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B. The disadvantages of a refusal to purchase gold would be:

1. Uncertainty and fear of monetary disorder would aggravate world economic dislocations. The move might provide the impetus for transforming the as yet moderate economic recession abroad into a sharp decline, the adverse repercussions of which would be felt in the United States.

2. The disruption of exchange relationships among the leading currencies and the uncertainty with respect to the costs of exchanges would be a disruptive factor adversely affecting foreign trade of all nations.

3. World confidence in gold as a monetary metal and as a medium of international payments would be seriously impaired and the value of our large gold holdings thus imperiled.

note We have too much interest in the future of gold to seriously endanger its use as a medium of exchange among nations. We must not forget we have almost half the world's monetary gold stock and are the world's third largest gold producer.

4. No monetary step that we could take would be more calculated to assist Germany, Japan and Italy. They are the very countries which have the smallest gold reserves, and hence are at a serious disadvantage in the event of war compared with their possible opponents -- England, France, the small democratic countries, and Russia. One of the important advantages these latter countries have over Germany and Italy particularly, is their large reserves of gold which may be regarded as a "war chest".

If we do not accept gold, smaller countries may likewise restrict the inflow of gold. The result will be that the purchasing power of the gold-holding and gold-producing countries will be curtailed. Germany and Italy would be made stronger by virtue of the reduced strength of their probable opponents. It is quite possible that they would become even more aggressive than they are now and thus the outbreak of war might possibly even be hastened.

5. This step would, of course, break up the Tripartite Accord and future international cooperation in monetary matters may be difficult to rebuild.

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6. The United States is not likely to obtain cooperation from other countries in such a step. There is no hope that any other country--except perhaps Germany and Italy--would voluntarily join with us in refusing to buy gold. England, France, The Netherlands and Switzerland would have strenuous objections to such a course of action, both because of their large gold holdings and because of the political implications of such action. England particularly could hardly accede to such a step because of the importance of gold production in the Empire, and because of her desire to be able to increase her purchases from us in case of an emergency.

(Indeed, England would be so opposed to such a step that the mere intimation on the part of the President that such a move is being contemplated might constitute in his hands a powerful bargaining weapon if there were an important objective to be bargained for.)

7. We would by (removing) the possibility of employing gold in its role as a compensatory mechanism in the settlement of international transactions be promoting widespread reliance on exchange controls and clearing agreements. The cushioning effect that gold movements exert on exchange rates would be removed and other countries would thus be induced to adopt exchange controls for the purpose of introducing some stability in exchange rates. New obstacles to international trade would thus be created. Our action would violate the spirit of our trade agreement program and run counter to its objectives.

8. It would make the possibilities of receiving debt payments from England and France even more remote than they are now. If England and France were to begin payments on their debts to us they could in effect pay us only in gold because of the improbability that enough dollar exchange could be provided by an increase in our consumption of imported goods and services.

9. The domestic political repercussions might well be serious: (a) there would be strenuous opposition from groups who are interested in facilitating foreign trade; (b) the action might be interpreted as an attack by the Administration on democratic countries; (c) the paradoxical spectacle of an administration which has increased the price of gold and accumulated a large quantity, taking a measure which threatens the prestige of gold could prove a potent source of criticism in the hands of opponents of the Administration. No matter how justifiable the action of the Administration might be in view of the altered international situation, the public might see only the superficial aspects of the policy. The step might be publicized as a measure diabolically calculated to destroy the confidence of the business men in the prospects of recovery.

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10. Silver in large quantities might be thrown on the London market, because (a) people will reason that if we refuse to buy gold we are not likely to continue to buy much foreign silver; (b) inability to acquire dollars through a shipment of gold to this country, particularly in war time, may cause the purchase of silver -- especially from India -- by gold holders who wish to acquire dollars from the sale of the silver. In the event of war England may be forced to resort to the purchase of Indian silver with British gold.

If we refused to purchase the silver thrown on the London market the price in the London market would drop sharply.

(6) 11. Refusal to buy gold by the United States makes our security market more vulnerable. If gold cannot be sent to the United States to acquire dollars, there will be a greater incentive to acquire dollars through the sale of American securities held by foreigners.

12. In the event of war foreign governments would be forced to liquidate the holdings of American securities by their nationals more rapidly than would be the case if they could hold part of their American gold as securities. The added sale of American securities might well come at a time when the American security market is already greatly disturbed as a result of war fears.

13. Even without a flow of capital to the United States there is likely to be a balance due the United States. If we do not accept gold in settlement of that balance the dollar will appreciate. As a consequence our exports will be handicapped while our domestic producers would be exposed to more severe competition from foreign goods. However desirable that might be in the event of an outbreak of European war, it is a step to be strictly avoided during time of peace, <u>especially during a recession</u>.

C. <u>The advantages of a refusal to purchase foreign gold would be</u>:

1. Gold inflows will stop and the need to sterilize them will cease (presuming more than 50 million a quarter would otherwise enter). Inasmuch as the sterilization of gold is a cost to the Treasury, the embargo on gold would decrease government expenditures by a small sum each year.

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2. No longer will more American goods or American securities be exchanged for additional gold we do not need and may never be able to use. (During a recession the force of this advantage is greatly weakened.)

3. The chief advantage of such action lies in the protection it provides against accumulating a large portion of the world's remaining gold holdings, as well as the current production, in the event of an outbreak of a major European war.

In the event of such war, gold would come here (unless some restrictions were imposed) for two reasons:

(a) Gold would come here representing "flights of capital" from those countries not imposing exchange controls for the purpose of checking such flights. Funds left free to move across national boundaries will seek the United States as the safest haven.

(b) The balance of payments due the United States, even excluding capital inflows, will be much greater than in peace time. To belligerent countries the United States will constitute either directly, or indirectly through neutral countries, an important source of supply of raw materials, machinery, foodstuffs, etc. Even with the Neutrality Act enforced, the increased exports to belligerent countries and countries supplying them, coupled with a reduction of imports from those countries is bound to create a large unfavorable balance of trade. In addition the reduction in American tourist expenditures abroad would increase the balance of payments due to the United States. The net increase will much more than offset any reduction in loss from defaulted interest and dividends due to the United States on American investments in belligerent countries.

D. Alternative methods of reducing gold inflows, especially in emergency situations.

1. We could reduce the inflow of gold by discouraging or stopping the inflow of capital -- both short term and long term -- if sufficiently strong action were politically feasible. There are several ways in which the capital inflows could be reduced or stopped, none of them involving nearly so drastic a measure as refusal to buy gold. (These measures were examined when the question of "hot" money was before us.)

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2. Increased purchases by foreign countries of American goods resulting in heavy inflows of gold could be prevented, if desired, in the event of outbreak of war by:

(a) Amendment to the Neutrality Act making possible an extension of the list of items prohibited for export to include materials such as cotton, copper, oil, automobile and airplane motors, iron and steel products and machinery, etc., used in the conduct of war.

(b) Export quotas could be imposed on specific commodities going to specific countries by legislation or possibly under the emergency powers.

3. We could restrict the importation of gold by granting licenses only under specified conditions limiting the amount of imported gold and the country of origin.

4. We could adopt or extend exchange controls, (the power for which already exists) in such manner as to prevent gold from coming here at all.

E. Conclusion

Altogether, the advantage of a general embargo on gold imports lies in its efficacy as a means of preventing foreign countries from exchanging several billion dollars of their gold for American goods. We now have half the world's monetary gold stock. After a year or two of an European major war, we may find ourselves with three-fourths of the world's monetary gold stock.

But the disadvantages accruing from a refusal to purchase gold greatly outweigh the advantages, particularly so long as Europe is not at war.

If there were no other method of keeping down gold imports during war time except by a refusal to purchase foreign gold, a somewhat stronger case could be made for an embargo on foreign gold after war breaks out and gold inflows become heavy. Even then it is uncertain if the economic advantage of keeping our gold holdings down outweighs the disadvantage of a refusal to buy foreign gold.

In any case, there are other methods of reducing gold inflows which have fewer and less serious disadvantages than a refusal to purchase imported gold.

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4 - [illegible]

June 4, 1940

Messrs. D. W. Bell, Cochran and Foley

Mr. White

On May 27, 1940, Mr. Pinsent of the British Embassy transmitted to Mr. Cochran a communication which included the proposal that the United States be prepared to scrutinize gold imports with a view to rejecting those suspected of German origin.

Though it would be desirable to reduce the foreign purchasing power of Germany over foreign goods as much as possible at this time, it is doubtful whether refusal to accept gold of German origin would help to do so to any significant extent.

1. The identity of Germany's gold could be easily lost by operations through third countries. Germany could obviously use her gold in the Balkans, Russia, the Near East, Far East and Latin America, either in payment for goods or services or to acquire investments or for propaganda purposes. She might have to sell her gold under terms less favorable than could be obtained were we to put no curse on the gold, but the difference would be too small a factor to merit much weight.

It might be possible to prevent Germany's gold from entering into the monetary stocks of other countries but it would require the sincere cooperation of virtually all of the countries in the world. Certainly no prospect of such cooperation exists at this moment.

2. The Treasury has consistly taken the position, in letters to various Senators and before Congressional Committees, that it cannot effectively distinguish gold originating from any one foreign country. An attempt on our part to prohibit purchase of gold not coming directly from Germany, on the grounds that it is German gold, would be quite inconsistent with the position we have hitherto taken.

3. Germany had some gold of her own — possibly as much as $100 million — before war broke out. Therefore Germany could claim that any gold shipments in question were her own rather than gold acquired through conquest and hence might place us in the position of having to refuse that gold, not because of a cloud on the title but for purely political reasons.

If the unquestioned acceptability of gold is to depend upon the international political policy of the United States, the use of

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6/5/40 - CC to Mr. Foley and Mr. Cochran.

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gold as a potential war chest or as a potential store of foreign purchasing power would be seriously diminished. By statement of such a policy we would encourage foreign countries to reduce rather than increase their gold holdings.

4. If we discriminate against gold from Germany, it will intensify Germany's propaganda against the usefulness of gold. It will also be an additional motive why Germany would seek to discourage the accumulation of gold in any of the areas over which she may have control after the war. With the new trade policies likely to develop should Germany be successful, the most effective contribution we can make to the continued use of gold as an international medium of exchange is to maintain its inviolability and the unquestioned acceptance of gold as a means of settling international balances. Even were it possible to discriminate against a particular country's gold, therefore, it seems most unwise for us to do so in view of our large gold holdings.

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SALES OF GOLD BY THE UNITED STATES STABILIZATION FUND TO VARIOUS FOREIGN CENTRAL BANKS

September 5, 1939 to June 3, 1940

Argentina	$ 75,872,000
Belgium	10,712,000
Brazil	12,508,000
France	85,000
Guatemala	1,400,000
Lithuania	1,750,000
Netherlands West Indies	4,000,000
Portugal	8,995,000
Rumania	11,515,000
Thailand	8,999,000
Turkey	1,426,000
Uruguay	17,594,000
U. S. S. R.	2,250,000
	$157,106,000

Treasury Department, Division of Monetary Research.
June 4, 1940

NOTE:

1. All sales of gold have been made by the Stabilization Fund.
2. No gold sold by the United States has been exported in the period September 5 to date.
3. Most of the above countries have sold us gold since September 5, 1939 equal to or greater than the amount purchased from the United States.

