

March 31, 1942.

Dear Mr. Secretary:

In view of the provisions of the Executive Order of March 26, 1942, No. 9112, authorizing financing of contractors, subcontractors, and others to facilitate the prosecution of the war, and in accordance with the wishes of the War and Navy Departments, the Maritime Commission and the War Production Board, we are engaged in preparing regulations with a view to the fullest possible cooperation on the part of the Federal Reserve System. The objective of the Federal Reserve System in carrying out the purposes of the Executive Order will be to facilitate and expedite war production, including the obtaining or conversion of facilities therefor, by arranging for the financing of contractors, subcontractors, and others engaged in business or operations deemed necessary, appropriate, or convenient for the prosecution of the war.

It is contemplated, as one of the means to this end, when financing cannot be obtained on a reasonable basis through the usual banking channels, that the Federal Reserve Banks, with or without guarantees, will utilize their powers under section 13(b) of the Federal Reserve Act as far as possible in the financing of enterprises engaged in war production.

The Board feels that it would aid materially in the accomplishment of this purpose if the regulations issued by you under date of August 15, 1934, entitled "Regulations issued pursuant to subsection (e) of section 13(b) of the Federal Reserve Act as amended by the Act approved June 19, 1934", were amended so as to provide for payments to each Reserve Bank in such amounts as the Board of Governors of the Federal Reserve System may request from time to time up to the full amount of the par value of such Reserve Bank's holdings of Federal Deposit Insurance Corporation stock, without following the alternating process now prescribed by the regulation.

If this suggestion meets with your approval, we would like to have the privilege of having one or more members of the

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Board's staff consult with your counsel in regard to the details of the changes in the regulation which would be desirable in order to effectuate this purpose.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

Honorable Henry Morgenthau,
Secretary of the Treasury,
Washington, D. C.

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