

HEARINGS ON THE EXPORT-IMPORT BANK BILL
BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE
July 17, 1945 -- 10:30 A.M.

The hearings before the Senate Committee on the Export-Import Bank bill began with the testimony of Leo T. Crowley, who appeared as Chairman of the Board of Trustees of the Bank. In his statement Mr. Crowley urged the Committee approve the bill. He stated that the necessary financing of our foreign trade during the period of reconversion in this country and of reconstruction abroad should be provided, to the extent that private capital is not available, through the Export-Import Bank, whose lending authority should be increased. He pointed out that UNRRA's funds will be available only for relief and that Lend-Lease aid will not be furnished for purposes of rehabilitation of liberated countries. He explained the appropriation for Lend-Lease for 1946 was based explicitly on the assumption that Congress would increase the lending authority of the Bank in order that the Bank could finance portions of the agreements made under Section 3 (c) of the Lend-Lease Act for the delivery to certain European countries of industrial equipment. Since the International Bank cannot be in effective operation for a year or eighteen months, Mr. Crowley believed the Export-Import Bank is urgently needed in this interim period to finance United States exports in connection with reconstruction and development projects abroad. In the longer run, the operations of the Export-Import Bank will be coordinated with the policies of the United States representatives on the Monetary Fund and International Bank through the National Advisory Council provided for in the Bretton Woods enabling legislation. Mr. Crowley then highlighted the provisions of the bill under consideration. He explained that the increase of \$2.8 billion in the Bank's lending authority would probably suffice to finance our exports during the present fiscal year. He explained the provisions regarding the management of the Bank and described the capital structure of the Bank.

Mr. Crowley assured Senator Taft (R. Ohio) that Lend-Lease would be discontinued after the conclusion of the war with Japan. He explained that no contracts were being made for goods to be shipped under Lend-Lease agreements with France and other countries not involved in the Japanese War unless delivery would be completed at the end of 1945. There followed a discussion of Lend-Lease aid to Russia which was off the record. Mr. Crowley explained to Senator Wagner (D. N.Y.) that the Bank would be prepared to finance trade with Russia on the same basis as it would finance trade with other countries. He estimated that Russia in the next year might be able to use \$1 billion to finance trade with the United States. He did not believe the requested increase in the Bank's lending authority was large enough to take care of substantial aid to Great Britain. When asked by Senator Taft if the increase in lending authority would be used only to make rehabilitation loans to Europe, Mr. Crowley replied that development loans to Latin America would continue to be granted and that perhaps \$100 to \$200 million would be used for that purpose. Direct loans to exporters to finance specific export transactions would also be made.

Senator Murdock (D. Utah) expressed the opinion that the Treasury should be represented on the Board of Directors of the Bank. Mr. Crowley stated that he had no objection to the inclusion of the Treasury on the Board and explained that the provisions in the bill regarding management were the result of compromise in the House Committee. Senator Wagner also thought the Treasury might be represented on the Board. Senator Buck (R. Del.) believed that loans should not be granted to countries whose economies and governments were not stabilized. Mr. Crowley agreed that loans to countries, for example Italy and perhaps Poland, would be unwise until stable governments are established. He hoped that the Bank would be able to finance exports to Poland but stated the lending program would have to be developed slowly.

Senator Buck inquired about the possible maturity which the Bank's rehabilitation loans might carry. Mr. Crowley said he expected that most loans would mature over 15 to 20 years but that some might run for as long as 30 years. He anticipated that on these long-term loans repayment would not begin for three to five years from the date of the disbursement. Senator Taft asked if the Bank expected to return to Congress for additional lending power at the end of one year to which Mr. Crowley replied that it was problematical but that \$2.8 billion was a conservative estimate of the needs for financing. He did not want to say whether the Bank would lend \$2 or \$3 billion each year. Senator Taft did not see why the Export-Import Bank was needed after the International Bank came into operation. Mr. Crowley explained the Export-Import Bank was needed to finance United States foreign trade and that if Russia wanted to buy in the United States market there was no way to finance this trade except by a loan from the United States to Russia. Senator Taft believed that it was not wise to build up an economy based on lending or to stimulate export trade by government loans. He thought the Bank could perform a useful function by assisting United States exporters to get credit on reasonable terms when private capital was not prepared to finance export transactions but that loans to governments by the Bank were a duplication of the operations of the International Bank. Mr. Crowley felt that the Bank would perform a useful service even after the International Bank is in operation by building up a market for United States goods. He assured Senator Taft that the Bank did not exert political pressure on government borrowers although it did supervise the use of the funds, the selection of the project, etc. Also, the borrower is required to spend the proceeds of an Export-Import Bank loan in this country. Senator Taft said that the Export-Import Bank would be a better bargaining weapon than the International Bank and that he thought that credit should be used for bargaining purposes.

Board of Governors
of the Federal Reserve System
Division of Research and Statistics
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