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Balances and Earmarked Gold Held for Foreign Account in the United States as of March 27, 1939

(In thousands of dollars)

	Gold Held under Earmark	Foreign Balances
Europe:		
United Kingdom	34,195	317,316
France	304,081	279,535
Belgium	171,070	178,090
Denmark	22,009	29,501
Finland	8,355	25,055
Germany	—	8,920
Italy	—	52,067
Netherlands	373,458	194,938
Norway	20,227	67,492
Sweden	14,174	175,760
Switzerland	160,067	428,007
Greece	—	17,308
Hungary	—	6,841
Latvia	2,021	6,132
Luxembourg	—	20,283
Poland	—	1,957
Portugal	19,465	10,358
Rumania	12,114	13,643
Spain	—	14,538
U. S. S. R.	—	18,341
Yugoslavia	478	6,824
Other Europe	—	16,347
Total Europe	1,141,714	1,889,253
Canada	—	252,216

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Balances and Earmarked Gold Held for Foreign Account in the United States as of March 27, 1939 (Continued)

(In thousands of dollars)

	Gold Held under Earmark	Foreign Balances
Latin America:		
Argentina	79,260	67,523
Brazil	11,979	34,256
Chile	352	23,405
Cuba	—	43,367
Mexico	8,610	60,362
Panama and Canal Zone	—	39,301
Bolivia	—	3,477
Br. West Indies and Bermuda	—	2,524
Colombia	1,056	10,870
Ecuador	—	3,704
El Salvador	—	4,468
Guatemala	3,835	7,108
Haiti	—	3,085
Neth. West Indies and Surinam	—	2,669
Peru	358	9,522
Uruguay	17,234	5,755
Venezuela	3,966	15,686
Other Latin America	1,679	16,141
Total Latin America	128,329	353,223
Asia:		
China	1,107	173,306
Hong Kong	—	71,854
Japan (Inc. Korea) and Manchuria	—	44,408
Philippine Islands	—	27,304
British India	—	11,340
British Malaya	—	3,481
French Indo-China	—	7,465
Neth. East Indies	—	12,246
Palestine	—	4,338
Thailand (Siam)	9,000	2,404
Turkey	5,719	4,855
Other Asia	455	10,737
Total Asia	16,281	373,738

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Balances and Earmarked Gold Held for Foreign Account in the United States as of March 27, 1939 (Continued)

(In thousands of dollars)

	Gold Held under Earmark	Foreign Balances
All Other:		
Australia	—	8,575
Br. South Africa	—	631
Egypt & Anglo-Egyptian Sudan	—	7,584
French Morocco	—	5,358
Union of South Africa	—	4,705
Other	—	25,504
Total All Other	—	52,357
Grand Total	1,286,324	2,920,787

Division of Monetary Research April 10, 1940.

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March 26, 1940

Mr. White

Mr. Spiegel

Subject: What steps shall the Treasury take with respect to the gold problem, if it appears that a war boom is imminent in the United States? (Memo 32 of Gold Agenda)

1. The gold problem consists of the following circumstances which it is desired to remedy:

(a) A maldistribution of the world's gold stocks which has persisted for a disturbingly long period of time. This has failed to remedy itself (1) partly because recent gold flows have arisen largely out of flights of capital, and (2) partly because gold inflows and outflows have not generated the monetary and business conditions which would stop or reverse the flows.

(b) A balance of payments situation which is currently sending $2 billion to $3 billion gold annually to the United States and thus accentuating rather than alleviating the maldistribution.

2. Under conditions of considerable unemployment, as at present, certain of the measures which would otherwise be regarded as suitable for stopping gold inflow or stimulating gold outflow, are apt to have adverse consequences on the employment situation. This is particularly true of:

(a) Increase in the value of the dollar relative to other currencies through unilateral reduction in the buying price for gold.

(b) Reduction in tariff barriers.

These measures are designed to stimulate imports (and other outpayments) relative to exports (and other inpayments). Insofar as they are successful in increasing imports or restricting exports, they would, under present conditions, augment the unemployment problem, for the displaced workers could not readily be absorbed in other businesses.

The foregoing remarks do not, of course, apply to measures designed to end gold inflow by preventing or discouraging capital imports through exchange control or special taxes. Neither do they apply to such policies

4/9/40 - Dr. to Mr. White

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as permitting gold inflows to expand bank reserves (and outflows to contract them) in the hope that the ultimate effect will be to increase imports relative to exports and thus end or reverse the gold flow. The United States has recently been permitting gold inflows to increase member bank reserves with the result, merely, of increasing excess reserves.

3. In view of the foregoing, the primary significance of a war boom in relation to the gold problem would be:

(a) Approach to full employment in the United States, permitting the adoption of those measures for alleviating the gold situation which could not be adopted in times of considerable unemployment because of their adverse effect on employment. The principal measures falling in this category are those mentioned above, i.e., (1) unilateral reduction in buying price for gold, (2) reduction in tariff. The latter, of course, does not strictly fall in the sphere of measures to be initiated by the Treasury. The former will not be effective in appreciating the value of the dollar relative to those currencies kept tied to the dollar. It is quite possible that a materially greater war boom than at present could develop in the industries supplying war materials to the belligerents without having the result of absorbing any appreciable proportion of the unemployed. In that event the foregoing remarks do not apply.

(b) Possible temporary cessation of gold imports thus reducing the urgency of a solution to the gold problem. The advent of large scale military activity may or may not be accompanied by temporary cessation of gold flow to the United States. Temporary cessation of the gold flow might occur (1) because the major belligerent countries have adopted exchange controls preventing further flow of capital to this country, (2) because the major belligerent countries are cutting down on non-war imports as war imports increase and (3) because to the extent to which total imports of belligerent countries increase as a result of importing war materials and total exports diminish as a result of diverting productive resources to war activities, the addition to outpayments may be financed to a large extent by sale of foreign assets rather than gold. But if the war lasts for any considerable period of time and military activity becomes intensive, it is difficult to see how the belligerents can ultimately avoid using part of their remaining gold reserves. The advent of a war boom presumes rising prices in the United States, but the effectiveness of this in stimulating imports and restricting exports, and thus tending to solve the gold problem, would likely be slight (1) because prices would also be rising elsewhere, and (2) because the economic dislocations caused by war would prevent these price shifts from having their customary effect.

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4. Under wartime conditions the above suggested measures, i.e. unilateral reduction in the price of gold and in tariff barriers, would have some, but on the whole relatively limited, effects. Britain and France would presumably continue to need American war materials. Raising the value of the dollar might reduce their purchases somewhat, but so long as they have unutilized foreign exchange resources, the reduction in purchases is not apt to be material. The increased value of the dollar probably would be effective in reducing Latin American purchases of American goods, though the inability to get these goods from European belligerents would reduce the effectiveness of this measure as compared to more normal circumstances. Neither would the enhanced value of the dollar greatly stimulate American imports. Britain might be able to sell some additional textiles to us, for example, but on the whole the belligerents' productive resources would be engaged in producing war materials to such an extent that their ability to fill large orders for export would necessarily be limited. American purchases from Latin America would probably not be greatly stimulated because of the nature of the products involved. The reasons already advanced indicate why reduction of tariff barriers would likewise be less effective in increasing imports than under normal circumstances.

5. Other less important measures that might be used to increase outpayments relative to inpayments include:

(a) Embargo on export of war materials and other measures of similar nature.

(b) Greater use of foreign shipping facilities.

(c) Miscellaneous minor measures such as encouragement of foreign travel, government purchases of foreign supplies, less effective use of auxiliary trade barriers such as bounty countervailing duties, sanitary and marking provisions, etc., and other measures of similar nature.

Most of these measures are undesirable because they run counter to other policies currently in force. Embargoes on export of war materials would be an obvious detriment to other democratic powers with which the United States is presumably sympathetic. This would be both more obvious and more harmful than raising the value of the dollar. Greater use of foreign shipping facilities would run counter to the ship subsidy program of the Maritime Commission. The auxiliary trade barriers mentioned above are designed to meet special situations and even temporarily increased laxity in their use would likely meet with protest. Government purchases of foreign supplies are always a sore spot.

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6. If a war boom really developed, control of the boom would soon become a major problem and would probably supercede the gold problem in importance. Measures used to control the boom, if successful, would have the effect of preventing further price rises. From the point of view of solving the gold problem the prevention of price rises in the major gold holding country would normally be regarded as hindering rather than promoting redistribution of gold reserves, for price rises in the major gold holding country would tend to stimulate imports relative to exports and thus tend to stimulate gold outflow. Under war time conditions, however, price rises would largely be prevented from having the effects indicated above for reasons already indicated in paragraphs 3 and 4. Moreover, boom control measures would only be instituted after a considerable price rise had already occurred. The boom control measures that could be adopted include:

(a) Increase in reserve requirements.

(b) Heavy taxation not only to balance the budget but even to accumulate reserve funds in the General Fund of the Treasury. By the time it became necessary to adopt boom control measures United States expenditures for relief and relief projects would presumably have been drastically curtailed. In addition it might be advisable to defer certain United States expenditures on certain construction projects and similar undertakings.

(c) Sterilization of gold imports, if any; allowing gold outflows, if any, to exert contractive effect. In the event that gold was coming in the Treasury could resort to the policy followed between December 1936 and April 1938 of accumulating free gold in an inactive account in the General Fund of the Treasury. In a subsequent period when business activity needed stimulation the free gold could be used to good advantage.

(d) Ordinary central bank operations designed to contract member bank reserve balances, i.e. open market sales and rediscount rate increases.

(e) Direct price controls, if necessary.

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February 21, 1940

Secretary Morgenthau

Mr White

Subject:

Since the outbreak of war the British and French Empires have been liquidating gold and dollar balances of about $1,200 million, of which $800 million was gold. During the last six weeks the weekly rate of liquidation has actually increased.

During the first four months of the war there were special reasons for a large net expenditure which should not have continued beyond November. (The reasons were: the adjustment to cash and carry and the settlement of forward exchange transactions.) But we can find no satisfactory expalanation from information available to us why it should have been so high during the past six weeks.

From information available to us, the British and French Empires are not increasing their unfavorable balance of trade with countries requiring foreign exchange settlements. Our data show that her trade balance with United States, Japan, Netherlands and Belgium (as sample free exchange countries) is in fact less than it was in comparable periods of last year. (January data are not yet available.) For most of the other countries England has made special arrangements with respect to clearing agreements which involve some blocking of sterling. The mere fact that England's total unfavorable trade balance is increasing does not mean that she should have that additional drain on her foreign exchange resources. She doubtless is increasing the proportion of her imports coming from Empire countries and is increasing the proportion of her imports paid for with blocked sterling.

Our figures also show that there has been no net movement of capital into the United States. The outflow of capital to the belligerent countries has been offset by an inflow of capital from neutral countries. We have, however, acquired about $1 1/2 billion of gold since September 1. Our favorable trade balance would account for only $700 million. Since the

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service items remain approximately the same and usually balance out, we must reach the conclusion that the residual or the unknown items caused an inflow of gold into the United States of almost $500 million in the past six months and at the rate of about $1 1/2 billion a year. This residual for the United States probably arises, in great part, out of transactions with England, France and Canada.

If we could find out where the British, French and Canadians are spending their money in the United States we would be solving in great part the reason for the "residual" in the Department of Commerce's figures on our balance of payments.

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11/20/39

CROSS REFERENCE SHEET

NAME OR SUBJECT Gold - Div. Memoranda

REGARDING Memo to Secretary "Gold and Capital Movements in the first Ten Weeks of War"

SEE

NAME OR SUBJECT Int. Cap. Transactions - Miscl.

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June 27, 1939

Secretary Morgenthau

Mr. White

Subject: What Happened to the Czech Gold in the Bank of England?

The following picture emerges from the different versions of the Czech gold affair which have appeared:

On March 14 (and possibly for some days later) the Czech National Bank held 800,000 ounces of gold (or $28 million) with the Bank for International Settlements. This gold was held by the B.I.S. on earmark with the Bank of England.

