

January 28, 1946.

Mr. Ralph E. Flanders, President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Flanders:

I took the opportunity of the recent meeting in Washington of the System Research Advisory Committee to have Mr. Dean Acheson, Under Secretary of State, address the group on the subject of the proposed British loan. I am hopeful that this meeting, together with the documents and memoranda which I have sent to you in recent weeks, and the additional material published in this month's Federal Reserve Bulletin, will have awakened your interest in the subject and will have impressed upon you the great importance which is attached to the matter by our Government. The President will shortly submit to Congress a bill implementing the agreements reached during the recent inter-governmental negotiations in Washington and it is hoped that this action will be followed by full and free discussion of the issue on a nationwide basis.

As one of the negotiators of the agreements on the American side, I shall advocate their acceptance, as opportunity offers, both before the Congress and before the country at large. I know from intimate experience how difficult it was to reconcile American and British viewpoints in this matter, but I am convinced that the result—which inevitably represents some compromise between the extremes—deserves the wholehearted support of both countries.

You will be aware from my recent public statements that I am not one to enter lightheartedly upon new commitments to foreign countries which would have the effect of increasing our national debt and creating further purchasing power to press upon our already strained domestic economy. However, we must weigh against these considerations the impelling necessity to assist our recent Ally to recover from the ravages of war and reassume its place in the world community.

I recognize the necessity not because I believe we owe the British some further assistance as a result of their disproportionate sacrifices during the war, but rather because we need their cooperation in constructing the peace. The British Empire, and the other countries linked to it in the sterling area, comprise a very important segment of the world trading community. With a loan sufficient to tide them over the difficult postwar transition

years, the British will be able—and have committed themselves—to join with us in developing a free and workable world economy. Without such a loan, forced to fall back upon their own depleted resources, the British could only maintain themselves by resorting to virtual economic warfare in world markets. We would enter a new era of rival economic blocs, strangling restrictions on world trade, and increasing international friction. There would be no opportunity to lay the economic foundations for a durable peace.

I would refer again to my public statement issued at the conclusion of the recent negotiations: "It is not a question of whether we can afford to provide the help, but whether in our own long-run interest we can afford not to provide it."

I earnestly hope that the directors and officers of your Bank will give full consideration to the merits of this case. This is an issue upon which you could all give real enlightenment and leadership to your community. In any case, I trust that during the coming weeks, when this matter is before the country, you will find opportunities to assist public discussion by disseminating the relevant factual information which is in your hands.

Very truly yours,

(Signed) M. S. Eccles

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Chairman.

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TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.