

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Office Correspondence

Date December 11, 1942

To Chairman Eccles

Subject: Tax Program

From Martin Krost

MK

Mr. Stark and I had a conference this afternoon with Colin Stam. I will send you a later memorandum dealing with Congressional sentiment as to the form that next year's revenue legislation should take. It may be of more immediate interest that Stam said there was speculation that Senator Prentiss Brown of Michigan might be appointed to one of two executive positions. You will recall that Senator Brown led the fight in the Senate against higher price ceilings for agricultural products while the price control bill was under consideration in September and, partly for this reason, was defeated for reelection last month. Stam said he had heard the suggestion that Brown might replace Morgenthau as Secretary of the Treasury or that he might replace Henderson as Price Administrator. Stam spoke at considerable length on Brown's qualifications for Secretary of the Treasury.

Randolph Paul made a speech in New York on Wednesday on the need for additional tax revenue. Stam said such speeches were keenly resented by the leadership of the Ways and Means Committee and the Finance Committee. He spoke of Morgenthau's radio address from Winston-Salem scheduled for tonight in the same uncomplimentary way.

The present attitude of Congress on fiscal suggestions originating with the Administration is well illustrated by a minor incident. Yesterday the Ways and Means Committee informed the President that there was no chance for the passage of the legislation he had requested lifting restrictions under the immigration and tariff laws on the entry into the United States of personnel and materials needed for the war effort. Yesterday and today the same Committee and the Senate Finance Committee arranged for the passage of legislation extending the period during which powers of appointment (the power in the hands of a person with life tenure of the income from a trust to appoint his successor) may be released without making the estate of the person holding such powers liable to estate tax on the assets covered by the power.