

Mr. Clayton

Harry: Do you
know David Eccles
sufficiently to
acknowledge this
one?





TREASURY DEPARTMENT
WAR
DEFENSE SAVINGS STAFF

June 3, 1943

OFFICE OF STATE ADMINISTRATOR
330 American Bank Building
Portland, Oregon

Mr. M. S. Eccles, Chairman
Federal Reserve Board
Washington, D. C.

Dear Marriner:

A recent announcement by Secretary Morgenthau that hereafter a single organization will be responsible for the Treasury's financing program, has been a source of great satisfaction to those people who have worked so religiously in the war savings program.

I noted particularly that the newspaper announcement credits this as a victory for you. Newspaper stories said that you are of the opinion that sales to the public and sales to banks should be handled separately. I have not been connected with the treasury program very long, but I am very strongly of the opinion that such a separation is most desirable. I feel quite strongly that it is essential for us to sop up an increasing proportion of buying power from the general public and it has seemed obvious to me that the inclusion of bank subscriptions and short term issues merely confuses the issue in the minds of the public.

We had a very successful sale to the public during the April drive and it occurs to me that you may be interested in seeing a copy of the report I made to the Treasury Department after the drive. I was drafted into this job rather against my own wishes, but now that I am in it I feel quite strongly its importance and hope that in our small way we in Oregon can contribute something to the fight against inflation.

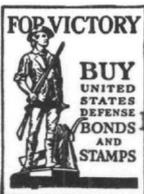
I would welcome very much any suggestions you have as to how I can do a better job here.

With kindest regards, I am

Sincerely yours,

OREGON WAR SAVINGS STAFF

David Eccles
State Administrator



DE:gh

DAVID MORGENTHAU
SECRETARY OF THE
TREASURY
JUN 10 1943
OFFICE OF THE
STATE ADMINISTRATOR

David W. Eccles was oldest
half-brother of Manner.

G. G.
Proctor

9/102.

REPORT ON SECOND WAR LOAN

SUMMARY OF RECOMMENDATIONS

The War Savings Staff took the position that during the Second War Loan distribution would be of greater importance than sheer volume. With this in mind our phase of the campaign, later joined in by the Victory Fund Committee, was designed to step up sale of Series E bonds and to reach wage earners, salaried persons and small business enterprises as well as professional people and farmers. It was our conviction that a few trained persons could, without benefit of campaign atmosphere, divert the large reservoirs of capital in government securities.

The Victory Fund Committee recruited a group of solicitors, largely from securities houses and insurance firms, to make calls on individual investors. It was determined to leave the matter of promotion and smaller investors largely in the hands of the War Savings Staff.

Every business firm, every lodge and civic organization and every grange in the state was contacted by letter in which was outlined a plan for a campaign within their own firm or organization for the purchase of specific fighting equipment. It was explained that this extra buying was over and above payroll savings. Every firm or organization was asked to pledge itself to buy specific equipment and to report sales and the achievement of the goal.

At the same time, the payroll savings division prepared to take advantage wherever possible of making permanent gains through increased interest generated by these campaigns. Material on payroll savings as well as on the campaigns was supplied all solicitors calling upon business heads and other potential larger investors. This was to enable them to answer questions and to increase interest in campaigns. Fortunately, most of the solicitors had worked previously in the original payroll savings campaign in 1942 and so were able to be very helpful.

The entire program was backed up by an advertising campaign made possible through cooperation of newspapers and business firms, especially retail establishments. The volume of newspaper space devoted to display advertising far exceeded our expectations. Special events and stunts, such as a mock army invasion of Portland, were carried on continuously throughout the state. One small city closed every business for a day and every citizen participated in the drive.

In view of the fact that we had very few large subscriptions available to us, we believe our final result was very satisfactory. We had splendid cooperation from the entire state and believe we achieved the widest possible distribution of the securities. Cooperation between the two organizations was excellent and there was no friction.

