

THE WHITE HOUSE
WASHINGTON

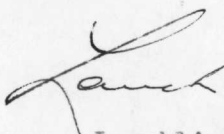
June 17, 1943.

Honorable Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Marriner:

The attached plan for financing conversion operations was worked out by Mr. Rockwell Kent, Vice President of the Manhattan Company. It was sent to me with the hope that I might bring it to your attention.

Sincerely,



Lauchlin Currie

INDUSTRY REHABILITATION ADMINISTRATION

A governmental agency under the supervision of the Treasury Department, set up roughly on a basis similar to the F.H.A. with authority to guarantee loans for the rehabilitation of postwar industry, and to pay cash or issue three-year negotiable government bonds in settlement of losses, guarantee fee to accumulate as an insurance fund.

GUARANTEE a "subordinated guarantee" and not a "put". A guarantee against "loss", "loss" being the amount of the loan unpaid either (1) at the time of bankruptcy, or (2) any time within two and one-half years after bankruptcy (at the option of the noteholder - option to be decided upon by noteholder at the time of bankruptcy).

AMOUNT OF GUARANTEE not to exceed 50% of the original amount of the loan.

INTEREST RATE loans with maturities up to 3 years, not exceeding 4%.
loans with maturities up to 5 years, not exceeding 5%.
loans with maturities up to 7 years, not exceeding 5-1/2%.
loans with maturities up to 10 years, not exceeding 6%.

<u>GUARANTOR'S FEE</u>	<u>Percentage of guarantee</u>	<u>Fee expressed in percentage of interest taken by the Guarantor</u>
	50	60 (a) $4\% = 2.4$ <i>Leave 1.6</i>
	40	55
	30	50
	20	40
	10	25

TENOR repayable in equal quarterly or monthly instalments (option of the lender) with first instalment due no later than fifteen months after date and maturity within ten years.

METHOD OF APPLICATION I.R.A. to appoint one or more liaison officers domiciled at each Federal Reserve Bank who will determine only whether or not prospective borrower has need for the money. Application to be made by lending bank about same as under present set-up for Regulation V loans and to be made at the Federal Reserve Bank in the district where either the borrower or the bank is located. Federal Reserve Bank to have no final authority to approve but it shall recommend "yes" or "no". Application must have favorable recommendation from Federal Reserve Bank and the approval as to its necessity by the liaison officer. It shall then be sent to the head office of I.R.A. for final approval (preferably several head offices).

NOTE (1) Organize this agency now and let it commit in advance, based on maintenance of the financial condition of the borrower.
(2) Federal Reserve should make paper eligible.

June 18, 1943.

Dr. Lauchlin Currie,
Administrative Assistant,
The White House,
Washington, D. C.

Dear Lauch:

As the Chairman is away, let me
acknowledge your note of June 17 enclosing
Mr. Rockwell Kent's plan for financing con-
version operations. I will see that the
Chairman gets it on his return next week.

Sincerely,

(Signed) Elliott Thurston

ET:b

June 30, 1943.

Dr. Lauchlin Currie,
Administrative Assistant,
The White House,
Washington, D. C.

Dear Lauch:

Your brief note of June 17 reached me just after my return from the West, and I have been badly covered up with accumulated business and a number of meetings. Hence the delay in this acknowledgment.

With your note you enclosed a one-page outline of an "Industry Rehabilitation Administration," submitted by Mr. Rockwell Kent, Vice President of the Manhattan Company.

Evidently Mr. Kent suggested that you bring this plan to my attention, but I hardly think it appropriate for me to express any opinion as to the merits of this particular plan. It is essentially a plan to partially guarantee loans made by private institutions for the rehabilitation of post-war industry and would place the supervision of such administration under the Treasury Department.

The whole question of financing the necessary reconversion of war industry to civilian production, as well as facilitating the resumption of civilian industries which were shut down or damaged by the war effort, is under consideration by a number of agencies, as you know. The necessary survey of the problem has hardly begun, so that I doubt that any plan can be intelligently conceived at this stage. It seems quite likely, however, that as a part of a broad program, there will have to be some degree of Government guarantee of loans made by private credit institutions for reconversion or rehabilitation where the risk is great. Since the Federal Reserve System has acquired considerable experience both under Section 13-b and under Regulation V, it may well be that its decentralized organization, comprising the Reserve Banks and their Branches, would be an effective administrative agency for the financial phase of the post-war production problem. I note that Mr. Kent gives some recognition to this thought.

With best wishes, I am

Sincerely,

M. S. Eccles,
Chairman.

LC:jg