

August 12, 1944

Honorable Robert H. Hinckley,  
Director of Contract Settlement,  
Washington, D. C.

Dear Bob:

You will recall that some time back it was suggested that I might wish you to write me a letter respecting the companion bills to amend section 13b of the Federal Reserve Act which were introduced last May in the Senate and House, respectively, in order to implement a recommendation in the Baruch-Hancock Report. It is my purpose to request that hearings be held on these bills since they are an integral part of the legislative program relating to reconversion. I have already received a letter from Mr. Baruch supporting these bills and I am enclosing a copy of it herewith for your information.

Knowing that you are extremely busy familiarizing yourself with your new responsibilities, also that you are not too familiar with the scope and purpose of the pending bills, I am enclosing herewith a suggested draft of a letter which you might wish to use in whole or in part for the purpose indicated.

With cordial regards, I am,

Sincerely yours,

*S/ Morrison*

Enclosures

LC/mg

cc: Miss Benton ✓

*LC*

THE UNDER SECRETARY OF STATE  
WASHINGTON

August 14, 1944

e 71 Bob Harrington

Dear Marriner,

As agreed in our conversation, I am arranging for Mr. Hull to put the Latin American military space question up to the President immediately upon his return.

I shall be out of circulation, presiding over the world security conversations, but I shall see that Mr. Hull's assistant communicates with you promptly as soon as the President makes a ruling.

Please understand that I am most sympathetic with your point of view in the matter.

With best wishes always,

Sincerely yours,



Mr. Marriner Eccles  
Chairman, Federal Reserve System  
20th and Constitution Ave. N.W.  
Washington, D. C.

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OFFICE OF CONTRACT SETTLEMENT  
Washington, D. C.

Albert H. Hinckley  
Director

August 16, 1944.

Dear Mr. Eccles:

In the Contract Settlement Act of 1944, Congress has recognized that the prompt settlement of cancelled contracts is essential to orderly reconversion. Pending final settlement, the Act provides for financing the claims. Nevertheless, there are other financial aspects of reconversion which the settlement of claims or interim financing will not meet.

Generally speaking, the Act is designed to "unfreeze" the working capital of businesses whose war production is terminated. In many cases this liquefying of working capital will provide sufficient funds to reconvert or if no reconversion is necessary, to resume or expand production for civilian use. In other cases, however, the contractor will find it necessary or desirable to obtain additional funds. For example, many contractors will desire to retain machinery or additions to plant which they have been using in war production. Or they may wish to acquire surplus property in the hands of other war contractors. In these and other cases, the unfreezing of working capital alone will not provide adequate funds.

The final settlement of claims on terminated contracts could be facilitated and expedited in many cases if additional financing were available whereby machinery or plant could be acquired by the contractor as a part of or concurrent with the contract settlement. Such arrangements would not only be an important aid to industry in the resumption of production for civilian use but would at the same time facilitate the Government's very difficult task of disposing of surplus war materials.

It is gratifying to know that under date of May 15 Chairman Wagner and Chairman Spence introduced companion bills amending section 13b of the Federal Reserve Act, which would place the Federal Reserve System in a position to assist substantially in this situation. These bills would implement the recommendation contained in the Baruch-Hancock Report and would make available to small and medium sized enterprises at their usual banking connection a single source of credit to cover their requirements not only during the termination period but for reconversion to or resumption of production for civilian use. As I understand it, the financing provided thereby would not require any new appropriation of public funds.

I am impressed with the fact that the Federal Reserve Banks are peculiarly qualified to handle such financing. As fiscal agents of the various war contracting agencies, first under Executive Order 9112 and henceforth under the Contract Settlement Act of 1944, they will be familiar with the financial problems and productive capabilities of war contractors at the time of termination. They are therefore in the best possible position to judge the propriety of guaranteeing credits, not otherwise available, required by war contractors for prompt reconversion.

M. Marriner S. Eccles - 2

August 16, 1944

I trust that these bills will receive prompt and favorable consideration of Congress as a necessary part of the legislative program relating to re-conversion.

Sincerely yours,

(Signed) Robert H. Hinckley

Robert H. Hinckley  
Director of Contract Settlement

Honorable Marriner S. Eccles  
Chairman  
Board of Governors  
Federal Reserve System  
Washington 25, D. C.

August 18, 1944.

Hon. Robert H. Hinckley,  
Director of Contract Settlement,  
Washington Building,  
Washington, D. C.

Dear Bob:

I am enclosing for your information a copy  
of a letter received from Ed Stettinius regarding the  
Latin American military space question which we have  
discussed.

Sincerely yours,

Enclosure

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