On March 15, Prague was occupied by the German Army.

On March 16, the British Treasury requested the Bank of England not to make any exceptional transfer of gold or balances on Czech account without prior reference to the British Government.

On March 17, the British Treasury requested all financial institutions to block all Czech assets.

On March 27, British legislation was finally enacted legalizing this impounding of Czech assets. However, it is now known that these $28 million of assets were transferred to the German Government some time between March 15 and March 31.

Some time after the occupation of Prague by the Germans -- the exact date is not known to us -- the responsible officials of the Czech National Bank signed the necessary papers requesting the B.I.S. to transfer assets held on behalf of the Czech National Bank to the Reichsbank. The Germans thereby obtained title to the $28 million of gold held in London in the name of the B.I.S. The source of this information is Butterworth. (Whether the Czech National Bank officials signed the papers voluntarily or under duress is not divulged.)

Prepared by Mr. Adler

6/27/39 - Original to Secretary's office at 12:30.
6/28/39 - Addition made (final paragraph added) and original to Miss Chauncey at 12:15.

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It is not known precisely when the title to the gold was transferred to the Germans and it is not known when the Germans utilized that gold. According to Butterworth, the Germans did not ask for the transfer of the $28 million at one time. (One reported source -- The Week -- claims that the title was transferred on March 17 and gold was released on March 21, i.e., six days after the Germans occupied Prague and five days after the British Treasury requested the Bank of England not to make any exceptional transfer of gold on Czech account without previous reference to the British Government.)

Some time before March 24 the French Manager of the B.I.S., Mr. Auboin, objected to the transfer of gold and reported the matter to the Governor of the Bank of France, who in turn reported it to the French Government.

On March 24 the French Government made representations to the British Government opposing the transfer of gold to Germany. (Butterworth got the impression from the British that the transfer of gold occurred about that date.)

On May 19, Lloyd George asked Chamberlain in the House of Commons whether it was true that a German official was negotiating with the British Treasury which had "agreed to release 5 million pounds of Czech assets in this country to the Bank for International Settlements to be earmarked for the use of the Reichsbank". Mr. Chamberlain replied that on that particular point "the whole story is a mare's nest" and that "the Treasury had not agreed to release any Czechoslovak assets to the Bank for International Settlements or to anyone else".

From May 19 on criticism of the transfer of gold to the Reichsbank gathered in force and more questions were asked in the House of Commons as to actually what had happened.

During the next two weeks British Government officials attempted to justify the release of gold on the grounds that they did not have the authority to stop it or even the power to investigate. Sir John Simon emphasized that the Bank for International Settlements was non-political in character and therefore had to follow legal precedent, and furthermore that the Bank of England was of such private character that Norman was under no obligation to inform the British Treasury of affairs of the Bank for International Settlements and was under no obligation to take instructions on such matters from

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the British Treasury. (The British Government, he said, was under treaty obligation not to violate the immunity of all holdings of the B.I.S. in London.)

On May 26, Sir John Simon stated in the House of Commons that he did not even then know where the gold was and that he was not over-certain that the Treasury had the power to find out. Yet two months earlier, on March 17, Lord Halifax (in Paris at the time) informed Cochran that he had discussed the question of the Czech assets with Simon and that Simon had stated that the Bank of England believed it could not refuse to honor drafts on gold held for the account of Czechoslovakia presented to them. Thus the Treasury and the Bank of England had already discussed the matter before March 17 and it would appear that in spite of the Treasury order to the Bank of England to block the Czech assets they had both decided not to block them permanently.

The House of Commons has not yet been informed nor does the public know -- nor do we know -- whether any of the $26 million of gold is still on earmark with the Bank of England or whether the Reichsbank has converted that gold into other assets.

When, on May 26, Sir John Simon was asked to find out whether any of the gold was still in the Bank of England he questioned whether he had the authority ot obtain such information from the Bank of England and promised to find out what he could.

On June 5, he reported that he had inquired from the Bank of England as to the facts and was informed that the Bank of England has no knowledge whether the gold it holds on earmark for the B.I.S. is the absolute property of the B.I.S. or not and therefore is not aware whether any gold held by it in the name of the B.I.S. is the property of the Czech National Bank or not.

It is a fact that the B.I.S. permitted the title to the Czech gold to pass from the Bank of Czechoslovakia to the Reichsbank probably some time in March. It is not known whether Beyen, the President of the B.I.S., obtained the approval -- formal or informal -- of some of the directors. (Beyen had resigned earlier from the B.I.S. to take an appointment with a London company, Lever Bros., which has large investments in Germany, but had not yet terminated his position with the B.I.S.)

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On May 30, Beyen stated in an interview that the question of transfer was a purely technical one and that no pressure had been exercized on the B.I.S. from any quarter.

It is known, however, that pressure by the French Manager of the B.I.S., Mr. Auboin, was exerted on Beyen to prevent him from acting so quickly. It is also known that Fournier at the end of March protested to the transfer at a meeting of the Board of Directors.

On June 21, Bonnet told the French Foreign Affairs Committee that Beyen did not consult the B.I.S. Board of Directors and that Beyen had handled the transfer himself.

Other Czechoslovakian sterling assets in London. It has been estimated that the amount of Czechoslovakian assets impounded in London totals about 14½ million pounds of realizable assets. According to Butterworth the British Treasury decided to impound the Czech assets in London because "it did not propose to repeat its experiences over Austria, namely, to turn over all assets in effect to the German authorities and then have to make a play, without this trump card, for the settlement of obligations to British nationals". These obligations to British nationals included unfulfilled British Government orders to Czech munition firms on which, in accordance with standard European munitions practice, one-third of the purchase price had already been paid. On May 19, negotiations between the British and German officials began with respect to the disposal of the Czech assets.

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6/27/39

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May 9, 1939

Secretary Morgenthau

Mr. White

Subject: Gold Imports in the United States

1. How much gold has come to the United States since the European situation became acute?

2. Where did it come from?

3. What countries have lost and what countries have gained gold during that period?

4. Why has so much gold come here?

5. How much more gold are we going to get?

6. Is the gold inflow doing us any harm?

7. What can we do about it?

1. How much gold has come to the United States since the European situation became acute?

Since July 1938, when the European political situation became acute, the monetary gold stock of the United States increased by $2,828 million. Of this amount only about $150 million of gold was purchased from domestic producers. The remainder, $2,678 million, was imported gold.

During September and October, the period of the Czechoslovakian crisis, $960 million of gold was imported for sale to the Treasury and during the crisis period of March and April, about $1,000 million of gold was imported. Net imports of gold into the United States since July 1938 (the Department of Commerce statistics of imports adjusted for net changes in earmarked gold) were as follows:

5/10/39 - Original to Secretary.

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Net imports of gold, adjusted for earmarking, by months

(In millions of dollars)

1938 -	July	$ 43
	August	137
	September	508
	October	452
	November	170
	December	178
1939 -	January	170
	February	175
	March	376
	April (thru 26th)	538
Total for 10 months		$2,747

In addition, during this ten month period $428 million of gold was added to that held under earmark for the account of foreign governments or foreign central banks. The bulk of the increase was for the account of Switzerland, Netherlands, Sweden and France.

2. Where did the imports of gold come from?

The net gold imports during this 10 month period by country of export is given in the table below. These statistics are not adjusted for gold sent here to be placed under earmark because no statistics are available giving the country of export of those particular shipments which are placed under earmark.

Net gold imports into the United States, by country of export
(As reported by the Department of Commerce)

Country of export	(In millions of dollars)
United Kingdom	$1,959
Netherlands	297
Japan	173
Belgium	128
Canada	102
France	90
Mexico	34
All other	287
Total	$3,070

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It will be noted that these statistics show an import from the United Kingdom of about $2,000 million of gold. A part of this amount, however, consisted of gold released from private hoards in England, a part consisted of gold transhipped from other countries, and perhaps some of the gold was released from earmark in London. The total of these items may be possibly $600 million. The balance of the gold came from the stock of the British Equalization Fund but a part, perhaps $300 million, does not represent a net loss of the Fund because the British authorities began, in November 1938, to earmark gold in the Dominions. The bulk of gold so earmarked comes from newly-mined gold of South Africa.

The net loss of gold by the British Equalization Fund was thus probably about $1,100 million from July 1938 to the present.

3. Which countries gained and lost gold in the period July 1938 to April 1939?

(a) The principal countries which increased their visible monetary stocks of gold were:

	(In millions of dollars)
United States	$2,800
France	500
All others	200
Total	$3,500

(b) The principal countries losing gold from their visible monetary stocks were:

	(In millions of dollars)
United Kingdom	$1,100
Japan	100
Netherlands	100
Switzerland	50
Argentina	50
All others	30
Total	$1,430

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(c) Additional gold came from the following sources:

(In millions of dollars)

Newly-mined gold	$ 900
Releases from private hoards and secret holdings of governments	1,170
Total	$2,070

4. Why has so much gold come to the United States?

More than half the gold inflow reflects capital flows to the United States, and only one-fifth equals our favorable trade balance (including our silver purchases).

The items in our balance of payments which may reasonably account for the gold inflow of $2.6 billions since July 1938 are as follows:

Net inflow of capital (recorded)	$1,400 million
Excess of exports over imports (including silver)	550 "
Foreign purchases of American paper currency	150 "
All other - including "residual"	500 "
Total	$2,600 "

Of the $1.4 billion recorded net capital inflow less than 5 percent, or $62 million, represents net security transactions. Foreigners have purchased during that period $48 millions in American securities and Americans have reduced their holdings of foreign securities by $14 million.

The bulk of the capital inflow, or about $1,100 million, has taken the form of increased bank balances held by foreigners. Central banks have increased their holdings by $87 million and private banks and individuals by $1,021 million.

The chief reason for the flow of capital to the United States has been the fear of war abroad with its concomitant likelihood of depreciation, strict exchange controls, and possible inflation or confiscation. Of the capital flow to the United States during the past nine months about 80 percent represents an inflow of short-term balances.

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The purchase of American currency arises principally from the same cause plus the desire to have funds in the form that can be easily hidden to evade sequestration or confiscation.

Our large favorable balance of trade which appeared in 1938 is due to a combination of factors, namely, the armament race abroad and the relatively high level of recovery in most principal foreign countries serve to keep our exports from falling, while the recession in the United States cut heavily into our imports.

5. How much more gold are we going to get?

It is certain that gold will continue to flow to the United States in large amounts. We estimate that inflow during the next twelve months at from $2 to $3 billion, as follows:

(a) Paper currency purchases by foreigners may be an important factor in our favorable balance of payments this year. So far this year there has been an export of United States currency of $70 millions and the movement seems to be gaining momentum. In addition currency is purchased and kept in United States vaults instead of being exported.

(b) Our balance of payments on current account will continue to yield a substantial sum due the United States. We estimate that sum to be about $1 billion.

Our excess of merchandise exports over imports will continue though probably in amounts smaller than the previous year. Last year our favorable trade balance amounted to $1.1 billion. However, current trends indicate a lower favorable balance for the coming year despite the increased armament program abroad. During the first quarter of 1939 the export excess was only $175 million as compared with $320 million in the first quarter of 1938. (A survey of our trade prospects for next year is contained in a separate memorandum.)

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Our tourist expenditures abroad will decline and foreign tourist expenditures in this country will increase owing to increased danger of war abroad and the existence of two important world fairs in the United States.

Our purchases of foreign silver will be reduced in the coming year. In 1938 we had a net outpayment on account of silver purchases of $225 million. With the bulk of the Chinese silver already disposed of, our imports of silver will be no more than half of the amount imported last year. So far this year our imports of wilver were $24 million as compared with $60 million last year.