My own criticism of the conduct of the campaign stems largely from lack of time and inadequate planning and preparation. It is our frank opinion, moreover, that no purpose was served by placing the drive under the direction of the Federal Reserve Bank. As a matter of fact, this created a great deal of confusion and it was apparent to us that the Federal Reserve had neither the personnel nor the experience to conduct a drive of this character. In many instances we would have been better off had we had no direction from this source whatsoever.

Mr. Arnold Grunigan, Executive Manager for the Twelfth District War Finance Committee, had a poorly concealed contempt for the Series E bond at the outset and at our meeting with him in San Francisco he made it plain that in his opinion this was "no Woolworth affair". The result was that far too few Series E order books were provided and it was necessary to reprint late in the campaign. He seemed to be under the impression that Series Es are sold exclusively in \$25 denominations. The successful sale of Series E bonds to the workingman and the general public cannot, in my opinion, be accomplished in the same spirit as prevails in the sale of securities to regular investors.

It is my judgment that a drive of this character should be addressed to the general public exclusively. It should not include short time issues or tax notes nor should banks and very large corporate investors be included in the drive. Banks can be reached successfully by a small committee of bankers and the same can be said for insurance firms and other similar heavy regular purchasers of government issues. No campaign is needed to reach the relatively few very large individual investors since they justify individual attention throughout the year.

The regular programs of the War Savings Staff, payroll savings, agricultural commodity check deductions, etc. can be made increasingly effective and occasional special drives will tend to step up participation and reach an increasing area of the general public. The inclusion of the bank subscriptions and the short time paper tends only to destroy the will of the small man to dig deep. My only serious difference with the Victory Fund men related to their releases of pictures showing the county treasurer or some large corporation official handing over a check for a million dollars. I felt that this hurt our efforts to convince the wage earner that the job was his.

One possible result of including bank subscriptions is illustrated by an incident here. One bank subscribed for \$120,000,000 7/8 per cent certificates, knowing they would get only a fraction of this figure. Nevertheless, this subscription was bruited around town and we were put to some trouble to defeat a growing rumor that the drive was oversubscribed a few days after it opened. It was days before this was accomplished.

I am convinced that the integration of these two organizations for the short period of a drive is ill-advised. I believe we need only one Treasury financing organization; whether that be the War Savings Staff or Victory Fund is less important than the success of the effort. Were it to be the War Savings Staff, however, there would need only be added a deputy to handle corporate buyers and larger issues.

I would say that banks, insurance companies and other similar buyers should be handled regularly by a bank committee. I repeat, no campaign of the nature just concluded, is necessary to reach such groups.

ORGANIZATION

Executives of the two organizations met and rather than integrate entirely determined to divide the work and then to create a sort of executive committee for policy forming purposes. Generally speaking the Victory Fund Committee was to organize solicitation and reporting while the War Savings Staff was to form plans for reaching that part of the public not susceptible to individual contact by solicitors. An independent publicity and promotion committee was set up with members of the War Finance Committee ex-officio members. In smaller communities this division was less apparent as the chairmen of both committees work closely together directing the entire effort.

It is significant to note that in small communities bankers' interest centered heavily on Series E bonds.

SALES PROGRAM

Solicitation was a more important factor upstate than in Portland. About 200 salesmen called on larger accounts in Portland. In other counties the solicitation included smaller buyers and in at least one county every precinct was organized and I believe it is safe to say that every one in the county was personally contacted. State directive personal consisted of the regular War Savings and Victory Fund executives plus the chairman and subcommittee chairman of the publicity committee plus about a half dozen men borrowed for the drive to make sales reports, man headquarters and to do contact work with upstate counties.

I have no record of the number of volunteer workers but believe the figure would reach nearly 3,000. This varied widely as between counties but it is certain that a very large number of persons participated actively in the drive.

