

## (WFC Letterhead)

May 3, 1943.

Personal

Dear Mr. Secretary:

While my impressions of the Second War Loan drive are still fresh, I am writing to give you my views about two or three questions which I believe are important. Other questions, perhaps of equal importance, will be covered in our later official report, but this is a personal note concerning some of the things which impress me at the moment. I am not going to tell you what I think you might like to hear - in a position such as yours there are always plenty of people ready to perform that service. My purpose is to give you frank opinions which may contribute to an even better performance in future War Loan drives than in the one just completed.

First, some general impressions. I do not think we should be misled by words and phrases. This is a people's war, but that means all the people. Bankers and investment bankers are people. They are not discriminated against when they and their sons are called into the armed services. They should also be used on the home front, along with all other Americans, in the places where they are best qualified to serve. They are best qualified to serve in the Treasury's financing program. It seems to me ridiculous that you should have to be bothered with stories and complaints that you are "selling out" your sales organization to the bankers. There can be no "sellout" when loyal Americans are asked to give their services to their country in time of need in the places which they are best fitted to fill.

Nor can I agree that "this is a job (selling bonds) that ought to be done by unions, clubs, civic groups \*\*\*\* by neighbors calling on neighbors." The aid of all such groups should be used, of course, but the job of organizing a selling force and a selling campaign and of seeing that the bonds are sold is a job for a group of citizens who will make it their main war job, if not their only war job. Unions, clubs, civic groups have other interests, other things to do, and the Treasury's financing program is just one of the many things with which they are concerned. It is appropriate for the Treasury to call on the bankers and investment bankers, employers and employees alike, to make its business their business for the duration, just as it is appropriate for other branches of the government to call on people with other specific skills and experiences to devote them to the war effort.

With that preamble, I return to the recommendation I have made before that there should be one volunteer organization charged with responsibility for the sale of government securities. You have taken two steps toward that objective; by appointment of a National Director of Sales, and by setting up the temporary War Finance Committee organization for the April drive. These steps are not enough. To fulfill the promise of his appointment, the National Director of Sales should be the head of the organization in fact as well as in name, in full control of everyone

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in the organization and of all branches of its work. I have the impression, as a result of the April drive, that at the top people went under, around and over the National Director of Sales to you, and that in the field loyalties were still to previously existing organization chiefs. Unless the National Director of Sales has your full confidence, and unless full authority is reposed in him, and unless he can make that authority felt down through the whole organizations, he cannot do his job. I realize that Mr. Robbins came to work only shortly before the April drive - his experience was too brief for full use of his abilities - but I am thinking in terms of the pattern which is now being set for future drives.

My second observation is that a marriage of convenience, such as we have had this past month between the War Savings Staffs and the Victory Fund Committees, will not give us a wholly effective organization and will not achieve the full results we should be able to achieve. At the same time, it may well waste men's energies and tempers in rivalries which do not carry us forward. I think we got along fairly well in this district, but I never was in such full control of the whole organization as to make me feel that it was knit together as a compact fighting unit should be. This wartime financing organization must be put together as ruthlessly, for effectiveness, as <sup>an</sup> Army or Navy command. Past services, personal considerations, political connections must be swept aside for present accomplishment. There must be no doubt in anyone's mind that there is but one organization and that the lines of authority run clearly and directly from the top to the bottom. That is not the present situation and I am afraid cannot be so long as two separate organizations are maintained, no matter how many coordinating committees we may have. This observation may not seem to be in keeping with the success of the Second War Loan, but we have to do better next time, and the time after that; we have to reach more of the people who are responsible for rising currency circulation and bank deposits and we have to conserve our manpower and use it to the best advantage while reaching them.

My own view is, of course, that a district organization is preferable to a State organization, and that the heads of the Federal Reserve Banks in the several districts are the logical leaders of these field units. The districts are economic areas; not political areas, and the Presidents of the Federal Reserve Banks are public servants of standing in their districts, without political affiliations. They are in touch with all aspects of the financing program and the mechanical operations incident to it, and they can command the services of all groups of the community. And I do not leave out labor, or women or negroes, or anyone else.

If you prefer a State organization, however, then I say you should have it alone - get rid of your district organizations and run the whole job with the War Savings Staff or its equivalent. Frankly, I do not think it <sup>is</sup> the set-up for the job, and it has an air of politics about it, in some places, which is disturbing. But I want you to know that when I talk about one organization, I am not making a special plea for the organization based on bankers and investment bankers. I do not care what organization you use, nor whether I have anything to do with it so long as it is the most effective organization for the job. We have got to sell more bonds to non-bank investors, or raise taxes, or both, if price controls are to be given a chance to work. And if price controls break down, wages will have to go up, and we shall be on our way.

Finally, I would not be wholly frank if I did not say that, in my opinion, with the best volunteer organization which can be devised, we shall still fall

Secretary Morgenthau

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short of meeting our full responsibility on the anti-inflation front. We have had two tremendous successes in terms of dollars in the First and Second War Loans, and between December and April we have greatly improved our performance in terms of numbers of subscribers. We should hope to do even better in the future, but I do not think we shall get a full and equitable sharing of the load without some form of refundable tax - such as was mentioned in the President's budget message. That, I believe, should be the base on which a voluntary program is built. Much of our payroll allotment effort is getting, by pressure and unequally as between man and man, what should be gotten straightforwardly and equitably with a refundable tax. It is only after the first 10%, say, that we should ask individuals who have the money and the spirit to contribute more voluntarily. There would still be plenty of room for such voluntary subscriptions.

Nor can we overlook two facts which may make trouble for us. First, with heavier taxation, and greater sales pressure, we may experience heavier redemptions of redeemable bonds and find ourselves doing a lot of paper work for relatively few dollars. Second, a further piling up of bonds redeemable on demand may complicate our post-war anti-inflationary program, whereas a refundable tax could be repaid over a period with some control remaining in the hands of the Treasury as to when repayment would take place.

I am writing you these views because I think it is only fair that you should know what those who are working for you in the field are thinking. There are many things I have not touched upon, which a fuller, less personal, report would discuss. This letter could not wait for that. I would not want, however, to have its aggressive character conceal my own satisfaction with the results of the Second War Loan, nor the congratulations which are your due. I only want to see a better job done in each succeeding drive, until this war is over.

Yours sincerely,

ALLAN SPROUL

Allan Sproul,  
Chairman.

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

AS:R(OH)

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