that darned thing out, the tougher it gets. It is just extremely difficult.

Each of them has an executive committee and a full committee. So, if you cease to be the chairman, then you have a whole committee and an executive committee that could, I suppose, be transferred to whomever is chairman. You would be an individual without a committee, except--

H.M. JR: You would be a lucky man. (Laughter)

MR. ECCLES: ... except the committee that you draw from the two committees. You would have three committees then. You would have your War Savings chairman and his committee, your Victory Fund chairman and his committee, with you as a coordinator of a committee drawn from both of them.

MR. BELL: You have changed since before lunch.

- 8 -

MR. SPROUL: I don't know - Marriner is just outlining something that might develop.

MR. BELL: In your statement of the case you have changed since before lunch. I thought that the plan there was to let the Victory Fund Committee go on with the April drive, but use the War Savings Staff organization through a directive from the Secretary.

MR. SPROUL: Yes, we had mentioned that, I think, but failing that, then let's try this.

MR. BELL: I see. That was an alternative?

MR. SPROUL: Yes. Failing that--

MR. ECCLES: We discussed the other before you got here.

H.M.JR: The thing that I was trying to get over to them, and have gotten nowhere on - I said that I had taken a leaf out of Eccles' book, but it wasn't the right leaf - is to get these fellows out of being in the position of chairmen of the Victory Fund Committee and get them into the position of coordinator. I said it would taste much better with the War Savings Staff if they were dealing with the coordinator, rather than the chairman of the Victory Fund. It wouldn't look as though one was taking over the other. I think it would make a lot of difference in the minds of a lot of people.

MR. BELL: I think so, too.

H.M.JR: Don't you, psychologically?

MR. BELL: Yes.

H.M.JR: Right or wrong.

MR. ECCLES: I don't think Dan ought to get the impression - at least, I didn't get this impression -

- 9 -

that these fellows, the Reserve Bank chairmen, have any desire to continue to be the chairmen of the Victory Fund Committee, whether they are connected with it or not or whether they are coordinators - I don't think that end of it is important. It is a question, it seems to me, if by being coordinators of two committees the thing will work.

As I get it, it is their view that you jell it then more or less on a basis of a set-up, and that you change the one into another one that will have to be changed again.

MR. BELL: That may be, but I don't see any objection to that if it does have to be changed in July.

MR. WILLIAMS: I would be in favor - it seems to me to be a more practical reason. That is, between now and the beginning of the drive I can't get in to War Savings Bond work and learn enough about it to operate intelligently as a coordinator. I am under the immediate necessity here of expanding an organization and getting into motion. I can't spend much time in conference with twenty or thirty new people, or in discussing the problem that I haven't gotten into at all.

H.M.JR: You can't even do that, and Harold Thomas wanted us to build a completely new organization.

MR. WILLIAMS: Well, in the language of the street, he is cockeyed on that.

H.M.JR: You can't do this, but how are you going to get the benefit of the War Savings Staff?

MR. WILLIAMS: I would turn throughout the District to the War Savings Staff people. I would say to Ludlow, who is the principal man I would deal with, "I need in all five thousand of your men for the month of April, and I understand that the Secretary has made them available through you to me. Now, let's sit down and work this out."

- 10 -

I think that in a two-day conference, if he were to call his lieutenants in, we could work out a practicable plan where we would assign a hundred here and a hundred there, and we could get through April.

MR. BELL: They would assign them to your regional chairmen, rather than to your central groups.

MR. WILLIAMS: Yes, and in some instances I would say, "Now in this county the man who ought to do this April work is your man, and I will make the Victory Fund chairman for the county work under the War Savings Staff man," thinking of a specific instance I mentioned this morning. We could get through April that way. Meanwhile, we will have had--

H.M. JR: It doesn't make sense to me.

MR. ECCLES: What you are doing is borrowing for the drive the War Savings, which is a permanent, day-to-day organization throughout the year. It isn't a drive organization. You merely borrow it during the period of the drive, and after the drive it goes right on on a State basis just as it has before.

But during the period of the drive, in order to avoid two different groups making the drive and in order to give the War Savings people the whole basket and not have a duplication between War Savings and Victory Fund, you just make the whole War Savings organization available for the drive. In those areas where you have War Savings and you haven't Victory Fund, the War Savings would carry the drive, which is true in the small communities.

H.M. JR: At this stage, let me bring in Graves and Buffington. Graves is in a very cooperative frame of mind. Let me bring those two fellows in, and let's just see - I can't see it at all. I just don't see it, but I have been wrong before. I may be wrong now, but I am going to state it both ways, if you don't mind.

(Mrs. Klotz entered the conference.)

MR. BELL: You see what Mr. Williams would avoid if he is going out to get personnel in the month of

- 11 -

April to work on the Victory Fund Committee? He would avoid going to War Savings Staff people. They would come to his committee and work by working through the administrator and getting them loaned, whereas you would be duplicating personnel if you each go your own way. You avoid that.

MR. ECCLES: You would avoid all that.

H.M.JR: I think they would feel much better about it - I keep thinking, if Mr. Williams was coordinator and not chairman--

MR. WILLIAMS: I think that may grow out of it eventually, but I am thinking of the pressing necessity here for immediate action.

MR. SPROUL: That to me implies a continuance of the two organizations, which I think eventually we want to get rid of.

(Mr. Graves entered the conference.)

H.M.JR: I met with the Federal Reserve - one of their committees this morning - I don't know which one.
(Laughter)

(Mr. Buffington entered the conference.)

MR. ECCLES: That was the Executive Open Market Committee.

H.M.JR: Then I asked these three gentlemen to come back this afternoon. Everything is still fluid. I am still thinking.

The suggestion which I put up to you people this morning was that we have a Mr. X, who would be the national sales manager for Treasury securities here. There would be an executive committee here on the one hand for the Victory Fund Committee, and on the other hand would be the War Savings Staff. Under the executive

- 12 -

committee would be the Press, the Radio, and the Advertising. There would be a similar thing in the District. The president of the Federal Reserve District would be the Treasury coordinator, and he would invite in members of the Victory Fund Committee in his District and members of the War Savings Staff in his District to cooperate with him after the pattern was set for an April drive.

Well, Bell and I kind of liked it, didn't we, Bell?

MR. BELL: Yes.

H.M.JR: I showed it to Mr. Bathrick this morning. He has been working with Mr. Grant. He is sales manager for Pontiac and the Washington representative for General Motors. He went over the whole thing, and he said, "That is good; I like it."

Then I brought in these fellows, and they don't like it. Their objection is, that if we are going to move - first they ought not to do too much until I get my national sales manager, leaving things fairly fluid for him and get the benefit of his advice, which is reasonable.

Second, if I set this thing up, it sort of jells these two committees and may possibly consolidate them and make it that much more difficult.

I have been arguing that if these men were coordinators, rather than chairmen of the Victory Fund Committee, it would set a little better with the War Savings Staff if they were talking to the president of the Federal Reserve as coordinator, rather than chairman of Victory Fund. Williams says that he hasn't time to get acquainted with twenty or thirty new men. He has to move in. What they would like to do for this April drive is have me say to you that they can borrow as many of your field people as possible through your State administrators working through them, to add to their manpower during this drive. Then in the meantime we could set up a national advertising program for this drive for all Treasury securities, more or less at once.

Is that about it?

- 13 -

MR. WILLIAMS: Yes.

MR. SPROUL: Yes.

H.M. JR: Now, all these things get down to the level of the field. I mean, after all, it is very nice for me to sit here in a very comfortable chair and say that this is the way to do it, but it is something else for Bell and I to get out and wrestle with it. These fellows would be our field generals in the District. I wanted to ask you (Graves) first what you thought about it.

MR. GRAVES: Who do they have in mind borrowing?

MR. WILLIAMS: They will have to answer that.

MR. SPROUL: We would have to go to your State administrators and find out what the organization is and what is available to borrow. I will say, frankly, now that I don't know. That is one thing about setting up this executive committee at the District level - it is a job of education on both sides, for them to find out about us, and for us to find out about them and see how we are going to work together.

I don't know who we could borrow or what your State administrators could make available to us.

MR. GRAVES: Well, take Pennsylvania, for example - I take it you know about what our organization is in that State. We have an office in Philadelphia, one in Harrisburg, and one in Pittsburgh. In each on the average - in the three places, I suppose we have three or four executive people and a few clerical people. That is the make-up of our paid organization in Pennsylvania. Then we have a committee of volunteers in each of those cities, and committees of volunteers in all of the counties of Pennsylvania.

Now, nobody can deliver those committees to the Victory Fund groups. They are volunteers who are in this

- 14 -

program to help in the promotion of the sale of war bonds. Their job is not a direct selling job, but what they have been doing is to interest companies in pay-roll savings, to interest the schools, to interest the women's groups. I don't know what benefit the Victory Fund groups would derive from borrowing from these county committee organizations, which are the backbone of the War Savings Staff in Pennsylvania, as they are everywhere else.

So, when you say that you want to borrow from War Savings, I think we have to know exactly what you have in mind to borrow and what use you were going to make of them and what good they would be to you.

H.M.JR: That is practical talk.

MR. WILLIAMS: We have twenty-two hundred committeemen. It is our considered judgment that we will need fifteen thousand. We are under compulsion to expand, and to expand pretty quickly.

MR. GRAVES: You are talking about the Philadelphia District?

MR. WILLIAMS: No, the State now.

MR. ECCLES: Do you mean the State or the Philadelphia Federal Reserve District?

MR. WILLIAMS: The Philadelphia District.

MR. GRAVES: Eastern Pennsylvania and New Jersey?

MR. WILLIAMS. That is right. I would expect to turn to Ben Ludlow and study with him his field organization at the selling level.

I know that in some counties there are a lot of men who are promoting the sale of War Savings Bonds who could in April assist in the sale of whatever we offer. My contention is that there is no time now to effect anything approaching a fundamental formal reorganization, in time

- 15 -

for us to do the intensified work which we all think is necessary. So, I would ask Ben Ludlow to assist us in some counties lock, stock, and barrel in the intensive cultivation of the market there, selling, of course, E bonds. Meanwhile--

MR. GRAVES: Of course, I don't know what you are going to do with that number of people in the District. I would suppose that the number of prospects you would have for the securities, assuming that you will have the same securities in April that you had in December - the number of prospects you would have for those securities would not require anything like that number of people. You probably, I would guess, have as many as fifty thousand possible individuals and corporations and institutions that you would want to make contacts with. I would say that that would be a very high figure.

MR. ECCLES: You wouldn't need fifteen thousand to contact fifty.

MR. GRAVES: That is the point.

Now, those fifty thousand or forty thousand, or whatever the number may be, will be individuals of larger capital or larger incomes that are perfectly well known to everybody, and there will be corporations, banks, insurance companies, and institutions, and you can make a list of all of those people.

MR. WILLIAMS: Yes, we have been through that.

MR. GRAVES: If you have been through it, how many do you have, and what is it that makes you end up with the need for fifteen thousand people to canvass the list?

MR. WILLIAMS: I am thinking largely of the metropolitan areas, where we have just scratched the surface. I am thinking of the results that the Cleveland District got. George, how many did Fleming have on his committee?

MR. BUFFINGTON: About eighteen thousand.

- 16 -

MR. WILLIAMS: And he did the best job relative to resources that was done throughout the country.

MR. BUFFINGTON: Al, he did a different type of job than Mr. Graves has talked about us doing in the second or third District, and I don't quite see how you can get the kind of money you are talking about if you limit the activity of the Victory Fund to that kind of group.

MR. ECCLES: We have been criticized for not getting down to the grass roots.

MR. GRAVES: If you are going to have a new rule about your operation here, that is something else again, but I am assuming that the policy laid down by the Secretary in the December program is to be adhered to in this one.

MR. WILLIAMS: I think that is a matter we ought to discuss.

MR. ECCLES: If he doesn't want the Victory Fund except to hit the high spots, we don't need to do anything.

MR. BELL: I think he has been going on the assumption - at least he started out with the assumption - on the basis of Haas' report - that the whole basket would be available.

MR. BUFFINGTON: Dan, before you get to this question of organization, don't you first have to decide what job it is the Secretary wants this group to do? How broad a solicitation does he want? If he is limiting this thing to three or four hundred thousand people who are the top people, with incomes of fifteen thousand and over, that is one kind of - one type of group to approach. If he is talking about raising any such figures as we have talked of before, and having the Victory Fund Committees primarily responsible, that is another type of operation.

I don't see how you can talk organization until you know what you are supposed to do.

- 17 -

MR. ECCLES: That is right.

MR. BELL: The question has arisen as to what securities you are going to give this larger committee, this Victory Fund Committee. If you confine them to the same kind of securities that you did in December, and the same group of people - that is, the four hundred thousand, say, that George Haas mentioned in his report - maybe the organization you have now is all you need, because Mr. Williams doesn't need fifteen thousand in Pennsylvania unless he is going down to the grass roots and canvass everybody with series E bonds on up to the two and a half, twenty-five-year bond.

MR. BUFFINGTON: Mr. Secretary, in the middle of the drive in December when reports began to come in from bankers, one of the proper criticisms you had of us was we were not getting down far enough and reaching enough people in the smaller communities. It seems to me that before we talk about the type of organization, we first have to talk about the kind of job we have to do.

H.M.JR: We all know what kind of job we have to do.

MR. BUFFINGTON: I mean so far as the Victory Fund Committee is concerned.

H.M.JR: I am not in that groove. To hell with the Victory Fund Committee.

MR. BUFFINGTON: Don't you have to think of them together?

H.M.JR: No. I am thinking of them. I am thinking of the Secretary of the Treasury and the job I have is to sell everybody a bond who has any money.

MR. ECCLES: But in the last drive you sent two of them over to see me, and they had very good reports. This fellow Don Woodward, and the other fellow, Murray Shields, made this survey, and it was quite apparent that the Victory Fund Committees had not gotten organized -

- 18 -

well, say, down to the smaller communities, down to the grass roots, and there was some criticism directed. Of course, they said that naturally they hadn't had the time to do that, and they have been thinking in terms of the next drive, and of getting organized down to the grass roots.

Now, they said that if they are to be organized down to the grass roots where they covered all of those communities, they have got to have a lot more people. Then you get into the question of where is their field and where is the field for the War Savings people.

If the War Savings are going to handle the entire basket, there is, it seems to me, not the same need for the Victory Fund to get organized down to the small investor and the small communities. It seems to me that would be handled by the War Savings, and the Victory Fund would not expand beyond what they did last time, and would hit the same class of investors they hit the last time.

It is just a question of whether or not Mr. Williams, for instance, should go out and get all these workers. If he isn't to do that, then he wouldn't need to borrow the War Savings people at all.

H.M.JR: That is why I don't see as it makes any difference, why George Buffington brings up this question of what there is going to be. I mean, just go on the assumption it is the same basket as last time. That is enough assumption.

MR. BUFFINGTON: And what group is the Victory Fund Committee going to cover? Are they going to cover this four hundred thousand group, or--

H.M.JR: That is just what we are talking about, George, that is just what we are talking about.

MR. WILLIAMS: We visualize--

- 19 -

H.M.JR: I am trying to find out what Sproul and Williams think their job is.

MR. WILLIAMS: We visualize the problem for the city of Philadelphia for April as calling for five thousand workers. We are going to divide the city into twelve districts, with four hundred workers to a district, and we are going to do a thorough, intensive job of combing all types of business institutions, all of the large depositors, and the banks. It is going to be a personal, detailed canvass. Otherwise, it seems to us that it is not going to be possible to get the funds that were called for in the report that your man presented. It calls for intensive work. You get this approach--

H.M.JR: Let me ask this. See if I can clear up what is in Buffington's mind. In that thing, what income level do you propose to reach?

MR. SPROUL: Any income level that we can sell a bond to.

H.M.JR: Then that would be different than it was in December.

MR. SPROUL: Yes, it would be. We had the--

MR. BELL: You had in mind selling series E bonds, too. If you had it down at that level, you could sell them series E bonds.

MR. SPROUL: Yes, we felt that in December the War Savings Staff through pay-roll allotment was reaching a great number of people. There are a certain number of others being reached who are purchasing E bonds. We felt that we reached a relatively small number of people in the upper bracket investment group - the names that are on all the prospect lists that everybody knows about. We also felt that in between there was a very large group of professional men, small shop keepers, farmers - people who are not in on the pay-roll allotment plan, who are not working for concerns where you could put one in, who

- 20 -

were not reached at all. Our job at least was to reach down through that group and to reach as many of them as possible and to sell them, in addition to the groups that are already being reached. We felt that that would take substantial expansion of our organization and of necessity, therefore, would increase both the duplicate drain on manpower and the confusion which has arisen out of the dual organization. We would like to avoid that in this next drive, if possible.

That led us to this suggestion of borrowing some help from the War Savings Staff in the next drive. Now, if the War Savings Staff is organized, as I have understood it was, with a great number of people, and the ability to reach down to the grass roots, then if we go out and try to set up a similar organization, we will be trying to get some of the same people, or else setting up parallel to that an organization which draws on people in the same communities and groups and heightens this drain on the manpower. This means confusion in the public mind as to just what it is we are trying to do.

I think your approach - that you, the Secretary of the Treasury, are trying to sell securities - is the only approach to start with. To say that any one group - that Mr. Graves' organization is consecrated to the sale of war savings bonds, series E, F, and G, is just to say that the whole program is to be sacrificed for the benefit of one of its parts. I don't think we can start out from there.

I think a volunteer organization to sell Government securities, if asked by the Secretary of the Treasury to devote itself to the sale of any Government securities, should and will do it. They won't say, "We just signed up to sell series E, and we won't work for you if you ask us to sell series H."

MR. WILLIAMS: We have a measure of the results that will come from an intensified effort. In the Cleveland District, Mr. Secretary, Fleming sold sixty-six thousand individuals in December. We sold twenty-two thousand.

- 21 -

Now, why did Fleming do three times the work that we did? It was because he had a more intensive coverage, and Fleming says that sixty-six doesn't represent the ceiling in his district. He wants to go up to twenty-two thousand workers for his area now.

H.M.JR: How many workers?

MR. WILLIAMS: Twenty-two thousand.

MR. ECCLES: That is for the whole district, the Cleveland Federal Reserve.

MR. BUFFINGTON: He talks in terms of making three hundred and fifty thousand sales in the Fourth District alone.

MR. GRAVES: I might say that some of Mr. Fleming's activity resulted in statistics of that kind, but, in my opinion, without any benefit to anybody.

For instance, in Ohio under Mr. Fleming's supervision some of the communities were organized on a house-to-house canvass to sell the twenty-five-dollar F Bond, which did produce a great number of individual sales and raised the figures as to individual participation, but without any benefit to anybody, except to disturb very badly the War Savings organizations in those communities that were attempting to promote the sale of the E Bond. The E Bond, twenty-five-dollar denomination, of course, is a better bond for anybody to buy. So, I don't think there is any significance at all.

H.M.JR: Well, look, let's get this thing back on the track. I am the Secretary of the Treasury; I am responsible to the President for raising fifteen billion dollars in April. I have two sales organizations, and I want to get them to work together in April to get me this money, all as a member of one family.

Now, how are we going to do it? We have two presidents of the banks here who are typical. (Laughter)
Please note that that is a compliment. (Laughter)

- 22 -

MR. ECCLES: They are two of the best.

H.M.JR: No, I said - I am not going to explain it. I will just let it rest. (Laughter) We have everybody who is at the top right here - here we are.

Now, I make one suggestion. I still think the more I hear - I haven't heard anything which is, in my humble opinion, as good as to divorce these fellows from being with one organization and make them coordinators for the Treasury in the District.

Harold, let me come back at you, see.

MR. GRAVES: Yes, sir.

H.M.JR: Because, in a sense this impact falls the hardest on your organization, and at the same time from the conversations you and I have had, I know you are in accord with my aims.

MR. GRAVES: Yes, sir.

H.M.JR: Considering the time factor and everything else, we have pretty much got to make up our mind within a week which way we are going. How would you recommend it, that this thing be brought about, that the Treasury can get the best out of both organizations for this April drive?

MR. GRAVES: As I told you yesterday, I think Mr. Haas' group has given a pretty good practical program, the best one that could be devised in view of the shortness of time that we have to work out anything. I think that if that pattern should be followed, it would establish a practical dividing line between the activities of the War Savings Staff on the one hand, and of the Victory Fund group on the other.

H.M.JR: Would you describe it?

MR. GRAVES: Mr. Haas' program was to take all individuals in the country who had income in the calendar

- 23 -

year '42 of fifteen thousand or who had bank balances of seventy-five hundred dollars and assign the canvass of that group, which can readily be listed, to the Victory Fund organization, that group, plus, of course, corporations, institutions, banks, and leave the rest of the field to the War Savings organization to reach through the methods that it is now using, plus whatever other intensive operations that we can plan and put together by the time when this drive will begin.

Now, it is perfectly obvious--

MR. BELL: Both groups are to have the basket?

MR. GRAVES: Both groups are to have the basket.

It is perfectly obvious, we think here - in the first place, Mr. Haas estimated the number of individuals who would meet those specifications. He said, "It will be four hundred thousand." I think he is high, rather than low, and he thinks so, too, but that is his estimate. Those individuals will concentrate in the larger centers of the country, New York and Philadelphia, Boston, Chicago, Cleveland, and so on. Probably ninety percent of them will be found in those metropolitan centers. On the other hand, there are very few people who would fall in those categories in agricultural States like North Dakota, Indiana, Illinois, and so on, outside the large cities where it would be, we believe, unnecessary to set up a Victory Fund organization at all. There you have just a handful of persons who would be in the market for anything above their limit of thirty-seven hundred fifty dollars for the E bonds.

This program of Mr. Haas has a certain geographical sense about it. It puts the Victory Fund Committees largely in the metropolitan centers where the money is, and it leaves the rest of the field, geographically speaking, to be covered by the existing organization of the War Savings Staff, which is organized everywhere in the country.

About Mr. Williams' suggestion to turn over our people to the Victory Fund Committee, I suspect there are

- 24 -

many counties in the State of Pennsylvania where the Victory Fund Committee doesn't exist, except on paper. Certainly that is true in many, many States throughout the country, that there is no Victory Fund organization that goes down to the county level at all. So, we would not know who we were turning our people over to in any given county, because there is no Victory Fund representative there.

Now, that is Mr. Haas' program, and I feel that it very much restricts the area within which there can be any conflict or friction or difficulty between the two organizations. Certainly it would restrict that area pretty nearly altogether to the large cities, and that, it seems to me, points to the practicability of the suggestion that you were making, that in these large cities where there is chance of conflict between the two organizations that these committees be set up to prevent conflict and to map out the details of the work in such a way as to minimize the danger of conflict.

There would be no need of carrying that coordination idea, as I said yesterday, to any of the rest of the country. That is, it could be limited to these cities where both organizations will be active. That is about the Haas' program, as supplemented by what we said yesterday.

MR. WILLIAMS: May I ask a question? Has Mr. Haas or anyone else estimated the amount that could be sold to these specific groups?

MR. GRAVES: Yes.

MR. WILLIAMS: What are those amounts?

MR. GRAVES: I haven't got those.

H.M.JR: I gave Mr. Eccles a copy of this thing.

MR. ECCLES: I got it last night, but I haven't had a chance to look at it.

- 25 -

H.M.JR: We have really got this thing down.

MR. ECCLES: Harold, let me ask you this question. The thing that has worried me a little is that the War Savings has been set up on a State basis, and the Federal Reserve is on a twelve-geographical-district basis. I wondered, in case the presidents of the Federal Reserve Banks become the coordinators of the two groups, how you could set up your War Savings on a District basis for the purpose of the drive. That would be quite necessary. I mean, I think you have to have a parallel organization on the District basis.

MR. GRAVES: I think that would work like this, Marriner, that in areas where that becomes a difficulty - and it does in some, as you know, and not in others--

MR. ECCLES: That is right, but where--

MR. GRAVES: Take the Pennsylvania set-up - part of Pennsylvania is in the Cleveland District, and part of it is in the Philadelphia District.

The Philadelphia District has the southern part of New Jersey. I would meet that this way: I would say that Mr. Sproul, the coordinator for the Second Federal Reserve District, would have on his committee not only representatives of the New York War Savings Staff, but also Mr. Manning, who is our administrator at Newark. And, Mr. Williams, in his capacity as coordinator for the Philadelphia District, would have one of Mr. Manning's deputies, who has his headquarters at Trenton, to sit in as a part of his committee for that District.

It would be entirely practical, it seems to me, when we come to Mr. Fleming at Cleveland to have Mr. Ludlow's deputy, with headquarters at Pittsburgh,

- 26 -

to sit in his committee. I think it would be entirely practical to meet that bad geographical situation.

Of course, when you get to the West Coast, your Federal Reserve District lines continue to the State lines, so all of those War Savings administrators could be brought in, or any of them that it was decided needed to be brought in. Certainly California, Oregon, and Washington should be brought in. They are all in the same District.

MR. ECCLES: That is true in a good many parts. I would say it was - well, in that case would you have each State chairman represented on the committee, where, for instance, in New England you have half a dozen States there and a State administrator in each?

MR. GRAVES: I would say it would be advisable to have each State represented on behalf of War Savings Staff. This committee is one that, in my judgment, would meet only at the beginning of this operation and perhaps at intervals throughout the operation, and it would give attention, I think, to problems that would arise in particular places. It could function on that basis, but it would be no trick in Boston to get the six War Savings administrators or their representatives to meet with the president of the Federal Reserve Bank at any time.

MR. ECCLES: Those administrators would function under the coordinator who would be responsible for the success of the drive in each Federal Reserve District. We have set up, not publicly, but we have set up in our minds what each of these Districts ought to get, knowing what the resources of the Districts were, and each one of these Federal Reserve presidents in the past have had somewhat of a goal, at least, to shoot at.

So far as your State administrators were concerned, they wouldn't be working for any quota for the State in this thing. They would be working for that District in order to get as much as possible for the District as a whole.

- 27 -

MR. GRAVES: It could be done both ways, Marriner, I should think. You could work towards a District quota, but there is no reason why the thing couldn't be broken down by States.

MR. ECCLES: Your idea is that you have your State quotas on these bonds, and you are going to add these together on the E bond end when you get through?

MR. GRAVES: That is right. Those are details that could be worked out any way that seemed advisable. The principal thing to me, Marriner, is to set up some mechanism that would prevent the kind of confusion and friction that in some localities has existed in these parallel operations. I would like to say that in many localities, as you probably know yourself, it has not existed at all. There has been the very best and friendliest of cooperation between these organizations.

MR. ECCLES: It is a question of personality.

MR. SPROUL: I think that that sort of set-up would lose what, it seems to me, has become essential, and that is the sense of a great national movement, with no divisions, to finance the war, and something that is equivalent to producing for the war. It is a national movement of the greatest importance, to be supported by a national publicity program of the whole operation; and to have one organization approaching the public, which the public can understand without confusion of a divided effort, which, with the background we have and the history we have, I think we will continue if we try to make any such division.

I don't think the apparent logic of this division by income will work out so clearly, geographically, as you think, Mr. Graves. I think that the spread of those incomes will go beyond the lines of metropolitan areas into a great deal of the country if we are going to cover our field thoroughly, and I think we must cover our field thoroughly if we are going to get the amounts from non-bank investors that we are talking about. That is where

- 28 -

we come to the real crux of the problem. If we expand our organization to cover the field thoroughly, then we increase the possibility of seeking help from the same people, or else having friction as between two different groups in canvassing a possible list of prospects.

It seems to me we have to work toward doing anything we do now - anything we have to do now, at least, has to work toward a single national war finance movement, and not be something which will perpetuate divided movement or tend to perpetuate it.

MR. WILLIAMS: I think the plan that is just proposed sharpens the issue. On the assumption that the Third District has in it a proportion of this total group of four hundred thousand people, whom we would solicit, that is directly related to our proportion of the national resources, and that would be a valid assumption, I would assume, that we would be responsible for selling to somewhere between twenty-five and twenty-eight thousand people.

MR. GRAVES: That is about right.

MR. WILLIAMS: Now, we have sold twenty-two thousand in December.

MR. GRAVES: What does that include? The twenty-two thousand includes what?

MR. WILLIAMS: Everything.

MR. GRAVES: F and G bonds?

MR. WILLIAMS: Yes.

MR. GRAVES: That is the trouble with that.

MR. WILLIAMS: But I say, it sharpens the issue.

Now, if the War Savings Staff will assume the responsibility for the coverage of all other individuals

- 29 -

and the thirty million families in the United States who are not embraced in this four hundred thousand group, I think we could work. That would be my estimate, Mr. Secretary.

MR. GRAVES: I think so long as it exists that it ought to be charged with that responsibility.

MR. WILLIAMS: I think that sharpens the issue.

MR. GRAVES: If it isn't reaching the people of the low and moderate income groups, then the operation is wrong in principle and ought to be abandoned. As to your comparison of the twenty-two thousand customers that you reached and the twenty-five or thirty thousand - which would be your share of the Haas four hundred thousand - I would say they are not the same people, because many--

MR. WILLIAMS: Let's assume we have reached only half of them. If all I have to do in April is to thoroughly canvass fifteen thousand people that I haven't canvassed in December, that is a fairly easy job for us to do.

H.M.JR: Fifteen thousand that you have not?

MR. WILLIAMS: Yes. I am assuming now--

H.M.JR: You wouldn't canvass the same people over again?

MR. WILLIAMS: Yes, but I say fifteen thousand--

MR. GRAVES: They may be reached, but they didn't buy in December.

MR. WILLIAMS: All right, if we are to be restricted to that group, I--

MR. ECCLES: There are three or four questions I would like to ask. First, how does George expect to

- 30 -

determine who has got a fifteen thousand a year income? And, how do you relate that to a bank balance? Sometimes it seems to me that you can relate the income a good deal to the ability to buy, but the bank balance, even if you could get it, which is practically impossible, may be high today and down tomorrow. I am just wondering how he expects to get that and bring those two figures together.

MR. BELL: You can add the bank balances in a good many cases. They did in the last drive.

MR. GRAVES: They had them, I think, in New York and in Chicago. Of course, George figures about fifteen thousand dollars income, I assume - he didn't tell me that, but, I assume, to be taken from tax returns.

MR. ECCLES: The bank balance is a very deceptive proposition.

MR. GRAVES: The fellow who had either the fifteen thousand or the seventy-five hundred dollars.

MR. WILLIAMS: You can calculate that rather quickly with a high degree of accuracy.

H.M.JR: I haven't agreed yet to let them have access to the income tax returns.

MR. ECCLES: The banks object to letting them have the balances. Some of them did object to it.

