

CONFIDENTIAL

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TREASURY WAR FINANCING ORGANIZATION

Responsibility of Federal Reserve System:

The Federal Reserve System has a direct and inescapable responsibility to contribute to the successful financing of the war. It must see to it that the reserve funds are available which will make possible the continued purchase of Government securities in the tremendous amounts required by the war effort.

At the same time, as the responsible agency for the control of credit policy, it is incumbent upon the Federal Reserve System to develop by every means the widest possible distribution of Government securities outside the banking system. Only by reducing to the minimum the amount of Government securities which must be purchased by the banks, can it discharge its obligation to reduce the inflationary pressure of wartime financing and to promote post-war economic stability.

The interest of the Federal Reserve System in the kind of organization set up to sell Government securities is, therefore, a mandatory interest which is an integral part of its responsibility for credit policy. If the sales organization is equal to the task of selling the largest possible amount of Government securities to non-bank investors, the credit policy of the Federal Reserve System may be an effective part of the anti-inflation program of the Government. If the sales organization is not equal to its task, the Federal Reserve System will be forced into a credit policy which invites inflationary developments.

Permanent Organization:

The Federal Reserve System has advocated the organization of a single national committee for the sale of Government securities which would mobilize the national spirit in support of financing the war, and financing it in the right way, just as it is now mobilized in support of the military effort and the production program. The System believes that this organization can be most effective, and thus public spirit most readily developed, if the principal Treasury borrowing is concentrated in two or three large campaigns each year. At the national level, such a program has suggested a national director of all sales of Government securities and a national publicity program in scale with the job to be done and directed toward promoting the sale of all Government securities, particularly during the periodic drives.

If the Secretary of the Treasury, to whom the National Director will be directly responsible, should establish a Policy Committee as distinguished from an Operating Committee, it is suggested that the Chairman of the Board of Governors and one Federal Reserve Bank President be included in its membership.

As we work from the April setup toward a permanent form of organization, the aim should be to drop the use of the term "Victory Fund Committee" and "War Savings Staff", leaving only the U. S. Treasury War Financing Committee to occupy the field. This new organization should be built on the existing organizations using those parts of each which can best be assimilated. The Presidents of the Federal Reserve Banks, as Chairmen of the War Finance Committees in their respective districts, would have sole executive responsibility for the district sales organizations. The new organization would be concerned first with periodic drives for funds but, presumably, a division of the organization would carry on a continuous educational campaign to promote national thrift and an extension of the payroll savings program.