

September 22, 1944.

Dear Dan:

I enclose, for your own information, a copy of a letter I have sent to the Secretary and a set of the memoranda referred to, as I felt you might wish to pass them along to your staff for their study.

As I sought to emphasize in the letter to the Secretary, these memoranda outline the picture which presents a dilemma that is likely to become increasingly acute, but they do not undertake to say what the solutions are. That is something that I feel should be developed in joint consultations between us.

Sincerely yours,

Honorable Daniel W. Bell,
Under Secretary of the Treasury,
Washington 25, D. C.

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September 22, 1944.

Dear Henry:

Enclosed are four memoranda which I presented to the Open Market Committee at their meetings with the Board this week in order to outline a situation which has given me a great deal of concern in connection with some of the problems involved in postwar financing and the increasing difficulty of maintaining the pattern of rates while at the same time keeping down the cost to the Treasury. I want to emphasize that these memoranda do not attempt to give the answers to what I think is a genuine dilemma, but merely outline the situation as I see it.

One, on Treasury financing policies, gives the overall picture of the distributional holdings of the debt with reference to the refunding problems ahead; the second gives estimates of member bank earnings through 1945; the third brings out the point that the ratio of the capital accounts of all commercial banks to their risk assets is greater than it ever has been; and the fourth outlines a situation in Congress that is very likely to gain increasing emphasis, particularly in the postwar period when the pressures will be heavy to reduce taxes and reduce Government expenses, at which time the earnings of the commercial banks will be a very large item in the costs to the Government.

I knew you would be particularly interested, as I am, in this general picture and hence I wanted to send you these memoranda for your own information. I am sending them at the same time to Dan. Later on it would be helpful, I think, if we could discuss the whole matter since it presents a dilemma in which the Federal Reserve System, of course, has an interest as well as the Treasury.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D. C.

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ET:b



TREASURY DEPARTMENT
OFFICE OF THE SECRETARY
WASHINGTON 25

September 23, 1944.

Dear Mr. Eccles:

Your letter of September 22 has been received during the Secretary's absence from Washington. Mr. Morgenthau will be back at his desk the first part of next week, and I shall be glad to bring your letter and its enclosures to his immediate attention.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "H. S. Klotz".

H. S. Klotz,
Private Secretary.

Honorable Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.