

May 15, 1943

1. We were given a proposal by the Secretary of the Treasury as a basis of discussion. There was no suggestion of take it or leave it.

2. We studied the proposal and amended it to make it workable, and to give us authority at the district level which would be proportionate to our responsibility. Our proposal repeated the understanding contained in the Secretary's proposal that national policy and program would be determined at Washington, by the National Director of Sales and whatever policy committee the Secretary might designate, such policy and program to be carried out on a regional basis, with the understanding that fundamental national policies would not be changed at the district level.

3. Our proposal was received with the astounding statement that it is an attempt on the part of the Federal Reserve System to take over the financing of the war; that there are undercurrents of which he has been aware for some time seeking this end; that some of you think I don't know anything and have said it behind my back or have written it; that he knew this was coming a week ago and talked to the President about it; that he wouldn't wait to be asked to resign if he accepted our proposal; that he won't bargain with us, he doesn't have to; that he doesn't need the Federal Reserve System, if we don't want to go along; that he has a fine organization with some of the best people in the country in it; that we consider his proposal again or he'll set up his own organization without us.

4. This statement takes the question out of the realm of words and phrases in a memorandum of organization and procedure. No matter what assurances of smooth working and non-interference might accompany our acceptance of the Secretary's proposal, we are on notice that we are not to be trusted for this job, that he has to see that we set up a trustworthy organization, and then even that organization must be watched and inspected by emissaries from Washington.

5. We offered our services and asked for authority in the field to carry out, under the direction of the Secretary of the Treasury, whatever financing program he might determine. We were willing to assume this responsibility and asked only to be judged by the results. The Secretary has refused our services on this basis and has stated his lack of confidence in us. I think it is high time he obtained the services of those in whom he has complete confidence.

6. This job is not necessarily the job of the central banking system. It is not performed by the central banking system in other countries. We are not going to cause the failure of the war finance program if we do not accept the Secretary's terms. There are other men in my district who are competent to act as district or state chairmen of the War Finance Committee and the people of the district will go on working on the job. I am ready to relinquish the post. My only embarrassment is that, because of the office I hold, my action may involve the Federal Reserve System. Therefore, I shall take up the matter with my directors and if they wish my resignation they may have it.

7. I would like to carry on the job we started but I must serve freely, not as a kept man, tolerated, but under suspicion.

## PLAN FOR UNITED STATES TREASURY WAR FINANCE ORGANIZATION

1. The Secretary of the Treasury shall appoint the Presidents of the Federal Reserve Banks as Chairmen of the War Finance Committee in each of the Federal Reserve Districts.

2. There is to be a Sales Manager in each Federal Reserve District.

3. There is to be a State Manager in each State which lies wholly within one district. In those States divided between two Federal Reserve Districts, there is to be a manager for each part of the State.

4. Selection of Sales Managers and other executive personnel is to be made by the Secretary of the Treasury after consultation with and approval by the Chairman of the district organization. Appointment of the personnel so selected shall be made by the District Chairman.

5. All paid employees of the War Finance Organization are to be paid by the Treasury.

6. National policy and program of the organization are to be determined by the National Director of Sales, together with such policy committee as the Secretary of the Treasury may designate. Such policy and program are to be carried out on the regional, decentralized basis, with the understanding that the fundamental national policies will not be changed at district levels.

7. Line of authority shall flow from the Office of the National Sales Director through the Presidents of the Federal Reserve Banks, acting as Chairmen. All matters relating to policy and direction are to be cleared through the Office of the district Chairman. National functional leaders, advisers, and consultants or inspectors shall have access to workers with the prior knowledge of the Chairman but without authority to give orders.

8. At national, district, state and other levels, there is to be but one single organization.