MR. WILLIAMS: On the other hand, they could estimate the number.

MR. ECCLES: You have to know who has the balances.

MR. GRAVES: Of course, there are many sources of these lists. They have them in the various fund drives.

MR. ECCLES: Now, there is one other thing. Do you want to increase very greatly the sale of E bonds?

- 31 -

There has been some talk about the coupon market bond, rather than the E bond that was immediately cashable and not a market bond. One places the demand liability on the Treasury, and the other, the demand liability on the Reserve Bank, in a sense. I mean, it seems to me that if you want to greatly cover this, according to these charts of George's, gotten out by the Tax Division, that is--

MR. BELL: Blough.

MR. ECCLES: Roy Blough. It means that you are going to have to sell billions, really, of E bonds more than have been sold to cover that group. The question is, do you want to increase the volume of E bonds by the amount necessary to absorb that purchasing power among that very wide group, which we well recognize isn't covered, or do we want to try to sell something else? That is another question I want to raise.

And thirdly, how would this work? I don't know what you fellows think about it, but have one organization on a State basis and have the Federal Reserve handle just the banks, just purely the banks, leaving either - in that case you would practically eliminate the Victory Fund out of the picture. You would have no Victory Fund organization. You would have merely the Federal Reserve handling the bank subscriptions, making up whatever the difference was, and acting as they could in the communities where they could on the committees.

But the drive, based on a pure State basis - you worked out a quota for States for your E bond, which doesn't mean anything unless you get the quota for the total investment. That is, after all, the thing that is important: How much should you raise in each State outside of the banks? That is the important thing. How much money should be raised in each State outside of the banks?

Have a State organization designed for the purpose of organizing the State and raising the money in the State, for the drive as well for your continuous tap issues.

- 32 -

There is a question of a single organization. It is very difficult for me to see how you are going to work two. I am just thinking of getting the one by either turning the entire thing over to the War Savings, with such modifications as you need to give to the War Savings group - I mean, take the War Savings group and expand it or enlarge it or modify it, or do whatever is necessary, to enable them to handle - be responsible for raising the money outside of the banks for the entire State, and leave the Federal with merely the job of the banks.

Now, that, I think might work. I can't see how this other will work. It ought to work better than it did last time, but it is a long ways from good organization.

H.M.JR: What do you mean by just handling the banks?

MR. ECCLES: I mean that the Federal Reserve would merely handle the bank subscriptions, that is, would see to it that the banks took their part and that they allocated - in other words, if you wanted to get two billion from the banks, or three or four, as the case may be--

H.M.JR: But supposing these fellows wanted to do what they did last time, go to the banks and get the banks to organize themselves, and all that sort of thing, the way they did the last time.

MR. ECCLES: You mean the Victory Fund?

MR. SPROUL: This last suggestion of Marriner's abandons the whole Victory Fund idea.

MR. ECCLES: It would be out, and we would put the whole drive entirely on a State basis and get rid of the Federal Reserve Districts and get rid of the Victory Fund, and expand the War Savings, or modify it, or do whatever is necessary. If they are organized on a State basis, let them add enough to their organization to take over the metropolitan cities, take over the big as well

- 33 -

as the little holders; let them add to their committees the type of people that they need to add to the committees to handle the big investors, the bankers, and the investment bankers.

H.M.JR: Do the whole job?

MR. ECCLES: Do the job on a State basis and not on a Federal Reserve basis. I think that is worth thinking about. I just believe - it is a terrible job to try - if I were the President of a Reserve bank, I just wouldn't want the job of coordinator in this picture. I mean--

H.M.JR: You should have this thing more or less patterned after the War Savings plan?

MR. ECCLES: Put it on a State basis, and let the War Savings expand their organization and handle everything outside of the banks. They would be responsible for raising the money outside of the banks.

H.M.JR: That is a new angle.

MR. ECCLES: Well, that is a simple organization picture.

H.M.JR: You have never suggested that before.

MR. ECCLES: No, I was just trying to think a way through to try to get an organization that will function. What I want to do is to get the bonds sold and get the responsibility placed for selling them.

H.M.JR: What would you think of that, Mr. Buffington?

MR. BUFFINGTON: I think it has definite possibilities, because then you have the advantage of having the entire effort under one head on a State basis, leaving the Federal Reserve Banks to do the banking job. You might modify it to where you would have the Federal Reserve Banks do the corporation business along with the bank business in their Districts and--

- 34 -

MR. ECCLES: Just purely the corporations and the banks.

MR. WILLIAMS: The insurance companies.

MR. ECCLES: Leave all the individuals to the War Savings on a State basis. That is a much cleaner cut organization. It doesn't require in that case--

H.M.JR: A hundred thousand corporations - who would you use to reach them?

MR. ECCLES: You could use your bankers, and your investment bankers. You don't need much of an organization to cover just the corporations and the banks. I mean, that is a comparatively simple organization of people who would have contact and influence with them.

MR. BUFFINGTON: Then you would have continuity in your approach to the individuals by States under your State organization.

MR. ECCLES: But you already have the War Savings; expand it, put everything in the basket, and let them handle War Savings, E, F, and G's, and whatever else you have, on a State basis. You have a simple organization, and the responsibility for selling would be placed then of getting the individual funds.

Today all they are getting is just the E bond. That just doesn't scratch the surface of the job. I would think that the responsibility for getting all individuals in this country lined up to take something should be in the hands of one organization. They should be responsible for it. Let it be on a State basis. It doesn't make any difference if you are going to handle it in the case of individuals. Let the Fed and the banking system handle the corporations and the banks.

MR. SPROUL: I think the minute you begin to chip away from the side of the one job and say that the Fed should handle the corporations and the banks some others, then you begin to recreate your problem.

- 35 -

I think if you have just the banks on one side and all others on the other, then you have a clear-cut organization.

MR. BUFFINGTON: That is clear cut.

MR. SPROUL: The difficulty is, I think, that we are to a considerable extent dependent upon the aid of the banks in doing this job. They have people in their communities all over the country who know the people in those communities and their possibilities of investment.

Now, those banks naturally fit into this organization which heads up in the Federal Reserve Banks, and it is something which they have felt a natural part in. To try to set up an organization outside of the banks on State lines by expanding the War Savings Staff would run into difficulties in the use of the whole banking community in the way in which I think it ought to be used. I think we ought to work towards one organization.

I think that the step which you are considering taking, of getting in a man to direct the whole sales effort, is a step in that direction; and I should expect that he would want to work out a one-organization program. If he, after a study of the problem and after consultation with you, decided that that was the best way to do it, on State lines and by expansion of the War Savings Staff, then I would say that that would be the thing to do.

But, personally, I think that it would not be the way to do it, and it would probably lose you the natural, concentrated effort of the banks of the country, which you now have coming to you in a very ready way.

H.M.JR: Let me ask you a question. If we followed Eccles' suggestion, would that mean that the State of New Jersey's War Savings administrator couldn't go to the banks to get them to help in the State of New Jersey?

MR. ECCLES: Sure, they have a lot of bankers now working on it. The point that Allan makes is that the

- 36 -

banks are practically all closely tied into the Federal Reserve. They work closely with them, and you have a direct connection. You possibly would get a better response from the banks through the Federal Reserve than the State administrator might get by himself. I mean, I think that is really purely a practical question of how extensive the War Savings on a State basis could get the support of the banks.

You would need the banks on your committees. You would need them to work, certainly, in the drives in getting both corporations and wealthy individuals and others to come in. You would have to get complete cooperation and support from the banks of the State to get the results, I think. You have had fine cooperation.

MR. GRAVES: Very, very fine. In many States, Marriner, the majority of our county chairmen are bankers, and the banks from the very outset have been cooperating effectively with the War Savings Staff. I would not anticipate any difficulty on the point that you are talking about.

MR. ECCLES: I don't know whether you want to make up your mind right now on that or later, but sooner or later this organization, to get the results and place the responsibility, is going to have to be shaken down, as I have indicated, on a State basis or shaken down in one organization on a Federal Reserve basis, with the exception of the pay-roll end of it, which is a separate sort of thing and could continue separately.

Either it has to be shaken down on a State basis, leaving the Fed to handle the banks - and maybe the corporations - I don't know - but the responsibility is placed, and you get much more direct action.

If you don't want that, then it must be shaken down on a Federal Reserve basis, where you would have one organization, leaving War Savings, or whatever you want to call it, handling the pay-roll deduction as a separate matter. It may be that the War Savings would be absorbed in the

- 37 -

Federal Reserve - I mean, in the Federal Reserve District setup, just as if you expanded now on a State basis, you would absorb some of the Victory Fund people on your State basis. I think it has got to go either one way or the other way. Whether you want to do it for this drive or after - it may be well that you would like to get a man in here to take charge and let him decide which way it ought to go.

H.M.JR: We will have to decide it; he isn't going to be able to decide it.

MR. ECCLES: I mean, if you brought him in now, you would try to work this drive out, as has been indicated here, to the best you can by following the Haas' program. Then after the drive is decided and before the next drive, you could decide how you want to set up your permanent organization, whether on a State basis, as indicated, or on a Federal Reserve basis.

H.M.JR: What I would like to do, because I am going to have to stop now - I don't know when you have to go home. What time do you go?

MR. SPROUL: I was planning to go at six o'clock.

H.M.JR: I wondered if these men here couldn't sit down until train time and just see if they could work out - here are representatives of two Districts - and see if the four of you couldn't work out a plan for this drive. I mean, make the most of your time. You have another hour. What could you work out in the next hour?

Do you want to try it, Harold?

MR. GRAVES: Yes, sir.

MR. SPROUL: I will be glad to.

H.M.JR: What can you work out in the next hour? We are talking all along, and we haven't gotten very far.

- 38 -

MR. ECCLES: We have covered a lot of territory. I mean, we may not have come to any conclusions, but it has shaken down to what the problems are.

H.M.JR: I think it has been very helpful, but I would like to make the most of their time - I have to stop - and see what they could put down on a piece of paper, if anything, for April.

MR. ECCLES: Or the first of May.

H.M.JR: Well, for the next drive.

MR. ECCLES: For the next drive, that is right.

H.M.JR: I don't want to tie you (Eccles) up.

Why not let's see what you can do?

MR. BELL: You mean along any line they might agree upon?

H.M.JR: Any line they might agree on in the two Districts, New York and Philadelphia, as to what they could do.

February 16, 1943
3:54 p.m.

Operator: Mr. Bathrick calling.
HMJr: Go ahead.
Operator: Right.
HMJr: (Talks aside: Excuse me.)
Operator: Go ahead.
HMJr: Hello.
Donald Bathrick: Mr. Secretary.
HMJr: Speaking.
B: I have the information you requested on those Commercial Credit men.
HMJr: Oh, yes.
B: In the first place, Mr. Duncan....
HMJr: Yes.
B: He's chairman of the board. He's a man about sixty-five years old.
HMJr: Yeah.
B: Mr. Grimes is - was retired and came back. He's vice chairman of the board....
HMJr: Yes.
B:and his - his job there is strictly with - with the banking situation or the banking....
HMJr: I see.
B:relationship. He's a man about sixty.
HMJr: Yeah.
B: Mr. Wynegar is the active head and president
....

- 2 -

HMJr: Yes.

B:who - who bases in New York.

HMJr: Oh.

B: The other two men are in Baltimore.

HMJr: I see.

B: Mr. Wynegar bases in New York. He's a man of fifty-two. Now I - I got my information from John Shuman and it was his - to size up the situation, all - they were all very high-grade, capable men.

HMJr: Yeah.

B: And he's had business dealings with them over a period of twenty years.

HMJr: Good.

B: Now is there anything else that you will want to know about - and by the way, that - C.I.T. and Universal....

HMJr: Yes.

B:are combining and merging.

HMJr: I see.

B: The C.I.T. was the one that handled the Ford business and is the one that Konzler was in.

HMJr: Oh, yes.

B: Now I have - in thinking over our talk this morning, and - and sort of taking some reason for this meeting for next week, I thought a very good one would be this, if you agreed with it.

HMJr: What's that?

B: That if Harold Thomas and his committee, so-called, met with this committee over here in the morning and discussed his....

HMJr: Good.

B:report, if you would have no objection to that.

HMJr: No, I think that would be fine.

B: And then if someone representing you could present your chart as a - a counter-suggestion, you might say....

HMJr: Yeah, yeah.

B:then I think out of that you could get from this committee some very constructive suggestions, if you would agree to that procedure.

HMJr: I do.

B: Well then, if - if you would have - designate someone over there to....

HMJr: Yeah, we will.

B:to present that chart, and we'll - and we'll handle it on that basis.

HMJr: Righto.

B: All right, sir.

HMJr: Thank you.

B: Yes, sir.

TREASURY DEPARTMENT

234

INTER OFFICE COMMUNICATION

DATE February 16, 1943

TO Secretary Morgenthau

FROM Robert B. Hobbs *RBH.*

Mr. A. E. Duncan, Chairman of the Board of the Commercial Credit Company, is a native of Kentucky, having gone to Baltimore to head a small finance company. In 1912, he organized the Commercial Credit Company, which has had an outstanding growth under his direction.

He is a tremendously hard worker and very capable, but I have been advised that he is a poor student of human nature and his capabilities more nearly resemble an efficient machine.

He is normally Republican and has been a critic of New Deal policies, but I am further advised that his political beliefs are completely secondary to his earnest desire to fight and win the war. He is not vocally antagonistic to the Administration. At present, he is working night and day as head of the Baltimore Red Cross Drive and is doing able and efficient organization work.

His health has never been better than now and he is in his middle 60's.

My information comes from Mr. John E. Semmes, an outstanding Democratic lawyer in Baltimore. Mr. Semmes is a close personal friend of Mr. Duncan, and our conversation was mutually confidential.

TO: -

Feb 16, 1943

The Secretary

235

Doughton sold us down the river this morning.

He proposed as his own the John Haynes and N.A.M. proposal for a 50% compromise with the Ruml plan.

Half of 1943 (not 1942) liabilities would be cancelled and some of the remainder deferred.

Collection at the source and current payment would start July 1 on this basis.

This would give the big boys about two-thirds of what they want in forgiveness--since they have made up their minds they can't get it all.

Paul opposed it but the situation looks bad.

If the President or Byrnes want to help this looks like the time.

FROM: MR. GASTON

time.

AG

February 16, 1943.

Dear Mr. Eaton:

I want to thank you for your letter of February 13th in which you state that the Erie Railroad will lose \$1,067,500 in cash on its pending refinancing. Apparently you believe the Railroad will be able to deduct this entire amount from its gross income in 1943.

I understand that the total amount the Railroad can claim as a deduction in 1943 is the amount by which the purchase price of these bonds exceeds the price for which they were sold less amortized bond discount. If they were originally sold at par the total deduction from this year's income that the Railroad could claim would be \$507,500.

In the early 1930's the Internal Revenue Bureau litigated several cases in an attempt to have this bond premium amortized over the life of the new bonds in cases where there was refinancing of this sort, but in the Board of Tax Appeals and in the courts the position of the Bureau was not sustained and the excess of re-purchase price over sale price was consistently held to be deductible in the year of refinancing.

The tax consequences of the sale of the new issue at 96 are as follows. In 1958 when these new bonds are redeemed the Railroad will pay for them \$960,000 more than they received from the sale. However, this amount will be amortized over 15 years, resulting in an annual tax deduction of \$77,333.33. During these same 15 years, because this new issue bears interest at $\frac{3}{2}$ percent as contrasted with the 4 percent on the old issue now being retired, the interest deduction will be \$70,000 less per year than the deduction they can now claim. In other words,

Photo. file - Diary
Orig. File - Thompson's office.

- 2 -

the net income of the Railroad for the next 15 years will be \$32,666.67 greater than it would have been if it had continued to pay 4 percent interest on its bonds rather than the 3½ percent interest that is to be paid on the new issue.

Of course this income could be still further increased if the new bonds were sold at par rather than at 96, but the Treasury has no authority or jurisdiction over the terms of refinancing of private industry.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Cyrus S. Eaton,
Terminal Tower,
Cleveland, Ohio.

JIS:kb

CYRUS S. EATON
TERMINAL TOWER
CLEVELAND, OHIO

Confidential.

January 15, 1943.

Dear Mr. Secretary:

Here is a new tax loophole.

The Erie Railroad is refunding 10,000,000 of bonds having ten years to run, buying in the old issue at 107-5/8 and selling a new one to covered bankers at 96, without competition. Although the Railroad will lose \$1,007,500 in cash on this transaction, the management refuses even to consider better terms from other bankers on the grounds that 80% of the loss will come out of the government through avoidance of income taxes.

It is still possible that the Interstate Commerce Commission may veto this indefensible deal, but meanwhile I hope you will have one of your experts study the case and all its implications to the Treasury.

Sincerely yours,

Cyrus S. Eaton

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

February 16,
1943

Herbert Gaston
Secretary Morgenthau

Please be sure and talk to me today about doing something for Congressman Ludlow's friend politically. This is the time to do it. I don't know just all the various Treasury appropriations which have been cut, but you can find out. It seems to me that now is the time to do it, and maybe we can get Ludlow to go to town for us. - See Letter to Ludlow - 2/15/43

February 10, 1943

TO: Mr. Bell
Mr. Gaston
Mr. Thompson

FROM: The Secretary

Congressman Ludlow, of Indiana, came in to see me today and said that a couple of people from the Bureau of Engraving and Printing had been over to see him and had told him that a change in Mr. Hall's position was imminent and, if that was so, he wanted to recommend ex-Congressman William Schulte, of Indiana, for Mr. Hall's place. He then went on to say that he had no complaint against Mr. Hall, but if there was going to be a vacancy he would like to have the place go to Mr. Schulte.

I assured Congressman Ludlow that no change was imminent; that Mr. Hall was giving entire satisfaction.

I also told Congressman Ludlow that we would look around and see if we had any place for Mr. Schulte. I gather Mr. Schulte carries a Union card. How about making use of him in War Bonds?

Let me hear from the three of you.

MEMORANDUM

February 16, 1943.

TO: The Secretary

JLS

FROM: Mr. Sullivan

Re: Defense Plant Corporation Facilities

The method followed by the Defense Plant Corporation in financing defense facilities is for the Defense Plant Corporation to own the facilities and lease them to the operator. Except in the case of a few operators whose products are non-competitive, the operator must pay rentals for the facilities. The lease of the facilities is usually for a period of 5 years with an automatic extension of 2 years, but the lease may be terminated by either party if the facilities are no longer necessary for defense purposes.

Where buildings are involved, the Defense Plant Corporation requires that title to the underlying land be unqualifiedly transferred to it, except that in a few cases where it is impossible for the operator to transfer the land to the Defense Plant Corporation the operator is required to execute a lease of the land to the Defense Plant Corporation, which lease is considerably longer than the lease of the facilities to the operator.

Upon termination of the lease, the operator has an option to acquire all the facilities but not a part thereof at the greater of the following prices: (1) cost less rentals paid or (2) cost less specified depreciation, with a specified minimum residual value. This option may be exercised only within 90 days after the lease is terminated. If the operator does not elect to acquire the facilities they remain the property of the Defense Plant Corporation, without any restrictions as to the use of the facilities. Thus, the only means which the operator has to prevent the facilities from being used in competition with him in the post-war period, is for him to purchase all the facilities. In exercising the option he can not elect to purchase only a part. He must purchase all or none.

In the cases which have been examined by the Internal Revenue Bureau, very few varied from the above pattern. Mr. Klagsbrunn of the Defense Plant Corporation discussed this situation with Mr. Reiling of the Internal Revenue Bureau some weeks ago. At that time he stated there were more than 1200 leases outstanding and that all of the leases were made upon substantially the same basis as outlined above.

*From Mrs. Sullivan in response
to Perry's phone call of today.*

2-16-43

242

MEMORANDUM REGARDING WAR DEPARTMENT EMERGENCY PLANT
FACILITIES CONTRACTS.

The Emergency Plant Facilities contracts provide that the title to the facilities shall be in the contractor and that the Government shall reimburse the contractor over a period of 60 months. The facilities covered by these contracts may be classified into the following groups:

- (1) Buildings, where such buildings and the underlying land are made a part of the contract.
- (2) Buildings, where the land underlying the buildings is not made a part of the contract.
- (3) Machinery and equipment.

The contractor is given an option, exercisable within 90-days of termination of the contract, to retain the facilities by paying the original cost less depreciation, obsolescence and loss of useful value due to use for national defense purposes, or to negotiate for the retention of the facilities by paying an amount representing the fair value. As a general rule the contractor can designate which of the facilities he wishes to retain under this option, although in some instances the option may be exercised only as to certain groups of facilities.

General restriction as to use of facilities.— As to all three groups of facilities (that is, regardless of whether the facilities consist of land, buildings or machinery, or a combination) wherever the contractor does not elect to retain the facilities and such facilities are transferred to the Government or removed from the premises by the Government the Emergency Plant Facility contract provides -

(a) That the Government will at no time use any of such facilities for business or commercial purposes, except that the Government may at any time use such facilities for national defense or for any purpose incident to the conduct or execution of an Act of Congress or any Order of the President; and

(b) That if the Government at any time desires to sell or lease the facilities it will not do so without first giving the contractor "a reasonable opportunity" to purchase or lease the facilities on the same terms it proposes to sell or lease them to any other party.

It is to be noted that the restriction as to the use of the facilities places a cloud upon the Government's right to use them in the post-war period for post-war purposes. For example, if the Government deems it necessary to lease the facilities at a nominal rental to another party, the contractor could exercise its option to lease the facilities at such nominal rental and thus prevent the Government from using the facilities in the desired manner.

Cases where buildings and underlying land are part of the contract.—
In cases where the buildings and the underlying land are made a part of the Emergency Plant Facility contract, if the contractor does not exercise his option to retain such facilities, then the facilities are to be transferred to the Government subject, of course, to the restriction as to use, as described above. The contracts which fall in this class are the following:

(1) Fairchild Aviation Corporation, Jamaica, Long Island, the facilities being for the production of aerial cameras, etc.; the total estimated cost of the land, building and equipment being, \$747,777.84;

(2) Vultee Aircraft, Inc., the land, building and machinery estimated to cost \$3,558,232.11 (the contract also covers buildings and building installation estimated to cost \$701,566.00 on land which is not made a part of the Emergency Plant Facility contract.

(3) Fairchild Engine and Airplane Corporation, two contracts, the land, buildings and machinery totaling approximately \$1,400,000.

(4) Link Aviation Devices, Inc., Binghamton, New York, the land, buildings and machinery estimated to cost approximately \$395,000, to be used to make link trainers.

(5) Aviation Manufacturing Corporation, Williamsport, Pennsylvania, the land, buildings and machinery to cost approximately \$1,580,000.

(6) Giddings and Lewis Machine Tool Co., Fond du Lac, Wisconsin, the land, buildings and machinery to cost \$1,175,000, the facilities being for the purpose of making machine tools, boring, drilling and milling machines.

(7) Humble Oil and Refining Co., Baytown, Texas. Part of this contract is not an Emergency Plant Facility contract. Such part provides for the construction of a plant on a site which is owned by the Government, to cost approximately \$10,760,000 for the purpose of making toluol. The plant is to be operated on a cost-plus-a-fixed-fee basis, and the land will revert to the contractor on abandonment of the plant by the Government.

(8) The Taft-Peirce Manufacturing Co., Woonsocket, Mass., the land, building and machinery to cost approximately \$635,000, to be used to make machine tools.

Cases where buildings on land which is not part of the contract.—
In cases where the buildings are on land which is not made a part of the Emergency Plant Facilities contract, if the contractor does not elect to retain such buildings under the option described above, the buildings are to be transferred to the Government or, at the contractor's election, the buildings are to be removed by the Government. It is to be noted

that in such case, under the general law, applicable in respect of buildings and improvements constructed on another person's land, if such buildings or improvements are not removed at the time specified, the owner of the land may convert or appropriate them to his own use. Therefore in this class of cases there appears to be no reason why the contractor would elect to retain the buildings by paying an amount to the Government, for the contractor can elect to demand that the buildings be removed and since such removal would involve a useless expenditure on the part of the Government, it would appear that the buildings probably would not be removed, in which event the contractor would have them free and clear of any interest in the Government. The Emergency Plant Facilities contracts which provide for buildings, without making the land a part of the contract, are as follows:

- (1) Boeing Aircraft, Seattle, Washington, the buildings and machinery to cost approximately \$7,700,000. (A proposed cancellation of this contract has been drafted but not signed, pursuant to which the contractor will keep \$667,000 of the reimbursements provided for in the contract and receive no further reimbursements from the Government, and will keep the facilities free and clear of any interest in the Government.)
- (2) Cleveland United Tool Co., Cleveland, Ohio, buildings to cost \$885,998. No machinery is involved in the contract, the necessary machinery being handled under a Defense Plant Corporation lease.
- (3) Ford Motor Co., the building, machinery and equipment to cost \$21,965,420, of this amount \$7,346,000 is the estimated cost of nonremovable items and \$14,310,000 is in machinery and equipment which could be removed.
- (4) Vultee Aircraft, Inc., buildings to cost approximately \$701,566. (The remainder of the buildings are in Class 1, described above.)
- (5) Lebanon Consolidated Water Co., filter units, pumping units, storage tanks, etc., estimated to cost \$102,000 for the purpose of furnishing water to the Government at Indiantown Gap.
- (6) Louisiana Light and Power Co., New Orleans, facilities estimated to cost \$235,000, for the purpose of furnishing electricity consisting mainly of a transmission line and two substations.
- (7) City of Petersburg, Virginia, facilities estimated to cost \$85,000, for the purpose of furnishing water to Camp Lee, consisting of a raw water line and filters. The City is to retain the raw water line.
- (8) Jones and Lamson Machine Co., Springfield, Vermont, buildings, machines, trucks, heat treating equipment, shop equipment, inspection equipment, foundry equipment, etc., estimated to cost \$1,220,000, for the purpose of making machine tools.

- 4 -

(9) Greenfield Tap and Die Corporation, Greenfield, Mass.; a 2-story brick building, machine tools and heat treating furnaces, to make gages, estimated to cost \$1,009,000.

(10) Niles-Cement-Pond Co., West Hartford, Conn., building, machine tool and heat treating equipment to make gages, estimated to cost \$1,140,000. Also a second contract for facilities estimated to cost \$3,000,000, of which amount \$1,550,000 is for buildings and building installations, with no provision for machinery. The machinery was handled under a Defense Plant Corporation contract.

(11) Bullard Company, buildings, machine tools, foundry equipment and furnaces, estimated to cost \$3,909,667, to make turret lathes. The buildings consist of one 1-story assembling and erecting shop and an office building, which with the building installations (exclusive of machines), are estimated to cost \$1,613,867.

(12) Humble Oil and Refining Co., Baytown, Texas, the facilities, estimated to cost \$1,097,000, which are described only in general terms as line and tank layout necessary in connection with making toluol.

(13) The Sheffield Gage Corp., Dayton, Ohio, one contract for facilities estimated to cost \$910,000 to make gages, of which amount \$164,500 is for a building and the building installations; and a second contract for facilities to cost \$883,000, of which amount \$250,000 is for a building, and the remainder is for furniture and office equipment and machine tools, to make gages.

(14) Bryant Chucking Grinder Co., Springfield, Vermont, facilities estimated to cost \$1,088,650, of which amount \$271,250 is for buildings and building installations, the remainder being for machine tools, to make grinding machines.

Machinery. In cases where the contracts provide only for machinery, the cost of which is to be paid by the Government, if the contractor does not exercise his election to retain the facilities, described above, the contractors are to transfer title in such machinery to the Government and the Government in turn is under an obligation to remove the machinery. It is not possible under the general description given in the contracts to determine what part of the machinery and equipment can be removed without destroying its useful value. In the main most of it can be so removed. It is to be noted however that even though it is removed by the Government, the Government is subject to the restriction as to the use of the machinery, as described above. In cases of some of the machine tool manufacturers the Emergency Plant Facility provides that beginning in the second year the reimbursements by the Government shall be reduced 5 per cent each year, so that if the facilities are used for 5 years, the Government will bear only 80 per cent of the cost of the machinery furnished to such manufacturers. The contractors having machinery only are not listed pursuant to discussion with Mr. Sullivan.

HERMAN T. REILING.

TREASURY DEPARTMENT

246

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

February 16, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Criticism of what he termed the President's "misuse" of his Emergency Fund was voiced by Rep. Wigglesworth yesterday in hearings on the Independent Offices Appropriation Bill. Claiming that "item after item" on the list failed to qualify as emergency expenditures, he urged that no more funds be voted on the present basis. Criticizing the Budget Bureau for not keeping a better check on expenses, he urged Congress to investigate the matter. Wigglesworth also claimed that 32 agencies do not account in any way to the General Accounting Office and that 9 others only account partially.
2. Farm Parity - In their rejection yesterday of the President's request for \$100,000,000 for incentive payments for farmers raising sorghum, flax and certain vegetables, the House Appropriations Committee expressed the growing resentment of the farm bloc of the Administration's subsidy policy which has the two-fold purpose of increasing the production of farm supplies while still keeping a ceiling on consumer prices. Instead of Government subsidies, however, the farm bloc is insisting on higher prices for farm products. Secretary Wickard is expected to defend the Administration policy today before a Senate Agriculture subcommittee headed by Chairman Ellison D. Smith.
3. Small Business - In a report to the House, the Small Business Committee claimed that the "little fellow" is in danger of extinction because of discrimination against him and because war production "lacks to an alarming degree efficient coordination". The report continued that this "incompetent, irresponsible administration influenced by bureaucratic stubbornness" will result in irreparable injury to the war effort. Even stronger language was reportedly used in tentative drafts of the report but certain members asked that it be toned down.

4. Labor - Urging Congress to "support the Administration in its resistance to pressure for wage increases which would start another inflationary spiral", Sen. Ball (R., Minn.) proposed legislation yesterday to write the "Little Steel" formula into law in order to offset pressure which he says is coming from the C.I.O. and A.F. of L. for "another general boost in wages". Under the terms of his bill, any pay raises after September 15, 1942 could not be more than 15% above the average for that industry on January 1, 1941, unless either the President or the WLB determined that a higher figure was fair.
5. Post-War Planning - In both the House and the Senate yesterday, resolutions were introduced to create special committees to study post-war economic policies. Chairman Connally of the Foreign Relations Committee said in the Senate, however, that he did not think anything more than a few broad and general plans could be worked out while the war is still in progress. Highlighted by a verbal clash between Congresswoman Luce and Assistant Secretary of State Berle, testifying before the House Foreign Affairs Committee, the important problem of American rights in post-war aviation was discussed yesterday as one phase of post-war planning. Although Berle advised that American access to foreign airfields involves the question of how much freedom we are willing to allow foreign powers to our own airfields in return, and also claimed that Federal agencies had been considering the problem of post-war aviation for many months, Congresswoman Rogers (R., Mass.) said she was considering offering an amendment, protecting America's position in international air commerce, to the pending lend-lease extension bill.
6. Telegraph Merger Bill - Failing to agree after 2 sessions yesterday on the bill to permit voluntary merger of Postal and Western Union, Senate and House conferees plan to meet again this afternoon. Chief point of controversy appears to be the protection of employee rights after the merger.

