

CONFIDENTIAL

February 17, 1943.

MEETING OF EXECUTIVE COMMITTEE OF F.O.M.C.  
WITH SECRETARY MORGENTHAU AT THE TREASURY,  
WASHINGTON, D. C., FEBRUARY 16, 1943.

*Sproul  
Williams  
W. H. H. H. H.  
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Those present were Secretary of the Treasury Morgenthau, Under Secretary Daniel W. Bell; Messrs. M. S. Eccles, Allan Sproul and Alfred H. Williams, Executive Committee of the Federal Open Market Committee; and others.

Assumed we are working toward a single organization for the sale of all Government securities under the command of a single director of sales. (The Secretary indicated acceptance of this objective and stated that lines are out for a director of sales.)

Proposed meanwhile that, as part of a National organization, there be set up at the district level, under the chairmanship of the Presidents of the Reserve Banks, an Executive Committee to have charge of all sales in the district. This committee would be made up of representatives of the War Savings Staff organization in the district and, presumably, of the Victory Fund Committees. The Chairman of the Committee, to be known as the Treasury Coordinator, would have authority delegated to him by the Treasury--without, however, "disturbing" the War Savings Staff organization too much.

We pointed out the following objections to this arrangement:

1. It perpetuates and seems to sanction further the present dual arrangement rather than either moving toward a National War Fund or, at least, doing nothing to make such progress more difficult.
2. It tends to freeze a type of organization at a time when a new director of sales is to be appointed who should have a chance to decide upon the best type of organization.
3. It does not take sufficient account of the difficulties of bringing the two existing organizations together, given their past history, their organization on different geographical lines, and their disparate personnel.

We suggested that, given a National director of sales, and a National publicity program on the right scale, we were ready to take on the next drive as Victory Fund Committees, with the loan of manpower from the War Savings Staff. In other words, we suggested that for the period of the drive we be able to draw on the War Savings Staff, other than its payroll allotment section, so as to avoid competition in expanding our organizations.

Mr. Graves of the War Savings Staff and Mr. Buffington of the Victory Fund Committee asked to join the meeting.

Mr. Graves indicated that this would not be acceptable to him, that he had no people to lend for the drive, that his work is continuing work which must go on, with attendant publicity. The Secretary asked him how he would solve the problem. He referred to the logical and practical solution of the "Haas Memorandum," namely, that the distinction between the Victory Fund Committee and the War Savings Staff should be on the basis not of the type of securities sold by each, but on the type of investors covered by each group. The Victory Fund Committee would contact the

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larger investors and the War Savings Staff the smaller investors, and both groups would sell all the securities offered. This is based on the assumption that a group of about 400,000 having either \$15,000 or more annual income or \$7,500 in bank deposits can be listed and placed and sold by the Victory Fund Committee with a relatively small organization - and made to purchase a very large proportion of the funds to be obtained from non-bank investors.

(The Secretary asked Messrs. Graves, Buffington, Williams and Sproul to discuss the matter further and, if possible, to give him a short written proposal for solution.) We said this again violated the principle of a single organization which would mobilize the National spirit in support of financing the war, as it is mobilized in support of the military effort and the production program. We also questioned the possibility of segregating and placing so neatly this group of "large investors," (some of whom will probably need their income and their bank deposits to pay taxes) and stressed the need of a wider coverage to reach the "unknown" investors in the professions, the shops, on the farms, etc. Mr. Graves said the War Savings Staff is equipped to reach these people. We were not in position to say we had no great confidence in the War Savings Staff or its organization for doing the big job which is coming up.

After further discussion, we were unable to agree with Mr. Graves on a program largely because we disagreed on the need for a single organization and partly because we retained an unexpressed lack of confidence in the War Savings Staff. We agreed that there were three alternatives for the next drive:

1. Turn the whole job over to the War Savings Staff, except bank subscriptions.
2. Turn the whole job over to the Victory Fund Committee, except payroll allotment.
3. Proceed as in December, but with the aid of a National publicity program, in scale with the job and promoting the sale of all Government securities; and with each organization seeking a more intensive coverage.

We also agreed that it is probably already too late to adopt either of the first two alternatives prior to April 1, but that they could be practical if the drive were postponed until May 1, which is possible.