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Y

LAWRENCE WAREHOUSE COMPANY

72 WALL STREET

NEW YORK, N. Y. 5

August 30th, 1944

Mr. Daniel W. Bell
Acting Secretary of the Treasury
United States Treasury
Washington, D. C.

Dear Mr. Bell:

Your statement concerning the proposal by Mr. Eccles, Chairman of the Federal Reserve Board, to guarantee loans made by banks to business for the purpose of speeding reconversion of industry to non-war production, as quoted in the August 25th issue of *The Journal of Commerce*, cannot help but meet with an excellent response by thinking people everywhere. Recognizing that during the reconversion period there cannot be too many outlets for credit, you apparently feel nevertheless that the financing of industry and business should be in private hands and not under what in effect are Government guarantees.

You no doubt feel also that as long as the Government is going to be instrumental in the making of loans to private business through guarantees, or otherwise, why should not Government protect itself by requiring collateral in all instances where collateral is obtainable? During the reconversion period a substantial portion of all loans made by banks will be for the purpose of carrying raw inventory, or manufacturing or carrying finished inventory. The majority of such loans which if guaranteed might be made on an unsecured basis could be collateralized by pledged inventory. It is unlikely that loans made under Mr. Eccles' proposal will be collateralized unless the Federal Reserve Board of the Congress requires it.

There are a number of reliable field warehouse companies operating throughout the United States. Lawrence Warehouse Company is already well known to the Government in view of the substantial work which we have done and are doing for the Metals Reserve Company and the Treasury Department. We feel certain that the service which the field warehouse companies stand ready to offer can become an important accessory to the Government financing program, which Mr. Eccles is sponsoring and that there will be many instances where it should be insisted upon.

Representatives of our company would be pleased to sit down with you or whom-ever you might designate and we would be pleased also to meet with Chairman Eccles, or members of his Board, for the purpose of outlining just what can be done by field warehouse companies to protect the Government's position and to stimulate sound bank lending under Government guarantees. Won't you give us the opportunity of outlining this important service to you? A telegram, a letter, or a telephone call will bring one of our representatives to give you full information.

Yours very sincerely,
LAWRENCE WAREHOUSE COMPANY
(Signed) R. L. GORDON
VICE PRESIDENT

SEP 11 1944

Dear Sir:

Reference is made to your letter of August 30, 1944, concerning legislation pending before Congress, which has been sponsored by the Board of Governors of the Federal Reserve System, under which Federal Reserve Banks would guarantee loans made by banks to business enterprises in connection with the reconversion of industry to non-war production.

It is noted that in your opinion the services which field warehouse companies stand ready to offer can become an important accessory to any Government financing program which might be undertaken and you desire an opportunity to visit the Treasury and discuss the matter with us.

I am sure you appreciate the fact that if the Government should undertake any financing program as a result of the legislation now pending in Congress, such program would be administered through the Federal Reserve Banks and Board of Governors of the Federal Reserve System. In view of the fact that the Treasury would not exercise any jurisdiction over such activities, I feel it would save your time if you went directly to the agency that will administer the provisions of the Act. I am, therefore, forwarding a copy of your letter to Honorable Harriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, for his information.

Very truly yours,

(Signed) D. W. Bell
Under Secretary of the Treasury

Mr. R. L. Gordon
Vice President, Lawrence
Warehouse Company
72 Wall Street
New York 5, N. Y.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON 25

SEP 11 1944

Dear Mr. Eccles:

There are enclosed for your information a letter dated August 30, 1944 from Mr. R. L. Gordon, Vice President, Lawrence Warehouse Company, 72 Wall Street, New York City, with respect to services which field warehouse companies stand ready to offer in connection with any Government financing program, and a copy of my reply of this date to Mr. Gordon.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Bill".

Under Secretary of the Treasury

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

Enclosures.



September 14, 1944

Mr. R. L. Gordon, Vice President,
Lawrence Warehouse Company,
72 Wall Street,
New York 5, New York.

Dear Mr. Gordon:

Under date of September 11, Mr. D. W. Bell, Under Secretary of the Treasury, referred to Chairman Eccles a copy of your letter to Mr. Bell under date of August 30. In this letter you suggest to Mr. Bell what you suggested to Chairman Eccles in your letter of September 5, namely, that in connection with the pending legislation to amend section 13b of the Federal Reserve Act the facilities of your company would provide protection to the Government. It appears that the Chairman's reply to you of September 9 would answer your letter addressed to Mr. Bell.

Sincerely yours,

Elliott Thurston,
Special Assistant to the Chairman.

LC/mg

cc: Miss Benton

LAWRENCE WAREHOUSE COMPANY

FOR BANK LOANS  AGAINST INVENTORY

FIELD WAREHOUSING

72 WALL STREET
NEW YORK - N. Y.

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September 5, 1944

Mr. Marriner S. Eccles, Chairman
Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

Your proposal of Federal Reserve Bank guaranteed loans to business to speed reconversion of industry, which is presently being studied by the Senate Banking Committee, has as you know received very favorable comment in the press.

In view of the fact that Lawrence Warehouse Company has already done and is now doing a vast amount of work for the Metals Reserve Company, the Treasury Department, the Smaller War Plants Corporation, and others in the control of inventory, we should like to offer to you our facilities for securing such loans as may be made under your proposal for the purpose of manufacturing or carrying inventory. Similar loans made in the past under Federal Reserve Bank guarantees, have in many instances been secured by chattel mortgages on machinery and equipment, rather than by field warehouse receipts on inventory. They have been relatively unliquid. Through the use of field warehouse receipts, as you know, a degree of liquidity may be given to such loans which cannot be developed in any other way. Loans secured by revolving inventory become self-liquidating and are desirable credits for this reason. Banks making such loans as are proposed under Federal Reserve guarantees will be loath to require collateral unless the Federal Reserve Banks also require it.

There are a number of good field warehousing companies operating throughout the United States whose facilities are available to assist in the important program which you are sponsoring. Speaking only for ourselves, we should like to have the opportunity of explaining to members of the Federal Reserve Board just what Field Warehousing can do to protect the interests of the Federal Reserve Banks.

Mr. Marriner S. Eccles,

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Executives of our company would be pleased to come to Washington for the purpose of outlining this information to you. The cost of the service to any individual borrower is relatively insignificant but the protection given and the soundness indicated is, in the opinion of many bankers, tremendously important. Won't you give us the opportunity of outlining our service to you. A telegram, a telephone call, or a letter, will bring one of our representatives to give you full information.

Yours very sincerely,

LAWRENCE WAREHOUSE COMPANY

A handwritten signature in black ink, appearing to read 'R. L. Gordon', written over the typed name.

R. L. Gordon
Vice President

RLG:dwq

September 9, 1944.

Mr. R. L. Gordon, Vice President,
Lawrence Warehouse Company,
72 Wall Street,
New York 5, New York.

Dear Mr. Gordon:

I have your letter of September 5 regarding the pending bills to authorize guarantees by Federal Reserve Banks of loans by private financing institutions. In your letter you suggest that your company would like to offer its facilities for securing such loans as may be made under the proposed bills for the purpose of manufacturing or carrying inventory.

Should the pending bills become law, the Board of Governors will issue general regulations but the administration of the guarantees will be handled by the Federal Reserve Banks. Therefore, administrative details such as the sufficiency of collateral taken by a bank which applies for a guarantee will, of course, be determined by the Federal Reserve Bank without reference to the Board.

Sincerely yours,

M. S. Eccles,
Chairman.

LC/mg

cc: Miss Benton