

ADVERTISING CORPORATION OF AMERICA

230 Park Avenue

CABLE ADDRESS "ADCORP" NEW YORK



New York City

TELEPHONE MURRAY HILL 2-9255



FACTORY - EASTHAMPTON, MASS.

February 16, 1938.

Mr. H. M. McIntyre,
Secretary to the President,
The White House,
Washington, D. C.

My dear Mr. McIntyre:-

Having been unexpectedly called away from the office yesterday, I was unable to send this memorandum referred to in your telegram of February 12th until today.

The plan is as follows:-

1. OBJECT Greater distribution of wealth.
2. METHOD Through re-employment of those who are out of work.
3. MEANS Combination of several factors.
 - (a) Lowering of interest rates by commercial banks to business concerns
 - (b) Limitation of government loans to business through R. F. C.
 - (c) Cooperation of business concerns with labor along the true publicity method establishing the fact that the employer contributes as much in working for the employees as the employee toward the employer.
 - (d) Extension to all business concerns of a message emphasizing the importance of placing contracts now - in advance of requirements ... because by so doing more people will be re employed.

Elaboration of the foregoing would, of course, involve some detail but the following comments concerning same will serve to emphasize the points noted.

1. OBJECT It is a foregone conclusion that what the President and the Administration generally are seeking to accomplish is the greater and more equitable distribution of wealth. It is a foregone conclusion also, that the motives prompting the President and the Administration have been genuinely sincere, because of the desire to reach that objective.

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2. METHOD While it is true that a more equitable distribution of wealth than is now enjoyed by the masses of our population may be accomplished through more than one method, it is obvious that a step in the right direction would be greater employment, more uniform employment from the standpoint of time that people work and fewer layoffs due to causes beyond the control of the worker.

(A)

3. MEANS The average business man for some years past has experienced some difficulty in conducting his individual enterprise because of the necessity of maintaining a plant into which he has poured a great portion of his capital, carrying floating inventory which is essential to uniform production and extending credit to his customers because of the practice of shipping on open account. Without the plant this small business man cannot operate certainly he cannot operate efficiently and be in a position to compete favorably. (The banks (and this is a sound practice) charge off the plant to capital investment which of necessity means that it is not regarded as current or liquid capital. The business man, on the other hand, needs the plant to perform. Loans are not available to him on the plant except through private financing at exorbitant rates. After subtracting the capital investment for plant and the money advanced for inventory from the total capital to the credit of the small business man little is left in the form of quick assets to warrant his continuing production in order to employ labor. If we deduct also, that portion of his current assets represented by Accounts Receivable, he is even less able to continue effectively the program of employing people for future commitments. It is not that he is unwilling to keep people employed. It is simply that he is unable to do so because employing people means having cash for labor generally weeks or months in advance of shipment of goods or collection of receivables. It is my firm conviction that commercial banks would interpret credit policies more liberally if Federal Reserve restrictions were modified and government lending to private business through the R.F. C. and other channels curtailed.

(B) I do not believe that the banks generally regard with disfavor the introduction into the lending field of the R. F. C. The R. F. C. has done a splendid job and unquestionably has been responsible for saving many worthwhile enterprises from disintegrating. It is extremely unwieldy for the small business man. To obtain a loan from the R. F.C. entails much accounting, numerous reports, expenditure for accounting fees, etc. and more time than the small man is in a position to wait. This again is no indictment of the R. F. C. or its practices, but an observation based on the fact which leads to the conclusion that the R. F. C. may be and undoubtedly is an effective medium through which loans may be obtained by large organizations but is impractical for the small man. The small

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man must tell his story to the local bank. There he is understood. His progress can be watched by the local bank. He can be guided and checked. The R. F. C. as far as the small man is concerned is far removed from the scene of the action and in that respect becomes the impersonal entity, simply dispensing funds. Furthermore, the R. F. C. encourages capital investment because of the fact that the borrower has been privileged to repay such loan over a period of years. The small business man who is unable to conduct his affairs with short term loans from local banks is not really eligible for credit on a long term basis. He is either undercapitalized or otherwise incapable of proper management. The commercial banks should not be expected to become partners in the institutions to which they lend money and unfair criticism has been directed against the commercial banks because of their unwillingness to participate in loans which eventually become frozen. The banks have plenty of funds available for loans. If they are not called on by Federal Reserve restrictions and other governmental restrictions to confine so much of their capital to Federal bonds and other Federal investments, I feel confident that credit would be freer, and the discount rate on commercial loans lower generally. Although I do not base my statement on any statistical survey, but on observations made among many concerns and in many industries, I sincerely believe that to the approximate 2,200,000 concerns listed in Dun & Bradstreet's credit directory, more than two billion dollars could be loaned at reasonable rates to stimulate trade. This money, put into immediate circulation by manufacturers, wholesalers, distributors and retailers would do more than prime the machinery of industry.

If the manufacturer obtains reasonable loans on reasonable terms, he is in a position to buy raw materials and other commodities today at most advantageous prices. There is no need for speculation and he would not be concerned with it. He is simply interested in knowing where he can find means to pay for labor and the materials that are necessary in the fabrication of his product so that he may solicit business from his regular customers and extend credit to them according to the customs of the industry in which he is engaged.

