



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON (25)

OFFICE OF THE CHAIRMAN

December 27, 1943.

Dear Marriner:

I thought I had better report the status of matters touching your discussions with Mr. Hancock.

First of all, the matter of the Attorney General's opinion has dragged along, the last tangible development having been a conference between Marbury, Cleveland and Vest, with Townsend and Shea. This was for the purpose of trying to educate Townsend and Shea on the procedure actually followed by the War Department in arranging VT loans. George reports that the objective was not achieved, but that during the conference Townsend showed them a tentative draft of a re-write of the Attorney General's opinion, which he said had resulted from discussions between Hensel, Navy, and Shea. He did not say, however, that the Navy had agreed to the tentative draft. At any rate, upon hearing it read, George, Marbury and Cleveland pointed out a number of objectionable statements contained in it. Townsend would not let them have a draft to take along, but did let Cleveland make some interlineations which he said they would consider. George did not expressly agree to Cleveland's suggested changes, although he thinks that if they were all adopted, the revision would be acceptable, although not as desirable as the proposal we have made to eliminate all the discussion respecting administrative procedure.

I had suggested to George that he report to Hancock the unsatisfactory status of the matter, but before doing so he checked with Marbury to see if the War Department had any objections. They agreed to wait until last Thursday morning to see whether Townsend would make any report as to his acceptance or rejection of the Cleveland suggestions. Nothing was heard from Townsend by Thursday forenoon, so George called Hancock and reported the matter to him. Hancock appeared to be currently informed as to the lack of progress and made the remark that Ben Cohen had muffed the ball. Hancock was going out of town over the holidays, to return Tuesday of this week (tomorrow), but promptly proposed that he call a meeting of the representatives of the Armed Services, the Board, and the Department of Justice, and endeavor to arrive at a decision.

During the conference in Townsend's office, attended by George, Townsend expressed the opinion that the questions of administrative policy

were essential to the opinion, and that if an agreement could not be reached, it might be better to withdraw the opinion entirely. Our War Loans Committee has considered this matter at a meeting called for the purpose of hearing George's report on the conference with Townsend. It is our view here that if an entirely satisfactory revision cannot be obtained, it would be better to have the opinion withdrawn and press for the proposed legislation.

It is now 4:00 p.m. and nothing further has developed on this matter today.

Last Thursday afternoon, shortly before catching his train for New York, Mr. Hancock called me with reference to the work on a plan for termination and post-war financing. I enclose herewith a copy of a memorandum which I circulated to the War Loans Committee, reporting on this telephone conversation.

Meanwhile, I have received from Major Rose the tentative drafts referred to by Mr. Hancock. They are not in very good shape, although except for the section on financing termination, the paper reflects a good deal of detailed study. There are several pages of very laborious and technical language governing the disposal of surplus property and the interpretation of the uniform termination clause. I got these papers during the afternoon on Christmas Eve and took them along home. I got a chance to go over them quite carefully yesterday and this morning had George devote several hours to them by himself. We got together after lunch and agreed on some criticisms and suggestions respecting the financial section, which we shall urge upon Mr. Hancock at the meeting tomorrow, if he calls it as expected.

Meanwhile, the long-delayed letter from Hugh McGee came and I am enclosing a copy herewith. I shall also deliver a copy to Mr. Hancock, at which time I shall bring up again the matter of the meeting--where, when, and who is to attend representing the Board. It may well be that the meeting will not be scheduled until a date after you return.

Nothing else of especial note except that we had two very nasty days so far as weather is concerned. Both Christmas and Sunday were cursed with a drizzle which froze on the streets and sidewalks. In the local area during the two days there were 17 deaths and over 700 injuries. Yesterday afternoon late, however, the temperature rose and a continuing rain melted all the ice. Today the sun is bright and the air is balmy, suggesting spring. Thus Washington runs true to form!

Hope you are enjoying your reunion with family and friends.

Sincerely,

