

EG 2-1045

Letter 12/20/45

December 20, 1945.

Chairman Eccles

U.S.-U.K. Economic Negotiations
General

Mr. Knapp

lc

12/20/45 (to Vinson)

In drafting the attached letter, I have doubted the advisability of including President Sproul's point about the close relations between the Treasury and the Federal Reserve Bank of New York. Inclusion of this point might weaken rather than strengthen our case since it would introduce a note of self-interest in our argument. I do not think we want to imply in any way that the Federal Reserve Bank is not prepared to develop the closest working relationships with the Export-Import Bank.

lc

I have drafted the following paragraph to cover the point, but I hope you will agree that it had better not go in:

"Another element in the situation is the fact that the British Government will be utilizing the Federal Reserve Bank of New York as depository for the funds drawn under the line of credit. If your Department handled disbursements under the credit, it would be able to utilize to advantage its well-established working relationships with the New York Bank."

U.S.-U.K. Econ. Negotiations
12/20/45 filed: Sproul (12)

I have drafted a letter for your signature to President Sproul based on the assumption that this argument is not used.

Attachments 2.
JBK:mla

JBK

Copy filed:
U.S.-U.K. Economic Negotiations
General
FR Banks (2)

FILE COPY

Files
mean

December 20, 1945.

Honorable Fred M. Vinson,
Secretary of the Treasury,
Washington 25, D. C.

Dear Fred:

As I informed you by telephone some days ago, I was somewhat disturbed to learn that consideration was being given to handling the British credit through the grant of special authority to the Export-Import Bank. It had been my understanding throughout our discussions that this credit would be handled directly by the Treasury and I feel strongly that this procedure would be greatly preferable.

We must maintain the firm position that the British credit constitutes a special case—possibly not a unique case but one entirely distinct from the general run of foreign loans which may be made by this Government through the Export-Import Bank or other agencies. This distinction is emphasized if the Treasury handles the credit under special procedures; it is blurred and almost lost to sight if the credit passes through the Bank. We would be inviting any foreign government which may in the future approach the Bank for a loan to cite as a precedent the generous terms which the Bank would be allowing to the British Government. This is just what we want to avoid.

The Export-Import Bank would be acting completely out of character in handling the British credit. As you know, it operates under Congressional mandates to concentrate on financing the foreign trade of the United States and to operate on a "commercial" basis. In both respects the British credit lies far outside its normal field of operations.

It would, of course, be particularly inappropriate for the Bank's Board of Directors as presently constituted to be charged with administering on behalf of this Government the provisions of the credit agreement relating to consultation between the two Governments on such matters as removal of British exchange controls, the relation of the

Honorable Fred M. Vinson

-2-

U.S. credit to other British obligations, etc. I trust that any legislation which is presented to Congress will make clear that consultation on these matters shall be a function of the National Advisory Council under the chairmanship of the Secretary of the Treasury, since it was the members of this body who negotiated the terms of the credit.

I am sending copies of this letter to Secretary Wallace, Mr. Acheson, and Mr. Martin.

Very truly yours,

M. S. Eccles,
Chairman.

JBK:mla

December 20, 1945.

Mr. Allan Sproul, President,
Federal Reserve Bank of New York,
New York 7, New York.

Dear Allan:

The work on the enabling legislation for the British credit has not yet commenced in earnest but since I am leaving town for a couple of weeks, I have decided to go on record in the National Advisory Council as favoring the handling of this credit directly by the Treasury. I enclose a copy of the letter which I have written to Secretary Vinson on this subject.

You will note that I have omitted the point based upon the close working relationships between the Treasury and your Bank since this seemed to introduce a note of self-interest in the argument and might be taken to imply that equally close relationships could not be developed between your Bank and the Export-Import Bank.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure
JBK:ala