There are several minor factors which will tend to reduce our favorable balance of payments. One such factor is the reduced amount of interest and dividend receipts from abroad relative to payments abroad. With improved business conditions in the United States our payments of interest and dividends to foreigners will increase, especially since foreign holdings of American securities have shown no significant change in the past year and probably will not decrease in the future. Our receipts from abroad will decline, principally because Americans are continuing to dispose of their foreign securities.

In the past year we gained large amounts of gold directly or indirectly from countries on current account which will not continue into next year. Japan sold $150 million of gold last year, which she will not be able to repeat this year because her gold holdings are now below $200 million. Argentina lost probably $125 million last year which will not be repeated this year since she is successfully controlling imports to prevent so large a loss.

(c) The inflow of capital will probably continue in large amounts until foreign governments effectively restrict and control the movement of capital. We estimate this item at a maximum of $2 billion.

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The question of how much capital will flow to the United States is really a question of how much gold the capital exporting nations will permit to flow out before they set up barriers to prevent the outflow of private funds. England has already placed restrictions on the outflow of British capital and if as much as a half billion more of capital leaves England it is likely that she will place restrictions on the outflow of foreign capital as well. The Netherlands and Switzerland now together have gold holdings of about $1½ billion. It is unlikely that they will permit more than a half billion of this gold to be lost before they too place restrictions on the outflow. France has been importing capital in the past nine months but if this trend reversed itself it is very likely that she would soon restrict outflows.

It is unlikely that all the other countries in the world will send to the United States more than $300 million of capital.

Therefore, in spite of the fact that the disturbed international political situation is not likely to subside in the foreseeable future, we do not expect capital inflows during the next twelve months to amount to more than $2 billion as a maximum and probably less than this figure. It is our conclusion that the inflow of capital will subside from the heavy movement now taking place, and that if the danger of war continues to haunt Europe the free international movement of capital will soon be a luxury of the past

6. <u>What harm is the inflow of gold doing?</u>

The inflow of gold does us no direct economic harm:

(a) It does not add to our public debt.

(b) Though it does add to our excess reserves, these reserves do not reasonably present a problem of serious concern since there is no foreseeable danger of inflation arising merely from the existence of large excess reserves. In fact, in so far as gold inflows have any effect at all, they help possibly to some slight extent to stimulate the extension of bank credit at the present time and therefore are salutary.

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Though they do no harm and may even do some slight good to the United States, they are indirectly harmful in that they accentuate the monetary difficulties in countries that are losing gold -- and thus contributing to international monetary uncertainty -- in that the large gold imports give rise to criticisms -- no matter how ill-founded -- of our gold policy.

Therefore, it would be desirable if the inflows of gold to the United States could be reduced or checked if it could be accomplished without introducing any substantial risk of economic loss.

7. What can we do about it?

We must recognize that there is very little we can do to reduce gold imports -- except promote recovery here.

(a) We can easily stop the inflow of gold or reduce its inflow by drastically cutting the price we pay for gold, but the adverse effect of such an action would be far worse than the benefits we would hope to gain. It would be worse both for us and for the rest of the world.

(b) We can reduce gold inflows by sharply reducing our import duties unilaterally. Such a course is impossible politically and under present business conditions in the United States quite undesirable on economic grounds.

(c) Making large loans abroad will not in any way help solve the problem inasmuch as the bulk of such loans, whether made by the Government or its agencies, or by private individuals, will be spent here and thereby reduce the gold inflows to only a small extent. Thus, for example, a $25 million loan to China increases our exports of goods, not gold. Similarly, a loan to Brazil would likewise increase our exports of goods, not gold.

We could make loans for monetary purposes which would involve exports of gold, but such amounts are inevitably small -- possibly $50 to $200 million at most.

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(d) We could place obstacles in the path of capital imports and even drive some of the foreign capital out of the country. But it should be recognized that the capital movements are disadvantageous to the countries which lose capital and gold, and these countries are in the better position, both technically and from the point of view of national policy, to impose penalties and controls on the outflow of capital than we are on the inflow.

From our point of view, it may be possible to discourage inflows (and at the same time increase government revenues) by placing special taxes on foreign capital. This subject was investigated two years ago and the conclusion reached at that time was that such procedure in view of the total situation was not wise. We have recently reconvassed the subject (an extensive report on it is almost ready) and we have concluded that it is possible to discourage capital inflows but that the measures that would have to be employed should be resorted to only if drastic action is warranted.

However, it may be worthwhile to revive the proposal to impose 100 percent reserve requirements against foreign deposits. Although this measure would not be very effective in discouraging inflows of capital, it would have some effect in that direction and would probably have a beneficial influence on public opinion.

Gold inflows to the United States are a reflection of disturbed world economic and political conditions, and we will continue to hold the bulk of the world's gold at least until world conditions again become relatively stable.

The best and only feasible way to reduce the flow of gold to the United States is to have a higher level of business activity here. Our imports would then increase more rapidly than our exports, thereby benefiting the rest of the world without hurting our own manufacturers who produce for domestic markets. If additional reasons are needed for promoting increased business recovery, here is one. To put it in another way, solution of our domestic business problems will help solve the gold problem and the solution of the world's economic and political troubles will postpone it.

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September 23, 1940

Secretary Morgenthau

Mr. White

Subject: Gold Inflows Since Outbreak of War

1. About a year has passed since the outbreak of the European war. In that year the United States has imported on balance over $4 billion of gold. (4,050 from September 1939 to August 1940, not including about $600 million received but placed on earmark.) This is by far the largest sum of gold ever received by us or any country in a like period. We now have slightly over 70 percent of the monetary gold held by governments and central banks. (We actually hold 80 percent of the world's monetary gold if we include earmarked gold held here.)

2. The chief items which have made up the huge balance due us since September 1939 are:

Excess of merchandise exports	1,400
Recorded net capital inflow	900
	2,300

Added to the $2,300 million balance on trade and capital flows is a "residual" of $1,750 million! This residual reflects the following transactions:

(a) Advance payments on war orders or contributions to capital expansion made by the British in this country. This item alone probably amounts to more than a half billion dollars.

(b) Migration to this country of foreigners and foreign corporations possessing dollar deposits in the United States. Frequently this figure appears in our capital movements as an outflow of capital whereas actually the funds remain in the country. This item doubtless amounts to several hundred million dollars.

Or. to Secy. with Miss Kistler's memo of 9/19 "United States Balance of Payments during the first year of war"

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(c) Concealed capital imports. Capital inflows which escape our statistics can take numerous forms: Foreigners placing funds in the name of friends, etc.

(d) Non-reported capital inflows. Repatriation of foreign dollar bonds through non-banking channels, purchase of real property, etc. And finally, errors and omissions in our trade data and service items.

(There is appended a more detailed analysis of our balance of payments for the past twelve months prepared by Miss Kistler.)

3. What is the outlook on gold imports for the next twelve months? It is impossible for the rate of gold inflow we have experienced in the past twelve months to continue throughout the coming year, even should the war continue. We expect our favorable trade balance will be maintained and may even increase, but we expect that capital inflows, both recorded and non-recorded, will be substantially reduced.

The whole of Latin America produces less than $100 million of gold and we will probably get all of that. The British Empire will produce about $600 million and we will doubtless get it all. We may pick up a few hundred million dollars worth of newly-mined gold from other areas -- Russia, Japan -- but we cannot get very much more of the gold that now constitutes part of the reserve stock of foreign countries without placing a very severe strain on their monetary systems. The British Empire may relinquish a billion dollars out of her remaining holdings and the other countries may be able to part with a few hundred million dollars, but that is all. I would estimate that if the war continues we will get, at the outside, $3 billion.

A more detailed statement of our balance of payments since the outbreak of the war, prepared by Miss Kistler, is appended.

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Division of Monetary Research

CROSS REFERENCE SHEET

Memo to:

From:

Dated: Feb. 23, 1942

Subject: Material re French Gold at Martinique

See file: Gold - France

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February 23, 1942

Secretary Morgenthau

Mr. White

Subject: Shipment of Gold from Germany to Switzerland

1. At least $70 million in gold has been transferred from Germany to Switzerland since March 1941, according to fragmentary information received from the British Embassy in Washington and the American Consulate in Bern.

In the latter part of March 1941, Germany sold to various Swiss banks about $9 million in gold.

In the early part of April 1941, an unspecified number of bars of Czechoslovakian gold was disposed of by the Reichsbank to private Swiss banks.

From the end of October to the beginning of December 1941, more than 21 tons (over $23 million) of gold passed through Basle en route from Berlin to the Swiss National Bank at Bern.

On December 7, 1941, 7.5 tons (over $8 million) in gold arrived at Bern from Berlin.

During the week ending December 27, 1941, 20 tons (about $22 million) in gold entered Switzerland from Germany consigned to the Swiss National Bank.

On January 23, 1942, 5 tons of gold (about $5.5 million) passed through Basle en route to Bern.

2. We cannot account for the disposition of all this gold. We do know that up to January 1, 1942, at least $12 million worth had been converted into escudo credits in Portugal in favor of the Reichsbank. Part of the credits so acquired has been used by Germany to pay for purchases of Portuguese tungsten ore and other materials imported by Portugal.

Another part of these gold shipments has possibly been for the purpose of effecting capital transactions for ultimate German account through Swiss intermediaries.

The rest of the gold may have been used to pay for various other imports and services or to increase balances held by the Reichsbank in Switzerland or in other countries.

WWWhite
2/23/42

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Gold - Div
memorandum

February 5, 1942

Secretary Morgenthau

Mr. White

Subject: Delivery of Gold from North Africa to Germany

1. In the spring of 1940, the French Government transferred about three-quarters of a billion dollars of gold to Dakar for safekeeping.

The danger of German occupation of French territory in May 1940 prompted the French Government to transfer to French West Africa a large part of its domestic gold holdings together with the gold held by the Bank of France for the central banks of Belgium and Poland.

After the fall of France, the German Government, on the ground that it had the responsibility of guarding the interests of the central banks of those countries under its "protection", demanded that the French return the Belgian and Polish gold stored in West Africa. The Vichy Government agreed in principle to the return of this gold, although, apparently, no date was set for final delivery.

2. Of the gold removed to Dakar about $184 million belonged to the Central Bank of Belgium and $68 million to the Bank of Poland.

The value of Belgian gold shipped to Dakar has been variously reported at from $184 million to $250 million with the former figure probably correct. The figure on Polish gold held by the Bank of France was given by the Polish Financial Counselor in New York.

3. Previous reports from France and Africa have indicated that the Vichy Government was delivering this Belgian and Polish gold to the Germans.

In January 1941, French officials admitted that they were handing over some of the Belgian and Polish gold to Germany.

In March 1941, it was reported from Dakar that the French commercial airline was carrying small amounts of Belgian and Polish gold to Europe.

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On July 17, 1941, the American Consul at Algiers reported that about $75 million of Belgian gold had reached Algiers and was to be shipped to France by plane.

About $63 million of Belgian and Polish gold was said to have arrived at the Moroccan State Bank from West Africa during November 1941, in preparation for transfer to Europe.

On December 23, 1941, $3 million in gold was sent by plane from Algiers to Marseilles, and on December 26, 1941, another shipment of $8 million was made.

4. There is new evidence that the French are arranging for the shipment to Europe of the remaining Belgian and Polish gold now stored in French North Africa.

The American Consulate General in Algeria reports that the French authorities have arranged to ship to Marseilles by regular commercial airplane about $20 million of this gold a month. Presumably these shipments are destined for eventual delivery to the Germans.

5. The gold shipments might be stopped if one of the French planes were intercepted and forced to return to Algiers.

This method proved effective several months ago when the French sent a trial shipment of several tons of gold over the Mediterranean. British war planes intercepted and turned back the French transports without attacking them, and their gold cargo was again deposited in French Africa.

