

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 28, 1946.

To Chairman Eccles ✓

Subject: _____

From Mr. Knapp

JK

Attached is a draft letter to Mr. Coe requesting a change in the minutes of the National Advisory Council meeting of January 15.

The paragraph in the minutes as amended would read as follows (underlined sentences would be added at your request):

"Mr. Eccles said he could not approve the loan on the evidence available. If the Government took this road, it might have to supply long-term capital to other airlines, to shipping companies, and indeed to innumerable promoters of companies in the international business field. At the present time, when every effort was being made to check the inflationary increase in the public debt and when there was a booming private capital market, it made no sense for the Government to be lending money to promote private business enterprises. The limited amount of Export-Import Bank funds should rather be reserved for emergency reconstruction and development loans to foreign countries. It appeared to him that the owner of the company in question wanted to have a \$150 million company and keep control of it with \$20 million and that this might well be the reason why private capital could not be found. The Council should not agree to increase the public debt by \$100 million in order to help a private person enlarge his company with public funds, while retaining control with his relatively small capital. He was surprised that such a proposal should come up.

January 28, 1946.

Mr. Frank Coe, Secretary,
National Advisory Council,
Treasury Department,
Washington 25, D. C.

Dear Mr. Coe:

I should like the minutes of the National Advisory Council meeting of January 15 to record in somewhat greater detail the reasons which I expressed at the meeting for opposing the proposed Export-Import Bank loan to TWA.

I should therefore appreciate it if you would have the following sentences inserted after the second sentence in the fourth paragraph under Item 3 on page 5:

"At the present time, when every effort was being made to check the inflationary increase in the public debt and when there was a booming private capital market, it made no sense for the Government to be lending money to promote private business enterprises. The limited amount of Export-Import Bank funds should rather be reserved for emergency reconstruction and development loans to foreign countries."

Very truly yours,

(Signed) M. S. Eccles

M. S. Eccles, Member,
National Advisory Council.

JBK:mla