

UNION TRUST COMPANY OF MARYLAND

MEMBER FEDERAL RESERVE SYSTEM

BALTIMORE

THOMAS B. MCADAMS
PRESIDENT

December 19th, 1940

Honorable Marriner S. Eccles,
c/o Federal Reserve Board,
Washington, D.C.

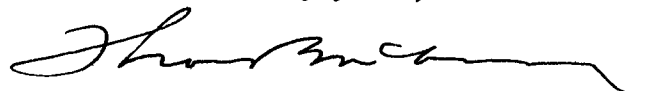
Dear Marriner:

Referring to your very interesting statement with reference to making advances to Great Britain, I am wondering if consideration should not be given to the advisability of acquiring outright title to the British possessions in the Atlantic, of course including those on which air bases are now being developed. In part payment we would accept their unpaid obligation growing out of the last war and make such additional cash payment as would seem appropriate. Under such a settlement they would no longer be indebted to this country and would be relieved of the restrictions of the Johnson Act, insofar as additional advances later on are concerned. Furthermore, if by any chance, which God forbid, Britain should finally have to yield to Germany, our ownership of these Islands, so vital to our coast defense, would relieve us of a great responsibility in protecting our rights, should Germany, under a treaty of peace, acquire title to the British possessions.

I recognize of course that the acquisition of these properties would entail responsibility and expense of administration and also that Great Britain, because of the inhabitants being largely British, might wish to have some option to re-acquire the properties at a later date, but this, to my mind, is a detail as compared with its opening the way to give Great Britain such help as she may need and also afford additional protection to our Atlantic seaboard and the Panama Canal, in the event of a debacle abroad.

Trusting that the Christmas Season will be a happy one for you and yours,

Cordially yours,



TBMCA.C.

December 23, 1940.

Mr. Thomas B. McAdams, President,
Union Trust Company of Maryland,
Baltimore, Maryland.

Dear Tom:

This is to thank you for your letter of December 19. I was particularly interested in your views with regard to the advisability of this country's acquiring outright title to British possessions in the adjacent Atlantic, especially those on which air bases are now being developed.

So far as I am concerned, I am in entire agreement with you. In fact, the manuscript I prepared for the talk I gave recently before the National Industrial Conference Board had a paragraph to that effect in its original draft, but on reflection I cut it out, not because I had changed my mind about it, but simply because I was confining my discussion to the effect that gold as well as silver acquisitions have on the bank credit structure, rather than trying to say exactly how that structure could best be insulated against the gold.

As you say, if we had these strategic possessions they would be a liability only in the same sense that all armament is a liability. I do not see how they could be judged on any other basis than one of defense.

Let me take this opportunity to reciprocate most heartily your good wishes for the Christmas Season.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b