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FEB 6 1942

My dear Mr. President:

I wish to call to your attention the continued shipment of gold from French North Africa to Germany. This gold is being delivered in accordance with the decisions of the Franco-German Armistice Commission at Wiesbaden. A brief sketch of how the gold came to be in North Africa and its subsequent disposition is given in the enclosed memorandum.

It would obviously be greatly in our interest to stop the delivery of this gold to Germany. The enclosed cable from our Consulate General in Algeria suggests that the delivery of this gold might be stopped if one of the planes carrying the gold were intercepted and forced to return to Algiers. Could we do anything in this connection?

I am bringing this matter to the attention also of Vice President Wallace and Secretary Hull.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

Enclosures (2)

a.g. HDW
OG:WJS/Drl
2/5/42

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RG 56
Entry 67A 1804
File Division Memoranda #4
Box 50

C
O
P
Y

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Algiers, Algeria.

DATE: January 20, 1942, 4 p.m.

NO. : 47.

The following is from Murphy.

From a reliable official source I have learned that for each departure during an indefinite period the French authorities have reserved accommodations for 600 kilos weight for special confidential shipments on the Algiers-Marseille Air France plane. Each day at 8:15 a.m., except on Wednesdays, the Algiers Air France plane leaves Algiers for Marseille. The official source in question says that this arrangement is made for the shipment of gold to Europe. It would permit shipment of gold to Europe. It would permit shipment of approximately six tons of gold every ten days.

This story was confirmed to me by a recent passenger on the Air France Line to Marseille who saw one consignment of gold loaded on the plane in which he was traveling. The gold in question is believed to be Polish and Belgian gold which was heretofore stored in French West Africa, now destined for Germany and Belgium under the Wiesbaden agreement. (See my strictly confidential despatch of September 11, 1941.)

This contraband traffic, it was suggested to me, might be stopped if one of these planes were intercepted and forced to return to Algiers.

The foregoing telegram was repeated to Tangier and Vichy.

COLE

Copy: bj:1-27-42
Copy: gp:2-4-42
Copy: mah 2-10-42

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Gold Transactions of the Stabilization Fund
with
Central Banks and Governments of Foreign Countries during 1941

(In millions of dollars, at $35 per fine ounce)

	Purchased from:	Sold to:
Afghanistan	$ —	$ 1.9
Argentina	—	80.9
Bolivia	—	3.0
Brazil	—	17.0
Chile	2.8	—
Finland	1.1	—
Great Britain	281.8	—
Guatemala	—	1.6
Haiti	—	0.8
Mexico	21.4	—
Netherlands	3.5	—
Neth. East Indies	5.0	100.5
Peru	3.5	—
Portugal	—	18.0
Rumania	14.0	—
Sweden	—	25.0
Switzerland	—	192.1
Uruguay	8.0	17.7
U.S.S.R.	42.1*	—
Yugoslavia	22.5	5.0
All Foreign Countries	$405.7*	$463.5

*At the end of 1941, about $11.9 million in gold was still to be delivered by the U.S.S.R. The total includes a very small amount of gold purchased from Costa Rica.

Treasury Department
Division of Monetary Research

PAS:EH:vw:1-5-42

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Gold - Div Memoranda

January 2, 1942

MEMORANDUM FOR THE FILES

Subject: Portuguese gold transfers

On January 2 Mr. White telephoned Mr. Bernard Bernstein and informed him that on December 31 Portugal and Switzerland withdrew the request for the transfer of $11.5 million in gold from Swiss account to Portuguese account in New York. Since this was the most suspicious of the Portuguese requests, Mr. White told Mr. Bernstein that he was now prepared to approve the three Portuguese requests (November 5, December 5 and December 13, 1941) for the transfer of approximately $17.5 million in gold from the Portuguese Government account in New York to the Bank of Portugal's own earmarked account in New York. Mr. White conceded that these transactions smelled rather funny and that we probably did not know the whole story, but explained that it seemed to him that there was not much we could do about it and since after all the Portuguese Government has a tight control over the Bank of Portugal and can easily get access to the gold and Swiss francs in Lisbon which will be released to it by these transfers. Mr. Bernstein said that he was in agreement with the general position taken by Mr. White.

Mr. White then told Mr. Southard to follow the matter through since Foreign Funds Control will have to give its approval before authorization to make the transfers is issued.

January 3, 1941

Mr. Pehle informed Mr. E. M. Bernstein that he was in agreement with the above position as long as Mr. Bernard Bernstein had no objection to it. Mr. Cox is still, in general, opposed to making transfers of this sort where there is any room for doubt concerning the reasons for the transfers but agreed that in this instance there is probably nothing we could do to prevent the Portuguese Government from using the Swiss francs and gold in Lisbon and, therefore, said he was in agreement with the above position.

See Portugal file for Dietrich's memo to White 12/17/41

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1/2/42

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January 1, 1942

Mr. White

Mr. Southard and Mr. Dietrich

Subject: Bank of Portugal's request for gold transfers.

1. There is attached a memorandum by Mr. Dietrich and a file of correspondence on requests of the Bank of Portugal dated November 5, December 5 and December 13, 1941, that Federal Reserve Bank make three transfers of gold from the Bank of Portugal "G" account (property of the Portuguese Government) to its ordinary earmarked gold account. These transfers may be summarized as follows:

Letter or Cable	Ounces	Value	Payment
Nov. 5, 1941	49,992.82	$ 1,749,748.70	Swiss Francs
Dec. 5, 1941	2,864.30	100,250.50	U. S. Dollars
Dec. 13, 1941	447,948.066	15,678,182.03	Gold in Portugal
	500,805.176	$17,528,181.23	

Yesterday the Bank of Portugal again pushed the Federal Reserve Bank for an answer on the November 5 request.

2. The effect of these transfers would be to transfer 17.5 million dollars in gold in New York from the account of the Portuguese Government to the account of the Bank of Portugal and in Lisbon to place at the disposal of the Portuguese Government 15.7 million dollars worth of gold, 1.7 million dollars worth of Swiss francs and $100,000 in U. S. dollars. It is not known why the Portuguese Government wants to make this transfer. That is, it is not known what the Portuguese Government will do with the Swiss francs or with the gold.

3. Apparently Messrs. E. M. Bernstein, Pehle and Gee have discussed this matter early in December. You may want to inquire what they have decided. We feel that the case may be summed up as follows:

(a) Bank of Portugal, although not owned by the Portuguese Government, is almost completely under the control of the Government since the Governor and Deputy Governors are appointed by the Government and have unusually broad powers. Therefore, it would appear that our refusal to permit the transfer of this gold from the "G" or Government account in New York to the Bank of Portugal's ordinary earmarked account will not prevent the Portuguese Government from forcing the Bank of Portugal to make a unilateral transfer in Lisbon, that is, there would seem to be no reason why the Portuguese Government could not hand to the Bank of Portugal a certificate of ownership for the gold in New York in return for the transfer of the

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Government's account in Lisbon of the 17.5 million dollars worth of gold, Swiss francs and U. S. dollars.

(b) This being the case we may, by refusing to make the transfers, achieve nothing but an affront to or an annoyance of the Portuguese Government. Therefore, it appears to us that the transfer should be permitted in view of the fact that almost literally nothing will be achieved by preventing it.

4. These requests for gold transfer from one Portuguese gold account to another was previously complicated by the fact that Portugal and Switzerland had also requested that gold to the extent of about 11.5 million dollars be transferred from Swiss to Portuguese account in New York, payment to be made by transfer of Portuguese gold in Switzerland to Swiss account. On December 31, however, this request was withdrawn.

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November 7, 1941

Mr. White

Mr. Hicks

Subject: Discrepancies between published gold holdings of the Exchange Stabilization Fund and holdings indicated by the Federal Reserve table "Analysis of Changes in Monetary Gold Stock".

Changes in the gold holdings of the Exchange Stabilization Fund cannot be accurately determined by noting the difference between gold imports, changes in earmarking, and domestic production on the one hand, and the increase in the Treasury's gold stock on the other hand, for two principal reasons:

(1) There are some particular transactions involving gold not accounted for in the Federal Reserve table, and sometimes not known to the public;

(2) There are many possibilities of time lags in the process of converting gold imports, etc. into Treasury gold stock.

(1) The published statements of the Fund show that through December, 1938 the Fund held $48.8 million of gold as collateral upon a loan to China, and that by March, 1939 this gold had been reduced to $19.4 million. Because of this transaction $29.4 million of gold became available for Treasury or Stabilization Fund purchase without being reflected in the data on gold imports, releases from earmark, or domestic production. This serves to explain about half of the largest discrepancy, that of the first quarter of 1939.

(2) Gold imported in the form of ore and base bullion goes directly to the refineries, rather than to an assay office. While these imports are not large, an increased amount of such imports in, say, the last month of the quarter over the last month of the preceding quarter would cause the import figures to over-estimate the amount of gold available for Treasury or Stabilization Fund purchase. These differences are shown in the attached table, and it will be noted that recognition of this factor explains a small part of most of the discrepancies.

Gold imported in the form of refined bullion or coin or released from earmark may not be reflected immediately in increased Treasury gold holdings because the bookkeeping processes of the assay office require one or two days, and because the assay office does not pay

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100% of the value declared to the customs authorities or earmarkers until after the gold is assayed. The time involved here would be shorter than that involved in the refining process as mentioned above, but when gold imports in the last few days of one quarter are larger than those in the last few days of the preceding quarter, the importation figures should tend to over-estimate the gold available during that quarter for Treasury or Stabilization Fund purchase. The best data available to check this hypothesis would be daily gold imports for the last few days of each quarter. These, however, are not available and the table shows, therefore, differences from quarter to quarter in gold imports during the week nearest to the end of the quarter. While there are some bad exceptions, you will note that this hypothesis fits most of the period.

EH:bvl
11-7-41

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Material prepared by Mr. Bernstein in connection with Stabilization Fund Hearings June 1941.

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Net Movement of Gold to the United States
by Countries, 1940
(In millions of dollars at $35 per fine ounce)

Country	Net Movement
North America	
Canada	2,683.0
Mexico	29.9
Central America and West Indies	15.3
South America	
Argentina	59.1
Brazil	10.8
Chile	10.8
Columbia	24.0
Peru	10.2
Other	9.8
Europe	
France	241.8
Hungary	11.9
Italy	43.9
Netherlands	63.3
Norway	33.4
Portugal	75.1
Spain	10.4
Sweden	161.9
Switzerland	90.3
U.S.S.R.	30.9
United Kingdom	633.1
Yugoslavia	16.3
Other	1.4
Asia	
British India	90.0
China (including Hong Kong)	25.2
Japan	111.7
Netherlands Indies	20.6
Philippine Islands	39.6
Other	1.6
Oceania	
Australia	103.8
Other	5.7
Africa	
Union of South Africa	183.7
Other	1.4
Total	4,749.5

Treasury Department, Division of Monetary Research — June 12, 1941

JWO/jm
6/12/41

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Gold - Div memoranda

202563

Gold Movement Between the United States and the Axis Powers, 1934 - 1941

(In thousands of dollars)

	United States Exports to				United States Imports from			
	Germany	Italy	USSR	Japan	Germany	Italy	USSR	Japan
1934	147	12	-	-	4	899	885	4
1935	296	-	-	-	63	3	18,099	-
1936	-	-	-	-	7	-	11,208	-
1937	-	-	-	6	-	-	504	246,470
1938	-	-	-	-	-	-	-	168,740
1939	-	-	-	-	10	15,719	-	165,605
1940	-	-	-	-	10	43,935	30,851	111,739
1941								
Jan.	-	-	-	-	-	-	-	6,085
Feb.	-	-	-	-	-	-	11,236	-
March	-	-	-	-	-	-	-	3,046

(prepared in connection with stabilization fund hearings 5/8/41)

HDWhite
5/6/41

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Gold - Belgium

Division of Monetary Research

CROSS REFERENCE SHEET

Memo to: Mr. White

From: Mr. Gass

Dated: Apr. 25, 1941

Subject: The Belgian Embassy's statement on their national gold holdings

See file: Gold - Belgium

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Gold - Div. Memoranda

Division of Monetary Research

CROSS REFERENCE SHEET

Memo to: Secretary Morgenthau

From: H. D. White

Dated: Apr. 10, 1941

Subject: The Economic Situation in Belgium (attaching Felsenthal's memo of 4/9/41 "Belgian Gold Holdings")

See file: Gold - Belgium

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Gold - Div memoranda

February 13, 1941.