February 16, 1948

My dear General Smith:

I am sending you this letter by hand via Lieutenant Colonel Bernstein.

I want to take this opportunity to thank you for the invitation to come to North Africa. Naturally, I was disappointed when I could not accept at this time. We are in the midst of preparing for a \$15,000,000,000 financing some time in April, which is keeping me fully occupied. I sincerely hope that after our financing is over that the situation in North Africa will be such that it will be convenient to have me come over at that time.

Henry expects to graduate from Officers Candidate School early in March. I mentioned your suggestion to him, and he was very much interested.

Please give my kindest regards to General Eisenhower.

Yours sincerely,

[Signed] Henry Morgenthau, Jr.

Major General Walter B. Smith,
United States Army.

248

Not sent. See revised letter of
March 31, 1943.



SECRET

250

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

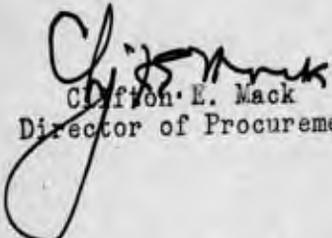
February 16, 1943

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended February 13, 1943.

Mr. Stettinius has advised that following discussions with leaders in Congress and clearance with the White House, it has been agreed that the next budget request for Lend-Lease requirements will cover a fourteen month period from May 1, 1943, to June 1944. Budget estimates will be prepared accordingly to cover the requirements of the participating Lend-Lease countries for the purchases to be made through this Division, likewise for the necessary administrative expenses.


Clayton E. Mack
Director of Procurement



SECRET

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LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF FEBRUARY 13, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2694.6 (2694.6)	\$1403.3 (1394.7)	\$957.6 (909.3)	\$58.5 (58.4)	\$4.6 (4.6)	\$270.6 (327.6)
Purchase Authorizations (Requisitions)	\$2280.1 (2268.1)	\$1306.7 (1301.1)	\$894.5 (890.3)	\$41.6 (41.9)	- -	\$ 37.3 (34.8)
Requisitions Cleared for Purchase	\$2197.1 (2135.4)	\$1270.4 (1254.6)	\$848.8 (805.2)	\$41.6 (41.7)	- -	\$ 36.3 (33.9)
Obligations (Purchases)	\$2055.4 (2025.9)	\$1193.3 (1181.8)	\$784.6 (768.9)	\$41.5 (41.6)	\$3.9 (3.8)	\$ 32.1 (29.8)
Deliveries to Foreign Governments at U. S. Ports*	\$ 889.7 (874.2)	\$ 684.5 (676.1)	\$178.1 (168.5)	\$18.0 (20.9)	- -	\$ 9.1 (8.7)

*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 February 6, 1943.

SECRET**EXPLANATION OF CHINA DIFFERENCES**

The difference of \$300,000 in Purchase Authorizations represents a \$200,000 resurvey of estimates on requisitions not committed and cost revisions of \$100,000. This \$100,000 difference is also reflected in Requisitions Cleared and Obligations.

The decrease of \$2,900,000 in Transfers represents diversions of materials to the War Department and will not be reflected in the other categories of this report until a later date.

Treasury Department
Division of Monetary Research

Date 3/5/43 194

To: Miss Channoy

253

From: E. D. White

I think the Secretary would be
interested in reading this letter.

Please let Snyder know
I enjoyed his letter.
Hope he writes mine
like it. *EW*

MR. WHITE
Branch 2058 - Room 214



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

254

AMERICAN EMBASSY
London, February 16, 1943.

AIR MAIL

Dear Mr. White,

After being in London over a month now, I feel that I should give you some strictly amateur reactions to the trend of events. I shan't try merely to summarize opinion as it appears in public sheets, for the most important developments are only adumbrated there.

Let me begin with what appears to be growing into the most urgent issue of the day, viz, the post-war settlement, and especially the Anglo-Soviet aspects of that settlement. The Russian drive beginning with Stalingrad has served to clinch everyone's conviction that an Allied victory is inexorable. As the end of the struggle approaches (at least in the eyes of the public) the focus of attention is shifting from the predominantly military to the predominantly political and social issues of the war. A natural concomitant of this shift is the re-emergence of divergences in point of view which stem from the cleavages and points of instability in British society. The unity which England's hour of crisis brought about is perceptibly beginning to disappear; for with military victory virtually assured, the cohesive element of common danger is beginning to dissolve. To mention just one manifestation of this tendency, the party "truce" is showing signs of weakening and disputes are arising concerning the obligations of the various parties under that truce.

The question of what kind of England and world will emerge from this war is beginning to loom large. All groups - including the Government - are assuring themselves that unemployment must be eliminated, that a measure of social security must be introduced, that social inequality and class divisions must be smoothed out, that England's trade must be stimulated and that future aggression must be stopped before the seeds are sown. But for the most part these are pious wishes and innocuous generalizations;

the

Mr. Harry D. White,
Assistant to the
Secretary of the Treasury,
Washington, D.C.

the real issues, on which fundamental differences exist, are how these objectives are to be achieved: through state control or private enterprise, through socialism or state capitalism, through international organization, regionalism or independent national efforts, etc.

Running through all these questions is one burning imponderability which takes priority of concern: viz, Russia's place in the post-war world and her relations with the Western powers. The subject is a delicate one and discussion of it is reserved, partly out of fear of arousing antagonism which might have unfortunate military repercussions and partly out of unwillingness squarely to face the realities of the future. The unbounded enthusiasm with which the Soviet successes are generally greeted must, I think, be the cause of many Tories' sleepless nights and spinal chills. The reaction of some is to speak of the blessings of Laissez-faire enterprise and the dangers of state control; of others to speak of dead 19th century ideas and the need for positive state intervention, but under the aegis of industry. Universally, but not publicly, the question is being propounded, "what if Russia reaches Berlin first?" The prospect of Russia's so doing is, I feel certain, one of the most powerful incentives operating toward an Allied invasion of the continent. A lot of talk about the "invaluable aid" which the United States and Britain have given to Russia is being bandied about; but somehow in the absence of Allied military action this talk sounds hollow. If the Soviet armies do reach Berlin first, either actually or morally, it is felt that a Bolshevist Europe, at least in the Eastern section, is a certitude. One hazards the guess that no thought strikes such cold terror into the hearts of the British ruling class as this one! I might mention that the Polish Consul-General in London told me at a luncheon the other day that the Allies' reaching Berlin first is a sine qua non of a satisfactory political settlement. Caseday has mentioned that Sir David Waley on one occasion remarked to him that the London Governments of occupied countries, however unsatisfactory, are much to be preferred over any governments established by Soviet arms.

Liberal and Labor attitudes toward Anglo-Russian relations is more optimistic and I doubt whether the public in general is much alarmed. These groups continue to speak bitterly of the North African affair which they feel has been handled with great political ineptitude, to put it mildly.

It

It is a striking fact, however, that Liberal and Labor opinion in England is abominably unorganized and ineffectual. Isolated protests in the newspapers, periodicals, and in Parliament are made against Tory ideas, but one cannot escape the feeling that the protests are nothing more than that. I have seen little evidence of any constructive counter-proposals being vigorously put forward by Labor or Liberal groups. The reason does not seem to be so much the absence of such thought or sentiment, as the lack of any organized attempt to formulate a program around which a national point of view could be crystallized.

This condition leads to the question of what forces in England will have their ideas embodied in national policy at the war's termination. Because of the lack of organized labor and progressive opinion, there is great danger that well organized Tory groups will be able to impose their ideas on the nation. What sort of collapse in the political morale of the public will occur as a result of the termination of hostilities it is difficult to say.

I have undertaken, with Cassaday's approval, a study of the post-war plans which are being formulated by various political and social groups in England. It is a long-time task to analyse these, but I hope to write monographs from time to time on the plans of particular groups. I thought I would begin with the ideas of the industrialists and later of Labor, the Government, etc.

I am enjoying my work very much and find a multitude of interesting and valuable subjects, the study of which must go by default for lack of time.

Your candy for the ambassador was duly delivered to Colonel Brewster.

My regards to Monetary Research,



BRITISH MOST SECRET
U.S. SECRET

OPTAL No. 53

Information received up to 7 A.M., 16th February, 1943.

1. NAVAL

MEDITERRANEAN. One of H.M. Submarines on the 8th while on patrol in GULF OF HAMMAMET shelled three southbound laden motor auxiliaries, two were sunk and the other beached. On the 11th she shelled a southbound laden 400 ton ship. Another of H.M. Submarines on 9th sank a 2,500 ton southbound ship off BRINDISI and on 10th torpedoed a 1,500 ton passenger and cargo ship which was beached. Another of H.M. Submarines on 10th sank a 4,000 ton north bound ship off southern ITALY and on 15th torpedoed a similar ship at the entrance to the GULF OF TARANTO.

2. MILITARY

TUNISIA. 14th. Enemy launched a heavy attack from FAID area supported by tanks and dive bombers. The attack was in two thrusts, one directed towards SBAILLA and the other towards GAFSA. A U.S. Armoured combat command was forced to withdraw from the SIDI BOUZID area after considerable tank losses. The enemy advanced to within about 15 miles of SBAILLA. A counter attack supported by tanks was launched at dawn on 15th.

3. AIR OPERATIONS

WESTERN FRONT. 14th/15th. COLOGNE. 220 tons H.E. and 293 tons I.B. dropped. Blind bombing attack through complete cloud but bright moonlight above clouds. Much fighter activity. Main attack delivered in 25 minutes, glow of many fires reflected on clouds but estimate of success achieved dependent upon future photographs. Anti-aircraft fire fairly severe.

MILAN. 112 tons H.E. including 46 4,000 pound and 35 2,000 pound and 152 tons I.B. dropped by Lancasters. Weather perfect. Visibility excellent enabling visual identification of objective. Large concentration of fires seen in centre of town and other fires burning throughout extent of city. Attack completed in 30 minutes and all crews agree extremely successful. Anti-aircraft moderate and inaccurate. Searchlights active but ineffective.

15th. Bostons and U.S. Liberators escorted by fighters attacked DUNKIRK docks dropping 65 tons of bombs. Visibility good. Hits scored on MOLGD patrol tanks and E-boat pens. Mosquitos dropped ten tons of bombs on railway workshops and engine sheds at TOURS. Enemy casualties 10, 2, 4. Ours, 2 Liberators missing, one crashed in sea.

15th/16th. 25 aircraft sent out - ST. THOND (BELGIUM) and ASSEZ 6. Railways northern FRANCE 4, sea mining 4, intruders 9, leaflets 2. All aircraft returned safely.

EUROPE. 12th. 12 U.S. Liberators bombed railway yards at RANGOON.

14th. 21 bombers attacked objectives in the AKYAB area.

TO:

note

258

The Secretary confirmed
that the reports
mentioned herein
should be discontinued.
He will ask for
any special report
he may want.

Haflich notified.

2/16/43

From: Lieut. Stephens

0915



TREASURY DEPARTMENT

259

INTER OFFICE COMMUNICATION

DATE Dec.10,1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Military Reporting

Since Lieutenant-Commander Stephens has taken over the function of reporting to you orally on the current military situation, I have not known how much, if any, of my work you would like to have me continue. Would you wish me to continue with any of the assignments listed below?

1. I have been preparing for you the following regular reports:
 - a. Shipments of Planes and Tanks to the U.S.S.R., submitted every ten days on the basis of figures received from the Department of Commerce. A copy of each of these reports has been sent to Brigadier-General Deane of the Combined Chiefs of Staff. These could be continued on a monthly basis, if you desire.
 - b. Shipments of Planes to the British Forces, prepared weekly on the basis of figures received from the British Air Commission. A copy of each of these reports also has been sent to Brigadier-General Deane. Possibly you would like to have these reports once a month, rather than weekly.
 - c. Sinkings of Allied Merchant Vessels, and British and American launchings -- charts and tables prepared each month on the basis of data received from Naval Intelligence and the Maritime Commission.
 - d. Monthly Reports on Royal Air Force and U.S. Air Force Bombings of continental Europe, based on official U.S. and British communique, U. K. Operations Reports and press despatches.

- e. Japanese and U.S. Pacific Naval Losses, prepared every week or ten days on the basis of U.S. Naval communiques. Possibly you would like to have these reports less frequently, about once a month.

2. I have been spending considerable time on various periodicals, published reports, newspapers and books to obtain information on military and allied subjects. Over a period of several years, clippings and notes obtained from these sources have been used to build up rather extensive files, which, I believe, have been useful in answering questions which have arisen.

Should this work be continued in order to keep up the files on the subject? There is available in the Division of Monetary Research a capable young woman who has been assisting with this work. She could, if you wish, keep up these files as a part-time assignment.

3. I have been visiting Military Intelligence once or twice a week to obtain military information in the Situations Room, and to interview G-2 officers for the purpose of obtaining military information and interpretation on particular areas. I have paid less frequent visits to the Combined Chiefs of Staff and the Office of Strategic Services for the same purposes.

Do you wish me to discontinue these contacts entirely, or continue them by less frequent visits?

4. The following secret reports are received:
 - a. Daily U.K. Operations Reports from the Combined Chiefs of Staff.
 - b. "The War This Week", weekly from the Office of Strategic Services.
 - c. Additional O.S.S. reports from time to time.

Until the last few weeks, I received these reports and passed on to you significant information either orally or by means of written memoranda. At the present time, I am not receiving these reports, which are being sent to Lieutenant Commander Stephens. Should the present procedure be continued?

February 17, 1943
9:30 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Graves
Mrs. Klotz

H.M.JR: Would one of you tell me--

MR. GRAVES: What happened yesterday?

H.M.JR: Yes.

MR. GRAVES: We had Mr. Haas and Mr. Tickton and Mr. Lindow in. They read and explained Mr. Haas' report, and then we had a discussion along the line of your suggestion to see what we might come up with, and frankly, we didn't get together at all.

I think Mr. Sproul feels that the only solution for this problem of ours is to do away with the War Savings Staff and turn the job in its entirety over to the Victory Fund organization. He, I think, rejects completely the suggestion made by Mr. Eccles, and he rejects also your suggestion about coordination.

He thinks the only solution of this is to get rid of the War Savings Staff and start again on the basis of the Victory Fund organization and give them the complete and entire job of selling Government securities from now on.

He, I think, feels, however, that it would be impossible to do that before your April drive, so that he is willing to take your method as a kind of stop-gap and temporary method and do the April drive on the same plan that was followed in December, except I think he feels that there ought to be some better publicity arrangement.

- 2 -

He thinks perhaps the solution is going to be found in your new sales manager who can take over this whole thing and have complete charge of all publicity and promotion during the April drive, with a view, however, to providing immediately after that to liquidate the War Savings Staff and turn the job over to the Victory Fund groups.

He said that there had been talk about postponing the April drive and if you felt willing to postpone the April drive, as was discussed, apparently, he thought this change could well be made before the drive.

MR. BELL: Harold, did he accept the Secretary's suggestion on the chart, or did he want it in the form of a directive to the War Savings Staff to cooperate and work under it for April?

MR. GRAVES: As I say, he would accept that as a stop-gap.

MR. BELL: The chart setup - formalization of that organization?

MR. GRAVES: I am speaking now of the suggestion made to him by Mr. Morgenthau of a coordination setup.

MR. BELL: That is the chart.

MR. GRAVES: That is apparently the chart.

Mr. Williams, I think, has no strong feeling about this, one way or the other. Mr. Williams confesses that he knows nothing about the organization of the War Savings Staff - what it is doing and how it is doing it. He conceded that if Mr. Haas' base is correct, the large part of the funds to be derived from individuals is to be found in this selected group of three hundred thousand people - that there would be no need for anything like the setup that he has been figuring would be needed to carry on this April operation. He says he wouldn't need five thousand people in Philadelphia, and he wouldn't need twenty-five thousand people in the Philadelphia Federal Reserve district.

- 3 -

I think that you have the issue pretty well drawn there. Mr. Sproul, I am confident, will be satisfied with nothing except complete liquidation of the War Savings Staff and transfer of this responsibility in full to the Victory Fund groups under Federal Reserve supervision.

H.M.JR: What did he say about Eccles' suggestion?

MR. GRAVES: He doesn't like that. He doesn't want it. He thinks it will not work. He thinks that the only solution is to turn this job over to the Victory Fund setup.

He apparently puts a lot of store in the prospect of having a new director of sales in here. He thinks that some of these decisions, perhaps, ought to wait over until you have got your new director of sales.

H.M.JR: I wasn't going to argue with him. He says I have no selling experience and so forth and so on. I don't know what they think I have been doing here for the last ten years. They talk as though the December drive was a complete flop.

MR. BUFFINGTON: It is easy to look back, but they were certainly enthusiastic about it during December.

H.M.JR: They act as though it was a complete flop. I don't know what they think I am doing. They think Mr. "X" - that man - should suddenly solve all of these things.

MR. GRAVES: I should say this, further, that when I say he wants to liquidate the War Savings Staff, that isn't exactly right. He wants to leave the War Savings Staff the pay-roll allotment thing. He wants the War Savings Staff to be limited to working on pay-roll allotment, and that all other merchandising of our securities to the low and moderate income groups be taken over by the Victory Fund people and managed in a succession of drives, three or four weeks in

- 4 -

duration, in the course of which the job would be to reach everybody in the country except those that are being reached by the pay-roll allotment plan.

I asked a great many questions to try to see if there was anything in his mind that would indicate his possible agreement to some other thing, and he simply does not believe that any other thing short of that is--

H.M.JR: He makes up his mind but he doesn't want me to make up my mind.

Go ahead, George, say your two bits--

MR. GRAVES: Have I correctly stated it?

MR. BUFFINGTON: I don't think he meant liquidation, but rather segregation of pay-roll savings and all the rest coming under Federal Reserve.

What I don't understand is where the ideas come from which these men have that this so-called superman can do the thing that you can't.

In other words, you know this thing; you have been fooling with it for nine or ten years. I just don't see how, if we can't get our own house in order and draw certain lines to simplify this thing - I don't see how this man from the outside who knows nothing of the Treasury problems is going to be able to do it.

H.M.JR: I agree with you.

MR. BELL: Of course that won't solve it. They said if you made the F and G decision that would solve the problem. It didn't solve it.

H.M.JR: Walter Stewart once said, "You are always looking for another system to make things easier for you, and you might just as well make up your mind you will never find it."

- 5 -

MR. BELL: The more people you have the more work you have to do.

MR. BUFFINGTON: This talk about several of these plans looking well on paper - the workability of this thing seems to me to depend on decisions you make as head of this whole operation and you direct the activities of these groups as you see fit.

H.M. JR: I have sent for some more, but I know, in the end, I am just going to have to make up my mind and tell them. I am going to try awfully hard to do it by Monday or Tuesday of next week, so we can get started.

What did you think of the Thomas report?

MR. BUFFINGTON: Excellent.

H.M. JR: You liked it?

MR. BUFFINGTON: I thought it was excellent. I still think that some way - and what I don't understand is something that Harold said yesterday. I have a letter on my desk from Mr. Kuhl, who is the State administrator of Wisconsin, which he wrote to the regional manager in Wisconsin of the Victory Fund Committee. He said, "We would dislike very much having our organization pulled apart and put over in the Victory Fund Committee for the drive, but in any way we can assist, and we believe we can assist the Victory Fund during the drive, we would like very much to do it."

I got yesterday the impression in that discussion that you (Graves) felt there were not ways in which the War Savings Staff could be of particular assistance to the Victory Fund Committee organization during the drive. All these people in the field - or many of them - seem to feel that the War Savings personnel could be used.

MR. GRAVES: What I meant was this. If War Savings is left in this picture to do their job, we can, of

- 6 -

course, do a great deal to help the Victory Fund people. They would be mutually helpful. But that wasn't the proposition that I was discussing. I was discussing the proposition that you first submitted to me, which was that during the April drive the War Savings facilities be turned over to the Victory Fund groups and left to their management. That was the--

H.M.JR: Wait a minute, I never said that.

MR. GRAVES: You asked me that when I first came in here, "Could you turn over the people in the War Savings Staff to the Victory Fund group?"

H.M.JR: Did I say that?

MR. BELL: Not as your suggestion, but as one of the alternatives.

H.M.JR: But not as mine.

MR. GRAVES: No, no, you asked me that question. It had been asked of you by Mr. Williams.

H.M.JR: Yes, that is what Eccles wanted originally.

MR. GRAVES: As to that, Mr. Williams - I think this is what George is talking about - Mr. Williams said, in effect, that he had the managers - people at the management level in his organization, but he didn't have anybody to do the work. So he wanted me, or War Savings, to turn over to the Victory Fund management people all of the personnel - whatever that is - of War Savings, which is what I have objected to as I did object yesterday.

H.M.JR: You see, here is the thing. Listening to Williams - he was going to get twenty thousand people - something like that. I told you (Buffington) consistently on the last drive, and you lived up to it, that I didn't want you to go after the masses.

MR. BUFFINGTON: That is right.

- 7 -

H.M.JR: I wanted you to get--

MR. BUFFINGTON: The bigger people.

H.M.JR: What they really want to do now is to really go after the masses. That is what people like Sproul is talking about.

This much I know in my own mind. I think as far as Washington goes, and as far as the community goes, there should be only one publicity department for the Treasury. There should be an advertising manager, publicity manager - director of publicity - for the Treasury, and he should do all the work. I don't think there is any argument about that, is there?

MR. BELL: Not in my mind.

MR. BUFFINGTON: No.

MR. BELL: I think Harold may have some question about it as to where it should be.

H.M.JR: We only have one publicity department in that sense and that is in war bonds, and we would simply take that - and his (Buffington's) publicity department amounts to George Wanders and the man from Chicago who does booklets, isn't that about all you have got?

MR. BUFFINGTON: Yes. We have no publicity department, really.

H.M.JR: So it is just a question of saying that from now on the War Savings Staff is the - I mean, the publicity department is there and has got to serve the whole Treasury with the exception of the - well, Chick Schwarz' contact with the daily working press. There is no conflict there. Whatever contact there is with the daily working press would be through Schwarz and that would be all right.

- 8 -

I still think this, that if we would take a map of the United States by population and work it down and say that in towns of fifty thousand or a hundred thousand, or whatever it is, these things should be combined during this period in a joint effort, leaving some kind of a division like George has made on the income basis - I am just thinking out loud, and you can come back at me - I think that could get us by April.

I don't see why the thing is so difficult. I think that the difficulty is that Sproul doesn't want to do it, no matter what he said in this room. He wants to control the thing and I don't want him to control it except as I direct. I told you that right from the start. I am not going to turn this thing lock, stock, and barrel over to the bankers. I am not going to be in their hands. It is ten years now; I have two years more to go; why should I suddenly do it? If I had made a failure of December, yes.

Who was it that suggested that we bring in the presidents of the Bankers Trust? Who made that suggestion here yesterday?

MR. BELL: He did. You mean originally?

H.M.JR: Yes, somebody made that here.

MR. BELL: No, I didn't hear it. Oh, yes, Eccles made it the day he came over by himself. He said you ought to get in somebody like Sloan Colt. George Harrison had been suggested, he said, but he wasn't much in favor of that.

H.M.JR: You see, these people - what they don't appreciate is that we started just about two years ago to build up the War Savings Staff, didn't we?

MR. GRAVES: Just about.

- 9 -

H.M.JR: And we have got a good organization, good morale, and a good spirit. It would be the height of stupidity to scrap it. Take these battleship drives and things like that. Those are the kinds of things you people should continue to do.

MR. BUFFINGTON: Mr. Secretary, talking in terms of four hundred thousand individuals and corporations and cities not below a hundred thousand, unless we do what you suggested we do in the last drive, organize committees down in communities smaller than that, in my judgment we are going to have a very difficult time in raising any such amount as eight and a half billion dollars if we confine our efforts to towns of that kind. I would be very pessimistic about it.

H.M.JR: If you do what?

MR. BUFFINGTON: If we confine our activities to those cities of a hundred thousand and over where we have the combined effort. If you could follow that combined effort down into all the communities which you want us to reach - and much of this money is going into the smaller cities and corporations and individuals - I think that would work, but I think if you confine it only to those one hundred and twelve cities of a hundred thousand population or over in which we are now well organized as Victory Fund Committee - not completely organized, we haven't complete coverage - I would doubt very definitely that we could raise eight and a half billion dollars.

George Haas shows it on paper as the money is there - and I can't dispute that with him - but I personally would be very hesitant about taking the responsibility for raising, through the Victory Fund Committee, eight and a half billion if you confine it to that kind of an operation. If we do organize in cities of twenty, fifteen, eight, and ten thousand, then I think we are going to run right into the problem of not having the manpower as Victory Fund Committee without it being supplemented with the personnel--

- 10 -

H.M.JR: He doesn't have it. It is a volunteer organization. He can't turn over--

MR. BELL: You mean volunteer?

MR. BUFFINGTON: Yes.

H.M.JR: But supposing we said this, just for argument's sake, that this drive will last three weeks and during those three weeks you can call on anybody in the country - Red Cross, OCD, or anybody. We will get all these organizations to say that they will turn over and during those three weeks the War Savings Staff - I mean we will give you the publicity department of the War Savings Staff to work for you exclusively during that period, and then during those three weeks the War Savings Staff will confine itself solely to payroll deduction and then when you people get through they will go ahead and do their own business.

MR. BELL: I don't see why--

H.M.JR: Wait a minute. The thing lasts three weeks. It is like the Red Cross. I am sure there are a lot of your people or Harold's people that will work for the Red Cross during the month of March, and I mean, say that anybody that is working, whether he is in OCD or whether it is the Women's Volunteer Organization of America, or anybody that wants to work can work for you people, and as I say, we will give orders that if anybody calls on the War Savings Staff they should feel free during those three weeks to help you people. During those three weeks War Savings will just do payroll deduction, then when that thing is over you people stop and they go ahead in their regular way.

MR. BUFFINGTON: I personally think that will work.

MR. GRAVES: No.

H.M.JR: Why not?

- 11 -

MR. GRAVES: Well, you can't - I suppose that would involve turning loose the Victory Fund Committee to solicit the whole population.

H.M.JR: Give them the whole country.

MR. GRAVES: Except pay-roll savings.

H.M.JR: That is right.

MR. GRAVES: In the first place, nobody can make a dent on that problem in three weeks in terms of approaching sixty-three million people, less twenty-six million who are on pay-roll savings.

In the second place, that is a very aggravated case of letting the tail wag the dog. War Savings people are supposed to cover the mass market, as things stand now. They have a terrific job to do on their own account. We are criticized by these same people. Mr. Sproul did it right here yesterday, for not having done well on reaching the farmers, on reaching the professional groups, the small businesses where pay-roll savings is not practicable. That is the job we have been trying to do.

Now, to say that for the month of April or the period of three weeks to be covered by this drive, the market that we have been trying to reach is to be turned over to the Victory Fund people except for pay-roll savings, would be to turn over the bulk of this operation which we have been handling to the people who have heretofore been attempting to handle a small fraction of it, and I am speaking not in terms of dollars, but in terms of the number of people.

H.M.JR: Yes, but in terms of dollars you are a hundred percent wrong.

MR. GRAVES: I am not speaking in terms of--

- 12 -

MR. BELL: That is what we need - dollars.

H.M.JR: If you don't mind my saying, in a perfectly friendly spirit - I mean, as far as I am concerned, what you have said just doesn't hold water.

MR. GRAVES: Let me go on and illustrate. I used this illustration in talking to Mr. Sproul yesterday, that the job of War Savings is to get millions of people to buy war bonds, and the job that heretofore has been assigned to Victory Fund has been to reach very few people. It takes as much manpower and effort - it takes many times as much manpower and effort for us to reach the people that we are supposed to reach as it does the Victory Fund people, because we have so many more.

Take the classic case of four or five insurance companies on the day your drive opened in December, putting in five hundred million dollars. There was no effort required on the part of the Victory Fund groups to do that.

H.M.JR: But, Harold, that doesn't - look, Harold, the way I see it right now is that there are about three ways. What I am going to say - the first thing I am going to say is very much in the room. If I haven't got confidence in you people it is too bad.

Bell and I are not going to do what Mr. Eccles really wants us to do, and that is turn over this thing to the War Savings Staff on a State basis except for soliciting banks, because it is just too risky. I have got to be - and I am - entirely honest, but I don't want this to go outside of this room. I have to depend upon the banks in the sense that in the last resort they will let me have the money of their depositors, and this setup that I have of the Victory Fund Committee has done a very successful job and has been able to work with the banks and did reach the upper crust of this country. Now, in this

- 13 -

discussion I can also bluff up to a certain extent, but in the final analysis I can't throw the Federal Reserve out, which is a quasi Government agency, set up to work with the banks because they have demonstrated it and demonstrated their willingness. You are with me on this, Bell, aren't you?

MR. BELL: Yes, sir.

H.M.JR: Now, here we are right up against the gun to get this money, and supposing this time that these fellows - they will certainly do as good a job as they did last time. Right?

MR. BUFFINGTON: Yes.

H.M.JR: And with the experience they have had they will do a little bit better. Now, in order to do a little bit better, I have got to let them go a little bit further down the ladder of income than I have before. I stopped - I mean, I held them up short. And if I was going to start to build a new organization today from scratch there would be no question - it would be one organization. It would be, as Sproul keeps calling it, a national sales organization. I wouldn't have two. And sooner or later it has got to be one - sooner or later.

Now, on the other hand, I have this magnificent State organization which you practically broke your health on trying to build, and did build successfully, and now you look as though you were all right again. I hope so.

MR. GRAVES: Yes.

H.M.JR: I want you to stay that way.

Now, I can't see very far ahead these days - I don't see how anybody can. I want to get this drive - I want these fellows to have it. I would like to throw the country open to them. At the same time, I don't want to wreck your organization.

- 14 -

Now, I wanted them to have it - to make these fellows coordinators. They don't like it. I don't want to push it too far, although I could push it. In the final analysis I think Sproul would do it. That is one way.

