

## MEMORANDUM

DATE February 17, 1938.

**TO:** Chairman Douglas  
**FROM:** Paul P. Gourrich, Director, Research Division  
**SUBJECT:** Material on foreign transactions in American securities

In accordance with your request I have assembled some of the material in our files, which may still be of interest. In order not to burden you with things which have since lost importance, I have selected only the following documents:

1. Three memoranda on the importance of foreign funds in our securities markets and suggestions for possible restrictions on such funds.

These memoranda were prepared about a year ago in connection with discussions at the Treasury, when the hot money problem was acute and ways were sought to stop a further inflow of foreign funds into our securities markets and to subject foreigners to taxes on their capital gains made here.

2. Two memoranda, prepared for internal use in this Division, which investigate the connections existing between foreign transactions in American securities and American stock prices during the years 1936 and 1937. While no definite conclusions can be derived it appears that foreign trading in American securities has generally followed price movements in New York and has only rarely been responsible for significant price movements in our markets.

We have, of course, considerable statistical material available on the daily and weekly volume of foreign transactions in American securities and their relation to total volume and price changes. Some of this material is in the form of charts, which are now being brought up to date. Please let me know whether you care for this material?