

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date June 3, 1937.

To Chairman EcclesSubject: Further thoughts on reservesFrom Lauchlin Currieagainst foreign deposits*LBC.*

1. It would be possible to apply the suggestion either to foreign deposits in all banks or to foreign deposits in member banks alone, while providing that only a member bank could hold foreign deposits. I did not mention the latter possibility in my memorandum as it appeared too difficult of attainment. It has since occurred to me that it would be an effective argument to use in securing the first alternative. We could either first propose that only member banks could receive foreign deposits and then compromise on the original suggestion, or we could propose that the power apply to foreign deposits in all banks and, if we met with much opposition, suggest that it apply only to member banks, provided non-member banks could not hold foreign deposits.

2. In connection with the timing of action, it would be possible for us to raise requirements at any early date without such action having a restrictive effect, if at the same time the Treasury de-sterilized some of its inactive gold account. This, however, should only be done under the understanding that the excess reserves released by a subsequent utilization of these deposits should be absorbed by Treasury action.

Strictly Confidential

GOLD AND CAPITAL INFLOW TO UNITED STATES

(In millions of dollars)

	Gold inflow	Total	Capital inflow				
			In securities		In banking funds		
			American securities	Foreign securities	Increase in foreign balances here	Return of American balances from abroad	In brokerage balances
1934		1,149	416	- 25	249	86	106
1935		1,708	1,381	320	131	564	360
1936		1,131	1,195	601	215	267	106
1937 to May 26 p/		655	686	155	186	536	29
	Total	4,645	3,678	1,031	781	1,255	601
							12

Period of international currency arrangement

Sept. 30, 1936 - May 26 p/ 1,105 1,012 419 287 312 4 - 10

6 weeks ending Nov. 11 316 234 225 29 - 36 32 - 16  
21 " " Apr. 7 428 446 225 220 86 - 79 - 6  
7 " " May 26 p/ 561 532 - 31 58 262 51 12

Week ending -

Apr. 14	97	75	--	6	43	18	8
21	57	34	- 9	1	58	5	- 1
28	44	38	- 12	4	55	- 11	2
May 5	52	37	- 23	18	15	21	6
12	41	48	9	2	33	9	- 5
19 p/	25	39	- 5	4	25	14	3
26 p/	67	61	9	5	55	- 5	- 1

Days -

May 27	.8	- .5	Stocks (SEC)
28	4.7	.8	
29	5.2	--	
June 1	p/54.8	- .1	
2	p/ --	.7	
3	p/12.1	p/- .4	

Note: Figures of gold inflow represent all gold acquired from foreigners. Figures for capital inflow have been adjusted on the assumption that foreign funds set aside for redemption of foreign securities have already been applied to redemption.

p/ Preliminary