The other way is simply to say to them, "O.K. boys, March is for the Red Cross, April is for the Victory Fund, then we go back again to May and then we will continue the way we have."

Now, I don't think in order not to mess it up during that period I would not give the War Savings crowd all the securities to sell as War Savings people. You have got to have one boss. I mean, I think it would be a mistake because then they would be all mixed up. I think during that time - I am just thinking there are two ways to do this, do it the way we have drawn it up on paper - and I have sent for other people. We have sent for Hap Young and who else?

MR. BELL: Perry Hall of New York, John Fleek of Cleveland, and Patton of Chicago.

H.M.JR: And you have sent for some State administrators?

MR. GRAVES: Yes.

H.M.JR: I did that last night at six o'clock, so we could keep testing this week. But the way I see it now, we could do it the way we suggested first. We can do it, simply say to these people, "All right, these three weeks are yours - or four weeks - during which time you can draw on anybody and we will help you get everybody. We will give you the benefit of our publicity department here." Or do it the other way, which I don't like, and gets all messed up, is to let your people sell the basket, so to speak, and let them sell the basket and then there is no coordination.

What do you think, Dan?

- 15 -

MR. BELL: I was going to say practically the same thing that you did a while ago, except that I would start through Harold's administrator and I would direct him to cooperate with the chairmen of the Victory Fund committees for the three-weeks' drive in April by allowing the people on the War Savings Staff to become members of the Victory Fund Committee for that period.

I think that Al Williams made a good suggestion yesterday, that there would be many places in Pennsylvania where he didn't have a man or if he had a man he wasn't as good as the War Savings Staff man. He would there take the War Savings Staff man to be chairman of that section and go ahead with the Victory Fund work during the three weeks. I don't see why that won't work.

It is practically the same thing as on the chart except it is done on a more informal basis. I think we probably have got to do something like that as more or less of a compromise in this April drive. We haven't time to reorganize.

H.M.JR: What is the name of this nice fellow Jones of Coca Cola that came up to see us? What is his first name?

MR. GRAVES: I forget.

H.M.JR: He is chairman, now, of Coca Cola. I was thinking when I was down there in Atlanta - just to digress one minute - he was the only New Dealer in the whole Coca Cola Company when the twenty-five thousand dollar salary came up. Walter George told me this, that the rest of the officers of Coca Cola were all so tickled, he was the only man hit, and the only man singing the praises of Roosevelt. The other fellows sat around and kidded him. Do you remember when he came up to help us?

MR. GRAVES: Yes.

- 16 -

H.M.JR: He was very nice. Somebody like that who has a national organization--

MR. GRAVES: That will be nine years this summer.

H.M.JR: I saw him. He is still going strong. Walter George was my informer as to his being a New Dealer.

MR. BELL: I think so far as people here in the Treasury are concerned, we pretty well agree upon this chart. Isn't that right? With one minor exception, I think you agreed upon the setup.

MR. GRAVES: You mean that coordination?

MR. BELL: Yes.

MR. GRAVES: That exception that I made is not minor, Dan, but I in general agreed to that.

H.M.JR: On the publicity?

MR. GRAVES: Yes.

H.M.JR: That would have to be, Harold.

MR. GRAVES: I was thinking of this, that is an operating job - all sorts and kinds of details. Mr. Bell's proposal was to put that under this new man you are going to bring in, who won't know anything about that shop, and it just doesn't make sense to me to take the administration of a complex group of people like that out from under their experienced bosses and turn it over to a fellow who is a stranger in this operation.

H.M.JR: Well, that goes back - when Donald Nelson had lunch with me the week after he was put into his job, I said, "Don, do you want any advice?" He said, "Yes." I said, "The thing for you to do is to take over the thing lock, stock, and barrel from the Army and really do the buying - the production."

- 17 -

He said, "The trouble with that is we are half way across the stream and we can't change." That must have been two years ago, and they are still fussing. And now they put in Don Wilson, who has been here three months, and give him the whole thing, lock, stock, and barrel. He has only been here three months and Eberstadt, who has been here for quite a while, they kick him out. But Wilson has only been here three months and they give him the whole thing.

MR. GRAVES: But my man is just Mr. "X"; he is an anonymous person.

H.M.JR: Who is in charge of publicity?

MR. GRAVES: It comes under Gene Sloan in all of its administrative aspects. As far as the editorial aspects, it is Mr. Odegard, as you well know. That is Mr. Odegard.

H.M.JR: Yes, but further down the level, who is in charge of publicity?

MR. GRAVES: Mr. Callahan is in charge of it.

H.M.JR: Yes, he has both radio and press.

MR. GRAVES: Press, radio, magazines, all forms of advertising.

MR. BELL: The way I look upon it, it is a service organization and ought to service both activities.

MR. GRAVES: That was my objection.

MR. BELL: From an organization standpoint it is certainly correct, I think. From all your past experience and in the Bureau of Efficiency you would have to admit it. You are looking at it in the present location and the type of work it is doing. I think from an organizational standpoint you will have to admit that is correct.

- 18 -

MR. GRAVES: I can't look at it and pass on it unless I know who Mr. "X" is.

MR. BELL: If you are starting from scratch and building an organization, you will admit that is fundamentally correct.

MR. GRAVES: That would be different, but we are not starting from scratch.

MR. BELL: I think we are on that top organization.

MR. GRAVES: Starting from scratch as far as this particular coordination scheme is concerned. I tried to point out to Mr. Bell that in our enforcement coordination we didn't attempt to set up any facilities for the coordinator. He operated through the existing facilities of the various bureaus and agencies that were in that coordination system; and looking back, I would say now that it would have been a complete failure if we had attempted to establish any common and joint facilities at the top. The reason that that succeeded, in my judgment, is that we did rely upon the bureaus and agencies in that setup to perform under the policy that was laid down at the top by the coordinator and his committee.

H.M.JR: Well, here under Callahan we have a radio and press section, and I am certainly going to make those facilities available to the Victory Fund.

MR. GRAVES: They should be. I didn't say anything to Mr. Bell that indicated I objected to that.

H.M.JR: What are you objecting to?

MR. GRAVES: I was saying to Mr. Bell that I thought as far as the management of that thing is concerned, it should be left to the War Savings Staff, but should be made available.

MR. BELL: The location is all.

- 19 -

H.M.JR: I don't want to move them from the building, or anything else. Simply say this man comes in, and Callahan and his group are available for this drive. Are you in accord with that?

MR. GRAVES: Absolutely.

H.M.JR: Then we are not arguing about anything.

MR. GRAVES: That was the point that Mr. Bell had in mind when he said I took exception to the chart.

MR. BELL: The directions given to the publicity organization would come from the national sales director rather than from the head of the War Savings Staff.

H.M.JR: That is right.

MR. BELL: Under this new setup. And Harold thinks that this ought to still be under the supervision of let's say, him - he is the head of it.

MR. GRAVES: No, I am not the head of it.

MR. BELL: You are head of the War Savings Staff.

MR. GRAVES: No, I am not. Mr. Sloan is head of it.

MR. BELL: Well, you are Assistant to the Secretary in charge of the War Savings organization.

H.M.JR: You are not the head of it?

MR. GRAVES: War Savings Staff reports to you through me, but I am no part of it. I have the same relationship to the War Savings Staff that Mr. Gaston has to Customs, for example. You remember that for a long time not only the War Savings Staff reported to me, but also the Mint and the Bureau of Engraving and

- 20 -

Printing and Procurement; and you took those away and gave them to Mr. Swope and left me with only War Savings Staff.

H.M.JR: That is right.

MR. GRAVES: I have never been a part of the War Savings Staff. The War Savings Staff simply reports to you through me, as Customs reports to you through Mr. Gaston.

H.M.JR: I see.

MR. BELL: I won't quarrel with that for the April drive. I think you have to make some compromise. What you have on paper, let's say everybody has agreed to here in the Treasury. I say that if we could do that on a more or less informal basis, through directives, then let's do it.

H.M.JR: I don't quite follow.

MR. BELL: Instead of setting up an organization like this formally, in each district in the Treasury, let's do it by direction to the head of your organization in each State to cooperate with the chairman.

MR. GRAVES: That is a very different thing from what the Secretary has suggested and which I have said I disagree with - a very different thing from the original proposal to set up a committee in each area in which both organizations would be represented, because that contemplated that both organizations would go on in their separate fields according to the Haas program; whereas what you are talking about now is that except for pay-roll savings the War Savings groups will be inactive during this drive and will turn over all of their facilities to the extent that they can be turned over to the Victory Fund groups.

MR. BELL: As a cooperative matter between the administrator and the chairman of the Victory Fund Committee.

- 21 -

MR. GRAVES: Yes. Now that, I think, is not practical. I don't think it will work. I think it will leave things in a much more confused and disorderly status than we had even in December. And a worse thing than that from my point of view is that it will completely destroy the morale of this organization, for whatever that may be worth, because it subordinates them to another organization. It takes them away from the job that they have been trying to do, we will say, with only partial success, turns them over to another organization in a subordinate capacity; and since these people are volunteers, they have a great pride in what they have done. You are just destroying that - the morale that has been so important in the War Savings Staff.

H.M.JR: You go on up and testify, and I wish you luck.

(Mr. Graves left the conference.)

H.M.JR: George, I will want you again in a little while, so if you will keep yourself on tap - we will stop about five minutes.

February 17, 1943
10:30 a.m.

FINANCING

Present: Mr. Bell
Mr. Gamble
Mr. Buffington
Mrs. Klotz

H.M.JR: Dan, it is fairly obvious amongst the three of us here, that neither is going to give an inch. Isn't that right?

MR. BELL: Well, I don't know about George giving an inch. He hasn't been asked to give very much. I really think George would go the limit. I mean he would step out of the picture as far as he is personally concerned in this thing. He told me that the other day.

He said, "If I am the stumbling block between this organization and War Savings Staff, for heaven's sake tell me and I will get out. I will go back to Chicago."

But certainly Harold isn't giving any, and I don't think Harold is being fair when he says that isn't good organization on paper.

H.M.JR: No, Harold has made several statements here this morning which weren't fair.

MR. BELL: I think when he says it is impractical he doesn't know that it is impractical. It seems to me that it will work.

H.M.JR: What have you got in mind right now as to that?

MR. BELL: He said that your giving directions to the administrators of the War Savings Staff in each

- 2 -

State to get in and cooperate with the presidents of the Federal Reserve banks in April in carrying on this drive for a period of three weeks, was impractical. I don't know why he says it is impractical. He might find spots where the fellow wouldn't cooperate, but certainly in ten out of twelve places, I think you would get good cooperation. They already have it in many places without any direction.

H.M.JR: How would you feel - supposing we went to the last thing - turning everything except getting bank subscriptions over to the War Savings Staff?

MR. BELL: The only hesitancy I would have in that is in the statement you made that you are eliminating the Federal Reserve banks from the picture, which I think would be bad. But I think we have got to come eventually to one organization, and if it weren't for that one thing, I wouldn't mind going to the War Savings Staff and letting them reorganize to do the whole thing on a State basis.

H.M.JR: Go to the War Savings Staff?

MR. BELL: Yes, if it weren't for that one thing - eliminating the Federal Reserve people from the picture. If that could be worked out where a few of these men might become State chairmen instead of chairmen of the Victory Fund Committee - maybe you could take Allan Sproul and make him chairman in New York and Hap Young chairman in Illinois, and Day chairman in California. That may solve your Federal Reserve end of it. But I think you would get a lot of criticism for eliminating the Federal Reserve system from this financing.

H.M.JR: Can't do it.

MR. BELL: If it weren't for that, I would say as to Eccles' scheme, "Go ahead," not for the April drive because I don't think the War Savings Staff has time to reorganize any more than anybody else. They would have to reorganize and educate their people,

- 3 -

and it is a job. But if it weren't for that thing, I would say, "Yes, let's go ahead on the War Savings Staff basis."

H.M.JR: In the first place, I give Eccles a lot of credit for his interest in this thing, and his imagination, and they have got a big system in the big cities, and they are closer to the banks and the banks have been good.

MR. BELL: And they have prestige in the district, too.

H.M.JR: I am just going to try something, now.

(The Secretary held a telephone conversation with Mr. Gamble.)

H.M.JR: He is a very interesting fellow - Gamble.

I certainly can't, for this April drive, simply say - I have got to give somebody the job of being able to solicit everybody in the United States.

MR. BELL: Whoever goes out has to have the basket complete.

H.M.JR: To say they both will have the basket will add to the confusion.

MR. BELL: I think it would.

In the Fourth Liberty Loan drive we sold seven billion dollars, and as I recall the figures, we reached some twenty-two million people and actually got them to buy bonds. Now, that was a three weeks' drive. I think you have got to do the same thing here.

(Mr. Gamble entered the conference.)

H.M.JR: Ted, what's-his-name has gone up on the Hill - Harold - so I want to try this out on you.

- 4 -

It will take me a couple of minutes to review what has happened.

So far - I asked Harold not to discuss it with anybody, so he hasn't, but now we will add you to the discussion. You can tell him about this.

This fellow Harold Thomas and his group went out and made a report. What they did in their report was that they really want to scrap everything and start new - start with a man here as director of sales and about nine divisions under him. Is that about right, Bell?

MR. BELL: Yes, about eight, I think, main divisions.

H.M.JR: Then that duplicated in each large community. Well, that I don't think is practical. We figured it would cost fifty to a hundred million dollars, and it would - we certainly couldn't do it before April.

MR. GAMBLE: We couldn't do it, probably, before the end of the year.

H.M.JR: And as Mr. Bathrick said, we would have the same kind of a job - twenty-nine thousand paid employees - the same job as OPA, and OPA isn't organized yet. So I don't think that is so hot.

Now, we have been talking here yesterday with the Federal Reserve people - Sproul, and Williams of Philadelphia. We thought we had a pretty good suggestion, which was that we form an executive committee here in Washington. I am talking about bringing in somebody as a national director of sales - I mean, a person to help Bell and me - somebody from commercial life who is connected with a national sales organization, and the suggestion was to have a committee - an executive committee - here, of which he would be the head and under which would be, say, Graves and Bell and say, Buffington. Under this executive committee would be

- 5 -

the press, radio, and advertising. Then that would be the same in each thing. The suggestion was that we have the president of the Federal Reserve bank resign from the Victory Fund Committee and become coordinator for the Treasury in the district. Is that about it?

MR. BELL: You would have the same setup in the Federal Reserve districts as you have in Washington, the executive committee drawn from the Victory Fund and the War Savings Staff organization, with the press-radio section there, too, to direct local--

MR. GAMBLE: As a separate entity?

MR. BELL: Under the committee.

MR. GAMBLE: But a part of neither?

MR. BELL: That is right - servicing both organizations here in Washington and in the field.

H.M.JR: Before I go any further, what do you think of that?

MR. GAMBLE: I think that - of course this - a good part of it is new thinking, but this problem of the Victory Fund and War Savings is not new. We have been talking about it for a couple of months. The only problem that I would see there, Mr. Secretary, is that I don't think you would want to separate from the War Savings Staff, any department that it might have to work with three hundred and sixty-five days a year. You might subordinate it to this executive committee for its direction, but--

MR. BELL: Bear in mind the Secretary is going to have in here a national sales manager who is going to have jurisdiction over both organizations - War Savings and Victory Fund. That organization, under him, is going to service both groups. Do you still think that that--

- 6 -

MR. GAMBLE: You see, you have so many people. Nationally that problem would work, here, because I think you can do anything here you want to do. I think you can work it out so that everybody's mind will meet. They may not all like it, but after all, they are all on your pay roll and if you decided you wanted to use the advertising and promotional section of the War Savings Staff to sell for the Internal Revenue Department, they are at your beck and call.

When you get down to the State and local levels you don't always have even paid people in those organizations - you have volunteer people - you have people who - for example, in Oregon you have a newspaper publisher who is very much pro-voluntary savings. He has been allowed - unfortunately for all of us - a little friction has been allowed to creep into this picture between the Victory Fund and War Savings organizations.

I think if you said to this promotional committee that you wanted them to start promoting the Victory Fund program - I am not talking about the Victory Fund personnel, but the program - there you would have a little bit of a problem on your hands.

H.M.JR: That, for the moment, isn't terribly important. It is something which could be worked out certainly in Washington.

MR. GAMBLE: You can do anything in Washington.

H.M.JR: In the field depending upon what the situation was. Is that right?

MR. GAMBLE: That is right. I think the important thing is the personnel - the selection - if you have the right person in this job he probably would make it very easy for you.

H.M.JR: Let me move along a little bit. I take it you don't think that would be impossible.

MR. GAMBLE: No, I don't think anything is impossible in our work today.

- 7 -

H.M.JR: Now we put this up to two presidents and they didn't like it at all. Shall we go into all their objections? The main thing is they just didn't like it.

MR. BELL: They thought, mainly, that it was freezing an organization which the new managing director might want to change later.

H.M.JR: Then Eccles - I don't know whether seriously or not - made a suggestion that the Victory Fund Committee should confine their sales to banks only, and everything else should be done by War Savings Staff.

Well, frankly, it is too great a risk to take where I have to raise fifteen billion dollars. I mean that would - I mean, the whole Federal Reserve system and their friends, so to speak, are out of the picture. I don't feel that - the way the War Savings Staff is set up - that they could deliver that to me in April. Do you?

MR. GAMBLE: No, I don't, Mr. Secretary. I think you have two problems. I always have believed that. One, you have a very good organization in the War Savings Staff. I think you recognize that. You want to salvage it - you want to save it to use it. Two, you have the problem of the banks. I think that the details you can work out if there is some program you can hit on that is going to bring the banks and the War Savings organization together. I think that is about what it amounts to.

H.M.JR: That is right.

MR. GAMBLE: I don't think it is a serious problem. I don't know of any of our people who wouldn't be very happy to work with the banks.

H.M.JR: Now I am leading up - I am going a little bit fast - this is where I have arrived, momentarily.

- 8 -

We have sent for some of your State chairmen to come in and some of the others. I will be at this all week. I haven't yet got Mr. "X". When Mr. "X" does come, he won't be much good for anything for two or three months. So I have to go through this thing, doing it with the help of the people who are associated with me here. This is where I have arrived right now.

Supposing I said that for this fifteen-billion-dollar drive the Federal Reserve System and the Victory Fund - it would be their responsibility; and that just the way the Red Cross has the month of March, we would have the month of April. I am going to call on everybody in the United States to help them for those three weeks - the Women's Volunteer Organization of America, Red Cross workers, OCD, and War Savings Staff - and give them the green light for those three weeks. Your people would confine themselves during those three or four weeks simply to your pay-roll savings work.

O.K., just the way the President set aside March for Red Cross - and I am sure people on War Savings Staff will be helping them - April, say, would be for this fifteen-billion-dollar drive.

All this is very fluid. A directive would go from me or from Graves to the State chairman of each that, "During this period we are asking you to give a hundred-percent cooperation to the Victory Fund. Will you please contact the president of the Federal Reserve district and give him all possible facilities for those three weeks, confining yourself simply to maintaining the pay-roll sales."

MR. GAMBEL: I don't like that because I think you can get the same results, Mr. Secretary, and better results, and do it a different way.

H.M. JR: All right, how?

- 9 -

MR. GAMBLE: First of all, you need more from the War Savings Staff. It is possible to get more from them than you have suggested. I think it is possible to turn over the whole promotional activity from A to izzard, down to the direction of this all-out promotion. We use everything that we have. There is no reason why E Bonds can't be lifted up in this over-all promotion and be mentioned only in relation to their importance in this drive.

I think, if you go through another drive, that you are going to be in a more confused position at the end of that drive with respect to straightening out this problem than you are today. I think you could straighten it out, even though it is not perfected, for the purpose of this drive; even though you are not going to get all the plus items that you are eventually going to get as a result of straightening out as you go - work out the details. Put them all together in one family for the purpose of this drive, whether you actually get a hundred percent operation out of all of them or not.

H.M. JR: How?

MR. GAMBLE: I think you can do that the minute you hit on your central plan - whatever your plan is going to be - and it involves bringing War Savings Staff and the bankers together.

Now, I am not keen about a big outside executive, because I don't think you need him. I think you have more talent around here today than is being properly used. I think you have all of the intelligence in Mr. Bell, and Mr. Graves, and other people here, to do this job, and I think they have an understanding of it. I think this executive is going to be in the same problem - well, it is going to be three or four months before he can understand what is going on around here. You are going to create another feeling, and this is perhaps even more dangerous - our people are reconciled to having to accept something. We know something has to

- 10 -

be done about this program, but I am not sure that the banks are going to like this super salesman idea. They may, in an effort to cooperate, try to get together on this problem. They may agree to it, but I don't think they are going to like it because you know what happens the moment you bring Walker and Ruml in here. They start bringing their own crowd around them, and the first thing you have banks that are going to resent this new setup. I would put these Federal Reserve bank presidents very firmly into this picture, and I would tie this family together. Give me six hours on it and I will give you my recommendations. I would put this family together for the April drive, knowing full well you are not going to get the help from all of them when you come up for the next drive, but at least if you put them together and get a friendlier feeling - you have the advantage of the various things you need, such as time on the air and cooperation of the motion picture theaters.

There is no sense having two promotional activities going on at the same time. You can't just shut off the War Savings organization. It isn't the sort of thing you can shut off, but you can funnel it into the direction you want it to go.

H.M.JR: That is what I am saying.

MR. BELL: That is the two plans he is suggesting.

MR. GAMBLE: But you can't say to the War Savings Staff people - you can't say to this body of people all over the country, "We want you to just funnel all of this in the direction of the banks and the Victory Fund for three weeks," because it won't work. But if you make them think they are part of it, you will get a hundred percent cooperation - and there is no reason they shouldn't be a part of it.

H.M.JR: I come back - how?

- 11 -

MR. GAMBLE: I say you have been chewing on this problem, probably, for a week. You give me a few hours and I will make some recommendations to you. But I certainly would not wait until after April to do this. I would push them together even if it is on a temporary basis and mend that. But I would take advantage of the united front for the April drive.

H.M.JR: They have got to be together.

MR. GAMBLE: But you can't put them together by asking the War Savings organization to act in an anonymous capacity in the April drive to put over the Victory Fund Federal Reserve Bank program - help put it over. I think they should help put it over, but I think they should be a part of the family while they are doing it - not the stepchild while they are doing it.

MR. BELL: Would you let them do it as the War Savings organization?

MR. GAMBLE: Certainly.

MR. BELL: And operate in their own way?

MR. GAMBLE: No, the thing I am more concerned about than anything else is turning all of our fine promotion in the direction of this unified program for that month. Our people can't be very happy about our deserting them. They can't be very happy about it when we have been supplying, for example, every city in the United States with splendid ads for merchants' sponsorship. Our people are not going to be very happy if all of a sudden we shut that off because many of these merchants are members of the War Savings organization - head of retail committees, or head of some activity built around War Savings. But if War Savings is a part of this operation, then it is going to be understandable if we send them new copy and if we send them ads built around this April drive they will accept them and run them. Instead of a scattered, hit-and-miss promotion in the month of April, you will have a promotion that will reach from one side of the country to the other.

- 12 -

All you need is to bring these people into the family. When you merge something, everybody has to get something out of it or you can't put them together.

MR. BELL: That is what we are trying to do, but the problem is--

H.M.JR: I know how to do it by knocking their heads together, but I would like to have it and not have them cry.

MR. GAMBLE: I don't think it is a question of making them cry. I think--

H.M.JR: I mean, so far nobody has given an inch.

MR. GAMBLE: I think that we have, Mr. Secretary.

H.M.JR: No.

MR. GAMBLE: I don't know - I am just now voicing my own opinions and my own reactions to this. I recognize the problem, very definitely, that we have got to do something. I think it is fine that we have an organization that we can put behind an activity of this kind.

H.M.JR: You see, Haas had a suggestion. To give you the benefit of everything, give him Haas' suggestion.

MR. GAMBLE: I have seen his plan.

H.M.JR: You mean this fifteen thousand, and seventy-five hundred - dividing the people up by the amount they have in income and the amount of bank income?

MR. BELL: He would take the people who have an income of fifteen thousand dollars or seventy-five hundred dollars in the bank, turn those names over to the Victory Fund Committee for solicitation. Everyone else would be the War Savings Staff solicitation.

- 13 -

MR. GAMBLE: Here is what is going to happen, actually, if you look at this thing practically. The Victory Fund Committee and the Federal Reserve banks are not going to canvass one person different - whether we help promote their program in April or not, they are going to canvass the same people.

Now, they are not going to go beyond that; they can't physically go beyond that. You couldn't, to save your life, start today and organize to go much beyond, Mr. Bell, what they did in December.

MR. BELL: I think they can, and I think some of them have already planned it.

MR. GAMBLE: You can go a little beyond that, but there is no activity - there is no evidence of any activity that would permit them to canvass a million and a half people - actually canvass those people.

H.M.JR: You see, the Fourth Liberty Loan they sold to twenty-two million people.

MR. GAMBLE: That is not surprising. You will sell in the month of April, probably thirty million people, with the War Bond program and with the financing program.

MR. BELL: You mean the pay-roll savings?

MR. GAMBLE: Aside from the pay-roll savings. We are delivering now about twenty-five million pieces a month.

MR. BELL: You have to include the pay-roll savings in order to get such number.

MR. GAMBLE: That is right. You do have to include them, but they are still bond purchasers, and every one you add to it reduces the total.

- 14 -

H.M.JR: Don't lose sight - there are two things; there is this mass purchasing which War Savings organized very well for pay-roll deduction. You have about four hundred million dollars a month on pay-roll savings.

MR. GAMBLE: Yes.

H.M.JR: And another four hundred million of other purchasers.

MR. GAMBLE: About three hundred of those.

H.M.JR: There is seven hundred, and you can't step the thing up much, even with a drive. I doubt if you could do more than a billion dollars in April if you turned everything loose.

MR. GAMBLE: I think that is true. It is not the kind of a program.

MR. BELL: But the estimate says a billion and a half. Haas' estimate is a billion and a half.

H.M.JR: I know, but say a billion.

Now we have to get fourteen billion from three hundred thousand people, and a hundred thousand corporations.

MR. BELL: That is not the kind of money we really want.

H.M.JR: No, no, but the thing that they all do - I don't blame them - they sort of self-hypnotize themselves, both the Victory Fund and the others. I mean, they get to talking in these big terms - sixty million people, and twenty-five million pieces, and all the rest of that thing, but when you get all through and done, produce seven hundred million dollars a month - eight hundred million dollars a month - and for the month of April I need fifteen billion, and I have got to get it.

- 15 -

Now, it is perfectly asinine that I, as Secretary of the Treasury, with two sales organizations, can't put them together. Now, I can do it by a stroke of the pen, but what I am doing now since I started Thursday or Friday - what I am trying to do is to do it in a way that is fair.

So far everybody that I have talked to has just sort of drawn into his shell and said, "We have got the organization and we can do it."

MR. GAMBLE: I haven't gone into my shell.

H.M.JR: No, I haven't talked to you. You are the second man in War Savings and your attitude at times has been different, so I thought I would bring you in the picture now.

You say to give you five or six hours. I will give you until tomorrow morning.

MR. GAMBLE: All right, sir. I think Mr. Bell will agree with this. I am going to make a statement that I think Mr. Bell will agree with, and he will think it is important from the Treasury's public relations, that we get together on the handling of this - not how much good we would get out of one organization versus the other for the April operations, but how much promotion we can put behind the whole operation to make everybody a part of it and feel good, is the important thing.

H.M.JR: And do it now, for April, as near as it will be permanently.

MR. GAMBLE: You would only start thinking about it, Mr. Secretary. There would be ninety days before you could organize these groups to do the kind of a job you would like to see them do. I don't think that is important. I think you will agree that - I have studied all the information I have been able to get on it - and I think that the April job, again, will be comparatively easy.

- 16 -

It is not an impossible hurdle. The next one may be a little tougher, and the one after that a little tougher, and I guess it is time we started getting our forces lined up for the big drive when the well is not as easy to get to.

MR. BELL: I don't think the April one is easy. We won't get as much in April as we got from the insurance companies and some of the other large organizations.

MR. GAMBLE: But it is easier in April 1943 than it is likely to be in February, 1944.

MR. BELL: Yes, July will be harder than April.

H.M.JR: I give you until nine o'clock tomorrow morning. Do you want to come in alone?

MR. GAMBLE: Yes, sir, I will come in - I will have it. You can invite the whole Treasury.

H.M.JR: I mean, shall we have Graves here then?

MR. GAMBLE: I will discuss it with him.

H.M.JR: He has got pretty fixed ideas.

MR. GAMBLE: Well, I have always believed this, Mr. Secretary - I always believed if you call Mr. Bell, and Mr. Buffington, and Mr. Graves, and myself into a room and said, "Look, we are going to have an operation in April. I want you fellows to get together for every practical good that the Treasury can get out of your getting together" - and didn't do anything more than that - that it would be our obligation to go out and do that.

H.M.JR: I said that last night, and Graves and Buffington and two presidents of the Federal Reserve sat here together for three hours and got nowhere.

- 17 -

MR. GAMBLE: I was thinking of the things I know have been on Mr. Bell's mind, and must be on yours. I know they have been on the minds of the Victory Fund people. There is no reason why you should have two organizations in competition for the same thing, because someone is going to get hurt and your program is liable to get hurt; and here you have, unless we have been lying to you, a very experienced organization in the promotion of War Bonds - whether they are war finance bonds or whether they are war savings bonds - and we should take advantage of it.

I will have it.

H.M.JR: I will see you at nine-thirty tomorrow.

MR. GAMBLE: All right, sir.

H.M.JR: If during the day you want to ask me any questions, let me know.

H.M.JR: All right, sir.

(Mr. Gamble left the conference.)

H.M.JR: I am looking forward to nine-thirty tomorrow morning. It is a question of getting the banks and the War Savings together.

MR. BELL: He has got the problem.

H.M.JR: It was a good hunch. Let's see what happens.

MR. BELL: He knows what has got to be done - if not now, eventually.

MRS. KLOTZ: He will put his money on War Savings.

H.M.JR: That is all right. The more people we get thinking about this thing - by next Monday--

- 18 -

MRS. KLOTZ: I can tell you now where he will come out. You will be right back where you started.

H.M.JR: You mean with him?

MRS. KLOTZ: Sure. These fellows - I can understand it because they are sold on what they have done and it is just impossible - you wouldn't want them to shift over and say, "Let the other fellow do it."

MR. BELL: They have got to be loyal and they are interested in their work.

MRS. KLOTZ: I think Mr. Graves and Mr. Gamble are one thousand percent sincere.

MR. BELL: There isn't any doubt about it.

