

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date April 18, 1938.To Chairman EcclesSubject: Railroad Equipment BuyingFrom Lauchlin Currie  
*LC*

Attached is a short memorandum on the proposal that the R. F. C., for a limited period, purchase equipment trust certificates, together with a tentative draft of a letter from the President to the R. F. C. No new legislation is required. I have permission to pass along, confidentially, the information that the R. F. C. has just concluded arrangements for the purchase of \$14 million worth of equipment trust certificates of the Southern Railroad, covering 5,000 freight cars and some Diesel electric engines. The certificates cover 100 percent of the cost, mature in 15 years, and carry a 4 percent rate, payment of which is to start in two years. I am told that a 2 percent rate for a limited period would bring out a lot of buying.

I inserted the bit about streamlined trains because of the information that the Illinois Central and the Southern Pacific would each like to purchase six such trains at from \$500,000 to \$700,000 apiece if sufficiently favorable financing terms could be arranged. The relatively short maturity of ten years I suggested for certificates covering streamline trains is because of the very intensive use to which such trains are put.

There is a political angle to be considered. The President may want to hold off for the time being in order to bring all the pressure he can for the passage of his program.

On the utilities proposal, a memorandum is being prepared for me by the head of the public utilities division of the S. E. C.

I take it you want to present the various ways of implementing the program at one time.