In Portland solicitors were recruited by the Victory Fund Committee from banks, insurance agencies, investment houses and civic organizations. Upstate somewhat the same pattern was followed but recruitment was by the co-chairman. Two meetings were held in Portland for training purposes and meetings were staged in more important upstate cities to which were invited workers from adjacent counties. It is not possible to say that any special

group or field was most effective. People in all walks of life did splendid work, usually in direct ratio to the kind of leadership displayed by the chairmen in the individual counties. Few meetings were held for workers in Portland due to difficulties in getting attendance. In smaller communities it was customary to hold periodic meetings during the drive. This was a continuation of the practice of many War Savings chairmen, of holding weekly meetings throughout the year. These were simply enlarged and expanded.

Executives of the Victory Fund personally handled most large prospects such as institutions, the State of Oregon and large corporations. One exception was the fraternal insurance group and labor organizations which were handled by this organization, due to previous close relationships.

PUBLICITY

Publicity was organized under Mr. Walter R. May, a member of our committee, borrowed from Portland General Electric Company. His committee was divided into groups including display space, newspaper publicity, radio, billboards, window display, retail participation, theatres and special events. Speakers were provided by a special War Savings Staff committee already existing.

The campaign was preceded by locally produced radio shows on two Portland stations on April 11. Radio throughout the state kept the drive plugged throughout the month with several special shows provided. Commercial programs locally produced used drive material frequently and in some cases were devoted exclusively to the drive.

On April 12 police cars in Portland cruised throughout the day broadcasting Second War Loan shorts over their loudspeakers. Every telephone subscriber was called during the first week of the drive.

A mock invasion of Portland was staged by contingents of the army and Coast Guard and we regard this as being highly successful, especially in view of our campaigns to buy military equipment. Other special events such as rallies throughout the state, raffles, auctions and war bond previews were staged. Victory centers were active daily in leading cities.

ADVERTISING

The military equipment campaigns were limited to employees of business firms and members of organizations plus the firm itself and this work was carried on by one of our deputies, largely through personal contact, letter and newspaper publicity.

The total of employee and corporate money pledged and reported in these campaigns exceeded \$20,000,000 . By way of illustration, employees of one industry pledged \$4,600,000, more than double regular payroll savings. Another industry bought two subchasers, or one million, 60 per cent of which was in addition to payroll savings.

It was decided that the general advertising theme would be built around the fact that \$13 billion is about \$100 per person. Early advertising took the line "I need \$100 from you" showing a soldier on the fighting front. This was carried with variations through the first week and gradually changed with a view to getting more after the first bond had been sold. The theme "Every idle dollar is a slacker dollar" was used as well as variations of "Now dig until it hurts".

We had exceedingly fine cooperation from all parts of the state. Retailers turned over a large portion of their space to the drive and many non-advertisers took space liberally. One large Portland store celebrated its 86th anniversary sale by advertising nothing but war bonds for a solid week. The theme was "This is the best buy we have offered in our 86 years". All advertisements furnished by Washington were sold. One town of 2,000 sold five full pages in addition to using contracted and regular space for war bonds.

Apparently there was less success in selling outdoor boards but the outdoor firms carried them on their own account even when they were not sold.

Our greatest weakness was in the field of poster material. That sent here was wholly inadequate to our needs and we had to use our supply of old posters to fill demands. Posters were supplied by San Francisco but these came during the closing days of the drive and were of little value. One of the two supplied from that source was good but being one color lacked appeal. The other was highly juvenile in character and failed to click.

DISTRIBUTION OF SALES

An excellent reporting system was set up by the Victory Fund in conjunction with the Federal Home Loan Bank who loaned two persons for the compilation of reports. Unfortunately, it was not understood that the number of subscriptions was to be required and I have no figures. I believe some attempt is now being made to get this information but it will be necessary to estimate the number of Series E bonds sold.

We in Oregon are highly gratified as to the distribution. Series E bonds constituted 28% of total non-bank sales in Oregon, a much higher percentage than had been anticipated. In Washington Series E were 18% of the total while they were 12% and 17% respectively in Northern and Southern California. We believe our great effort in war plants and among employees

accounts for the higher percentage of E bonds in this state. We believe, moreover, that with more preparation we could have increased E sales at least by \$5,000,000 during the drive. Employees of some firms signed up for special deductions but due to the time element only one deduction was made before May 1. Two more deductions will be made in May.