MRS. KLOTZ: They can be wrong, but they are sincere.

MR. BELL: I think maybe the largest part of our problem is in Washington, just as it was on the F and G's. You remember--

H.M.JR: Do you think it is?

MR. BELL: You remember they said, "You will ruin the morale of all the workers if you change the F and G's."

We were told that the F and G Savings Bonds change would shock the morale of all of the War Savings Staff throughout the country. As a matter of fact, you received calls when you made your decision telling you that it was right, and that it should have been made a long time ago. You remember the fellow that called from Philadelphia, and one of the War Savings Staff administrators in the West, and there were other people. I don't think the field - the War Savings Staff field - feels as strongly about this coordination as here.

- 19 -

H.M.JR: No, and these people here in Washington, I know them so intimately that it makes it a little bit more difficult.

MRS. KLOTZ: Yes, but if you left tomorrow and you took in Mr. "X" - you turned this whole thing over to him - you would be able to sit here and just shut your eyes and not take part in it. He would do it.

(Mr. Buffington entered the conference.)

H.M.JR: What I would like you to do is this. Supposing you fellows come in some time tomorrow forenoon with a suggestion of how you think these two things can be brought together.

MR. BUFFINGTON: Fine.

H.M.JR: Knowing the situation - having been here--

MR. BUFFINGTON: You mean that I talk with these executive managers when they come in, or would you rather not have--

H.M.JR: What do you (Bell) think?

MR. BELL: You are going to see them tomorrow morning early, aren't you?

H.M.JR: I don't know how early, but during the day, yes.

MR. BUFFINGTON: I would like very much to have the benefit of their--

H.M.JR: I think you had better. That is the whole purpose.

MR. BUFFINGTON: Perry Hall is coming, and Fleek will be here the first thing in the morning.

- 20 -

H.M.JR: But they have to be practical on this thing.

MR. BUFFINGTON: You came nearer this morning to my views than anyone has come, to date.

H.M.JR: What was that?

MR. BUFFINGTON: For the three-week period we have got the job to do and we solicit anybody other than pay-roll savings within whatever limits you set; and the Victory Fund Committee would have the opportunity to utilize the publicity section for the period of the drive, and as much of the personnel as they require.

H.M.JR: Anyway--

MR. BUFFINGTON: I want to say just one more thing. Yesterday afternoon when I rather agreed with Sproul or Eccles on this question of going to a State organization, I think it is so important that this effort be under one head, that what I meant was if it was going to be a divided effort through the Federal Reserve, I would rather see any kind of a State effort or other effort under one head than I would divided, because this is a big job.

H.M.JR: Well, we will keep talking.

MR. BUFFINGTON: Fine.

H.M.JR: Those men that I suggested bringing in are as good as any?

MR. BUFFINGTON: The best ones you could bring in.

H.M.JR: New York and Cleveland?

MR. BUFFINGTON: And Chicago. They were the three men who talked about the F and G situation with you, but you have the best investment minds, I think - the security selling minds - that we have in the organization.

H.M.JR: O.K. If we all keep our shirts on we will get a happy solution.

February 17, 1943
11:13 a.m.

HMJr: Hello.

Operator: Mr. McIntyre. Go ahead.

HMJr: Marvin?

Marvin H.
McIntyre: Yeah, Henry.

HMJr: How are you?

M: Fine.

HMJr: Marvin, do you know Harrison Jones, chairman of
Coca-Cola?

M: Very, very casually. I've just met him. Why?

HMJr: Well, I was thinking of trying to get him inter-
ested in some important job we have here with
War Bonds, see?

M: Uh huh.

HMJr: And when I was down to Atlanta a month ago,
Walter George said, "You know Harrison Jones is
the only New Dealer in the whole crowd there."

M: Yeah, I believe that's true.

HMJr: And I didn't want to approach him on account of
Jim Farley and all that....

M: Yes.

HMJr:unless I was sure that it was all right with
the White House.

M: Yeah.

HMJr: You see?

M: Yeah, I don't think that would have anything to
do with it.

HMJr: What?

M: I don't think the Boss would care a damn.

HMJr: You don't think he'd care a damn.

M: No, but I'd be glad to ask him, Henry.

HMJr: Supposing you just check, and he - George was joking about it, because he was saying on the \$25,000 thing that the only person in the company it hit was Harrison Jones and he's the only Roosevelt admirer in the - in the whole company.

M: (Laughs) Yeah.

HMJr: So he said, "We're all kidding Harrison Jones because he's got hit by his friend."

M: Of course, I wish to God he'd never started that, Henry.

HMJr: No. Do you think you could....

M: Sure, I'll check with him this morning.

HMJr: Would you this morning?

M: Yeah.

HMJr: Because I'd like to get in touch with him....

M: Yeah.

HMJr: ...and he helped us once before. He's a very able citizen.

M: Say, Henry.

HMJr: Yes.

M: Have you got a second?

HMJr: Always.

M: (Laughs) I've got no brains, but I have a lot of ideas and then never know what to do with them.

HMJr: Well, now don't run yourself down that way.

- 3 -

M: (Laughs) Well, it just - just occurred to me, and I've just passed it to one or two people casually....

HMJr: Yes.

M:and I don't know whether anything's being done about it or not, but there - there're two things that sort of interlock. Take South America, for instance.

HMJr: Yes.

M: I don't know enough about their agricultural set-up, so maybe it's not smart at all. But it looks to me like we ought to be able to make some deal down there and start shipping beef and mutton and stuff like that straight across from Natal to our troops in Africa.

HMJr: Yeah.

M: And on the other side of the fence, I've been told by some people who know South America pretty well that there's a lot of idle money tied up down there, and I don't know any better investment than our bonds.

HMJr: Yeah.

M: I'm just wondering whether there'd be any possibility of somebody looking into that a little, and....

HMJr: Well, the fellow to do it would be Nelson Rockefeller.

M: Well, don't - don't you think there's - there's a germ of an idea there?

HMJr: Sure, sure.

M: I think I'll talk to Nelson about it.

HMJr: Why don't you give him a buzz?

M: Just like I'm doing to you, see?

HMJr: That's right.

M: It won't do any harm.

- 4 -

HMJr: Right.

M: Okay, Henry.

HMJr: And do you think you could....

M: Yeah, I'll check with him this morning, as soon as he gets over.

HMJr: Thank you.

February 17, 1943
2:23 p.m.

HMJr: Hello.

Operator: Mr. White is on his way down to the entrance to leave the building, but he hasn't reached there yet.

HMJr: Well, see if you can catch him.

Operator: All right.

HMJr: I want to just talk to him on the phone.

Operator: All right.

2:24 p.m.

HMJr: I don't expect you to answer anything, because you're in a public place, aren't you?

Harry White: Yes, I am.

HMJr: I wish you could talk today or tomorrow with either Lauch Currie or Ezekiel or both.

W: All right.

HMJr: And are any of these men that they're getting out these days, like Eberstadt - are they somebody that I might be able to use in the Treasury? I see Eberstadt's out, and there's another fellow just got out.

W: I'm sure they - they wouldn't (laughs) feel very friendly towards that chap.

HMJr: They wouldn't.

W: Neither of those two.

HMJr: Well, I....

W: But there may be others. I'll find out.

- 2 -

HMJr: Well, I - there's a whole flock that they're getting out, you see?

W: I see - oh, you mean along with them?

HMJr: Yes, every day now.

W: I'll ask them if they....

HMJr: What I have in mind is somebody who could - who could supervise Procurement for me, you see?

W: I see.

HMJr: That's what I have in mind.

W: I'll contact them and find out.

HMJr: I mean I purposely go to them because after all if they said Eberstadt was wonderful, (laughs) it would be quite a compliment.

W: Oh, yes, yeah.

HMJr: I don't....

W: They may have some ideas, and I'm sure they'll....

HMJr: I mean with all these people getting out....

W: There may be at least one or two good men among the lot.

HMJr: Yeah, you know that fellow in charge of Little Business - now I don't know - you see....

W: No.

HMJr: His name is Lou Holland.

W: Yeah.

HMJr: The man who was supplanted by Colonel Johnson.

W: Yeah.

HMJr: Now maybe....

- 3 -

W: Yes. I'll find out for you.

HMJr: I thank you.

W: All right.

February 17, 1943
2:45 p.m.

FINANCING

Present: Mr. Bell
Mr. Graves
Mr. Buffington
Mr. Gamble
Mr. Thompson
Mr. Odegard
Mr. Haas
Mr. Hobbs
Mrs. Klotz

H.M.JR: I had lunch today with General Marshall, and he was recounting how they sat down over there at Casablanca; and after five days the two combined Chiefs of Staff had worked out a plan.

After all, what they had to do was one thousand fold more difficult than what we have to do, and we don't have to sit down with any Girauds, DeGaulles, and the English, and so forth, and so on. This is all one Treasury family.

Now, for this April drive I want to get the combined efforts of everybody that has anything to do with selling securities. First, we have to get together here in the Treasury, and it seems to me that we are all working for the Treasury. I have to sell fifteen billion dollars, and some of you have salesmen that can sell people with a million dollars, some can sell labor unions twenty-five dollars, and some of you have a publicity department - some of you haven't. You ought to be able to get together, and the answer is that you have got to.

- 2 -

I sent for some of these people, like the State administrators, and some of the Victory Fund people; and I thought that if we wanted to, we could have some of the presidents of the Federal Reserve Banks in Saturday and Sunday. After all, if we can get New York and Chicago straightened out, we can get any place straightened out.

I am ready for consultation. I don't care what you people have; with the exception of Mr. Bell, everybody else in the room will have to drop everything. I don't care what it is; just drop it; and please concentrate on this. As you get into different situations - what I am doing, I will drop, but this is a question - every person has to give up something. I mean, they just can't - I had Ted in this morning, and he put it in a nutshell. It is a question of getting the War Savings organization and the banks together. It isn't impossible, but we have got to be together. I have to get every ounce I can out of everybody, and I have to start here in Washington.

If we can get together here, then I am prepared to tell the field what to do, but I want the field people in. I think it may be a good thing to have the presidents of the Federal Reserve of New York and Chicago here over the week end and just let's sweat this thing out.

After all, if they can work out a plan for the whole world in five days, we ought to be able to do one in five days here. If at the end of five days you fellows don't do it, I will do it, and then nobody will like it. I mean, I am going to do it, anyway. I am going to give you the first chance; and if at the end of five days you won't do it, I will just take a pencil and Bell, Norman Thompson, and I will get together and we will just dictate it, that is all.

I would much rather do the talking to the State administrator for New York and Chicago, talk to the Federal Reserve fellow, talk to the Victory Fund fellow, and so forth, and so on.

- 3 -

I want every ounce that everybody has put behind this thing, because this is my job, this is my responsibility. We can't fail. I don't want to bother the President. He shouldn't be worried about it. We don't want a Wilson-Eberstadt episode in the paper - we don't want to fight this thing out in the paper. We don't want a Jeffers episode.

You have all worked with me; I have confidence in all of you. I like all of you, and I think you like me. We have gotten along, but it has gotten to a point where I have to have in April a unified selling force selling these things, from the very rich to the man that has a few dollars saved. We have to reach everybody.

This whole question of inflation and of syphoning off this money - but what kind of a thing is it going to be, whether it is going to be Mr. Eccles, who wants us to sell an installment bond--

MR. BELL: I heard about that. He went up before the Committee this morning.

H.M.JR: Who, Eccles? What committee?

MR. BELL: Banking and Currency.

H.M.JR: He said it here yesterday.

MR. BELL: It is all right to say it in this room, but he went up before the Committee this morning.

H.M.JR: What was he doing, testifying?

MR. BELL: On a bill, yes.

H.M.JR: You are used to that. That is all right.

I mean, Eccles has been very good since Pearl Harbor. You have to let him shoot off his mouth once in a while. As I said the other day, this is a progressive school, and every pupil has to express himself, you see.

- 4 -

and there is no discipline. I don't mean in the Treasury, but in the Administration. Right? (Laughter)

MR. ODEGARD: I took my child out of the progressive school. (Laughter)

H.M.JR: I happen to believe in discipline.

MR. ODEGARD: I do, too.

H.M.JR: I don't believe in the rod, but I do believe in discipline. We are living here in Washington in a great big progressive school. You took yours out - the oldest, of course?

MR. ODEGARD: Yes.

H.M.JR: I also believe in the old-fashioned school, but that is the situation, and you might just as well recognize the rule.

What kind of school do you believe in?

MRS. KLOTZ: Progressive. (Laughter)

H.M.JR: Anyway, I offer you my sacred chart room as neutral ground.

Who wants to ask me some questions? I have ten minutes. I gave Gamble quite a talk this morning.

MR. BELL: He probably has a plan half way finished.

H.M.JR: Bell and I think that the most difficult thing is to get you fellows together. If we can get you fellows together, then Allan Sproul will be just easy.

MR. BELL: A push-over. (Laughter)

H.M.JR: If anybody has anything, I am ready at any time. You can meet in there; when you have something which

- 5 -

you want me to settle, I will stop whatever I am doing within a couple of minutes and come across the hall. I don't care what you are doing, this is the most important thing.

Certainly Haas and his people have some ideas. They have some facts that are useful - sometimes.
(Laughter)

Isn't that a good idea, Dan, as a result of having lunch with General Marshall?

MR. BELL: Sure.

H.M.JR: We will put a little military spirit into this thing.

MR. BELL: Maybe we should have uniforms on.
(Laughter)

MR. HAAS: That is one way to get them to march straight. (Laughter)

MR. GAMBLE: The alternative is firing somebody, isn't it? (Laughter)

H.M.JR: No, the alternative--

MRS. KLOTZ: Shotgun. (Laughter)

H.M.JR: I am going to sell these bonds, because if I don't somebody else will. I thought you (Mr. Graves) needed a little assistance here.

O.K., Harold? Will you take it on?

- 6 -

MR. GRAVES: Sure.

H.M.JR: George?

MR. BUFFINGTON: Yes, sir.

H.M.JR: And, Norman, you had better sit in there as kind of an umpire. After all, you are going to have to draw the rules and regulations, and you had better know what is going on. Are you well enough to do this? You don't look full of fight.

MR. THOMPSON: I think so.

H.M.JR: If you can't stand it - if you can't wait, just draw the rules and regulations. (Laughter) After all, you will have to sit in on this thing.

MR. THOMPSON: I will be glad to.

MR. BELL: Do you want to wait until they come out of this - what did you call it, the crying room or the chart room? (Laughter)

H.M.JR: A crying room, is that what you call it?

MR. BELL: That is what we call it in poker. We always have an extra room for the losers. (Laughter)

H.M.JR: This is what is known as a sweat chamber. (Laughter)

MR. BELL: Do you want to wait until after they have the conference before we decide whether we are going to have the presidents here over the week end?

- 7 -

H.M.JR: I think it would be better to put them on notice.

MR. BELL: Just the two of them? Young will be here tomorrow. I don't know if he is prepared to stay over.

H.M.JR: We can buy him a tooth brush. You had better put Sproul on notice, because he is difficult to handle. Who is the other one?

MR. BELL: Al Williams.

H.M.JR: All right.

MR. BELL: Williams and Sproul are the two that stand out in the System. They do more arguing than any other two.

H.M.JR: And Hap Young - I think that is enough.

Are you having your man from Cleveland?

MR. BUFFINGTON: New York and Chicago.

H.M.JR: Do you want to bring this fellow down from Cleveland?

MR. BELL: He is in Florida. I don't believe I would bring the vice president down.

H.M.JR: Well, Bell, you are available. I want them here because I have to move.

MR. BELL: Over the week end? If they come here Saturday--

H.M.JR: Yes, because I can't - we have to move. Today is what, Wednesday?

MR. BELL: Yes, say "Be here Saturday morning prepared to stay until Sunday night?"

- 8 -

H.M.JR: Saturday, prepared to stay until Monday night.

MR. BELL: All right. I had better send Hap Young a wire.

H.M.JR: Of course, if you can keep this from getting down into the field, it would be helpful. I don't know how much we can do it.

MR. BELL: We will discuss it only on a confidential basis with the people coming in.

H.M.JR: How did it go with you this morning, Harold?

MR. GRAVES: I hate to prophesy. I would say fairly well. I had two Senators whom I thought were very friendly, Tydings and Lodge.

H.M.JR: They were friendly?

MR. GRAVES: They were friendly.

H.M.JR: You pick peculiar company.

MR. GRAVES: I didn't pick them.

McKellar was more interested, I thought, in kind of making a record on economy and efficiency in the Government the Administration - you know, like he does.

H.M.JR: Did he bring out the mailing tube?

MR. GRAVES: No, he didn't bring out the mailing tube. Our discussion involved similar matters. The question there was reduction in our advertising.

H.M.JR: Paid advertising?

MR. GRAVES: No, printed matter.

MR. BELL: The whole promotional end?

- 9 -

MR. GRAVES: No, just printing and binding.

H.M.JR: Today, for instance, comes to my desk - to illustrate - this paper, "One of the Greatest Success Stories of 1942." There is a memorandum attached to it about a March 1 campaign.

MR. ODEGARD: Who is the memo from?

H.M.JR: Callahan. I don't know what the new campaign of March 1 is. Do you know?

MR. BELL: No, I don't know what it is, but I suppose that is the campaign I told you was in the making and which I asked Harold not to do anything on in the way of commitments until this other decision. Is that the one?

H.M.JR: Well, here it is. It is out.

MR. ODEGARD: Mr. Secretary, these things were planned long ago. When you plan a campaign, you have to plan it for a fairly long period of time. These ads, as far as I know, have not gone out.

H.M.JR: But Mr. Bell specifically asked that nothing should go out.

MR. GAMBLE: This is not tied in with any activity, Mr. Secretary.

MR. BELL: Is this going to appear in some paper?

MR. GAMBLE: He (Bell) said that if we were engaged in some program where some activity would conflict with the April drive, we should hold this up. This is just a step forward in our copy. It is actually just an intensification of copy. It could help their April drive. It is a little tougher copy than we have been using, but not tied in with our activity.

H.M.JR: Here is another one "Smash the Axis and Pay Your Taxes."

- 10 -

MR. BELL: Those must be Sullivan's.

H.M.JR: Did he get that through Callahan's organization?

MR. ODEGARD: Through General Outdoor Advertising.

MR. BUFFINGTON: That is from the end of the old Disney film, the Donald Duck film that the General Outdoor Advertising Association used on some billboards.

H.M.JR: Was that coordinated at all, or just goes--

MR. BUFFINGTON: That is just on taxes. That hasn't any part in your financing.

H.M.JR: Well, it is advertising.

Well, anyway, I am here. Mr. Bell is here. You fellows get together now, will you, please?

MR. GRAVES: You want Norman Thompson to preside as moderator?

H.M.JR: I think so.

MR. GRAVES: He can guide the discussion and sort of--

H.M.JR: Well, I don't think he knows enough about it yet.

Do you?

MR. THOMPSON: I am afraid I don't.

H.M.JR: Do you want to launch it?

MR. BELL: Yes.

H.M.JR: Why don't you do that? You launch the thing and then let Norman take it up. I can see these other people alone.

- 10 -

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February 17, 1943
4:57 p.m.

Marvin H.
McIntyre: Henry?

HMJr: Right.

M: The Boss said that he thought that was a very happy selection.

HMJr: He does think so.

M: Yes, sir.

HMJr: Well, then....

M: Is that all right?

HMJr: Yes - I mean I - I'm going to send for him, and see whether he'd be....

M: Huh?

HMJr: Hello?

M: Yeah.

HMJr: I'm going to send for him.

M: Okay. He liked it.

HMJr: He liked the idea.

M: Yeah.

HMJr: Does he know him?

M: Apparently. He just looked at it and read it through. I sent a little memorandum, and....

HMJr: And....

M:told him what you had said about....

HMJr: Jim Farley?

M:about - no, I didn't mention James Farley. It didn't make any difference. He ain't going to fool with that. You know, he knows it anyhow.

- 2 -

HMJr: Oh, about....

M: So I told him what you said about what George told you.

HMJr: Oh, yes.

M: And he was smiling when he turned around, and he said, "I think that's a very happy idea."

HMJr: Well, now I'll - I'll call him up now.

M: Okay.

HMJr: Thank you.

M: Right, Henry.

February 17, 1943
4:59 p.m.

Operator: Go ahead.

Harold
Ickes: Yes.

HMJr: Hello, Harold.

I: Henry, how are you?

HMJr: I'm fine.

I: Quite all right again, are you?

HMJr: Yeah.

I: Well, that's good. That's all I wanted to know.

HMJr: Well, that's very nice of you.

I: I'm glad there's one sound man in Washington.

HMJr: (Laughs) When can we have lunch together?

I: Oh, let's try it next week.

HMJr: Do I - do you want to come over Tuesday?

I: I haven't got my dates here. Let me - I'll call you back on it.

HMJr: What?

I: All right, Henry.

HMJr: Will you call me back?

I: Yeah.

HMJr: Okay.

I: Yeah, fine. Goodbye.

February 17, 1943
5:04 p.m.

Harrison
Jones:

Yes, Mr. Secretary.

HMJr:

How are you?

J:

I'm fine. I'm delighted you are back and I hope you are well.

HMJr:

I'm fine. Mr. Jones....

J:

Yes.

HMJr:

....I'd like you to come up to Washington to see me, if there'd be any chance of interesting you in doing a very important job up here for me.

J:

Oh, Mr. Secretary, we - we're almost stripped down until I'm almost the - the old veteran, the only....

HMJr:

Well....

J:

....one here.

HMJr:

I know. We're all stripped.

J:

We've let so many men go into the Government work....

HMJr:

Yes.

J:

....I've got so much on me that's excess, I don't know what I could say to you. I - you let me do a little thinking. Do you want to reveal any more or do you want to wait until you talk to me?

HMJr:

Well, I'd a little bit rather talk to you. I - I wanted to say this, before I called you I - I cleared it with the President, and he was very enthusiastic.

J:

Well, that's very nice of him.

HMJr:

So....

- 2 -

J: I'm - how - how imperative is this? I've got to be in Washington in about a week.

HMJr: Oh, no, I - I....

J: That's too late?

HMJr: Yeah, because I - I wanted to talk to you first before I talked to anybody else.

J: Uh huh. Well, you give me tonight....

HMJr: Yeah.

J:and I'll try to give you a ring in the morning.

HMJr: You - you call me in the morning.

J: Yes.

HMJr: Because - well, I'll - why don't I tell you what I had in mind - hello?

J: Go right ahead, yes.

HMJr: Well, what I've got in mind is this, I'm looking for somebody who will head up this combined Treasury Securities drive, you see?

J: Yes.

HMJr: Both War Bonds and Victory Fund.

J: Yes.

HMJr: And we've got to do - sell somewhere between sixty-five and seventy-five billions.

J: Yes.

HMJr: And I - I want somebody who is nationally sales-minded, you see?

J: Yes.

HMJr: Hello?

J: I see that, yes.

- 3 -

HMJr: Who knows - I mean who's got the - who's done this thing commercially.

J: I - I understand.

HMJr: And what it really amounts to, as I say, is to head up this whole question of sale of Federal securities.

J: I understand.

HMJr: That - that's what I got in mind.

J: All right. Now I'll have to talk to two of my men, both of whom are out of town, Woodruff and ?

HMJr: It's a big job, but it's also a great opportunity.

J: I'll give you a ring tomorrow.

HMJr: You do that.

J: Thank you so much.

HMJr: Thank you.

325

○ Mr. Bell said not necessary to show to Secretary as he is handling it and spoke to the Secretary about it.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 17, 1943

TO Secretary Morgenthau

FROM Mr. White

Subject: Extension of Amendment providing for the use of government securities as collateral for Federal Reserve notes

The amendment to Section 16 of the Federal Reserve Act authorizing Federal Reserve agents to accept direct obligations of the United States as 60 percent of the collateral against the issuance of Federal Reserve notes expires June 30, 1943. Unless this provision is extended, the Federal Reserve Banks will find themselves with deficient reserves of gold and lawful money soon after the middle of this year.

The Reserve Board is undoubtedly aware of this situation and will take appropriate action. As this matter is closely related to Treasury financing, however, I thought it should be called to your attention.

The accompanying memorandum shows the changes in the reserve position of the Federal Reserve System which are likely to take place over the next two years.

Copies to: - Mr. D. W. Bell
Mr. Paul
Mr. Haas

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 17, 1943

TO Mr. White
FROM Mr. Mikesell
Subject: Extension of Amendment to Section 16 of the Federal Reserve Act

The provision authorizing Federal Reserve agents to accept direct obligations of the United States as collateral against the issuance of Federal Reserve notes expires June 30, 1943. Unless this provision is extended the Federal Reserve Banks will soon find themselves with deficient reserves of gold and lawful money.

Because of a lack of rediscounts Federal Reserve notes in recent years have not been backed by eligible commercial paper. Instead, they have been issued against a reserve of nearly 100 percent in gold certificates. When a shortage of gold reserves seemed imminent in 1932, the Glass-Steagall Act was passed authorizing substitution of the direct obligations of the United States for eligible commercial paper up to 60 percent of the collateral against Federal Reserve notes.

The increase in the need for bank credit for financing the war and the unprecedented expansion of currency have put pressure on the reserves of member banks, and it will be necessary for the Reserve Banks to supply additional reserves in the future. Unless the provision authorizing the Federal Reserve Banks to issue Federal Reserve notes with a backing of 40 percent in gold certificates and 60 percent in United States obligations is extended, the Federal Reserve Banks will lack the gold and lawful money reserves necessary for the expansion of member bank reserves and the issue of additional currency, except under a penalty provision.

In December 1942, total reserves of Federal Reserve Banks amounted to \$20.9 billion, of which \$5.2 billion were required to be held against deposits. If the \$12.2 billion in Federal Reserve notes outstanding were to be backed 100 percent by gold certificates, free reserves of the Federal Reserve Banks would amount to only \$3.5 billion. However, if the notes required only 40 percent gold certificate collateral (with the remaining collateral in United States obligations), free reserves would amount to \$10.8 billion.

Division of Monetary
Research

- 2 -

Without this provision, the reserves of the Federal Reserve Banks will become inadequate for maintaining necessary member bank reserves (at present reserve requirements) and for issuing Federal Reserve notes by the fall of this year. Even if member bank reserve requirements are reduced to the lowest level permitted by law, the reserves of the Federal Reserve Banks will become inadequate within a year. However, if the Act is extended permitting the issue of Federal Reserve notes backed 40 percent by gold certificates and 60 percent by United States obligations, the Federal Reserve Banks' reserves will be adequate to provide additional currency and member bank reserves (at present reserve ratios) for at least three more years.

The appended table shows the present and prospective reserve position of the Federal Reserve Banks.

Federal Reserve Bank Reserve Requirements ^{1/}

	Dec. 30 <u>1942</u>	June <u>1943</u>	Dec. <u>1943</u>	June <u>1944</u>	Dec. <u>1944</u>
	(In billions of dollars)				
Gold and lawful money reserves of Federal Reserve Banks	20.9	20.9	20.9	20.9	20.9
Reserve required for deposits	5.2	5.8	6.7	<u>7.6</u>	8.5
Reserve required for Federal Reserve notes:					
(a) with 100 percent gold certificates	12.2	13.7	15.2	16.7	18.2
(b) with 40 percent gold certificates; 60 percent United States obligations	4.9	5.5	6.1	6.7	7.3
Excess or deficiency of reserves of Federal Reserve Banks:					
(a) with 100 percent gold certificates	3.5	1.4	-1.0	-3.4	-5.8
(b) with 40 percent gold certificates	10.8	9.6	8.1	6.6	5.1

^{1/} It is assumed that reserves of the Federal Reserve Banks will be unchanged and that they will engage in open-market operations in order to provide member banks with enough reserves to acquire approximately \$30 billion in Government securities annually. It is also assumed that member bank reserve requirements are not reduced and that currency in circulation will increase \$3 billion annually.

Treasury Department, Division of Monetary Research February 17, 1943



Mrs Klotz 330
MB

TREASURY DEPARTMENT
WASHINGTON

February 17, 1943.

MEMORANDUM ON MEETING OF THE JOINT
COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 10:00 A.M., Wednesday, February 17, 1943, in the Senate Finance Committee Room in the Senate Office Building. There were present:

- Senators:
 - Byrd
 - Eye
 - George
- Bureau of the Budget:
 - Mr. Lawton
- Delegation representing the American Bankers Association
 - Mr. Goss representing the Master Grange.

The meeting opened at approximately 10:15 at which time Senator George arrived. Senator Eye left at 10:43. The Committee reporter made a stenographic transcript of the meeting. Reporters were present.

Senator Byrd opened the meeting and said the Committee would hear from Senator Wherry, concerning the reestablishment by the Department of Agriculture of the Regional Agricultural Credit Corporation, and also from representatives of the American Bankers Association.

Senator Wherry made a brief general statement in which he pointed out that after the announcement on January 23, 1943 by the Secretary of Agriculture to the effect that the Regional Agricultural Credit Corporation would be reestablished to make 5% loans to farmers and that total funds available would amount to about \$225,000,000, he wrote to the Secretary of Agriculture on January 28 to obtain information concerning the matter. The Senator also stated that he had introduced Resolution No. 6 calling upon the Committee on Reduction of Non-Defense Expenditures to investigate this action of the Department of Agriculture. The Senator stated there was no need for additional sources of agricultural credit; that the PCA's and the FSA are furnishing agricultural credit at the present time, and that commercial banks have adequate agricultural credit available for legitimate purposes. He stated the principal farm problem at the present time is lack of manpower and the lack of equipment.



- 2 -

Senator Wherry introduced a dirt farmer from Nebraska, Mr. Neal Hassel, to give testimony to the Committee.

Mr. Hassel said he owns 480 acres which he operates for himself; that he operates 640 acres on a 50-50 basis with his son, and he operates 1,000 acres for other people. He said he was a member of the State Tax Association in Nebraska and the members of his Association were much concerned when new bureaus were started in Washington because they knew they would mushroom out and develop into large expensive organizations for the Government to support. He said that in the last 5 years farmers have had no difficulty in getting credit at rates which were the lowest in his knowledge. He said farmers could get cattle loans for a maximum of 4-1/2% and barnyard loans (loans on chattels) at 5-1/2%. For similar loans 12 years ago farmers were paying 10%. Mr. Hassel said he was a member 4 years of the County FSA Committee; that FSA loans range from \$1800 to \$3500, and in his opinion are ordinarily made to dead beats. He said in his opinion the main farm problem is the lack of equipment and manpower. He said only 2 corn pickers were assigned to the entire county from which he comes and that farm sales are numerous because of the lack of manpower to run them. In his own case he said he had borrowed this year from the bank at 3%, but that he had to take the loan for the entire year and had no option to repay it before the due date. He also said there were 149 FSA loans in his county and that at least 100 of these loans should be with the banks.

