

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

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.

GOLD AND CAPITAL INFLOW TO UNITED STATES

Strictly Confidential

(In millions of dollars)

	Gold inflow	Capital inflow					
		Total	In securities		In banking funds		In brokerage balances
			American securities	Foreign securities	Increase in foreign balances here	Return of American balances from abroad	
1934	1,149	416	- 25	249	86	106	--
1935	1,708	1,381	320	131	564	360	6
1936	1,131	1,195	601	215	267	106	6
1937 to May 26 p/	655	686	155	186	356	29	--
Total	4,645	3,678	1,031	761	1,253	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/	361	332	- 31	38	262	51	12

Week ending -

Apr. 14	97	75	--	6	43	18	8
21	37	34	- 9	1	38	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/	23	39	- 5	4	23	14	3
26 p/	67	61	9	3	55	- 5	- 1

Days -

		Stocks (SEC)
May 27	.8	- .3
28	4.7	.8
29	5.2	--
June 1	p/34.8	- .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