Mr. White

Miss Kistler

Subject: Whose gold are we buying?

We know whose gold we are buying in the case of the purchases from Central Banks and Governments by the Stabilization Fund. These purchases account for 60 percent of our gold imports since the outbreak of War. The information is tabulated in convenient form and is available for our use.

The other 40 percent of our gold imports are sold to the Assay Office. Given time and clerks, I think we could determine the ownership (at time of sale to this Government) of the bulk of this gold and the country out of whose reserve it came. The information must be drawn together from three different sets of documents and each particular purchase of gold identified. This is a painstaking and time-consuming job. I estimate it would take four or five clerks a month or six weeks to complete the task.

There are two questions which arise in my mind:

(1) Does any Government agency have information with respect to these shipments which we do not have?

(2) Is the job worth doing?

1. Does any Government agency have information with respect to these shipments which we do not have?

It is impossible to answer this question categorically. Cochran's office reports that they receive all the important facts which the Federal Reserve Bank of New York has with respect to these imports and that they could secure for us any additional information which the Federal Reserve Board has which may be contained in Cochran's daily letter. This is the most likely source of information, since the Federal Reserve Board of New York frequently acts as an agent for foreign Central Banks and Governments and as such are told for whose account the gold is

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being sold. For what proportion of Central Bank shipments this information is not reported in the Cochran letters only a careful combing of the files would reveal. It is possible that even if the Federal Reserve Bank does not have any information which we do not have that what they do have may be in much better order than our files.

The Assay Office and Customs are also interested agencies and are possible sources of additional information. I have no idea how or whom should be contacted to explore this possibility.

2. Is this job worth doing?

Yes, in my estimation, for the following reasons:

(a) It will become increasingly important to know whose gold we are buying and how much gold various countries possess. It would be impossible to make any estimates on a moment's notice if the above study is not made, and not to be able to produce such an estimate if asked for might cause us considerable embarrassment.

(b) The problem has far wider ramifications than the mere source of our gold imports. The study would elicit information interesting and useful to various other members of the staff. More specifically it would throw some light upon the question of international business connections. A large number, if not the majority of these gold shipments, are made by commercial banks, business concerns, and even individuals. Furthermore, shipments of gold from England last spring seem worthy of careful examination. A cursory glance at the Consular invoices covering exports of gold from U.K. to U.S. last spring indicates that invoices for these shipments were presented for certification 6 months after the shipments took place and in one instance a woman--Marija Bloomstein--carried $54 thousand of gold in person from England to this country!

(c) All the gold imported from Canada, Australia, and the Union of South Africa and much of the gold coming from England is sold to the Assay Office. Even if it is not considered worthwhile to track down the ownership of all our gold imports it may be desirable to analyze the gold imports from these countries. They account for a large share of the total gold sold to the Assay Office since August, 1939, and the information would fill a corresponding gap in our information.

Wang
2/13/41

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Gold - Div memoranda

January 7, 1941

Mr. White
Mr. Coe

E. M. Bernstein
J. W. Gunter
Subject: Gold and silver studies.

As part of the regular duties of Mr. Gunter, with some aid from Mr. Bernstein, we propose to maintain continuous study of the more important questions on gold and silver. While no final statement on the nature of these studies can be made at this time, we intend to proceed on the following basis. About once a quarter, in some instances more frequently and in many instances less frequently, reports will be made on these topics:

Gold— Foreign
1. Gold production, by leading countries
2. Gold holdings, by leading countries
3. Gold movements outside the United States
4. Gold prices abroad: i.e., exchange rates on the dollar
5. Legislation on gold
6. The gold situation in South Africa

Gold— Domestic
1. Gold production in the United States
2. Gold imports and exports of the United States
3. Earmarked gold
4. Additions to the monetary gold stock of the United States
5. Foreign balances in the United States
6. Industrial consumption of gold
7. Literature on gold

Silver— Foreign
1. Silver production, by leading countries
2. Silver holdings, by leading countries
3. Silver movements outside the United States
4. Silver absorbed and released by foreign mints
5. Industrial consumption of silver abroad
6. Silver legislation
7. The silver situation in Latin America
8. The silver situation in India and China

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Silver— Domestic

1. Silver production in the United States
2. Silver holdings of the United States
3. Silver acquisitions by the Treasury
4. Silver imports of the United States
5. Price of foreign silver— New York and abroad
6. Price of domestic silver
7. Silver seigniorage
8. Silver coinage in the United States
9. Industrial consumption of silver in the United States
10. Legislation, proclamations, orders, and regulations on silver
11. Literature on silver

We intend to keep our studies of these topics as nearly current as possible. On the more important topics regular reports will be made at quarterly intervals or more frequently. For example, we hope to review at least quarterly the best estimates of gold and silver production in this country and abroad. Between times, if a memorandum is required, the quarterly data can be modified to take account of new developments.

As preliminary steps toward the fulfillment of this program, we are taking an inventory of the files on gold and silver, to learn what material will be readily available and to familiarize ourselves with the sources that have been commonly used to prepare gold and silver memoranda. We have also begun a study of gold production in the United States to determine the feasibility of devising an equation for estimating gold production in this country. In the meantime, we shall continue to collect the available information on all important aspects of gold and silver.

No doubt, there are some topics of importance that have been omitted. We are eager to have your suggestions on what should be done to provide the division with the information it requires on gold and silver.

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Box 50 5

Gold - Div Memos

October 29 7

Mr. Glasser

G. A. Eddy

Subject: Sale of IRO Gold

Because of personal contacts in the IRO, I have been in touch with their proposal to sell their salvaged gold for over a year. The latest word came by phone a couple of weeks ago that because of the IMF resolution against premium gold sales, they would sell the gold at the standard price. I had nothing to do with their reaching this decision.

Incidentally, they are planning to sell their silver in the New York market from last accounts, and have called up twice recently to ask about this. They have about reached an agreement with the Internal Revenue Bureau whereby there will be no tax on the transaction.

GAE:dmh
10/29/47

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Gold - Div
memoranda

January 30, 1942

Secretary Morgenthau

Mr. White

France - Belgian and Polish Gold

1. There is new evidence that the French are arranging for the shipment to Europe of the remaining Belgian and Polish gold now stored in French North Africa. The American Consulate General in Algeria reports that the French authorities have made arrangements to ship to Marseille by regular commercial airplane about $20 million of this gold a month. Presumably these shipments are destined for Germany and Belgium.

2. Background Information.

Previous reports had indicated that Belgian and Polish gold was being shipped overland from Dakar to North Africa in preparation for transfer to Europe. On November 21, 1941, about $250 million of gold arrived at the Moroccan State Bank from West Africa. On December 23, 1941, $3 million in gold was sent by plane from Algiers to Marseille and on December 26, 1941, another shipment of $8 million was made.

It was the release of this Belgian and Polish gold to the Germans by the French Government that prompted the Belgian and Polish authorities to institute suits to attach French gold held in the United States.

The American Consul at Algiers suggests that the gold shipments might be stopped if one of the French planes were intercepted and forced to return to Algiers.

OG:as
1/30/42

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Gold - Dir Treas

Mr. Jack Bennett, Chief, Finance Division
OMGUS Berlin

October 20, 1947

Mr. Orvis A. Schmidt, Assistant Director, OIF

Looted gold

The recent data on Netherlands looted gold brought by you to Washington in part answer to Cable WX-65758 treats 132 Dutch gold bars which we inquired about. The tracing consists of a transfer of this gold between various accounts of the Reichsbank, to the Prussian Mint and finally from the Asservat for shipment to the Swiss National Bank, Berne. Gold apparently was shipped from Germany either to the Swiss National Bank (sold to Switzerland) or for deposit to the Reichsbank Depot Account with the Swiss National Bank, Berne. No mention has ever been made as to whether records in Germany have been located which show which of the gold was shipped to the Swiss National Bank as such and which to the Reichsbank Depot Account. Not only must such records have been kept but records also would have been kept on the disposition of the gold from the Reichsbank Depot Account when so ordered by the Germans. If any of these records are located, it is urgent that they be immediately forwarded to Treasury Washington.

RJSchwartzman 10/20/47

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Gold - Div Memos

Mr. Paul Nitze, State Department
Room 1226, 1815 H St., N. W.

October 17, 1947

Mr. Robert J. Schwartz, Treasury Department
Room 5327

In accord with our telephone conversation of this morning, a draft cable to Berne is submitted for consideration at State. Lisbon tel 811 refers to a possible change in the Swiss attitude toward gold imports to Switzerland from Portugal inferring that the Swiss may appear satisfied that such gold is not looted.

In view of the fact that no settlement has been reached with Portugal, that the Gold Declaration is applicable to Portugal and in view of the current status of negotiations with Portugal on looted gold, the following is suggested:

Draft Cable to United States Embassy, Berne

Re Lisbon tel No. 4 dated Oct 6 to Berne repeated Department 811. Department would view unfavorably any purchase by Switzerland of Portuguese gold at this time. Do not understand reason for Swiss change of view if any and suggest discreet discussion pointing out no Safehaven Accord nor any settlement on looted gold has been made with Portugal, that the United States continues to apply the Gold Declaration of February 22, 1944 with respect to Portugal and would appreciate continued Swiss cooperation.

It may, however, be advisable to consider whether joint action by France, the United Kingdom and the United States would be more advisable than unilateral action by the United States.

RJSchwartz:ms 10/17/47

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Gold - Div. Memos

October 10, 1947

MEMORANDUM FOR THE FILES

Paul McGuire telephoned and said that he had just been talking with Dorr in Brussels by telephone; that Dorr had stated that the Tri-Partite Commission would not be able to make preliminary distribution of the Frankfurt gold but that they would, in any case, by October 15 make preliminary distribution of the gold held in the New York Federal Reserve Bank. McGuire indicated that preliminary distribution of the gold in the New York Federal Reserve Bank would give France about $46 million. Preliminary distribution of the Frankfurt gold will be made as soon thereafter as possible.