Mr. Wiggins, President of the Bank of Hartsville, South Carolina, Vice President of the American Bankers Association, and Chairman of the Association's Committee on Federal Legislation, suggested that the Committee hear Mr. Goss before hearing the banking representatives.

Mr. Goss spoke for 10 minutes. He said that the Grange did not believe that Government loans were necessary and there was no problem involving farm credit at this time. He said the principal farm problems concern labor, equipment and in some few cases prices. He said the Grange did not believe in Government lending except in some cases where no other sources of funds are available. He said he had spoken to Secretary Wickard and Governor Black and they had informed him that the revival of the RACC was to take care of cases where no credit is available or for hazardous risks. He said if this was true some loans were undoubtedly justified, but he did not know whether it was true because his general information indicated there was not much need for this class of loans.

Mr. Goss said he had pointed out to Secretary Wickard some weak spots in the present proposal. He outlined some of the previous history and experience of the RACC operations and said that under the present proposal a loan committee has been set up in each county but

- 3 -

the committee is not responsible to the FGA which has jurisdiction over the RACC. He said the county committee is made up of a Chairman of the County War Board and one agent of his selection and that neither principal necessarily has any credit experience. The committee may lend without RACC review or permission up to \$2500 and in some classes of loans up to \$25,000. Mr. Goss said that Secretary Wickard had asked him for his recommendations to safeguard the loans and he had submitted a memorandum suggesting that loans be limited to those persons who have been turned down by other agencies and also that the committee be made up of a man selected by the PCA having credit experience, the county agent and one other person. He said the Government was not doing farmers any service by lending them more than they can pay. He also stated that an interest rate of 5% in many areas was not self-supporting.

Senator Byrd pointed out that the Agriculture Department is setting up a new organization in 12 regions with 22 branches and an organization in every county in the country and that this duplicates existing agencies.

Mr. Wiggins spoke from 11:10 to 11:32. He made a general statement to the effect that financing farm production is one of the chief concerns of banks. He pointed out that 79% of commercial banks are institutions having \$2,000,000 or less and are located in rural areas. Their chief activity is in the field of agriculture. He said that despite Government programs to force credit into agriculture, the commercial banks made over 80% of all crop production loans last year. He said revival of the RACC will not accomplish increased production of food, but will have an opposite effect as it will encourage agricultural gamblers to raid the available manpower on well-managed farms.

Senator George asked what effect this action of the Department of Agriculture would have on country banks and whether it would weaken them. Mr. Wiggins replied to the effect that when unsound credit is introduced in a field it weakens the entire field.

Senator George stated that the Treasury faces the greatest financing need in history and must look to country banks. He said anything that weakens country banks adversely affects the financing program and interferes with Treasury operations.

Mr. Wiggins reviewed briefly the information which he had obtained from the Department of Agriculture as to the manner in which the RACC would operate and pointed out that loans could be made for payment of income taxes and other taxes and interest on indebtedness. He said the ANA recognizes that there are problems involved in our food production program, but claims that the solution is not in the revival of the RACC.

- 4 -

Mr. Hemingway, President of the American Bankers Association, testified from 11:32 to 11:45. He presented for the record a statement of the policy of the ABA on agricultural credit. He reviewed the services which the ABA had been rendering to the Treasury since early in 1941 in connection with the sale of War Savings Bonds. Mr. Hemingway said Secretary Morgenthau had stated that the banks had sold 85% of all War Bonds at their own expense. Mr. Hemingway also pointed out that when the 12 Victory Fund Committees were organized the banks again offered their services and were accepted by the Treasury. He said an ABA committee advises with the Treasury on financing, and that while the December financing went over well, it was not satisfactory from the distribution standpoint. He said the April financing will involve a wider distribution of bonds to factory workers and to rural farm areas. He said the Association was surprised at the move to revive the RACG; that he had discussed the matter with the Secretary of the Treasury, and he said he thought it would have a bad effect on the forthcoming drive. He said he did not want to quote Secretary Morgenthau, but he thought the Secretary agreed with him.

Senator George also said he could not speak or quote the Secretary of the Treasury but he thought the Secretary would be profoundly affected by this move of the Department of Agriculture.

Mr. Hemingway read a news article in the New York Times Herald which he had before him, and which claimed that the Secretary of the Treasury had prepared a formal protest to the Secretary of Agriculture. Mr. Hemingway also said the banks had undertaken ration banking for OPA in spite of a manpower shortage and the banks were also helping the War and Navy Department and the Maritime Commission to finance war contracts through Regulation V loans. He said about \$3,000,000,000 of these loans were in existence, thereby relieving the Treasury.

Mr. L. R. Alter, Executive Vice President of the First National Bank of Grand Island, Nebraska, spoke for 12 minutes. Mr. Alter said he was one of the regional directors in 1932 of a RACG which had made \$42,000,000 in loans with less than 1% loss. He said the capital and expense advances had been returned in whole to the RFC. Mr. Alter said the farmer today not only has money on deposit in banks, but has paid off chattel loans and reduced mortgage loans. In his area he claimed that 13 banks had liquidated because of the competition of governmental credit agencies and that this left many small communities without banking accommodations.

Mr. Paul H. Huston, Vice President of the Peoples Savings Bank, Cedar Rapids, Iowa, spoke for 5 minutes. He furnished the Committee information showing the number of committees he had served on in the last 10 years in Iowa with reference to farm problems. He

- 5 -

said his bank has \$500,000 in farm amortized mortgages outstanding at 4% and is carrying up to \$200,000 in cattle-feeding paper at a rate of 4-1/2%. He said in his opinion there was no need for additional agricultural credit from governmental agencies.

Mr. John H. Crocker, Vice President of the Citizens National Bank, Decatur, Illinois, spoke for 5 minutes with reference to soy-bean production. Soy-bean is one of the crops for which the RACC will make loans. Mr. Crocker pointed out that the 1942 crop of soy-beans was the largest in history, in excess of 200,000,000 bushels. He said a representative of the GOC told him a few days ago that it will take 12 months to process the 1942 crop.

Mr. Walker, Commissioner of Agriculture for the State of Virginia, spoke from 12:07 to 12:15. He said he was County Agent for 20 years and for the past 5 years has been Commissioner of Agriculture. He said there was no need for credit but there is great need for manpower, equipment, and price support for some farm products. He spoke briefly on some of the general farm labor problems in the Virginia area.

Mr. Ralph W. Moore, representing the Commissioner of Agriculture for the State of Texas, spoke from 12:15 to 12:27. He said the proposal to revive the RACC is another plan to control and regiment farmers and that the number one handicap to the farmers is OPA and number two is the Department of Agriculture. He said that farmers can get credit but they need assurances that prices will be maintained in relationship to labor; that farmers pay three times more for labor and get only one-half as much work from laborers. He said in his area farmers have lost 10 men to other industries as against 1 lost to the draft.

Mr. Charles O'Neal, a banker from Virginia and Chairman of the Agricultural Committee of the Virginia Bankers Association, spoke for a few minutes. He said there was an overwhelming public sentiment against expansion of governmental activities and he thought the public reaction to the proposal to revive the old RACC organization would be very grave. He said banks are rendering a great service and no new organizations are needed.

Mr. Wiggins spoke from 12:30 to 12:45 and summarized the position of the American Bankers Association.

Senator Byrd said the Committee would hear representatives from the Agriculture Department at the first opportunity.

The meeting adjourned at 12:45 P.M.

W. H. Wiggins

United States Senate

COMMITTEE ON
POST OFFICES AND POST ROADS

February 17, 1943

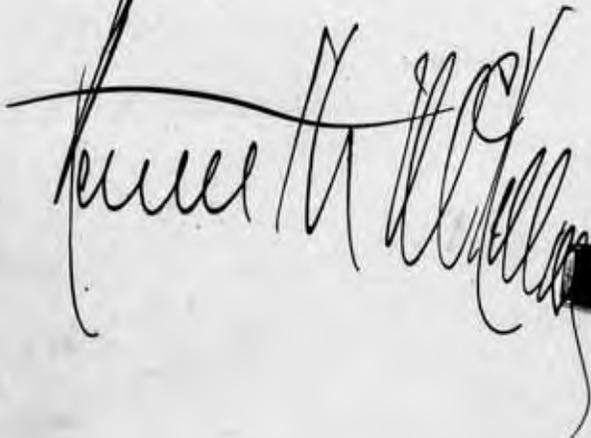
Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

Your letter of February 17 has been received
in regard to the Ruml Plan.

I appreciate your having written me. The
newspaper man failed to give you a true picture. I
can understand your position entirely.

Sincerely yours,



1821 3

336

McJillar Letter as revised by Messrs.
Gascon and Blough

Handwritten:
Sandville
Reading

February 17, 1943.

My dear Senator McKellar:

I beg to acknowledge receipt of your letter of February 16th, and I appreciate your taking the time to write me.

At my press conference, a reporter asked me whether I thought there was a likelihood of the taxpayers going on strike. The question took me completely by surprise. He did not hook it up with the Rural plan or with any statement made by yourself, and unfortunately I had not noticed what you had said. I am sending you herewith a verbatim report of that part of my press conference which has to do with this subject. I would particularly call your attention to my reference to "the masses", which I think goes a good way toward eliminating any apparent inconsistency with your statement.

Nobody appreciates more than I do the fight you are making to combat the Rural plan, and I sincerely hope that you will keep it up. It is most encouraging to me to know that you and I are fighting on the same side.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Kenneth McKellar,
United States Senate.

FILE IN DIARY

By Messenger

4:42
2/17/43

Handwritten note:
and address
by [unclear]

- Q You are worried about the inability or about something else - the fear of a taxpayers' strike, Mr. Secretary?
- A No, there won't be any - there is no taxpayers' strike. Where did you get that idea?
- Q I have been talking around to various people, and their attitude is that the rates are so high that they are not going to bother with returns this year.
- A No, I think that there won't be any --
- Q I mentioned that to Mr. Sullivan in a talk with him.
- A There is no taxpayers' strike amongst the masses.
- Q You are certain of that?
- A I am. I think it is the foundation of this whole democracy. Amongst the masses I don't think there is any. It is up to us to explain it to them, not only myself but the members of Congress.

TO:

2:43 P.M.
2-17-43

Mrs. McHugh brought this in.
She said that the Secretary would
like to have Mr. Gaston and Mr.
Blough go over it together and make
corrections etc. and send back to
the Secretary for signature before
4:30. (Send through Mrs. McHugh)

ds

339

FROM: MR. GASTON

DRAFT

My dear Senator McKellar:

I beg to acknowledge receipt of your letter of February 16th, and I appreciate your taking the time to write me.

At my press conference, a reporter ~~for the United States Daily News~~ asked me whether I thought there was a likelihood of the taxpayers going on strike. The question took me completely by surprise. He did not hook it up with the Ruml plan or with any statement made by yourself, ^{and unfortunately I had not noticed what you had said on} I am sending you herewith a

verbatim report of that part of my press conference which has to do with this subject. ^{I would particularly call your attention to my reference to "the masses," which I think goes a good way toward eliminating any}

Nobody appreciates more than I do the fight you are making to combat the Ruml plan, and I sincerely hope that you will keep it up. It is most encouraging to me to know that you and I are fighting on the same side.

Yours sincerely,

apparent inconsistency with your statement.

MS

United States Senate

COMMITTEE ON
POST OFFICES AND POST ROADS

February 16, 1945

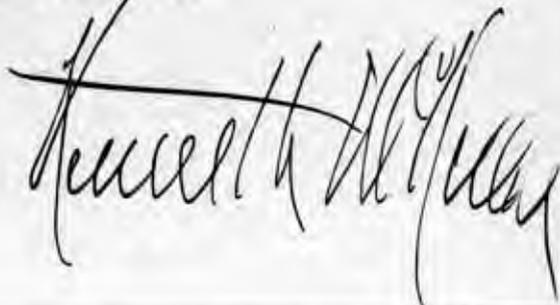
Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

A few days ago I made a statement in the Senate strongly combatting the Ruml Plan. I stated it looked like the beginning of a taxpayers strike. I thought I was helping you in your proper efforts to secure taxes with which to run the government and prevent inflation during this war.

The thanks I received for my effort proved to be your published statement in the WASHINGTON POST of today that you "deny the suggestion that there was a 'taxpayers strike.'" If you have read the newspapers recently it would seem that you would know that there is a tremendous movement by influential taxpayers and newspapers not to pay the 1942 taxes. I just happen to know that in my state at the end of January, 1942, eight thousand tax returns had been received, whereas this year only four thousand were made by the end of January. To my mind, the falling off was due entirely to the efforts of the big taxpayers of this country to put through the Ruml Plan, or some other plan. I am sorry you did not appreciate my aid.

Yours very truly,



KENNETH MC MILLAN, TENN., CHAIRMAN
RAL. HAYDEN, ARIZ.
FRANK W. BAILEY, N. C.
MULLEN, S. DAK.
FRANK C. O'MAHONEY, WYO.
JAMES CHAVES, N. MEX.
WILLIAM J. ELLERHOFF, ILL.
WILLIAM H. SMATHERS, N. J.
JAMES M. MEAD, N. Y.
FRANK MC CARRAN, NEV.
MEREDIAN DOWNNEY, CALIF.
LLOYD SPENCER, ARK.

JAMES J. DAVIS, PA.
CLYDE M. REED, KANS.
JOHN THOMAS, IDAHO
WILLIAM LAMMER, N. DAK.
HARRY A. RUTLER, NEBR.
RAYMOND E. WILLIS, IOWA
EUGENE D. MILLIKIN, COLO.

February 17, 1943

Congressman Doughton, Chairman of the House Committee on Ways and Means, today made public a letter from the President, the text of which follows:

"Some days ago you wrote me that there was a proposal before your Committee to amend the Public Debt Bill by adding a provision nullifying the Executive Order issued by me under the Act of October 2, 1942, limiting salaries to \$25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the Public Debt Bill could be passed without adding amendments not related to the subject, but that if the Committee thought otherwise, I would later write you my views.

"In a message to the Congress on April 27, 1942, I stated, '... discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year.' Thereafter the Treasury advised the Committee, 'To implement the President's proposal, the Treasury now recommends the enactment of a 100% war surtax on that part of the net income after regular income tax which exceeds a personal exemption of \$25,000. * * * It is recommended that for the purpose of the surtax, joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for the married couple.'

"So far as I know, neither House of the Congress acted upon the recommendation.

"When the Act of October 2, 1942 was passed, it authorized me to adjust wages or salaries whenever I found it necessary 'to correct gross inequities and also aid in the effective prosecution of the war.' Pursuant to this authority, I issued an Executive Order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds \$25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

"The legality of the Executive Order was attested by the Attorney General, prior to its issuance. No Executive Order is issued without such approval.

"The regulation issued under this Order, with my approval, was so worded that it affected only gross salaries in excess of \$67,200, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. I could not exercise the discretion vested in me by the Congress to adjust salaries, without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of \$67,200 a year while the government is drafting another man and requiring him to serve with the armed forces for \$600 per year. I believed it a gross inequity for the President of a Corporation engaged in the production of materials for the government, to receive a salary and bonus of \$500,000 a year while the workers in the Corporation were denied an increase in wages under the provisions of the law and my Executive Order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

"I call your attention to the fact that the limitation of salaries was, by the language of the Order, limited to the war period; and that the law upon which the Order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made 'in time of this grave national danger when all excess income should go to win the war.'

- 3 -

"This desire to limit personal profits during wartime is no new thought. Its origin is neither alien nor obscure. It is in accord with the solemn pledges of the Republican Party and the Democratic Party.

"In 1924, just after our soldiers had returned from the first World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

'We believe that in time of war the nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity.'

The Democratic Party platform the same year solemnly pledged:

'In the event of war in which the man power of the nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits.'

I repeat, this was in 1924, not 1928; and that these were the platforms of the Republican and Democratic Parties.

"I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and that the limitation should extend to all income. My Executive Order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

"Therefore, I urge the Congress to levy a special war surtax on net income from whatever source derived (including income from tax exempt securities) which, after payment of regular income taxes, exceeds \$25,000 in the case of a single person, and \$50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100% surtax be imposed on such excess income, then I hope the Congress will provide a minimum tax of 50% with steeply graduated rates as high as 90%. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

"If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate bill or in the general Revenue Bill you are considering, I shall immediately rescind the section of the Executive Order in question. The Congress may appropriately provide that such taxes should take the place of the \$25,000 limitation imposed by Executive Order.

"I trust, however, that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war."

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

February 17, 1943

I received the attached letter from
Herbert Wolff in regard to Lawrence S. Mayers,
one of the men recommended for Procurement.



Attachment

C
O
P
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Greenbaum, Wolff & Ernst
285 Madison Avenue
New York

February 15, 1943.

Randolph Paul, Esq.
Treasury Department
Washington, D. C.

Dear Randolph:

I happened to run into my friend, Lawrence S. Mayers, of this city, and he told me that he has had a talk with you several days ago in Washington. I thought maybe it would not be amiss for me to drop you a line and tell you what I know about Lawrence.

I have known him for over twenty years and we have served on many committees together. Among others, we are both trustees of the Society for Ethical Culture.

Lawrence is an exceedingly conscientious, hard-working citizen. He has been very successful in his own business of jewelry and jewelry novelties. He is in partnership with his brother and they both enjoy a very high reputation.

Although Lawrence has been a successful business man, he has not allowed his financial success to go to his head. He spends a great deal of time and money in worthwhile communal activities and realizes there are many things more important and vital than making money.

He is very careful and methodical in anything he undertakes and is also thorough. As to his patriotism and loyalty, it is beyond all question. He is a firm believer in the democratic way of life. His only son is a commissioned officer in the Signal Corps.

I do not think that either Eddie or Morris have had any particular contact with Lawrence, although I feel quite sure that both of them know something about him.

Should either you or Henry want any further information concerning him, I will be only too glad to give it to you. In conclusion, I can only say that I hold him in very high regard, both as a man and as to his capabilities.

With kind regards, I am,

Sincerely yours,

/s/ Herbert A. Wolff

CLARENCE E. PICKETT
PLUSH MILL ROAD
WALLINGFORD, PENNSYLVANIA

346

February 17, 1943

Mr. Herbert E. Gaston
Assistant Secretary of the Treasury
Washington, D.C.

Dear Mr. Gaston:

I have your letter of February 8 in which you comment on the letter which I sent to Mrs. Morgenthau from my niece, Mrs. Harold S. Woodard, and which she referred to you for investigation and report.

I very deeply appreciate the information contained in your letter. I can well understand the difficulty which Mr. Helvering would have in exercising any detailed control over the Warren Hotel in Salina, Kansas, and I am sure that Captain Woodard did not intend to imply personal responsibility on his part. When I told Mrs. Morgenthau about the incident, however, she felt that it embodied information which Mr. Helvering should have.

I assume from your letter that the bellboy who was responsible for the sale of liquor in the hotel has now been appropriately disciplined for refusal to comply with the orders of Mr. Smither.

It is quite correct that Captain Woodard was not demoted for any action he took, but his new work seems rather a promotion.

Again let me express my very great appreciation for the care and thoroughness with which you have investigated and reported on this matter. I should now consider it closed.

Very sincerely yours,

Clarence E. Pickett
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347

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 17 1949

TO Mr. Thompson

FROM Mr. Haas

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of July 1942.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or under
Way, and the Names of Persons Working on Each
for the Month of July 1942

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. A review of current developments in the high-grade securities markets was prepared, and was transmitted to the Secretary on July 17. - Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Schreder

The review contained the following special study:

Member bank earnings. - Mr. Murphy

2. A memorandum was prepared on the July financing, and was transmitted to the Secretary on July 3. - Mr. Haas, Mr. Murphy
3. Two tables were prepared in connection with the July financing for use at two meetings in the Secretary's office on July 6 and 7. These tables showed estimated yield bases and probable premiums on possible new Treasury issues. - Mr. Sandelin, Miss Parker
4. A memorandum was prepared on the August financing, and was transmitted to the Secretary on July 31. - Mr. Haas, Mr. Murphy, Mr. Tickton, Mr. Turner
5. A table was prepared in connection with the August financing for use at a meeting in the Secretary's office on July 29. The table showed estimated prices and yields on proposed new Treasury offerings. - Mr. Sandelin, Mr. Conrad

- 2 -

6. Weekly memoranda were prepared on recent changes in prices and yields of Government securities. Five memoranda were prepared, and were transmitted to the Secretary on July 3, 10, 17, 24, and 31. - Mr. Haas, Mr. Brown, Mr. Sandelin, Mr. Kroll
7. Two maturity calendars were prepared as of July 1 and 15, covering all issues of direct and guaranteed bonds, notes, and certificates of the United States. - Miss Lagos
8. Yields on public marketable securities issued by the United States Government and by Federal agencies were computed daily on the basis of over-the-counter closing quotations. A daily table and a weekly table with comparative data for earlier periods were prepared. A chart for each issue was kept up to date showing daily price and yield figures with comparative monthly data since 1935, since the date of issue, or since the date first traded. In addition, yields were computed daily on five high-grade corporate securities, three municipal securities, and two British Government issues. - Mr. Moody, Miss McCoy, Mr. Kroll
9. In response to the request by the Secretary on January 21, 1941, that measures be taken to obtain information to assist in carrying through the financing program, arrangements were made to obtain the necessary statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mrs. Barnes, Mr. D. J. Leahy, Mr. Robbins, Miss Westerman, Mrs. Merkin, Miss Wood, Mrs. Cambron
 - (a) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of tables showing the information as of June 30, received from banks and insurance companies. The tables were completed on July 30, and were transmitted according to instruction by the Secretary. - Mr. Tickton, Mr. Leahy, Mrs. Merkin, Miss Westerman, Mrs. Barnes, Miss Wood, Mrs. Cambron
 - (b) Tabulations were prepared, and were transmitted on July 31, to the Federal Reserve Banks of New York and Philadelphia, showing holdings of each issue of Government securities in their respective districts, as of May 31. - Mr. Tickton, Mr. Leahy, Miss Westerman

- 3 -

- (c) A tabulation was prepared, and was transmitted on July 17, to the Board of Governors of the Federal Reserve System, showing Government securities owned on May 31 by banks. - Mr. Tickton, Mr. Leahy, Miss Westerman
 - (d) Monthly tables and charts were prepared, showing as of May 31, changes since June 30, 1941, in holdings of Government securities for the major classes of investors by type of security. - Mr. Robbins
 - (e) A memorandum was prepared showing coverage of various classes of investors included in the Treasury survey. - Mr. Robbins
 - (f) New letters were sent out to the banks and insurance companies requesting comparable data as of July 31. - Mr. Tickton
10. At the request of the Secretary on May 12, 1941, arrangements were made to prepare current statistical reports on the sales of United States savings bonds, series E, F, and G, and Postal savings stamps, on the basis of reports by the Treasurer of the United States, the Federal Reserve Banks, and the Post Office Department. The reports prepared during July were transmitted according to instructions by the Secretary. - Mr. Haas, Mr. Reagh, Mr. Tickton, Mr. Brown, Mr. Leahy, Mr. Kroll, Miss Schmidt, Miss Wender
- (a) Daily tables:
 - (1) Dollar volume of bonds sold in July, by series.
 - (2) Comparison of daily sales of bonds for June and July.
 - (3) Comparison of daily sales with the July quota, taking into account the daily and monthly trends.
 - (4) Comparison of July sales of bonds, series E, with sales during May and June.
 - (5) Comparison of July sales of bonds, series F and G, with sales during May and June.

- 4 -

- (6) Comparison of July sales of bonds, series E, F, and G, with sales during May and June.

- Mr. Reagh, Mr. Brown,
Mr. Kroll

- (b) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of monthly tables, showing sales of bonds, series E, for June, in dollar volume, by Federal Reserve Districts, States, cities, and counties, classified by sales agent and denomination. Copies were transmitted to Mr. Graves and Mr. Sloan on July 25. - Mr. Tickton, Mr. Leahy, Miss Schmidt, Miss Wender

(c) Other tables:

- (1) Bond sales since May 1941, by months and by series, dated August 3.
- (2) Relative sales of bonds, series E, by States and months, January-June, shown as a percentage ratio A/B, dated July 14.
- (3) Estimated number of units of bonds, series E, and percent of dollar volume sold, by denominations and months, May 1941-June, dated July 14.
- (4) Per capita sales of bonds by States, May 1941-June, dated July 15.
- (5) Proposed war bond sales quotas by months for fiscal 1943, dated July 21. -

Mr. Reagh,
Mr. Brown, Mr. Kroll

11. In further response to the request of Mr. Graves on February 10, 1942, supervision is being given in the tabulation by the Statistical Unit of the Division of Loans and Currency of pledges for the purchase of savings bonds, series E, and savings stamps, in Oregon. - Mr. Reagh, Mr. Kroll
12. In further response to the request of the Secretary on December 31, 1941, weekly tables were prepared from data

- 5 -

wired by the Federal Reserve Banks, showing the number of agents qualified to issue series E, savings bonds, by type of agent and Federal Reserve districts, for July 3, 10, and 18. - Mr. Tickton, Mr. Kelenson, Miss Wender

13. In further response to the request of Mr. Graves on April 1, that, quotas for each county in the country be worked out for savings bonds, series E, and for series F and G combined for May, June, and July, final revised county quotas were prepared on July 29. - Mr. Reagh, Mr. Brown, Mr. Kroll, Mrs. Grossman
14. In response to the request of the Secretary on December 15, 1941, arrangements have been made to obtain monthly reports from corporations on the progress of the payroll savings plan for savings bonds, series E. The information is edited and prepared as a basis for the analyses listed below. - Mr. Haas, Mr. Tickton, Mr. Youel, Mr. Keats, Mr. Kelenson, Mr. Seligman, Miss Wender, Mrs. Barnes, Mrs. Cambron
- (a) Supervision was given the Statistical Unit of the Division of Loans and Currency in preparing the basic information as of June 30, received from approximately 23,000 corporations. - Mr. Tickton, Mr. Youel, Mr. Seligman, Mrs. Barnes, Mrs. Cambron
- (b) A table was prepared, showing the number of corporations acting as issuing agents for bonds purchased by their employees under the payroll savings plan, and the progress of the Federal Reserve Banks in appointing corporations with 500 or more employees as issuing agents. The table was prepared as of July 25. - Mr. Tickton, Mr. Kelenson, Miss Wender
- (c) Weekly tables were prepared, showing the number of organizations with payroll savings plans, Government and private, classified by type, size, and State, together with the number of employees eligible to participate. Tables were prepared as of June 27, July 4, 11, 18, and 25, and were transmitted on July 3, 11, 17, 24, and 31, respectively, according to instructions by the Secretary. - Mr. Tickton, Mr. Keats

- 6 -

- (d) A memorandum and a table were prepared from reports received in response to our letter of June 28, from 13,089 companies participating in the payroll savings plan during June. The table showed the companies classified by size group, by degree of employee participation, and by payrolls. The report was transmitted to the Secretary on July 28, and copies were transmitted to Under Secretary Bell, Mr. Graves, Mr. O'Malley, Mr. Engelsman, Mr. Gamble, and Mr. Coyne. - Mr. Tickton, Mr. Youel, Mr. Kelenson, Mr. Seligman
15. In further response to the request of the Secretary on May 1, 49 charts were brought up to date weekly on the payroll participation by States, showing the number of firms and employees who come under the payroll savings plan. These charts are maintained in the Secretary's chart room. - Mr. Tickton, Mrs. Wolkind
16. In further response to the request of the Secretary on June 23, a summary and table covering operation of the payroll savings plan in twenty selected industries were prepared to date. - Mr. Tickton, Mr. Youel, Mr. Kelenson, Mr. Keats, Mr. Parsons, Mrs. Cambron, Miss Wender, Miss Schmidt, Mrs. Karr
17. At the request of Mr. Graves on July 2, a questionnaire to be sent to shipbuilding and aircraft companies was prepared, and was transmitted to him on July 3, for the purpose of obtaining basic data required to conduct the special industry campaign for payroll savings plans. - Mr. Tickton
18. At the request of Mr. Graves on July 2, a list was prepared, and was transmitted to him on July 6, of aircraft and shipbuilding companies having 1,000 or more employees and the names of their presidents for use in the special industries survey for the Secretary. - Mr. Tickton, Mr. Youel, Mr. Kelenson
19. At the request of Mr. Houghteling on July 2, a survey was prepared, and was transmitted to him on July 11, showing which of the 6,000 coal companies listed in the 1941 Keystone Buyers Manual have payroll savings plans. - Mr. Tickton, Mr. Keats, Mr. Parsons

- 7 -

20. At the request of Admiral Conard on July 2, tables were prepared, and were transmitted to him on July 24, analyzing reports received by him on the operation of payroll savings plans in the various Government departments. - Mr. Tickton, Mr. Youel, Mr. Keats
21. At the request of Mr. Graves on July 8, memoranda were prepared, and were transmitted to the Secretary on July 17 and 27, showing the operation of payroll savings plans in companies where deductions have reached 10 percent of the payroll. - Mr. Tickton, Mr. Youel, Miss Wender
22. At the request of Mr. Odegard on July 8, a memorandum was prepared, and was transmitted to him on July 10, in response to his three questions regarding the sale of savings bonds under the payroll savings plan. - Mr. Tickton, Mrs. Wolkind
23. At the request of Mr. Kuhn on July 14, four tables were prepared, and were transmitted to him on the same date, showing the operations of the payroll savings plan in four steel companies. - Mr. Tickton, Mr. Kelenson
24. At the request of Mr. Engelsman on July 16, a table was prepared, and was transmitted to him on July 20, showing the number of firms participating in payroll savings plans as of July 11, classified by States. - Mr. Tickton, Mr. Youel, Miss Wender
25. At the request of Mr. Engelsman on July 18, an analysis, consisting of four tables, was prepared, and was transmitted to him on July 28, of the shipbuilding and aircraft company questionnaire. - Mr. Youel, Mr. Kelenson, Mrs. Barnes, Mrs. Cambron
26. In further response to the request of the Secretary on May 1, three charts showing a comparison of sales of savings bonds daily in June and July were shown to him periodically. - Mr. Tickton, Mrs. Wolkind
27. At the request of Mr. Buffington on July 8, two charts were prepared, and were transmitted to him on July 9, showing a comparison of sales and quotas of F and G bonds for the month of June by States and by Federal Reserve districts. - Mr. Tickton, Mrs. Wolkind
28. At the request of Mr. Cunningham on July 3, answer was given him on July 8, concerning savings bonds outstanding, number of owners, and number sold in the State of New York. - Mr. Tickton, Mrs. Wolkind

