

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 17, 1937To Chairman EcclesSubject: Mr. Gardner's memo on goldFrom Mr. Goldenweiser

I transmit herewith a memorandum on the gold problem prepared by
Walter Gardner.

After outlining the problem with which we are faced, he discusses
four steps that may be undertaken:

1. Increase the power of the Federal Reserve System to deal with excess reserves. Steps in this direction should be undertaken at once because sterilization by the Treasury cannot continue indefinitely. Increased powers for the System will require some action on unification of banking.
2. Impose taxes on American dividends and capital gains received by foreigners.
3. Make an arrangement with participants in and adherents to the tri-partite agreement that no gold will be purchased except from each other. This will eliminate dehoarded and Russian gold from the monetary picture. In order not to ruin the gold industry, to which England would never consent, the agreement might be modified to provide that each country will buy its own gold output. This will induce England to take measures by taxation or otherwise to reduce the South African output. An agreement would also be necessary that the participating countries will not hold balances with each other larger than are necessary for operating purposes.

4. Consider reduction in the price of gold by America alone to be undertaken considerably later when possibly we shall need to control a boom and England may once more be desirous to reduce the price of sterling.

This brief summary does not do justice to Gardner's thoughtful and well-rounded memorandum. My purpose is to increase your desire to read the full text.