(Signed) ORVIS A. SCHMIDT

Orvis A. Schmidt
Assistant Director
Office of International Finance

CC: Messrs. Southard
Glasser
Willis
McNeill
Schwartz
Fred Smith
Eddy
Mrs. Frances Miller

OAS:lw:md-10/13/47

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Gold - Div Memos

Mr. Schmidt

Mr. Schwartz

October 9, 1947

At a meeting yesterday afternoon in Mr. Smith's office with Mr. Fletcher and Mr. McNeill, I presented for consideration a draft cable to Berr, U.S. member of the Tripartite Gold Commission, requesting that the Commission immediately forward for our use information filed by all countries making claims to the pool on the restitution of gold which had been looted. The information that we specifically wanted was the identification in detail of all gold lost by all claimant countries. Mr. Fletcher then stated he thought he had all this information in his office and that I could look at it immediately. Mr. McNeill, Mr. Smith, and myself were, to put it mildly, considerably disturbed to learn that this information has been at the State Department for an unknown period of months without our even being informed that it had been received. Mr. Hesse and I returned with Mr. Fletcher to his office and there we were shown the reports submitted by almost all of the claimant countries to the Gold Commission. It should be noted that some of the material was received as early as June 23rd at the State Department. Although it cannot be said that any of the work we have been doing on looted gold will be altered by this additional information, it can clearly and definitely be stated that had this information been available to us before now our work would have been made a great deal easier and a considerable more progress would have been made to date. I arranged with Mr. Fletcher for a messenger to pick up the material and bring it here today. After a meeting this morning in Mr. McGuire's office (see my memorandum of October 9th) I mentioned to Mr. McGuire that we had just discovered this material.

R/Schwartzing 10/10/47

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Gold - Dir Memo

October 9, 1947

Mr. Schmidt

Mr. Schwartz

This morning I attended a meeting in Mr. McGuire's office, State Department, the purpose of which was to give the Turkish Government notice that when the point is reached where Turkey has sold all gold that was in the United States at the time of the Gold Declaration, no further purchases could be made by the United States from Turkey pending a settlement on the restitution of any looted gold that Turkey may have acquired.

Present at this meeting were:

Mr. Yasici, Turkish Financial Counsellor
State Department: Messrs. Baker, Le Bretton, McGuire
Treasury Department: Mr. Schwartz

The case was presented by Mr. Baker as follows: The United States is anxious to avoid any embarrassing situation in regard to gold purchases from Turkey and to protect the interests of Turkey. This may best be achieved by Turkey submitting their records to the United States on gold acquisitions from the Axis and Axis-occupied countries since January 1939. Mr. Yasici stated that he would transmit this information immediately to his government. It was understood at the meeting that the Turkish gold balance in the United States is approximately $77 million at the present time and that this gold was in the United States at the time of the Gold Declaration.

Before I joined the meeting Mr. McGuire asked why the position with respect to Argentina had been reversed and stated that the position taken in regard to Argentina should affect the position of the United States in regard to Turkey. I explained the cable drafted yesterday for immediate transmission to our Embassy in Buenos Aires did not in any way alter the position previously taken. The position taken in the cable despatched last Friday was that Argentina should make immediately available all records of gold acquisitions since January 1939 from the Axis, Axis-occupied countries, Spain, Portugal, and Turkey; that, with the exception of Argentina gold that had been in the United States at the time of the Gold Declaration, the United States could not purchase any gold from Argentina until this information was made available. I stated that this first cable would require a submission of the information, if any, on such acquisitions by Argentina. The cable prepared yesterday for transmission to our Embassy stated that a statement of certification from Argentina that it had acquired no gold from the Axis, Axis-occupied countries, Spain, Portugal, or Turkey would allow the United States to continue to purchase gold from Argentina. This second cable is no contradiction or change of policy with respect to our first cable and the position consistently taken.

HDSchwartz:mc 10/10/47

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Gold - Div Memo

Secretary Snyder

October 10, 1947

Frank A. Southard (Initialed) F.A.S.

Proposed Loan to France by the Bank for International Settlements

1. The Federal Reserve Board was consulted by the Federal Reserve Bank of New York around the first of October with regard to a loan of $2 million that the Bank for International Settlements was proposing to make to the Central Bank of Turkey. In accordance with the statutes of the Bank for International Settlements, the Federal Reserve Bank of New York is afforded an opportunity to dissent in the case of any transaction in dollars. In view of the urgency that the Bank for International Settlements and the borrower had attached to this loan, the Federal Reserve Board gave its assent without requiring that the loan be delayed pending consideration by the National Advisory Council. Chairman Eccles, however, has proposed that this loan and the question of U.S. policy with respect to such loans in the future be placed on the agenda for discussion at the next meeting of the National Advisory Council.

2. Yesterday, on October 9, the Federal Reserve Bank of New York received a cable from the Bank for International Settlements in which a proposal to lend $25 million to France is advanced (a copy of the cable is attached). The loan would be in anticipation of the distribution of a part of the gold from the gold pot in Frankfurt and would be for a maximum of two months. The $25 million would be made up as follows: $5 million in gold in Berne and London, $10 million in gold in New York, and $10 million from the account of the B.I.S. with the Federal Reserve Bank of New York.

The gold in New York and the Bank for International Settlements account are blocked under Treasury regulations and their utilization would, therefore, require a Treasury license. To meet this problem, the Bank for International Settlements proposes only a temporary withdrawal of the gold and funds and that the repayment by the Bank of France would restore the gold and dollars to their blocked status by December 15.

This proposed transaction raises the following questions for decision:

a) Whether Treasury should license the proposed transaction.

b) What U.S. Government policy the National Advisory Council wishes to establish on the question of the fate of the Bank for International Settlements in light of the Bretton Woods resolution calling for its liquidation.

Attachment

AMK:fw 10/10/47

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ATTACHMENT

Cable No. 111, October 9, addressed to President Allen Sproul, Federal Reserve Bank of New York:

In order to anticipate the disposal of the amount corresponding to a part of the gold due to the Banque de France from the distribution to be made by the Gold Committee in Brussels, and in view of the delay before possibility of actual disposal by French Stabilization Fund, the Bank for International Settlements is ready to grant the Banque de France, acting on behalf of the French Stabilization Fund under usual guarantee, a credit facility for a duration of maximum two months and for a global amount not to exceed the equivalent of $25 million, namely:

about $5 million in gold, Berne and London;
about $10 million in gold, New York; and
$10 million.

The two last mentioned being subject to obtaining licenses American Treasury to dispose for this purpose and for the mentioned duration:

1) about 9,000 kilo fine gold deposited at the Federal Reserve Bank of New York, New York, our Account No. 2;

2) $10 million in our Account 3.

The amount outstanding will be reimbursed not later than December 15, 1947, by the Banque de France, which will remit to the credit of the Bank for International Settlements at the Federal Reserve Bank of New York, New York, the amount of gold and dollars put at their disposal at the beginning of the operation by the debit of our Accounts Nos. 2 and 3, which will thus be completely restored as they were before the operation. Will you please ask for necessary licenses if you have no objection to the above transactions? This request implies only a temporary utilization of our blocked funds for the purpose and draft mentioned above without prejudice to the question of their eventual deblocking.

Thanks for cooperation. Please cable.

(Signed) FRANK
President, Bank for
International Settlements.

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Gold - Air Memo

October 9, 1947

MEMORANDUM FOR THE FILES

Subject: Implementation of Gold Declaration with Respect to Turkey.

George Baker, of the Department of State, called this morning to advise me that the State Department was calling in the Turkish financial advisor this morning at 10 o'clock to tell him that this Government would soon have to stop buying gold from Turkey if Turkey did not comply with the request made some time ago for information concerning Turkish looted gold. Baker stated that the French Government had complained about the United States purchasing gold from Turkey in view of the slow progress being made by the Turks in giving the requested information. Baker said that they would be glad to have a Treasury representative present at the meeting. (I immediately brought the foregoing to the attention of Mr. Schwartz suggesting that he arrange to have someone present if possible.)

Turkey is known by us definitely to have purchased $3 million of Belgian gold from Germany. At the time Turkey's entrance to the Bank and Fund was considered, it was my understanding that a general agreement was obtained from the Turks to restore any looted gold. Since that time, however, the Turks have not carried through and have refused even to give the information necessary to identify the looted gold obtained by them.

Orvis A. Schmidt
Assistant Director
Office of International Finance

CC: Messrs. Southard
Glasser
McNeill
Schwartz
Eddy
Bittermann

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Proposed cable to Brussels in reply to 1064 of July 3, 1947.

July 18, 1947

Reference to para (4) urtel 1064 dated July 3. Dept agrees undesirability transfer gold Frankfurt for other custody. Treasury requests further information on proposed test assay of resmelted bars to confirm gold content. What extent do the French propose for test assay? Is plan to use U.S. Mint assayers for this purpose? If so, Treasury must be advised as much as possible in advance of date of test. Alternative proposal to request for U.S. assayers would be to distribute sample of gold to recipient countries for their testing assay under supervision. U.S. Mint feels that majority gold stored at Frankfurt will approximate inventory figures and therefore additional expense on our part should not be incurred to re-inventory metal other thanwhere estimates are indicated.

RJS:mlw 7/18/47

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Gold-Dir Memo

July 18, 1947.

MEMORANDUM TO THE FILES

Subject: Investigation of Source of Gold Bars Purchased

In order to ensure compliance with the Gold Declaration of February 22, 1944, the Federal Reserve Bank has been taking the precaution of ascertaining the origin of gold sold to the United States. In the case of gold under earmark at the Federal, this may involve several hours of record searching. It is clearly desirable not to impose unnecessary work of this kind upon the staff of the Federal Reserve Bank.

Accordingly, with the authorization of Mr. McNeill, I gave instructions to the Federal (Mr. Jardine) on Thursday, July 17, that with the exception of Turkey, Argentina, Portugal, Spain, and Switzerland, countries selling gold need no longer be investigated in this way. Furthermore, work on the above five countries may be reduced by a preliminary approximate report on the origin of the bars without tracing the month of import of every single bar. For example, if the Federal telephones us that all the bars were received before, say, 1939, no doubt the Treasury will be able to formulate its policy on the basis of such a general statement.

Mr. Jardine said that perhaps it would be helpful if the Federal sent to us a record of all the gold now held by these five countries under earmark in New York.

G. A. Eddy

CC: Messrs. McNeill, Dietrich, Bitterman, Fricher (NY Federal)

GAE:dmh
7/18/47.

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Gold - Div. Memo

Looted Netherlands Gold

Bars

The Dutch report 5,692 bars as having been looted. The Berlin Report gives a total of 5,861 bars. The difference of 169 bars consists of a shipment from the Netherlands to Germany on November 15, 1940 which is not included in the most recent Dutch report of Netherlands looted gold. These 169 bars did not go to Switzerland and will not be further considered.

Of the 5,692 bars: 5,524 were not resmelted
168 were resmelted

Of the 5,524 non-resmelted bars, 5,424 went to Switzerland (Table F). This figure is also used in the Berlin Report which shows 5,239 of these bars going to the Swiss National Bank, and the balance (285 bars) to other Swiss Banks (see our Table F and Schedule I, Berlin Report). The melt number of each bar is available in the Dutch report of gold lost, Schedules VI, VII of the Berlin Report. 5,068 of the 5,239 bars going to the Swiss National Bank are established by melt number as Dutch bars received from Germany by the Swiss National Bank. 1/ The Portuguese report established that 1,495 non-resmelted bars of the total of 5,068 going to the Swiss National Bank were transferred to Portugal. The balance of the non-resmelted bars remained in Germany or went to Italy or Sweden.

1/ Reference to the Swiss National Bank here and throughout this memo means the Reichsbank Depot Account with the Swiss National Bank at Bern.

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The 168 Dutch bars which were remelted were composed of 133 Hochwertige Bars, 2 Verschiedene Bars and 33 small bars of about 1,000 fine grams each. The first remelt of 132 bars resulted in 125 bars (our Table 4, page 2 and Berlin Schedule VIII). Of these 125 bars, 124 were shipped to the Swiss National Bank. The melt numbers are available from Prussian Mint Records (see Schedule VIII, Berlin Report). The 33 small bars were remelted in 1944 with guilders (see our Table 3, page 4 and Berlin Schedule X). The other 3 bars cannot be traced further.

Guilders

The Dutch report a loss of 112,055,500 Dutch guilders but the German records show a receipt of 112,050,990; the difference 4,510 is therefore not traced as lost (see our Table 3 and Schedule IX, Berlin).