- 8 -

29. At the request of the Secretary on June 30, Mr. Tickton accompanied the Secretary, Mr. Gamble, and Mr. Graves on a trip to New York on July 1 to discuss the savings bond campaign in that city with members of the New York war savings staff. - Mr. Tickton
30. A report was prepared, and was transmitted in a memorandum on July 27, of a trip made to the Federal Reserve Bank in Cleveland July 8-9 to observe the handling of sales of bonds, series E, and to determine if the procedure of the bank could be modified to expedite the work of the staff in Washington. - Mrs. Barnes
31. At the request of the Secretary on June 23, a memorandum was prepared on the implications involved in raising a billion dollars a month from savings bonds. - Mr. Tickton
32. At the request of Mr. O'Malley on July 6, a set of cards, showing corporation issuing agents was prepared, and was transmitted to him on July 17. These cards are kept up to date weekly. - Mr. Tickton, Mr. Kelenson
33. A memorandum and two tables were prepared, and were transmitted to the Secretary on July 17, in regard to the time necessary for delivery of a bond issued by a Federal Reserve Bank or by a corporation issuing agent. Copies were transmitted to Under Secretary Bell and to Mr. Graves. - Mr. Tickton, Miss Westerman
34. A letter was prepared, and was mailed on July 13, to Mr. William Berridge of the Metropolitan Life Insurance Company of New York, in response to his letter of July 1, requesting the basic series used in determining the State quotas for sales of war bonds in July. - Mr. Daggit
35. In further response to the request by Under Secretary Bell on June 12, a memorandum was prepared, and was transmitted to him on July 13, concerning a proposal by Mr. A. E. Patterson, Executive Vice President of the the Mutual Life Insurance Company of New York, for adding a life insurance feature to war savings. - Mr. Murphy, Mr. Brown

- 9 -

36. In further response to the request by Mr. Sloan on April 18, a table was prepared, showing expenditure patterns of specified family incomes and the relation of sales of war savings bonds to living costs. - Mr. Wagner
37. At the request of Miss Dallas of the War Savings Staff on July 20, a memorandum was prepared, and was transmitted to her on July 23, for use by Mrs. Morgenthau. The memorandum contained comments on three articles included in a handbook to be sent to State and local women's war savings committee chairmen. - Mr. Turner, Mr. Schreder
38. In further response to the request of the Secretary on July 28, 1941, tables were prepared, summarizing sales from January through June 1942, of Treasury tax notes, series A and series B, by type of purchaser, and denomination. The tables were transmitted to the Secretary on July 17. - Mr. Tickton, Mr. Kelenson
39. Further progress was made in the study requested by the Secretary on December 6, 1941, of the sources of funds for Government borrowing. - Mr. Haas, Mr. Mayo
- Further study was made of the curtailment in output of consumers' goods. - Mr. Mayo
40. At the request of Under Secretary Bell, agenda, memoranda, and minutes were prepared in connection with the Treasury-Federal Reserve meetings held for the purpose of discussing financing policy. - Mr. Haas, Mr. Murphy, Mr. Sandelin, Mr. Turner
- (a) At the request of the Secretary on July 3, a memorandum was prepared on suggested changes in the terms of tax savings notes, and was transmitted to him on July 17. - Mr. Turner

- 10 -

- (b) A memorandum was prepared on Chairman Eccles' comments on Canadian public finance, and was transmitted to the Secretary on July 13. - Mr. Murphy, Mr. Sandelin
- (c) At the request of Under Secretary Bell on June 30, a memorandum is being prepared on excess reserves, summarizing the views of Mr. Eccles and Mr. Sproul. - Mr. Murphy, Mr. Turner
- (d) Notes on the Treasury-Federal Reserve meeting on July 22 were completed, and were transmitted to Under Secretary Bell on July 28. - Mr. Turner
41. Four schedules of proposed graduated rates for tax notes were prepared, and were transmitted to Mr. Piser on July 29. - Mr. Turner
42. A proposal of the RFC that the Secretary request that corporation to buy stock in a bank was examined. - Mr. Turner
43. At the request of the Secretary on November 3, 1941, arrangements were made to obtain certain information on the progress of the programs under Lend-Lease, the Maritime Commission, and the Army Air Corps. - Mr. Haas, Mr. Wagner, Mr. Mayo
- A chart was completed on July 3, showing appropriations, allocations, obligations, and disbursements, for Lend-Lease purchases, through June 30. Corresponding data for July are in progress.
44. At the request of Mr. Buffington on July 3, a card file was prepared, and was transmitted to him on July 11, showing the employees of the Victory Fund Committee. - Mr. Tickton, Miss Westerman
45. At the request of Mr. Buffington on July 22, a memorandum entitled "The Financial Front" was checked for the Victory Fund Committee and a memorandum was prepared transmitting it to Under Secretary Bell on July 23. - Mr. Murphy
46. A table and a memorandum summarizing the suggestions of the Victory Fund Committees in regard to types of Treasury issues to be offered were prepared, and were transmitted to Under Secretary Bell on July 29. - Mr. Sandelin

- 11 -

47. In further response to the request of Mr. Goldsmith of the War Production Board on June 23, verbal answer was made to him on July 6, concerning sources of funds for government borrowing for fiscal 1942 and 1943. - Mr. Murphy
48. A plan for issuance of annuity certificates and bonds in exchange for matured war bonds was worked out in detail, and was transmitted in a memorandum to the Secretary on July 20. - Mr. Reagh
49. Two tables, "Total Tenders for Treasury Bills, by Federal Reserve Districts" and "Tenders for Treasury Bills Accepted by Federal Reserve Districts", were prepared as of June 30. These tables were used at a meeting in Mr. Shields' office on July 6, and were transmitted in a memorandum to Under Secretary Bell on July 15. - Mr. Murphy, Mr. Robbins, Miss Cummins
50. Verbal comments were made on July 13, concerning the analysis of a proposal by Mr. Alexander Sachs on May 12, for issuance of a 12-year bond. - Mr. Murphy
51. In further response to the request by Under Secretary Bell on June 9, tables were completed, and were transmitted to him on July 1, showing securities sold during fiscal 1942, and the ownership of the Government debt as of June 30, 1941 and June 30, 1942. These tables were published in the year-end financial review. - Mr. Murphy, Mr. Robbins, Miss Cummins
52. In further response to the request of the Secretary on June 22, data were completed for a report on the financial operations of the Government in 1942. - Mr. Murphy, Mr. Turner
53. In further response to a request by Under Secretary Bell on April 21, a study concerning currency in circulation was completed, and was transmitted to him on July 10. - Mr. Murphy
54. In further response to the request of Mr. Stewart on June 18, data were prepared, and were transmitted to him on June 2, showing Federal Reserve notes in circulation, by denominations, and by Federal Reserve banks. - Mr. Murphy

- 12 -

55. In further response to the request of Mr. Graves on June 15, a memorandum was prepared, and was transmitted to him on July 6 on a plan submitted by Mr. A. T. Robertson of the Department of Agriculture, concerning postwar purchase certificates. - Miss Parker
56. In further response to the request of Mr. Buffington on April 6, two memoranda were prepared on prospective new capital issues, and were transmitted to him on July 2 and 27. - Mrs. Miller, Miss Parker
57. In further response to a request by Mr. Paul on June 11, verbal comments were made on July 7, concerning a memorandum entitled "Repayment of Debts under High Tax Rates." - Mr. Murphy
58. In response to three requests by Mr. Paul on July 15, 20, and 21, reviews were made on July 15, 20, and 22, of the proposed statement of the Secretary before the Senate Finance Committee on July 23, concerning the revision of the Revenue Act of 1942. - Mr. Haas, Mr. Murphy
59. The following material was prepared in connection with the Secretary's testimony before the Senate Finance Committee on July 23:
- (a) Two memoranda, dated July 22, entitled "Canadian War Finance" and "British War Finance". - Mr. Sandelin
 - (b) Two tables and two charts on yields of tax-exempt securities to current dates. - Miss Lagos
 - (c) Two tables on the absorption of the public debt to current dates. - Mr. Robbins
 - (d) Five charts on savings bonds. - Mr. Tickton, Mrs. Wolkind
60. At the request of Under Secretary Bell on July 15, a letter was prepared for the Secretary's signature addressed to Mr. Ronald Ransom of the Board of Governors of the Federal Reserve System in reply to his letter of July 13, concerning the Treasury's views in regard to relaxing the restrictions placed by Regulation W. The letter was mailed on July 24. - Mr. Tickton

- 13 -

61. At the request of Under Secretary Bell on June 17, a reply was prepared, and was transmitted on July 6, to Representative Frank B. Keefe's letter on a wartime moratorium on debt. - Mr. Murphy, Mrs. Miller
62. At the request of Mr. Bernard on July 6, a letter was prepared for the signature of the Administrative Assistant to the Secretary, commenting on S. 2565, and was transmitted to the Director of the Budget on July 7. - Mr. Murphy
63. In response to a request by Mr. Shea on July 7, a memorandum suggesting that no report be submitted on H. R. 7276 was prepared, and was transmitted to him on July 10. - Mr. Murphy
64. At the request of Mr. Tistjens on July 8, a review was made of the proposed report for the Secretary's signature, addressed to the Chairman of the Senate Committee on Banking and Currency, on S. 2540. At the request of Under Secretary Bell on July 13, a revision of the proposed report was prepared, and a memorandum was transmitted to him on July 17. - Mr. Murphy

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Turner
2. A study is being made of the effect of the maturity, call period, coupon, premium, and size of issue on the prices and yields of United States securities. - Mr. Conrad
3. A memorandum is being prepared on a negotiable security for continuous sale. - Mr. Murphy
4. A study is being made of developments in the reserve position of the banks. - Mrs. Miller
5. Historical tables are being prepared which will present various data on new Treasury notes and bonds and on guaranteed new issues. - Mr. Conrad
6. A study is being made of war-financing measures of belligerent nations in the present war. - Mr. Sandelin

- 14 -

7. A study is being made of the market action of the various maturity classes of Government securities in relation to the type of holder. - Mr. Conrad
8. A memorandum is being prepared on the desirability of conducting the war finance as it was in the last World War, by war loan drives. - Mr. Murphy
9. A study is being made of the postwar effects of a large volume of demand debt. - Mr. Murphy
10. A study is being made of the sources of funds available for borrowing by the British Government comparable to the study in progress for this country, as described in Financial Analysis, I, item 40. - Mr. Weintraub
11. In further response to the request of the Division of Tax Research on March 30, cooperation is being given in preparing a report on tax-exempt securities. - Mr. Murphy
12. At the request of Mr. George F. Milton, Consultant, War Savings Staff, on March 23, a complete file of tables is being prepared giving the history of sales of savings bonds, E, F, and G. - Mr. Reagh
13. A memorandum is being prepared on the relationship of selective control of bank credit and of new capital issues. - Mr. Murphy
14. At the request of Mr. Bartelt on April 13, a memorandum is being prepared on revisions of the Daily Treasury Statement, Annual Report, and Public Debt Statement. - Mr. Murphy, Mr. Tickton, Miss Eyre
15. In connection with Mr. Lickert's survey, an investigation is being made of income, savings, and spending patterns in the City of Buffalo. - Mr. Wagner
16. At the request of Under Secretary Bell on June 3, a memorandum is being prepared on the question of whether a 10-30 year 2½ percent bond would sell on the basis of a 10-year bond with quotations reasonably stable. - Mr. Murphy, Mr. Turner

- 15 -

17. A study is being made of a proposal for a special tabulation and analysis of reports of bank holdings of United States obligations submitted by the National Bureau of Economic Research on June 17. - Mr. Turner
18. At the request of Mr. Kuhn and Mr. Schwarz on June 22, a memorandum is being prepared with respect to data to be checked in the proposed manual to be used by Government agencies in the President's program to fight inflation, entitled "The Battle Against Living Costs", submitted by the OWI. - Mr. Mayo, Mr. Turner
19. At the request of Mr. Broughton on July 6, a memorandum is being prepared on modifications to a proposal to change the Circulation Statement. - Mr. Murphy, Mr. Turner
20. At the request of the Secretary on July 17, an analysis is being made of subscriptions to the 2 percent Treasury bonds of 1949-51. - Mr. Robbins
21. At the request of the Secretary on July 29, a report is being prepared on the number of days it takes to receive a war savings bond issued by a Federal Reserve Bank, or by a corporation issuing agent as of August 1. - Mr. Tickton, Miss Westerman
22. A study is being made of the Government security market. - Mr. Shields, Mr. Wagner, Miss Klepper
23. A memorandum is being prepared on the report by the New York money market subcommittee in regard to Treasury financing. - Mr. Murphy
24. At the request of Mr. C. A. R. Wardwell, Chief of the Current Business Analysis Unit of the Commerce Department, a review is being made of the article "Alternatives in War Finance". - Mr. Murphy
25. A table is being prepared on tax note redemption values. - Mr. Turner
26. At the request of Under Secretary Bell on May 31, 1940, replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125, 76th Congress, 3rd Session. - Mr. Haas, Mr. Murphy

- 16 -

27. At the request of Under Secretary Bell on June 16, 1941, cooperation was given in preparing replies to the list of questions accompanying a letter from Senator Tydings of May 5. The information is for use by the Senate Committee created to find ways and means of automatically balancing the Federal budget in times of peace. A proposed reply was sent to the Under Secretary on June 18, 1941. - Mr. Murphy
28. In further response to the request of Mr. Bernard on June 24, a report is being prepared on H. R. 7091. - Mr. Murphy, Mr. Sandelin
29. At the request of Mr. Shea on July 17, a study is being made of S. 2620. - Mr. Turner

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period July 1942-June 1943. The statement was transmitted to the Bureau of Accounts. - Mr. Delcher
2. The regular monthly summary comparison was prepared, showing estimated receipts and actual receipts in June 1942, and in the fiscal year ending June 30, 1942, on the daily Treasury statement basis. - Mr. Delcher
3. The regular monthly detailed comparison was prepared, showing estimated and actual receipts in June 1942, based on the collections classification. - Mr. Delcher
4. A review and a revised estimate for fiscal 1943 were prepared on July 22, concerning collections from the tax on motor vehicles and boats. An explanatory memorandum was prepared on June 24. - Mr. Daggit, Mr. Chevraux, Miss Spiegel, Miss Smith
5. Revised estimates were prepared and were transmitted in memoranda to Mr. Broughton, Mr. Mulroney, and Mr. Weber on July 23, of the population of the Continental United States for fiscal 1942 and 1943, taking into account the latest data released by the Bureau of the Census. Estimates as of June 30, 1942 were also prepared by States and by possessions of the United States. - Mr. Lusk

- 17 -

6. In connection with the revenue bill of 1942, H. R. 7378, a number of revenue estimates, listed below, were prepared at the request of Mr. Paul, Mr. Tarleau, and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Miss Allen, Mr. Delcher
- (a) A review was completed of specified estimates of revenue from the individual income tax and from the proposed withholding tax. - Mr. Jorgensen
 - (b) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on July 10, of the decrease in revenue which would result from increasing the personal exemption for single persons from \$500 to \$600, and, under the proposal, the amount which would be recouped under proposed Schedules A and B. - Mr. Kelly, Mr. Smith
 - (c) Estimates were prepared, and were transmitted to Mr. Paul on July 10, in the form of tables on (1) the revenue effect of eliminating the postwar credit with the flat rate of excess profits at three specified percentages; (2) the revenue effect of having a 45 percent combined normal and surtax; (3) the combined effect of (1) and (2); and (4) the revenue effect of increasing the Ways and Means Committee individual income tax rates, after increasing the personal exemption of a single person by adding 1 percent, beginning with two specified surtax brackets. - Mr. Leahey, Mr. Kelly
 - (d) A summary was prepared for use in the Ways and Means Committee report, and was transmitted to Mr. Paul in tables summarizing the estimates as tentatively approved by the Committee through July 11. Copies were transmitted to Mr. Tarleau and Mr. Blough. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Miss Allen, Mr. Delcher
 - (e) Verbal answer was given Mr. Paul on July 14, concerning the estimate prepared of the revenue effect of (a) increasing the excess-profits tax rate to 90 percent and (b) decreasing the surtax rate to 18½ percent. - Mr. Leahey
 - (f) Two tables were prepared, and were transmitted to Mr. Shere on July 14, comparing the revenue effect of the bill with the effect of the Treasury program

- 18 -

presented to the Ways and Means Committee. These comparisons concerned certain special provisions recommended by the Treasury in regard to intangible development costs, taxation of interest on State and local obligations, income tax deductions for medical expenses, and dependent credit for older school children. - Mr. Leahey

- (g) Estimates were prepared in connection with the Treasury's proposal for a war supertax, and were transmitted to Mr. Blough in a memorandum on July 17, on the estimated number of taxpayers and the increase in revenue from a 100 percent supertax on net income in excess of the Federal income tax and an allowance of a flat sum of \$25,000 per single person or \$50,000 per married couple. - Mr. Smith
- (h) A short statement was prepared, and was transmitted in a memorandum to Mr. Paul on July 17, on the estimated yield of the bill. - Mr. O'Donnell
- (i) An estimate was prepared, and was transmitted in a table to Mr. Paul on July 17, comparing the revenue effect of the corporation income tax rates in the bill with a corporation plan with a 94 percent excess-profits tax rate and a 16 percent surtax rate. - Mr. Leahey
- (j) At the request of Mr. Paul on July 17, summary figures of the Treasury program which had been presented to the Ways and Means Committee were given verbally to Mr. Fred Neal of the Wall Street Journal. - Mr. O'Donnell
- (k) A table was prepared, and was transmitted to Mr. Paul, showing the estimated increase or decrease in the revenue yield resulting from the bill as passed by the House of Representatives on July 20. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Miss Allen, Mr. Delcher
- (l) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on July 21, of the effect on corporations and individuals of the tax rates of the bill on interest on outstanding issues of State and local securities. - Mr. Leahey

- 19 -

- (m) An estimate was prepared, and was transmitted to Mr. Paul on July 29, in the form of a table, of the revenue effect with the corporation surtax rate adjusted to $11\frac{1}{2}$, 12, and $12\frac{1}{2}$ percent on the first \$25,000 of surtax net income of corporations with net incomes of \$50,000 or less, and with the excess-profits tax only deductible for income tax computation. - Mr. Leahey
- (n) Estimates were prepared, and were incorporated in a letter to Senator Byrd prepared on July 25, of the additional annual revenue to be derived in 1943 and 1944 from the collection-at-source plan; and the total annual yield of the provisions of the bill. This information was given to Mr. Friedman verbally. - Mr. Smith
- (o) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on July 31, on the increase in yield if a 100 percent levy were imposed upon net incomes in excess of \$25,000 and the rates in the bill were imposed upon the remaining \$25,000 net income. - Mr. Smith
- (p) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on July 31, on the decrease in revenue if the personal exemptions for men on active duty with the armed forces were retained at the present figures of \$750 for single persons and \$1,500 for married couples. - Mr. Smith, Mr. Lusk
- (q) Estate and gift tax estimates were prepared, and were transmitted in a memorandum to Mr. Blough on July 31, of the revenue effect of (1) allowing each donor a single annual gift tax inclusion of \$5,000 and (2) reducing the specific exemption for the estate tax to \$50,000. - Mr. Lusk

II. Projects or studies under way

1. Further progress has been made on the analysis of each component of the April revised estimates of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1942 and 1943. - Mr. Daggit, Mr. Colclough

2. In connection with the revenue bill of 1942, H.R. 7378, a number of revenue estimates, listed below, are being prepared at the request of the Division of Tax Research. - Mr. O'Donnell, Mr. Leahy, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk, Mr. Delcher
- (a) An estimate is being made of the revenue which would result if the Canadian corporate tax system were substituted for the present system in this country. - Mr. Leahy, Mr. Lusk
 - (b) An estimate is being made of the total revenue and increase over the existing law which would result from the adoption of the British individual and corporate income and excess-profits tax structure. - Mr. Lusk, Mr. Smith
 - (c) An estimate is being prepared of the increase in revenue under the present and the proposed rates from adoption of (1) the Wood Plan and (2) mandatory joint returns. - Mr. Kelly, Mr. Smith
 - (d) Estimates are being prepared of the yield from a specified withholding tax; a compulsory savings tax; and a specified war consumption tax. - Mr. Kelly, Mr. Smith
 - (e) Estimates are being prepared of the revenue effect for 1941 and 1942 of granting taxpayers permission to set up, retroactively from January 1, 1941, inventory reserves against possible inventory losses. - Mr. Leahy
 - (f) Five classes of estimates are being prepared for a 10 percent flat rate tax on individual spendings in excess of \$500 for a single person, \$1,200 for a married couple, and \$400 for each dependent. - Mr. Smith
 - (g) A revision of estimates is being prepared on percentage depletion and related allowances to conform to provisions contained in the bill as passed by the House of Representatives July 20. - Mr. Leahy

- 21 -

- (h) The following estimates are being prepared:
- (1) estimated effect if, for the invested capital credit the rates were reduced (a) 3 percent and (b) 4 percent; (2) estimated effect if each bracket rate for invested capital credit in the bill were reduced by 1 and 2 percent; and (3) estimated revenue effect of increasing the corporate normal tax by 1 percent - Mr. Leahey
 - (1) Studies are being made in connection with the revenue effect of a sales tax. - Mr. Daggit, Mr. Smith, Mr. Jorgensen, Miss Spiegel, Miss Washabaugh
3. At the request of Mr. Bartelt on June 23, estimates are being prepared for fiscal 1943 and 1944 of (1) tax collections under title VIII, Social Security Act, or Federal Insurance Contributions Act; (2) tax collections from carriers and their employees; and (3) amounts to be deposited in the Unemployment Trust Fund. - Mr. Smith, Miss Allen
 4. Studies are in process for estimating revenues from proposed taxes on soft drinks, candy, and chewing gum. - Mr. Daggit, Miss Spiegel, Miss Smith
 5. A study is in process for revising and improving methods of estimating revenues from the taxes on transportation of persons, and on small cigarettes. - Mr. Daggit, Miss Spiegel, Miss Smith

Economic Conditions Related to Fiscal
and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business situation were prepared, and were transmitted to the Secretary on July 6, 13, 20, and 27. - Mr. Haas, Mr. Daggit, Mr. Chevraux, Miss Ziegler

These memoranda contained in addition to analysis of the current situation the following special studies:

- (a) Steel plate shipments by months, January 1941 to date. (Chart in memorandum of July 20.) - Mr. Daggit, Mr. Chevraux

- (b) Hog prices compared with hog slaughter and United States Department of Agriculture purchases by weeks, December 1941 to date. (Chart in memorandum of July 27.) - Mr. Daggit, Miss Ziegler, Miss Spiegel, Miss Smith
2. Confidential data on new orders and sales received from four companies are tabulated and charted currently and are combined into an index of new orders. - Miss Washabaugh
 3. Memoranda on employment under the Work Projects Administration were prepared on July 6, 13, 20, and 27. - Miss Spiegel, Miss Washabaugh
 4. Compilations were made of daily quotations on selected commodities, and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, and exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux, Mr. Cololough
 5. In further response to the request of Mr. Leon Henderson of July 19, 1941, copies of eight charts on commodity prices and cost of living were transmitted to him on July 7, 14, 21, and 28. - Mr. Daggit
 6. At the request of the Secretary on July 8, a memorandum on the additional cost to the Government of crop loans at 100 percent of parity was prepared, and was transmitted to him on the same date. - Mr. Daggit
 7. A table was prepared on July 22, on prices received by farmers and their percent of parity, by months, from November 1941 to date. - Mr. Daggit, Miss Spiegel
 8. A table was prepared on July 8, showing the amount received from the sale of United States money orders in Buffalo, New York and the average value per money order by months, January 1939 to date, for use by the Treasury Department and the Department of Agriculture. - Mr. Daggit, Mr. Wagner, Miss Spiegel
 9. A memorandum was prepared, and was transmitted on July 28, giving a list of names and addresses of offices of Government agencies in Buffalo, New York. - Mr. Daggit, Miss Spiegel, Miss Smith

- 23 -

10. Six tables were prepared on July 28-31 for use of the Treasury and the Department of Agriculture in making the Buffalo survey. - Mr. Daggit, Miss Spiegel, Mr. Colclough, Miss Smith
11. A letter was prepared on July 10 in connection with the Buffalo survey, and was mailed on the same date to Mr. Hinrichs of the Bureau of Labor Statistics, in response to his letter of July 7, requesting figures on bond purchases by urban families. A table giving sales of savings bonds, series E, for cities of 2,500 or over and total by months, May 1941 to date, was enclosed. - Mr. Daggit
12. Ten tables were prepared, and were completed on July 30, concerning industrial production, national income payments, employment and payrolls, price and cost-of-living indexes, stock price indexes, corporation earnings, bank debits, and volume of stock trading. - Mr. Daggit, Miss Spiegel, Miss Smith
13. Three tables were prepared from the BLS survey on family spending and saving in wartime by income classes on purchases of bonds and stamps and distribution of families. An accompanying memorandum was prepared for the Secretary on July 10, on the partial data from the final tabulation of the survey. This survey which has been conducted, with the cooperation of the Treasury Department, by the Department of Agriculture and the Bureau of Labor Statistics has now been completed so far as the Treasury's part is concerned. - Mr. Daggit
14. Computations were completed on July 2 on monthly estimates of national income payments by States for January-April. - Mr. Daggit, Miss Spiegel, Mr. Colclough, Miss Smith, Miss Washabaugh (For use in bond quotas)
15. Estimates were prepared, and were transmitted with accompanying memoranda on July 15 and 16 of national income payments by States for May 1942 through June 1943. Revisions were made in the figures for March and April to take into account the Department of Commerce revisions. - Mr. Daggit, Miss Spiegel, Miss Smith, Miss Washabaugh
16. A memorandum was prepared, and was transmitted to the Secretary's office on July 3, summarizing the report, Reactions to a War Economy, dated June 19, from Mr. R. Keith Kane of the Office of Facts and Figures. - Mr. Daggit

- 24 -

II. Projects or studies under way

1. At the verbal request of the Secretary on June 16, four charts are being prepared, showing monthly since August 1939, the BLS cost-of-living index superimposed on the three following charts: (1) Net Treasury deficit; (2) Total Government expenditures; and (3) War expenditures. - Mr. Daggit, Miss Spiegel, Miss Washabaugh
2. A study is being made to improve our method of estimating the Standard Statistics Index of 402 stocks. - Mr. Daggit, Miss Spiegel, Miss Smith
3. A memorandum is being prepared on family incomes and expenditures in Buffalo, New York, as indicated by statistical data. - Mr. Daggit

Actuarial Problems

I. Projects or studies completed

1. In response to a request from Mr. Gilleland on July 20, a letter was mailed to him on July 25, giving certain payment factors on amortization of loans for the Rural Electrification Administration, and a brief description of the method used in computing such factors. - Mr. Brown, Mr. Kroll
2. At the request of Mr. Latimer of the Railroad Retirement Board, a meeting of the Actuarial Advisory Committee was held in Chicago on July 29 to discuss the actuarial valuation of the Railroad Retirement Fund. - Mr. Reagh

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement Law. Under the law, such a valuation must be prepared as of July 1, 1940. The valuation is well under way. - Mr. Reagh, Mr. Brown

2. At the request of the State Department on July 14, an estimate is being prepared of the appropriations for fiscal 1944 under Section 26(m) of the Act of April 24, 1939, requiring that the Treasury Department prepare an estimate of annual appropriations to be made to the Foreign Service Retirement and Disability Fund. - Mr. Brown, Mr. Kroll
3. Several years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the Subcommittee on Retirement, has again become active. Considerable work has been done, but the committee has not yet agreed upon a report. - Mr. Reagh, Mr. Brown
4. At the request of Mr. A. R. Pilkerton, Auditor of the District of Columbia, an actuarial quinquennial valuation is being made of the Policemen's and Firemen's Pension Fund of the District of Columbia. This valuation is being made by the Treasury Department in accordance with the 1942 District of Columbia Appropriation Act, approved July 1, 1941. - Mr. Reagh, Mrs. Grossman
5. At the request of the Division of Tax Research, several conferences have been attended with members of the Division of Tax Research, the Legal Staff of the Bureau of Internal Revenue and the Legislative Counsel regarding proposed changes in the tax laws relating to pension trusts and the taxation of insurance companies. - Mr. Reagh
6. In response to a request in a letter to the Secretary from the Illinois Manufacturers' Association on June 24, estimates are being prepared of the accrued liability and current and future costs under Title II of the Social Security Act. - Mr. Reagh, Mr. Brown, Mr. Kroll
7. A review is being made of the first draft of the twenty-first Annual Report of the Board of Actuaries, prepared by Mr. Buck, Chairman of the Board. - Mr. Reagh, Mr. Brown

- 26 -

Other projects or studies1. Publications

- (a) All the material submitted for the July issue of the Treasury Bulletin was reviewed and edited. - Mr. Lynch, Miss Eyre

The following tables were prepared for the July issue:

1. Ownership of Government securities as of May 31, summarizing data from the monthly survey. - Mr. Tickton, Mr. Leahy
 2. Sales of United States savings bonds since May 1941. - Mr. Brown, Mr. Kroll
 3. Sales of Postal savings stamps since May 1941. - Mr. Brown, Mr. Kroll
 4. Over-the-counter closing quotations of publicly marketable securities issued by the United States Government and by Federal agencies - Mr. Brown, Mr. Kroll
- (b) For the publication Prices and Yields of Public Marketable Securities issued by the United States Government and by Federal agencies, computations were made and copy was prepared for the June issue. - Mr. Brown, Mr. Kroll
- (c) Memoranda were prepared requesting the various divisions of the Treasury Department to supply data for the Annual Report of the Secretary of Treasury for Fiscal 1942. - Miss Westerman

Articles on receipts and estimates of receipts are being prepared for the Annual Report. - Mr. O'Donnell, Mr. Leahy, Mr. Lusk, Mr. Smith, Mr. Jorgensen, Mr. Kelly, Mr. Delcher, Miss Allen

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, Mrs. Miller, and other members of the staff in appropriate fields of work.

During July 460 letters were received in the Division and 460 were handled as required.