QUOTAS

We felt at the outset that our quota was too high in view of the fact that it was based on bank deposits and in view of the fact that allocations were not permitted. Many of the large businesses here are foreign and our bank deposits reflect money on deposit for their account. Insurance companies, railroads, oil companies, chain stores and many others were of no value to us, even though our quota was based on their deposits in this state. We made intra-state allocations in the case of banks, the State subscription and those outside firms actually buying here. On instruction no solicitation of corporate branches was made but in a few cases local managers asked their home offices for money and got it. Standard Oil bought one million here and Shell Oil \$200,000. There were no others this large to my present knowledge. I think future quotas should be based on a recognition of this condition or that allocations should be permitted. I would prefer the former course.

On the other hand, we made our quota and do not want to complain. We think we can make future quotas no matter how figured.

As stated at the outset, I believe these corporate subscriptions are less important than sales to the public and only tend to confuse the entire drive. The two should, in my opinion be entirely separate. Local firms could be solicited in a drive but the large national firms can best be contacted at their home office and this process requires no drive of the kind just completed. A drive should be what the public thinks it is and what we tried to make here. We said nothing about the banks and I was frankly embarrassed when it finally had to come to light that we had deceived the public about the \$100 per capita. The public wants to know what it is expected to do and will do it every time it is asked. I feel, therefore, that we should treat the public honestly and tell them what we want from them. We were guilty in the Second War Loan of deceit first by including issues not applicable to the general public and secondly by making the total appear larger by including banks, insurance companies and other gigantic purchasers who buy regularly because they have no place else to go with their money. I felt repeatedly that we were flagrantly guilty of intellectual dishonesty. If banks and others are not doing their duty there are means of reaching them. But the general public and especially the small purchaser deserves better treatment than we gave him with this sort of hocus-pocus.

This is a rather frank and lengthy statement but I assume that it is what you want. I can say in all honesty that our entire organization is very happy once again to be working under your personal direction.

David W. Eccles, Oregon War Bond Administrator

June 14, 1943.

Mr. David Eccles, State Administrator,
Treasury Department War Savings Staff,
330 American Bank Building,
Portland, Oregon.

Dear Mr. Eccles:

This will acknowledge your letter of June 3, addressed to Chairman Eccles, who is presently in Ogden and will not return here until June 21.

I note your comment that newspaper accounts respecting the recent reorganization of the War Finance Committee interpreted the change as a victory for Mr. Eccles. The only part of the Treasury announcement which could be properly so interpreted is that relating to the segregation of bank from non-bank financing. As to the balance of the reorganization, there is more to it than is on the surface, and it may be that some time in the future you will have a chance to discuss it in person with the Chairman. In any event, the job remains one of reaching the greatest possible amount of funds in the hands of the various classes of people, corporations and non-banking institutions which have them.

I was interested to read your "Report On Second War Loan," enclosed with your letter, which reflects a thoughtful analysis of the recent campaign. In one respect it does not agree with the Chairman's approach, since you believe that the drive should not be placed under the direction of the Federal Reserve Bank. You state that in the recent drive "this created a great deal of confusion and it was apparent to us that the Federal Reserve had neither the personnel nor the experience to conduct a drive of this character. In many instances we would have been better off had we had no direction from this source whatsoever."

Of course, experience has differed in different parts of the country. From the information we have, in most sections the leadership of the Federal Reserve Bank Presidents (the Banks as such did not come into the picture) was most efficient, and their able leadership was acknowledged on all sides, even by the State War Bond Administrators. Very evidently you considered the Twelfth District leadership inefficient.

Upon his return, I shall bring your letter and its enclosure to the Chairman's attention, and it may be that he will wish to add to or amplify some of the observations made above.

Sincerely yours,

Lawrence Clayton,
Assistant to the Chairman.

LC:jg

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