(c) A strange phenomenon seems to have occurred in the mind of the worker with respect to his relation to the employer. Every public speech, every book, every announcement that in any way encompasses employer and worker seems to convey the impression that the worker works for the employer. This, of course, is true but only in a limited sense. What would the worker in a factory do if those in the employer group in that factory stopped selling, stopped financing, stopped planning, stopped organizing. The fault, of course

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lies with the unilateral philosophy of regarding the worker in the same light as the serf or chattel of the employer. It seems to me that here is room for the development of a thesis that may do much to ease the tension and the worker should be given the opportunity to appreciate the fact that the employer is just as much a cog in the wheel and is just as much a worker for the organization as the worker himself. Of course, it is difficult for some people to appreciate this point of view because of the fact that in many cases the return the worker receives for his efforts is not commensurate with his performance whereas the employer is the sole judge of his own returns.

(d) With perhaps very few exceptions, business men in all fields would be receptive to the proposition that their companies should place contracts for future commitments if necessary, because the placing of such contracts means the employment of labor in other factories and other organizations. This is an appeal to fairness and consideration for others the workers. It is an appeal which is based on faith in American industry and the American people. It is no idle dream. It is moreover the underlying force which will do more to revitalize the confidence of the business man in himself than any other one factor. In my own Company and in my own work I have enjoyed the opportunity to test this theory. It affords me great pleasure to state very definitely that this has worked. Part of the business of our Company relates to the manufacture in our Plant in Easthampton, Mass. of articles which are used in advertising. Many of our accounts are in the insurance field. Insurance companies and agents utilize this material. Many of our accounts can also be found in all other fields of business endeavor because there is no limit to the possibilities of advertising and there is no monopoly in the field of trade which prevents any particular industry or concern in an industry from advertising professions excepted. In order to make it possible for our own Company to keep more than a minimum of employees in our factory during the first few months of the year when we are usually operating on reduced production schedules, we contracted, by long distance telephone calls, by letter and by telegram, many of our accounts who are located in different parts of the country for the purpose of soliciting repeat contracts for future delivery, if necessary. We explained that we were more concerned at this moment with re-employing help and maintaining our production schedules on a more normal basis than we were with profit. In many cases we expressed a willingness, not only to reduce our margin of profit on such contracts but to accept certain contracts if need be on an overhead or partial overhead basis. We endeavored to show our clients that here was an opportunity for them to do more than a good turn for themselves by

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making advantageous purchases. Here was an opportunity for them to give jobs to workers who really manufacture and otherwise produce the material which they buy. Here was an opportunity for them to employ our labor in our Plant because it was only due to such contracts from our clients that we were and are in a position to employ people in our plant. We went a step further. We informed our clients that we were posting an honor roll list in our Plant. This list shows the names of all of our clients who have placed contracts as a result of our message to them to do something for the worker. This list is growing daily because new contracts are being closed regularly. It is, of course, apparent that our Company alone cannot solve the problem of unemployment. The lesson, however, to be derived from this small experiment is important. If our Company, as one individual concern among millions, can enjoy a ready response to an appeal to re employ labor, as described herein, there is no question but that thousands of other concerns can do likewise.

Since our clients represent a cross section of industry generally, and there is no fixed predominance of any particular trade represented in our list of customers, it is fair to assume that this plan, if extended, would accomplish desirable results, throughout the United States. What has resulted from the placing of contracts with us by our clients? We placed contracts immediately for our annual requirements of merchandise of the material that we use in the production of our articles. This called for the manufacture of materials in other factories. It called for the development and production of other commodities as well. It called for the sale to our suppliers and to us of certain raw materials. It was as if the ball had struck the first bowling pin and all the others received the impact. In one isolated case wheels of many industries likewise in small doses were started. This however, can be multiplied by the thousands if the message is spread and intelligently presented to all those who are interested in business. It remains for the rest of the country to become familiar with the slogan "keep the man employed who helps you make your living." No business man is so callous as to be indifferent to the message that this conveys to him. Human beings by nature, respond to acts of kindness and regard with interest the problems of others. Tie this to the spirit that urges the business man to carry on and make a success of his own business venture and you will have the answer to the problem.

Cordially yours,

President.

**THE WHITE HOUSE
WASHINGTON**

Poughkeepsie, N. Y.
February 19, 1938

MEMORANDUM FOR GOVERNOR ECCLES:

For your information.

A handwritten signature in dark ink, appearing to read 'M. H. McIntyre', written in a cursive style.

**M. H. McINTYRE
Secretary to the President**

Poughkeepsie, N. Y.
February 19, 1938.

My dear Mr. Tager:

Thank you very much for your letter of February sixteenth, I placed it before the President and do want to assure you that your thoughtfulness in letting us have the benefit of your ideas and suggestions is much appreciated.

Confidentially, I am today sending your communication over to Governor Eccles for his information.