3. Charts

Charts are prepared and continuously brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

FEB 17 1943

TO Secretary Morgenthau
FROM Randolph Paul

The Foreign Funds Control appeared before the Senate Appropriations Committee this morning to request the reinstatement of its full appropriation of \$4,350,000 instead of the appropriation of \$3,100,000 passed by the House. Senator McKellar was chairman of the committee in the absence of Senator Glass. The committee was very friendly, particularly Senator Tydings, who went out of his way to be helpful and to comment on the fine showing the Foreign Funds Control made. Senator McKellar also was very cooperative.

Mr. Pehle testified for one and a quarter hours. The committee was very attentive and interested in the story of what Foreign Funds Control is doing. As usual, there was no difficulty in convincing the committee of the importance of the Foreign Funds Control work. Our difficulty lies largely in the fact that so few people know about our operations.

At the close of the hearing Senator Lodge remarked that the Foreign Funds Control should have an "E" for efficiency.

RP

TREASURY DEPARTMENT

376

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

February 17, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-as-you-go - Seeking a "middle ground" favorable to all parties, Chairman Doughton of the House Ways and Means Committee has proposed a new method of putting taxes on a current basis. His plan involves forgiving 50% of the taxes due on 1942 or 1943 income, one or the other. Definitely against the "skipping a year" principal, Doughton also opposed postponing a year's taxes, declaring, "Nobody wants a debt hanging over his head for years." The Chamber of Commerce also proposed a compromise plan which would apply 1941 rates to 1942 income, defer 1942 taxes and impose a 20% withholding tax as soon as possible. Similarly Rep. Robertson would impose a 20% withholding tax but would cancel the normal and first bracket surtax of 1942 incomes. Only progress made on the tax bill in the Committee's executive session was, according to Rep. Knutson, "through elimination".
2. Labor - The Hobbs amendment to the 1934 anti-racketeering law, which would impose a maximum penalty of 20 years' imprisonment and a \$10,000 fine for extorting property under threat or obstructing interstate commerce "by robbery or extortion", caused heated discussion in the House Rules Committee yesterday. Claiming that his bill "could not be construed as anti-labor", Hobbs said it was aimed at the practice, which was continuing "up until last week at least", of so-called Teamster Union members who stopped farmers on the outskirts of cities and collected union wages by threat or force before permitting them to proceed to market. "It is aimed at racketeering all over the nation," he said. "Racketeering that is still going on--though I understand not with the approval of the unions." Other members, however, called the bill "a psychological affront to labor", Rep. Celler claiming it would be like drafting a statute saying all Congressmen must be honest.

3. Farm Issue - Stating that the Army had refused his request last year to help harvest wheat in the Dakotas, Secretary Wickard, testifying before a Senate Agriculture Committee yesterday, said he would again ask the Army to furlough troops if they are needed to help in harvesting 1943 crops. However, Army Chief of Staff, General George C. Marshall is reported to have told some Congressmen several days ago that he would deny such a request. Wickard also told the Committee that another problem in the war food program is "a very serious black market in beef". In the House Small Business Committee, too, Wilbur La Roe, a Meat Packer's spokesman, said that the price policy of the OPA "is keeping meat both from the Army and from civilians" and has resulted in the worst "black market" in the history of the country. On the farm parity issue, the farm bloc's revolt against food price control is reportedly gaining momentum, despite Price Administrator Brown's appeal, in a radio address last night, not to shatter stabilization for a "fanciful and temporary" gain. Adding fuel to these other farm complaints, Rep. L. C. Arends charged in the House yesterday that credit agencies within the Department of Agriculture were sending 20,000 employes throughout the country trying to "drum up business" among the farmers in competition with local banks.
4. Post-War Planning - One milestone was passed yesterday in the problem of America's position in post-war aviation when the House Rules Committee approved a resolution for the creation of a 21-member standing committee with jurisdiction over legislation on civil and commercial aviation but not on naval or military aviation. Congress takes up another phase of post-war planning today when the House considers a decision of its Appropriations Committee to cut off without a penny the National Resources Planning Board. On this matter the President said yesterday in his press conference that although Congress had a perfect right to cut the board off without a cent, its functions would save billions of dollars in the post-war period. It was immaterial to him, he added, who plans for America's post-war years, but certainly someone must do it.

FEB 17 1943

My dear Mr. President:

In accordance with your request of February 12, 1943,
I am enclosing a proposed reply for your signature, to the
letter of Mr. Charles Engelhard, dated February 11, 1943.

Mr. Engelhard's letter is returned herewith.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,
The White House.

Enclosure

Photo. file - Diary
Orig. File - Thompson

By Messenger

Thoms 4:55
2/17/43

ALM:rl 2/15/43

Dear Mr. Regillard:

This will acknowledge the receipt of your letter of February 11, 1943, enclosing a copy of your letter of February 9, 1943 to Senator McCarran and a speech by Mr. H. L. Heringway before the Chamber of Commerce of the State of New York.

Thank you for your comments on the future usefulness of gold and silver and for submitting Mr. Heringway's discussion of government finance and post-war policy.

Very truly yours,

Mr. Charles Regillard,
30 Church Street,
New York, New York.

ALM:rl 2/15/43

THE WHITE HOUSE

WASHINGTON

February 12, 1973

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

FOR PREPARATION OF

REPLY.

F. D. R.

FDR

WMB

CHARLES ENGELHARD

30 CHURCH STREET

NEW YORK

February 9, 1943.

Dear Senator McCarran:

I read with great enthusiasm your speeches in the Senate, in regard to Silver, and I agree with you that both gold and silver will prove to be the only fundament on which any forthcoming peace can be negotiated.

Gold will be the only standard of value, because there can be only ONE measure of value, which must be gold, but silver, if controlled by gold (three parts gold and one part silver) will form an excellent substitute next to gold, in view of the magnitude of our financial problems when peace comes.

The Silver Purchase Acts gave the control of silver into the hands of the United States Treasury, and as long as we maintain these Acts, we will enjoy the monetary control of the world, both as regards gold as well as silver, and as far as silver is concerned on a FLEXIBLE price basis, which seems absolutely essential in order to prevent, whenever necessary, unfriendly combinations against us--of whatever kind.

The United States as the possessors of the bulk of the world's silver, can move up the price of silver, or move down the price, whenever circumstances may make such a move essential for the time being, and this feature should never be abandoned, because this fact will make our control of the situation secure.

If, for instance, the United States should decide to move up the price of silver to \$ 1.-- per troy ounce, both for foreign silver as well as for domestic silver, as it should be at this time in order to conform with former usage when silver was controlled by the silver merchants of England, the United States would be the chief future beneficiaries, because the silver we own now was bought at a very low price (48¢ per troy ounce) and the rest of the ^{future} beneficiaries would be Mexico, Canada, Peru, China and India, etc., etc., all of whom are our friends.

Barter business as practised by Hitler, means slavery for the weaker partner.

A world currency, based on gold and silver under American leadership, does constitute the only possible basis for "The Four Freedoms" as proposed by our great President Roosevelt.

CHARLES ENGELHARD
30 CROUCH STREET
New York

-2-

February 9, 1943.

It seems evident that after this war, it will be difficult for even the British Empire to stand alone, and I believe that a world economic union may become absolutely essential.

I imagine some tariff restrictions, even amongst the economic union of the different States, will prove a necessity, so as to give reasonable protection to the various living standards, but it will become essential to pay international balances in gold or silver, or preferably both, because only a currency based on gold or silver, or both, will make big and small States economically independent of each other, and prove to be the only insurance to safeguard the "Four Freedoms" for every nation.

It will be to our interest to make backward nations like China and India economically independent, because when the war is over, we will need customers for our large factories. It is for that reason that I do believe, if the United States have the gold control of the world, they surely should also maintain the control of silver, because, by keeping silver at an equitable value, it will benefit nations like China and India to a large extent, as they do own and still possess silver coins to a very important extent.

Many hundreds of billions of dollars have been spent in the last few years throughout the world, both at home and abroad, to destroy things, and many millions will have to be spent when peace comes, to build, among innumerable other things, railroads in China and India, to prevent starvation, and to produce there new customers for our various industries. About half the population of the world is concentrated in China and India, etc.

Before the first world war, it was considered safe if any currency was covered by 40% gold. A new world currency, under American leadership, should be satisfactory if it is covered in the beginning by 10% gold or silver, but as far as silver is concerned, the silver price should be on a FLEXIBLE basis. This world currency should be safe if it is arranged that our national debts are reduced by law as we go along, so that in a measurable time to come, the coverage of our world currency will steadily increase above the initial 10% gold and silver protection, and if possible, to the previous 40% security in gold or silver.

If such were the case, our own economic future as well as the economic future of the world will be secure on the basis of the Four Freedoms, as proclaimed by the President.

I can emphasize again, the abandonment of the Silver Purchase Act would constitute the gravest economic error imaginable, because, to insure our forthcoming world economic leadership, we need both gold and silver as our basis for international settlements.

CHARLES EFWELHARD
 50 COLUMBIA SQUARE
 NEW YORK

-3-

February 9, 1918.

There can be no question that we are of one opinion with the Administration; that we should make full use of our silver resources to prosecute and win the war. However, we wish not alone to win the war, but we want to secure the peace after we have won the war.

I contend that the United States as the strongest nation in the world, have the solemn duty in their own interest and that of the world, to preserve the control of silver as per the Silver Purchase Acts under all circumstances, just like the silver merchants of England did for forty years before the first World War, with the help of India, which acted as a reservoir for silver, together with China.

To-day, such a reservoir can only be supplied by the United States Treasury on account of their large gold and silver resources, which must and will form the basis of the world's economic future.

To emphasize what I claim, I enclose herewith copy of an address of Mr. W.L. Hemingway, President of the American Bankers Association, as held at the January 7th meeting of the Chamber of Commerce of the State of New York. I enclose herewith copy of this address.

I fully agree with what Mr. Hemingway says, and I am amazed that he comes to the same conclusions which I have defended for eight or nine years.

I even go a step further: if we want to loan money, as the peace comes, to either friend or foe, we should do so, but under the condition that the gold and silver loaned to a foreign country will be kept, nevertheless, at the Federal Reserve Bank, New York, for the account of the respective foreign country, so that the United States Treasury can continue to control that such gold and silver be only used for legitimate purposes, which have been set upon when contract was made.

On such a basis, our gold and silver resources are of infinite value to secure the peace for humanity.

Very truly yours,

Charles Efwelhard

Hon. Pat McCarran, Senator,
 UNITED STATES SENATE,
 Committee on Appropriations,
 Washington, D.C.

155 W. 42ND STREET
NEW YORK CITY

Meeting January 7, 1943 -

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

INTRODUCTION OF MR. HEMINGWAY

The President--Since does not permit my giving in detail all the accomplishments of our great speaker to-day. He is a striking example of what is possible in this great land of opportunity of ours. Through hard work, perseverance, and ability he is today head of the Mercantile-Commerce Bank and Trust Company of St. Louis. He has filled with rare distinction many public offices, and last year he was chosen to fill the most honored position of honor of the banking world, the presidency of the American Bankers Association.

It gives me very much pleasure to introduce Mr. W. L. Hemingway, an old friend and a very distinguished member of this Chamber. (Applause)

OUR NATIONAL DEBT

Address by W.L. Hemingway, President of the American Bankers Association and President of the Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri

I suppose that every man in this room has some government bonds. (If he hasn't then the Victory Fund Committee of New York needs looking into.) Everyone here then is interested in measures that provide for their payment when due, and so I will direct my remarks to a discussion of the means for preserving the integrity of the government credit.

The inability or the unwillingness of the government to collect in taxes during the last 14 years the amount it was spending resulted in deficits year after year which could only be overcome by borrowing. Issue after issue was offered to the public, and in spite of the inbred objection of banks to investing large portions of their funds in bonds, they also bought heavily, believing the bonds to be the safest and best investment available. This inflationary operation offset to some extent the deflationary forces that came out of the great depression--and became more potent as the war clouds lowered over the world.

Each year as the national debt mounted and no great calamity followed, fears of the cautious were put aside until men began to feel that after all the size of the debt was not so important. In the face of the rumors of war the market showed little decline, and when the European war began the shock was so much less than was anticipated that the old practice of spending more than our income continued. The fall of France and the events following shocked our people so severely that when the defense program started there was a general feeling that the job had to be done regardless of how much our national debt might be expanded, and, of course, when our nation was plunged into war there could be no thought of holding back. And so, after a year of war we find ourselves with a national

debt of 110 billions of dollars with new issues of government securities coming at the rate of at least 5 billion per month. That this sum, however large, will be forthcoming goes without saying, although one cannot refrain from remarking that if more economy in government had been practiced in the past the job would be easier today.

The war must and will be financed. It can be done in one of three ways--First by printing paper money, Uncle Sam's demand I.O.U.'s. Fortunately this generation has seen the evils of that route and will have none of it. The second is by borrowing from the Federal Reserve Banks directly, but that is but little removed from the paper money way because the Reserve banks would issue the money against the government's notes or give credit on their books to the government, which would pay it out for war purposes. It would then flow into the commercial banks increasing their legal reserves, thus inviting further inflation. So we come to the third and least objectionable way, and that is by borrowing from the public and the banks.

When private investors buy U.S. bonds the ownership of their money changes, but no new money is created, so that the best way of providing for the government's needs after taxes is for the people to supply all of the money. If this were done, the dangers of inflation would be reduced to such an extent as not to be serious. However, if the people fail to supply all the money needed, then the Treasury must look to the only other source left--the banks--and the banks will promptly respond. But both the Treasury and the banks want to see the banks buy as small a part of the succeeding issues as possible, because both understand that when the banks buy the bonds new bank credit or money is created and remains in circulation until their bonds are paid or taken by the public--an inflationary act to be avoided as much as possible. The banks should be only underwriters and distributors and not permanent investors. To help attain that end the American Bankers Association had pledged its full support to our government, and is using all of its facilities to help the War Savings and Victory Fund Committee distribute the bonds as widely as possible. Fourteen thousand banks compose the membership of this Association in the 48 states and in the District of Columbia and they have been credited with selling eighty-five per cent of the war savings bonds and a large part of the other government issues.

The results of the last campaign are most encouraging, but the proportion taken by banks is still too large, and it is hoped that the sales efforts in the next drive will result in a larger distribution outside of the banks. They should be regarded as the last reserve to be used only to the extent that may be necessary to fill the government's needs.

One cannot emphasize too much the importance of maintaining the government credit at its present strong position. It is the foundation on which our whole financial structure rests so we must guard it vigilantly and protect it from all enemies, foreign and domestic.

In analyzing the eventual payment of any loan the first consideration is the desire or willingness of the borrower to repay. On that score there can be no doubt about our government bonds. The honesty of the American nation cannot be questioned. Our people generally pay their debts and they want their government to pay its obligations. The next consideration is the ability of the borrower to pay. While this is more difficult to determine, because we cannot know how long the war will last and therefore what its cost will be, it is also certain that the means can and will be provided.

In view of the favorable turn the war seems to have taken it is not unreasonable to expect that the peak of the government's borrowing may be reached by July 1, 1945. Of course, that is a pure guess. If that guess is approximately correct, then the total will probably be about two hundred and fifty billions--a sum certainly large enough to impose very heavy burdens upon us, but yet within manageable proportions. It should be remembered in considering this problem of government debt that we have a vast country with varied and abundant natural resources, that we have a large population of industrious, enterprising people and that we have built up an industrial and transportation system that are the envy of the world. We are a young and vigorous nation. Fortune has smiled upon us and Destiny has given us a position of leadership in the world. Therefore, to fail to meet our responsibilities is not even to be considered as possible.

So we must see that our resources are wisely used and that we administer our affairs as prudent men should. What do prudent men do when they find themselves faced with a heavy debt? For one thing they cut down their expenses, and that is what Uncle Sam has got to do. I think you will all agree with me that we want every dollar provided that may be necessary for the successful conduct of the war but we insist that waste in all departments of the government be eliminated now. The reports of committees of Congress such as those headed by Senator Truman and Senator Byrd indicate what can be done in that direction, and the November elections give confirmation to the determination of the people that extravagance in government must stop. A government like a business must ultimately balance its budget if it is to remain solvent, and a government heavily in debt cannot afford the luxury of innumerable bureaus whose intentions may be good but whose existence is by no means necessary. Before our debt reached today's proportions those adventures into the field of human happiness may have been justified, but I can think of no one thing that will bring as much unhappiness to so many of our people as the collapse of the government credit.

Of course the budget cannot be brought into balance during war, but the steps looking to that end after the close of the war can be taken and the road made easier for its final accomplishment by the adoption of a program of elimination of many of the non-defense activities.

The time has come for us to reassert those principles which were for so long the guiding light of our nation, namely that our people should support the government and that the government should not support the people. Our slogan should be "Billions for defense but not one dollar for boondoggling." By following such a course

and by proper application of our energies and talents to our material resources a tremendous volume of trade can be produced, and from its profits taxes can be secured to service our large debt, provided we have the wisdom and the courage to discharge another national debt about which I now wish to speak.

In my opinion there is only one event that will bring about the embarrassment of our government, and that is a return to the condition of depression of the thirties. If that should come to pass, then indeed, there will be darkness over the land. I know that some now predict that dire happening, but I do not agree with them. I believe that the greatest opportunity that ever faced a nation lies before us, if we will but grasp it. But we cannot take it unless we discharge that other obligation--that other national debt--that is our debt to the Old World.

If we are to do our duty as a great world power we must be willing to give up isolationism, to think in world terms. Our boys are fighting on all the continents and the seven seas. Must their blood be spilt in a mere adventure? Surely not. They are dying to preserve civilization, and when the victory has been won on the battlefields their work must be carried on into the peaceful pursuits of life. The labors there will be no less arduous than those of war.

You and I and every other American are either immigrants or their descendants. We came to this country because of our desire for its opportunities and its freedom, but we brought with us much of the learning and culture of the Old World. We pride ourselves on the fact that the blood of many races courses through our veins, but sometimes we forget what we owe to those old countries. Our language, our laws and our customs were brought to these shores, in fact, the foundation stones of the structure of liberty and freedom that we love so much were built by the sacrifice and blood of past generations of men in Europe. Shall we now in their dark hour turn away from them? It cannot be. I am not speaking only of the response to their immediate needs. The generosity of the American people is too well known to doubt that we will give help to the weak and the needy. And in Governor Lehman we have a representative who will direct that errand of mercy in a kind and faithful manner.

But after the bombed and tortured victims of the tyrants' power have been fed and clothed much will be needed before they can take up normal life again. And it is of that need that I am thinking when I say that we must discharge that national debt, if the integrity of the bonds we hold is to be preserved. To sketch in the details of the picture more fully, let us suppose that the United Nations are victorious, that an international police force of some kind has been set up to keep the peace of the world until law and order can be restored, and that the hungry have been fed and the ragged clothed. Then what is the next step? Where do we go from there? Either we have a business depression followed by general disorder all over the world, or we use our brains and devise a way for a better and more prosperous world. No one can guess how our political and social systems will stand the strain of another panic,

but you may be sure that the economists and the politicians will suggest all kinds of ways of putting the country through the wringer, all of which will, no doubt, be called painless and as is usually the case in such circumstances the operation will be a success but the patient will die.

We must help the nations of the world to restore the trade of the world. We cannot be prosperous in a world either spiritually or financially bankrupt. The events of the last few years have proven that. Therefore, if we are to have prosperity in this country we must see that the wheels of industry are started up all over the world. I do not think that free trade is necessary for that, nor do I advocate the abolition of tariffs--a continuation of Mr. Hull's method of trade agreements should enable trade to thrive again. The people of the world must be put to work, so that they can find the means to rebuild their homes, their schools and their churches. We have tons of gold stored away in our vaults, which should be put to work for our benefit and for the sake of the stricken people of other lands. I do not mean that we should dish this wealth out in a maudlin sentimental way. We cannot be Santa Claus to the whole world. But I think we can adopt a strictly business-like program in which we advance our money as good business men would. To be more specific, I would call your attention to the quantities of supplies of all kinds that are being sent abroad under the Lease Lend Law. If it is proper, and I think it is, to send butter and guns to our allies for their sustenance and their defense, why will it not be good business, after the dictators have been put to sleep, to also send gold and silver to enable our allies and our former enemies too to establish a sound banking and currency system? And again I say the transaction should be treated as business and hedged about by agreements and conditions prepared by men who understand the subject.

I believe that many of us have gotten in the habit of thinking that after this war is over the countries of Europe and the Orient will be so bankrupt that there can be no basis for credit, and that therefore any advances made to them must be considered as charitable contributions. This will not be the case. Even though these countries will have suffered fearful losses, their people will still retain their industry, their spirit of thrift and their special abilities to make many things that we in this country want and need, things that with all our vaunted technical progress we have not been able to make as well as they have. In short they will possess the character and capacity and we will provide them with the capital to help both them and ourselves.

And let me emphasize that if we are to be successful in reestablishing a sound economy in the world, business and government must pull together. There must be developed a new and better relationship between them. Each has an important part to play and success will depend upon how harmoniously their actions are coordinated. It seems to me that government should do those things that are of a political nature and are for the general good, and leave to private enterprise the field of business and commerce. As nothing is more disruptive to international commerce than the uncertainty of the value of the money to be received in the payment of goods, no greater help can be given to the

restoration of world trade than by enabling the great nations to place their financial houses in order again. This means that a method of settling trade balances in gold must be set up, and to accomplish this our government can very properly lend gold and silver to foreign governments for long terms and at low rates of interest. As I have said, the terms and conditions should be determined by experts in foreign exchange and currency matters. Once such a sound system is in operation and confidence is restored the business men will soon start to operate under the protection thus provided by exchanging the products of farm and factory and we will be on our way again to a period of world prosperity.

And in conclusion I ask your indulgence in recalling an old simile about the river Jordan. You will remember that this river rises in the mountains of Palestine and flows through a narrow valley into the lake of Galilee. This famous body of water has long been noted for its fishing, and today the fishermen's nets are rewarded with good catches. But the lake gives up part of its fresh water and the river continues its course to the Dead Sea, from which there is no outlet. This latter holds its waters in a tight mountainous embrace and they become salty and foul. They support no living thing. And so it seems to me that if we hold tight to what we have and refuse to accept the responsibilities of leadership, like the Dead Sea, our Nation will become stagnant and the institutions of liberty and freedom that we so revere will wither and decay, but if we will give up a part of our strength and our treasure, we can keep our national life pure and strong. (Applause)

CHARLES W. BULLWARD
 20 CHURCH STREET
 NEW YORK CITY

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

392

E. R. Stettinius, Jr.
Administrator

February 17, 1943

MEMORANDUM

To: The Honorable Henry Morgenthau
From: E. R. Stettinius, Jr.
Subject: Executive Reports

Transmitted herewith, for your information, are copies of the Executive Reports on lend-lease operations, as of January 31, 1943.

Attachments

CONFIDENTIAL
Executive Report No. 1

Office of Lend-Lease Administration

**STATEMENT OF ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
OF FUNDS APPROPRIATED TO THE PRESIDENT**

Monthly Report as of Jan. 31, 1943
(Thousands of Dollars)

*Appropriation Category	Adjusted Appropriations	Cumulative to January 31, 1943		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$ 2,026,549	\$1,813,137	\$1,603,457	\$ 900,352
Aircraft and Aero. Material	2,730,881	2,710,558	2,589,968	1,585,838
Tanks and Other Vehicles	849,837	755,897	663,520	466,781
Vessels and Other Watercraft	2,417,544	2,203,616	1,778,949	1,051,869
Misc. Military Equipment	361,453	361,453	329,447	170,514
Production Facilities	1,113,357	1,113,356	1,026,443	750,578
Agric. and Indust. Commodities	7,374,215	6,745,876	4,615,520	3,594,539
Servicing, Repair of Ships, etc.	531,470	501,634	352,942	299,890
Services and Expenses	971,694	452,330	219,687	178,582
Administrative Expenses	20,000	17,996	15,049	14,725
Total	\$18,397,000	\$16,675,853	\$13,194,982	\$9,013,668

Procuring Agency	Adjusted Limitations	Cumulative to January 31, 1943		
		Allocations	Obligations	Expenditures
War Department	\$ 6,613,012	\$ 5,958,784	\$ 5,489,286	\$ 3,687,672
Navy Department	3,238,169	3,084,349	2,300,336	1,149,706
Mar. Com. and War Shipping Admin.	2,154,238	1,859,570	1,499,590	1,233,213
Treasury Department	3,189,481	2,688,270	1,981,621	1,186,135
Department of Agriculture	3,182,100	3,068,099	1,910,180	1,743,935
Other	20,000	16,781	13,969	13,007
Total	\$18,397,000	\$16,675,853	\$13,194,982	\$9,013,668

Funds for freight and other necessary charges are not included in obligations.

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

CONFIDENTIAL
Executive Report No. 2

Office of Lend-Lease Administration
STATEMENT OF LEND-LEASE AID
Monthly Report as of Jan. 31, 1943
(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	Jan. 31, 1943	Dec. 31, 1942	January	December
Goods Transferred	\$7,175,057	\$6,547,679	\$627,378	\$693,676
Servicing, Repair of Ships, etc.	291,709	265,897	25,812	9,753
Rental of Ships, Ferrying of Aircraft, etc.	869,794	835,479	34,315	39,611
Production Facilities in U. S.	544,558	554,065	9,507	10,033
Miscellaneous Expenses	53,536	49,613	3,923	3,686
Total Services	1,759,597	1,705,054	54,543	63,083
Total Goods and Services	\$8,934,654	\$8,252,733	\$681,921	\$756,759

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the Army and Navy.

N.B. This report excludes data on the value of Goods in Process. At August 31, 1942, the amount from appropriations to the President was \$1,360,195,000, comprised of the items "Articles Awaiting Transfer or Use" and "Articles in Process of Manufacture." It is not possible to determine the value of Goods in Process from appropriations to the Army and Navy.

Type of Aid	Cumulative to January 31, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$5,534,360	\$130,436	\$1,383,900	\$126,361	\$7,175,057
Servicing, Repair of Ships, etc.	252,298	1,031	28,231	10,149	291,709
Rental of Ships, Ferrying of Aircraft, etc.	615,944	13,066	116,338	124,446	869,794
Production Facilities in U. S.	-	-	-	-	544,558
Miscellaneous Expenses	36,917	690	1,188	14,741	53,536
Total Goods and Services	-	-	-	-	\$8,934,654

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Office of Lend-Lease Administration
DETAIL OF ARTICLES TRANSFERRED
 Monthly Report as of Jan. 31, 1943
 (Thousands of Dollars)

	Cumulative to January 31, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$ 303,866	\$ 14,674	\$ 43,951	\$ 40,456	\$ 402,947
Ammunition and Components	567,169	22,069	168,903	14,909	773,050
Aircraft	591,364	36,345	327,065	16,769	971,543
Aircraft Engines, Parts, etc.	300,044	2,422	9,685	1,355	313,506
Combat Vehicles	371,955	922	212,279	14,846	600,002
Non-Combat Vehicles	186,593	25,453	151,258	6,756	370,060
Watercraft and Parts	443,995	447	39,891	6,689	491,022
Miscellaneous Manufactures (Textile, Leather, etc.)	133,545	7,042	49,065	4,144	193,796
Agric. Products (Foodstuffs)	1,004,485	-	108,868	1,640	1,114,993
Agric. Products (Excl. Food)	263,626	-	513	-	264,139
Machinery	234,554	3,715	68,749	382	307,400
Metals	403,541	8,975	127,205	695	540,416
Petroleum Products	336,806	3,237	15,706	-	355,749
All Other	392,817	5,135	60,762	17,720	476,434
Total	\$5,534,360	\$130,436	\$1,383,900	\$126,361	\$7,175,057

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February 17, 1943 *W. L. T.*

Two books (in Spanish)

"Centro Asturiano de la Habana"

"El Libro del Centro ~~A~~ Asturiano de la Habana"

turned over to Dr. White , who should have one of his men read them. The Secretary wants a verbal report on what they are doing; does not want a written report.

Finished

THE UNDER SECRETARY OF STATE
WASHINGTON

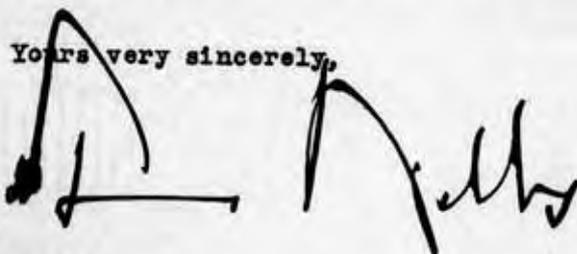
February 17. 1943

Dear Henry:

In response to your letter of February 12,
I have requested Captain Alex Peabody who is the
President of the Inter-American Navigation Corpora-
tion to get in touch with you directly to discuss
the question of construction of schooners in Cuba.

Believe me

Yours very sincerely,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 55

Information received up to 7 A.M., 17th February, 1943.

1. NAVAL

MEDITERRANEAN. 15th/16th. Strongly escorted enemy convoy off West coast of SICILY was attacked by 5 M.T.Bs. operating with aircraft. One ship in convoy was torpedoed.

2. MILITARY

TUNISIA. First Army. Early on 15th U.S. Forces launched counter attack southward from area northwest of SIDI BOUZID. Confused fighting ensued during the day and by evening Allied Forces were North and South of SIDI BOUZID. GAFSA was occupied by enemy on 15th following evacuation by our troops who are organizing positions in FERIANA area. Eighth Army. On 15th our troops entered BEN GARDANE encountering only slight opposition.

RUSSIA. Russians captured KHARKOV.

3. AIR OPERATIONS

WESTERN FRONT. 16th. 59 Fortresses (B. 17) and 6 Liberators (B 24) of which 6 are missing and 2 crashed, dropped 141 tons bombs at ST. NAZAIRE and started many fires in dock area. 7 enemy aircraft dropped bombs southwest of ENGLAND, damage slight.

16th/17th. Aircraft were despatched - LORIENT 377 (2 missing, 1 crashed), Sea mining 43, Leaflets 4, Intruders 34, anti-shipping 2. First reports indicate effective attack on LORIENT with extensive fires in dock area. 30 enemy aircraft operated over south and southwest England. Considerable damage to house property at SWANSEA. Enemy casualties 4, 2, nil.

TUNISIA. 15th. Many enemy aircraft hit during U.S. bomber attack on KAIROUAN airfield. In various other operations casualties - enemy 11, 4, 6. Allied 3, nil, nil.

SICILY AND ITALY. 15th. Two ships hit in attack by 21 Liberators (B 17) on NAPLES Harbour. Casualties enemy 5, 6, nil. Allied 1, nil, nil. A large ship and cistern also set on fire at PALERMO.

MEDITERRANEAN. One ship hit and a 4,500 ton tanker sunk off PANTELLARIA by aircraft.