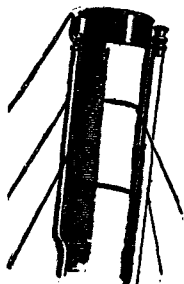


# Meseck Towing Lines, Inc.

ONE BROADWAY

NEW YORK 4, N. Y.

TELEPHONE  
★ WHITEHALL 3-1550



CABLE ADDRESS  
"MESECKTUGS"

June 4, 1947

Mr. Marriner S. Eccles, Chairman  
Federal Reserve Board  
33 Liberty Street  
New York, New York

Dear Mr. Eccles:

I was very sorry to see in the newspaper today that you recommended before the House Banking and Clearing Committee that the R.F.C. should go out of business.

The R.F.C. should not go out of business.

The R.F.C. saved this company from going into the hands of the receivers.

This towing company is an old one and today is being operated by a third generation of Mesecks.

During the entire existence of this company we received very little financial assistance from any bank. Our applications for loans were continually turned down by the various banks on the plea that our assets, consisting of tugboats, were either "frozen" or "fixed".

We operate 22 tugboats. Not a single ship can enter or leave the Port of New York without the assistance of a tugboat, therefore, our business for this reason is a very essential one.

During the war we towed battleships, airplane carriers and destroyers, transported and assisted in making up and distributing the numerous convoys that entered and left this Port.

In compliance with a request of the Navy, we built tugboats in our own shipyard in Newburgh, New York, using our own capital money for the purpose, we having no written contract with the Government. Five of our tugs were requisitioned by the Government.

Mr. Marriner S. Eccles, Chairman  
Federal Reserve Board

June 4, 1947

This tug building program, plus the high taxes collected by the Government during the war, placed this company in a very embarrassing financial position about two years ago.

We applied to various banks for financial assistance but were repeatedly turned down on the same old excuse of frozen or fixed assets. However, we finally succeeded in getting a loan from the R.F.C. with the Bank of Manhattan, Forty-second Street branch, participating 30 per cent. This loan was secured in June, 1944, the amount being \$250,000. It was repaid down to \$150,000 about April, 1946.

About this time the whole country was struck with a series of strikes, and I will here enumerate the strikes:

Railroad strike  
Longshoremens' strike  
Seamens' Strike  
Coal miners strike  
Steel strike  
Automobile companies' strikes  
Strike of our own tugboat men  
Steamship deck officers' and engineers' strike  
Longshoremens' strike again  
Teamsters strike in New York City

These strikes hurt us very much, so much so that we were compelled to go to the Bank of Manhattan Company, pointing out what the strikes did to our earnings, and asked the Bank for a temporary easement of the terms of our loan. This was refused, and the Bank people to protect about \$45,000 of the \$150,000 remainder of the original loan, insisted that we sell our tug assets forthwith in order to liquidate the loan.

It was a very serious situation for this company. You cannot sell any property unless you get a willing buyer. Throwing tugs worth \$300,000 each on the market in order to realize \$45,000 to settle a bank loan is not good business.

The R.F.C. people in New York City were simply grand. They could not see eye to eye with the Bank of Manhattan Company's position and they stood by me nobly.

The R.F.C. people investigated our whole financial set up and reported that we should never have applied for a loan of \$250,000 in the first place. What we really needed was a loan of \$500,000. The R.F.C. representatives asked the Bank of Manhattan if they would go along and participate in a loan of \$500,000 to the Meseck Towing Lines. It was an academic question and, as expected, the Bank refused point-blank to do anything of the kind. They wanted their money.

Mr. Marriner S. Eccles, Chairman

June 4, 1947

The R.F.C. people said in that case they would make the loan themselves and on May 28, 1946 they granted us a loan of \$500,000. This enabled us to set our financial house in order immediately.

We kept up our payments of \$10,000 a month regularly and promptly, and last December we sold two of our tugs to the Standard Oil Company of New Jersey for \$500,000, the same tugs that the Bank was insisting we sell in order to realize \$40,000 to pay them.

The check from the Standard Oil Company for the \$500,000 was made out to the R.F.C. The R.F.C. took \$250,000 of the \$500,000 which enabled us to replace the two tugs we sold to the Standard Oil Company with two identical tugs which we built ourselves in our own Newburgh Shipyard which the Government requisitioned in 1944.

Today after about a year's time our loan with the R.F.C. stands at \$190,000 with the same or even better collateral.

I repeat, and I think you will agree in view of the foregoing, that the R.F.C. should not be put out of business. It was formed to take care of small businesses just like mine, and I object very strongly to anyone saying the R.F.C. should be abandoned and businessmen like myself thrown to the wolves.

Yours very truly,

MESECK TOWING LINES, INC.



Joseph Meseck

JM:mjm

cc: Honorable Jesse Wolcott,  
Chairman, Banking Committee  
House of Representatives  
Washington, D. C.

Financial Editor, N. Y. Evening Sun

Financial Editor, N. Y. Journal

Mr. John D. Goodlowe, Chairman  
Reconstruction Finance Corp.  
811 Vermont Avenue  
Washington, D. C.

Mr. Raymond J. Connelly  
Reconstruction Finance Corp.  
44 Pine Street  
New York

Honorable Herbert Hoover  
Washington, D. C.

June 10, 1947.

Mr. Joseph Meseck,  
Meseck Towing Lines, Inc.,  
One Broadway,  
New York 4, New York.

Dear Mr. Meseck:

This is to acknowledge your letter of June 4 and to say that the newspaper account of my testimony on the RFC was in error because I did not recommend that it should go out of business. When I was questioned specifically about the RFC, I expressed the opinion that the Federal Reserve System should have the authority to guarantee in part loans by private banks and that the RFC should discontinue this particular activity. At the same time I said that I felt it was desirable to have such an organization as a standby for emergency periods and to help finance important public projects that private capital cannot very well undertake, such as, for example, the San Francisco Bridge.

Your own experience with the RFC is particularly interesting and the help they provided for your company certainly was a salvation. It illustrates again the fact that in numerous cases private banks cannot or at least do not provide credit for small business on adequate terms even though, as in your case, the loan may be a perfectly good one. If, as I hope, Congress authorizes the Reserve Banks to guarantee in part loans by private banks it is quite possible that they would be able to take care of a situation like yours in the future.

It occurs to me that you might be interested in seeing the statement I presented to the Committee on behalf of this proposed authority and I, accordingly, enclose a copy.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

ET:b