

In view of the fact that the gold inflow in recent months has been exceptionally large and may continue, and in view of the further fact that the inactive gold account of the Treasury is now in excess of a billion dollars and the public debt has increased accordingly, the Board feels that the situation impels it to favor legislation granting the Board additional power to absorb excess reserves resulting from additions to the stock of gold by increasing reserve requirements on deposit balances maintained in this country by non-resident aliens.

The Board is of the opinion that the injurious effects upon the domestic economy that would result from an unchecked inflow of gold would be such that the Board and the Treasury should seek a solution of the aspects of the problem which affect the domestic situation.

The Board fully realizes, however, the difficulty of accomplishing the desired ends and considers it essential if the Board is to employ effectively this additional power that:

(a) The Treasury maintain in its inactive gold account approximately the present amount; and

(b) Effective tax legislation be enacted to discourage foreign investment in American securities either through the inflow of new capital or through the use of balances already in this country.