

EXPORT-IMPORT BANK OF WASHINGTON

January 17, 1947

CONFIDENTIAL MEMORANDUM FOR THE BOARD

Re: Private banking participation in  
export import financing in Europe.

1. On Monday, January 13th, E. A. Bacon and the undersigned, J. G. Forbes, called by appointment on the following gentlemen, to discuss the above subject:

Mr. Elisha Walker, of Kuhn Loeb & Co., 52 Williams Street, New York.

Mr. George Murnane, of Lazard Brothers, 44 Wall Street, New York.

Mr. T. McKittrick, Vice President, Chase National Bank.

Mr. Harvey Gibson, President, Manufacturers Trust Company.

E. A. Bacon remained in New York to visit other bankers on January 14, 15, and 16. Our purpose in making the calls at this time was to sound out representative opinion in New York on the general subject of European export and import financing, prior to our visit to the Bank of America, San Francisco, leaving Washington January 22nd.

2. We found a lively interest shown both by Mr. Walker and Mr. Murnane in the suggestion, made by us in the development of our subject, to form a private "Export-Import Credit Corporation" with general banking support, which would handle short and medium term export and import financing, with "Eximbank" carrying a substantial part of the risk without recourse.

3. Mr. Walker made the following specific suggestions: (1) that the privately subscribed capital be large enough to command general respect — say \$5,000,000; (2) that the Reconstruction Finance Corporation be invited to make a secondary equity contribution, say \$15,000,000, in preferred stock; (3) that Mr. Winthrop Aldrich seemed indicated as the best man to take the lead in New York — including the few other places — Chicago, Boston, Pittsburg, San Francisco, where one or two internationally minded banks might participate, directly or indirectly. (4) With the foregoing equity cushion, the corporation might combine with exporters or importers to carry from 25% to 50% of the risks, with Eximbank carrying the balance of the risk without recourse. (5) The most important point, Mr. Walker concluded, was for the credit corporation to lend at a substantially higher rate than that obtained from Eximbank, so as to form a substantial reserve of the difference to insure

against the bad loans, which will be unavoidable. The borrowers, who might have to pay eight percent to a foreign bank ought to pay at least six percent to the corporation, which should create from the proceeds an adequate reserve for contingencies.

Mr. Walker assured us he would be glad to discuss the matter with his partners, and he felt confident they would have no objection to his helping us put such a plan into operation.

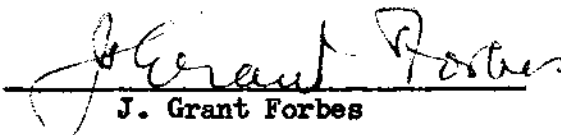
4. Mr. Murnane was equally emphatic that such a credit corporation, to command respect, must not be too small, even at the start, since it must have a highly competent staff to sift the risks of propositions from present-day Europe. He told us his Firm had been studying a great number of proposals brought to them from abroad -- for instance, a company formed jointly by the Banca Commerciale, the Banca de Roma and the Credito Italiano, to stimulate exports from and imports into Italy. He seemed definitely interested in the idea of a corporation on the lines above, although without committing himself on whether his firm would be willing to participate in the stock.

5. Mr. McKittrick, although not taking position against our plan, was more eloquent on the difficulties at present confronting us. He said that owing to the financial difficulties of Great Britain, New York was now having thrust upon it the burden of financing the resumption of trade all over the world, and was obviously unprepared. He explained, as an illustration, that the foreign loaning department of the Chase, made up of hard-working and able men, was snowed under by the load of applications which they were screening.

On the technical detail of whether the Chase National Bank had the legal power to take shares in a private export-import bank, he told us that the "Chase Bank" so called which operated in special regions (e.g. France) where the National Bank might be put in jeopardy, might be called upon to hold the shares, if it was decided to be expedient to participate.

6. Mr. Harvey Gibson showed an interest in the plan in a general way, but as to Austria, on which we specifically approached him, he said he thought action now might be somewhat premature, owing to the doubtful status of the Austrian Government, in the absence of a peace treaty. He added, however, that this was only a horse-back opinion, as he had not studied the case at all closely, and he referred us to his Foreign Vice President, Mr. Gomory, (formerly an Austrian) whom he invited E. A. Bacon to see before returning to Washington.

7. On the whole, the information we obtained disclosed an active interest in the problem of overseas credits generally and in our specific suggestions for action, and we feel a certain confidence that we can rely on a general will to cooperate with us both in commercial and investment banking circles in New York, which gives a favorable background for our coming talks in San Francisco.

  
J. Grant Forbes