

Notes on a Conversation with the Secretary at the Custom  
House, New York, May 21, 1943.

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1. The Secretary outlined his position. He had been pressed for a decision on the selling organization during the Second War Loan drive by Robbins but said he could not decide then. Immediately after the drive he went to work on it, decided he should have one organization and that the Federal Reserve should be in charge in each district. Sold this idea to his associates against the strenuous objections of some of them - it was a tough job but they finally said they would go along. Had some unfortunate experiences during last drive - arguments, personalities - too much pulling and hauling last nine months, got to get this thing set on a basis which will last for duration; got to be sure Treasury policy is carried out.
2. Prepared outline of organization which was presented to Federal Reserve Bank Presidents Friday, May 14th.
3. Presidents came back with their statement that same day - an abrupt this is the way you must do it statement. Secretary then referred back to a memorandum of March 1943, which he called the Eccles memorandum, stating the responsibility felt by the Federal Reserve System for Treasury financing. This he interpreted as a grasp for power, as an attempt to usurp Treasury functions. He said he had never tried to put the screws on us when he had a chance all during the thirties when we were living on fiscal agency income, with the implication that he resented our grabbing for power now. The Presidents memorandum on sales organization, he said, carries some of the same phrases and implications as the "Eccles" memorandum. [Therefore he had decided to tell the Presidents just what he thought - it was not a sudden blowoff - he wanted to set the record straight.] The Treasury has and must keep the responsibility for selling government securities. This is not an expression of lack of confidence in the Presidents of the Federal Reserve Banks, but a refutation of their lack of confidence in the Treasury.

The Secretary then spoke of his subsequent talks with Chairman Eccles and of the Chairman's statement that I wished to see the Secretary personally. The Secretary said he had been told he would have to sell his program to all the Presidents. He said he hasn't time nor energy to do that, and doesn't have to do it. He thought he might sit down with me, however, and come to some agreement, and then rely on me to sell the other Presidents.

I said that I had asked to see him personally because I thought a personal matter was involved. If after three years of working closely together, during which time I gave you my full support, without cutting any corners, you could afford the expressions of distrust and lack of confidence which I, and my associates, had to listen to last Friday, there seemed to me to be no further basis for collaboration in War Finance Committee work. I decided that while I could work with you as an independent officer of a Federal Reserve Bank and a member of the Federal Open Market Committee, I could not work under you as a War Finance Committee Chairman.

I said I thought the vital basis of that whole relationship must be one of trust in the district chairman; the Secretary should ask me to set up a district organization to do a job for him within the general confines of his national policy. That for him to set up the executive organization within the district, and then to supervise and inspect and check it from Washington would rob a volunteer district organization of one of its most precious assets - the feeling that it had been entrusted with an important job in the war effort. It would also, I said, expose me, as chairman, to intrigue and undercutting which I would not want to endure and which would just interfere with doing the job.

I asked if there were some fundamental difference of approach which I did not know about and which made impossible such trust in district chairmen to carry out Treasury policy. You have never told us just what you had in mind as to policy and program, you just asked us to do a job and we did it. I have looked on it as a job of raising money for the war and doing it in the best way from an anti-inflation standpoint, which means widespread participation of all the people. It has seemed to me that the thousands of bankers of the country should be in the forefront of any such campaign, with all other groups of the community participating, of course. But if special attention must be paid to certain groups, apart from the financing job, maybe we district chairmen don't fit.

The Secretary said of course you fit in - I've never played politics with this and there is no reason why I should. Selling to big corporations, insurance companies, etc., is one thing, he said, but I have wanted the people of America to buy, not under pressure, but because they sat down around the table at night and decided it was the thing to do. I want labor sold by its own people, not by the front office.

The Secretary then suggested that we take the Second district and see what we could work out. For district sales manager, he said, I have thought of Mr. Madden of the Manufacturers Trust Company, who did such a splendid job in the pledge campaign in New York City a year ago. I said I did not think he would carry the necessary weight in the community, nor did I think he had the kind of ability needed for setting up and running the permanent organization we need on this job. The Secretary said well, how about Randolph Burgess? That would be a different matter, I said; he would do for the job although he is not a salesman, but does all this mean I must drop Perry Hall? The Secretary said he would like to keep Perry Hall in the picture for the salesman's type of selling, but not as number one man - that he does not have a broad enough approach; that he thinks in terms of selling wads of securities; that the Secretary wants someone who sees and fits the whole picture better. I said that I, not Mr. Hall, would be number one man; that I would see that Treasury policy is carried out and that the broad approach is used. The Secretary said I had other things to do and he was thinking about the forty-three weeks in the year - outside of drives - when the sales manager would be working on thrift campaigns and payroll savings.

I said that raises a serious and difficult question. After the job Mr. Hall has done on the first two drives, I could see no reason for dropping him and that I had confidence in him born of experience which could be gotten in no other way. The Secretary said that is why it would be easier for him to drop Mr. Hall than for me - that I have to live in the community. I said that if you drop him with my acquiescence you leave me in a very difficult position and it would have a disruptive effect in the community and in the organization.

The Secretary then said why can't I get Bell and Gaston and Gamble up tomorrow morning to go over these things and see what we can work out. I need these people, he said; they know more about the organization and men than I do. I said I was not ready to go over a district organization with them; that I don't yet know that I can serve myself under these conditions. The mention of Mr. Gamble, I said, raises another question. I understand he is to be National Director of Sales, succeeding Mr. Robbins. I know him only slightly and can't pass on his ability but I do know he will not carry to the country the confidence you want and that he will carry to your organization the feeling that palace intrigue is to continue. The Secretary said his mind is made up on Gamble - that's settled. I said I'm not trying to tell you whom you should appoint, but as an adviser I think you are making a mistake.

I then said that fundamentally we came back to the difference that I think you should have enough trust and confidence in your district chairmen to let them set up and run their organizations, under your general policies, and you don't think you can do that. The Secretary said we must have trust and confidence in him - that he will not interfere unduly or be unreasonable. We have got to get this settled, he said, and we can do it. You think it over tonight and we'll have another talk tomorrow morning.