With all good wishes,

Sincerely yours,

M. H. McINTYRE
Secretary to the President

RE/mma

A. W. Tager, Esq.,
President, Advertising
Corporation of America,
230 Park Avenue,
New York, N. Y.

files

ADVERTISING CORPORATION OF AMERICA

Gen. Eccles

230 Park Avenue

CABLE ADDRESS "ADCORP" NEW YORK



New York City

TELEPHONE MURRAY HILL 2-9295

FACTORY - EASTHAMPTON, MASS.

February 26, 1938.

Mr. H. M. McIntyre,
Secretary to the President,
The White House,
Washington, D. C.

My dear Mr. McIntyre:-

Am glad to receive your letter of the 19th informing me that my previous communication was turned over to Governor Eccles.

Am attaching a sheet taken from a theatre programme magazine featuring the ad of the Corn Exchange Bank Trust Co. of New York. This statement, more than anything else, confirms what I have mentioned in my previous communication relating to banks. It seems absurd that a commercial bank of this size should have in its assets column loans aggregating approximately thirty million dollars, against assets of over three hundred million, with the difference invested in bonds and stocks, etc. Note that this bank carries more than one hundred thirty-one million dollars in United States Government securities.

Of course, the financial structure of the bank is sound and the policy of the Management from the standpoint of security to investors and depositors fundamentally correct, but what service is a bank such as this institution performing for the public other than acting as a depository? With the government insuring deposits today up to \$5,000. it is hardly necessary for a banking institution of this size to serve as a depository only, or almost exclusively. This is not an indictment of the Corn Exchange Bank. (I have been a depositor in it for more than twenty years). I speak of the Corn Exchange Bank because I observed the printed statement in a public magazine and the obvious conclusion that such statement makes one arrive at is that there must be some reason for such a banking institution to invest more than 42% of its capital in government securities and to retain almost 30% of its cash on deposit. How can a small business man expect to obtain short term credit if a banking institution established since 1853, and having 73 branches in the city of New York, shows in its statement that it loans out only thirty million dollars of which twenty million represent secured demand or time loans and only twelve million represents loans and discounts unsecured. A check up of other banking institutions in this city, as well as other cities, will unquestionably indicate a similar situation.

To revert to the subject of promotion of sales outlined under paragraph D in Section 3, under the caption "means"

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in my letter of February 16th, I am happy to say that the list of clients who have responded to our message to place contracts for the purpose of enabling us to employ people etc., is growing daily. If the President wishes, I should be very glad to send you a copy of this list because it represents a cross section of industry and indicates conclusively that there are people in this country who are not willing to sell the country short.

Cordially yours,

A. W. Tager.
KG.

CORN EXCHANGE BANK TRUST Co.

Established 1853

A Bank Statement that any Man or Woman can Understand

Condensed Statement as of close of business December 31, 1937

Due Individuals, Firms, Corporations and Banks **\$292,526,345.91** *Percentage of Total Resources*

To meet this indebtedness we have:

Cash in Vaults and Due from Banks	\$78,279,074.88	24.014%
Checks on Other Banks	18,810,148.66	5.770%
U. S. Government Securities at par (Direct and fully guaranteed, including \$6,450,000. pledged to secure United States deposits and for other purposes required by law.)	131,350,000.00	40.295%
Canadian Government Securities at par	1,000,000.00	0.307%
*State, County and Municipal Bonds (Including \$10,000. pledged to secure State deposits.)	6,531,179.19	2.004%
*Other Tax Exempt Bonds	2,494,625.00	0.765%
*Railroad Bonds	8,529,950.11	2.617%
*Public Utility Bonds	4,981,062.49	1.528%
*Industrial and Other Bonds	2,207,118.66	0.677%
18,000 sh. Federal Reserve Bank of New York	900,000.00	0.276%
2,499 sh. Discount Corporation of New York at cost	299,880.00	0.092%
9,990 sh. Corn Exchange Safe Deposit Co..	886,500.00	0.272%
Sundry Securities at market	227,235.00	0.070%
Secured Demand Loans	17,580,672.22	5.394%
Secured Time Loans	3,130,050.69	0.960%
Loans and Discounts Unsecured	12,080,552.09	3.706%
First Mortgages	19,578,664.74	6.006%
Customers' Liability on Acceptances.	1,466,646.20	0.450%
Banking Houses Owned	12,205,118.92	3.744%
Other Real Estate Owned	2,154,264.90	0.661%
Accrued Interest Receivable.	1,197,443.53	0.367%
Other Assets	82,289.77	0.025%
TOTAL TO MEET INDEBTEDNESS.	<u>\$325,972,477.05</u>	100%
This Leaves	<u>\$33,446,131.14</u>	

*At cost for bonds purchased under par, and at par for bonds purchased above par.

*Capital, \$15,000,000.00; Surplus and Undivided Profits, \$18,052,039.27
Reserve for Contingencies, \$394,091.87*

We can act as your Executor or Trustee, issue Letters of Credit, Travelers' Checks and Drafts on Foreign Countries and provide every Banking and Trust Service.

73 Branches located in all Parts of the City of New York.

Member Federal Deposit Insurance Corporation.