Total Guilders	-	112,050,990	
Guilders Melted	-	85,360,000	equals 91,367,922 fine
Guilders Not Melted	-	24,690,990	(grams 2/ or ap-
Guilders found in Germany	-	24,781,815	(proximately 4,340
Balance not traced	-	1,909,175	(bars.

48,000,000 Guilders Melt - 1942

On 28 August 1942 a total of 48,000,000 guilders was sent to the Prussian Mint from the Goldankauf for melting and resulted in 2,455 bars, of which 2,353 bars went to the Swiss National Bank. The balance of the bars resulting from this melt remained in Germany. The melt numbers for these bars are all available from the Prussian Mint Records.

2/ Approximate fine weight based on mint weight less 1/4 of 1% loss due to circulation. Loss assumed believed high.

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The total fine grams of the 2,455 bars is 23,101,621.8 and the total fine grams of the 2,363 bars that went to Switzerland is 26,288,040.9. Reducing the fine grams that went to Switzerland to the absolute minimum of identified looted Dutch gold we arrive at a figure of 28,077,571.3 fine grams or approximately 2,366 bars. This minimum figure is established as follows:

162,195 Dutch Guilders — 109,641 fine grams were in the Goldankauf at the time of transfer of the 45,000,000 guilders. Lost of the 162,195 guilders has not been established beyond question, and since they could be part of the 45,000,000 transfer, the entire amount of 162,195 guilders — 109,641 fine grams is deducted.

Eleven V bars, 100,828.6 fine grams, added to the melt to increase the percentage of the gold content, have not been established as lost, and the entire amount has been deducted. The foregoing melt is treated in Schedule XI and XI-a, Berlin Report, and in our Table 2, page 2.

	Fine Grams	Bars
Total melt	28,957,824.0	2,455
Total to Swiss National Bank	28,288,040.9	2,363
Less that not firmly established as looted for entire melt	210,469.6	17 1/2
Looted sent to Swiss National Bank	28,077,571.3	2,365 1/2

15,000,000 Guilders Melt, 1943

On 25 February 1943, 15,000,000 Dutch guilders went to the Prussian Mint from the Goldankauf for remelting, and resulted in 764 bars, of which 600 bars were sent to the Swiss National Bank (see Berlin Report, Schedule XII). The melt numbers for these bars are all available from the Prussian Mint Records.

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Of the remainder, 162 bars were sent to Italy, and the other two remained in Germany. The total weight of the 764 bars was 9,107,112.4 fine grams, while the 600 bars which went to Switzerland weighed 7,151,040.3 fine grams. Reducing the Swiss share by excluding all gold in this melt not firmly established as looted, one arrives at a net of 7,096,904.8 fine grams of looted gold going to Switzerland. The reduction of 54,135.5 fine grams is accounted for as follows:

Non-looted Guilders in Goldankauf on 25 February 1943, 23,540 guilders[3/] -- 14,165.9 fine grams.

Fine gold (not identified as looted), added to this melt in order to raise the average fineness 39,969.6 fine grams.

The foregoing melt is discussed in Schedule XII, Berlin report and in our Table 2, page 3.

	Fine Grams	Bars
Total melt	9,049,330.0	764
Total to Swiss National Bank	7,151,040.3	600
Less that not firmly established as looted for entire melt	54,135.5	4 1/2
Looted sent to Swiss National Bank	7,096,904.8	595 1/2

22,560,000 Guilder Melt, 1944

These guilders were transferred to the Prussian Mint for melting in two shipments - 8,560,000 on 28 January 1944 and 14,000,000 on 5 February 1944.

3/ These 23,540 guilders are not firmly established as loot and are not part of the 182,195 guilders subtracted from the 45,000,000 guilder melt of August 1942. Therefore they are guilders deposited to Goldankauf sometime between 29 August 1942 and 25 February 1943.

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both from the Goldankauf. Included in this melt were various gold coin looted from Belgium, totaling 2,775,538.4 fine grams. Since this Belgian gold is probably not traced, other than with the Dutch gold, it is included here. From this total melt, 1,520 bars resulted, weighing 17,975,665.6 fine grams, of which 1,488 bars, weighing 17,608,346.7 fine grams were sent to the Swiss National Bank. The melt numbers for these bars are all available from the Prussian Mint Records. Of the remaining bars, 30 went to the Croatian State Bank at Zagreb, and the other two remained in Germany. Reducing the Swiss share by deducting all gold in this melt not firmly established as looted, there remain 15,912,085.7 fine grams of looted gold.

	Fine Grams	Bars
Total melt	17,989,984.7	1,520
Dutch loot	13,214,195.3	
Belgian loot	2,775,538.4	
Not firmly identified as looted	1,696,261.0	
Total to Swiss National Bank	17,608,346.7	1,488
Less that not firmly established as loot for entire melt	1,696,261.0	143
Looted sent to Swiss National Bank	15,912,085.7	1,345

Other Coin

The miscellaneous coin (other than guilders) lost by the Dutch is not traced in our summary or in the Berlin Report. It appears from the information available that this amount, approximately $8,355,280 of miscellaneous coin, is not traceable.

HMM:MWimes 7/8/47

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Recapitulation

	Guilders	Bars	Fine Grams
Bars			
Total Non-resmelted		5,524	66,497,449.0
To Swiss National Bank		5,239	63,060,456.9
To Swiss National Bank established as looted		5,239	63,060,456.9
Balance 1/		352	3,436,992.1
Total Resmelted		168	1,639,491.8
Resulted in		125	1,519,670.0
To Swiss National Bank		124	1,506,290.0
To Swiss National Bank established as looted		124	1,506,290.0
Balance 1/		36	119,821.8
Guilders			
Total looted	112,050,990		67,430,020.0
Total not smelted (all remained in Germany)	26,690,990		16,062,098.0
Smelted	85,360,000	4,739	56,186,399.8
To Swiss National Bank		4,471	53,047,427.9
To Swiss National Bank established as looted 2/		4,306.5	51,086,761.8
Balance 1/			5,099,638.0
Total			
Looted Dutch gold			135,566,960.8
Total to Swiss National Bank		9,834	117,614,174.8
Total to Swiss National Bank and established as looted 2/	(approx.)	9,670	115,653,508.7

1/ Includes the gold that was recovered in Germany, plus that shipped to other than SNB, or unidentifiable.

2/ Includes 2,775,528.4 fine grams established as Belgian looted gold.

HMH:RJS:mmh 7/2/47

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Gold - Div. Memos
5/9/47

Mr. Surrey

Mr. Schmidt

It appears that it may be necessary to enumerate the countries considered to be subject to the Gold Declaration in connection with discussions with the Swedish representatives. It is suggested that Argentina and Switzerland should be included in such an enumeration in addition to Spain, Portugal and Turkey.

Argentina has adhered technically to the Gold Declaration of February 22, 1944 and Bretton Woods Resolution VI through its adherence to the Act of Chapultepec in 1945. However, adherence to the principles of the Gold Declaration is only one consideration necessary to a determination that the Declaration is no longer applicable to Argentina.

The effective part of the Gold Declaration of February 22, 1944, states that "it will be the policy of the United States Treasury not to buy any gold presently located outside the territorial limits of the United States from any country which has not broken relations with the Axis, or from any country which after the date of this announcement acquires gold from any country which has not broken relations with the Axis, unless and until the United States Treasury is fully satisfied that such gold is not gold which was acquired directly or indirectly from the Axis powers or is not gold which any such country has been or is enabled to release as a result of the acquisition of gold directly or indirectly from the Axis powers".

It appears to the Treasury Department that Argentina is subject to the Declaration both because there was no effective break in relations with the Axis until some time in 1945 and because we have no basis for concluding that Argentina did not acquire gold from the neutrals after February 22, 1944. In fact, the record justifies the suspicion that Argentina would have acquired such gold if the opportunity had been offered.

To all intents and purposes Argentina maintained relations with the Axis powers for some time after the announcement of the Gold Declaration on February 22, 1944. The Argentine Government formally terminated diplomatic relations with Germany and Japan on January 26, 1944. This Government, however, consistently maintained that the break was meaningless. In a press release of July 26, 1944, which appears in 11 State Department Bulletin, the following statements are made on pp. 108 and 109:

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"Very soon, however, it became clear that powerful forces within the Government [Argentina] were determined to oppose those measures and render the break [of relations with the Axis] valueless. *** It has since been established that extremist, pro-Axis elements were responsible for the elimination of General Ramirez and his principal collaborators from the Government because of their decision to break relations.

"The Farrell Government firmly refused to commit itself to implementation of the break with the Axis. It implicitly disavowed any intention to honor the rupture with the Axis by insisting repeatedly that it was due to foreign pressure."

This position was confirmed by President Roosevelt in a press release of September 29, 1944, (11 State Department Bulletin 357).

This policy expressed itself in affirmative measures against Argentina with respect to its gold holdings. The Treasury Department with the approval of the State Department prevented Argentina from repatriating its gold held at the Federal Reserve Bank of New York from August 1944 to July 1946.

It is difficult to see how the Treasury Department would be justified in assuming that Argentina had not acquired any gold from the Axis or from nations which had acquired gold from the Axis. In this connection, the Department has noted the statement in cable No. 7378 of September 8, 1944, from the American Embassy in London that the British "feel that Buenos Aires is a key point for flight capital, loot and all other assets held by the Germans".

In view of these circumstances, the Treasury believes that Argentina should be considered to be subject to the Gold Declaration until this Government is satisfied that Argentina did not acquire any Axis-tainted gold or has made settlement for any Axis gold which they did acquire.

The present record of Argentina and our information as to the gold dealings of Argentina is clearly inadequate to support such a conclusion.

With respect to Switzerland, it should be noted that the Swiss Government has never to our knowledge formally or informally adhered to the principles of the Gold Declaration. In an approach to Sweden for an assurance that the principles of the Gold Declaration are being observed, it might prove embarrassing to indicate to them that Switzerland, which has not given such assurances, is

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considered to be free of the prohibitions of the Declaration. Although Switzerland has apparently made only purchases of gold consistent with the Declaration since the date of the Swiss Accord, it is not clear that this is a result of a desire to conform to the principles of the Gold Declaration or that the Swiss will not in the future acquire gold from such countries as Portugal and Spain before gold settlements have been reached with those countries.

Although a gold settlement has been agreed upon with Switzerland and there is some indication that the Swiss are finally prepared to make payment, Swiss actions under the Accord and the gold settlement cast some doubt upon the spirit in which Switzerland intends to carry out its obligations. These actions moreover do not inspire confidence that the Swiss, without further specific assurance, will conduct their gold transactions in accordance with the principles of the Gold Declaration.

CRMcNeill:rs 5/9/47

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Gold - Gov. Decisions.

January 24, 1947.

MEMORANDUM TO THE FILES

Subject: Postscript on Memorandum: "Loans by Commercial Banks Secured by Earmarked Gold"

A second typing of the memorandum dated January 15 on "Loans by Commercial Banks Secured by Earmarked Gold" was made in order to have a copy to send to the President of the Federal Reserve Bank of New York, in answer to his letter of last November. In response to suggestions from readers of the previous memorandum, the following paragraph was added on page 3:

"3. A second form of the argument that foreign central banks should not be allowed to speculate on an increase in the price of gold by borrowing against earmarked gold is as follows: It is against U. S. interests to allow them to borrow against the gold and buy goods with the borrowed dollars, and then later, if the price of gold is raised, sell the gold at the higher price and be able to buy more goods. (Rejoinder: At first glance, this seems to carry some weight, but looked at another way, the point seems questionable. By the same test, one might say that obtaining any loan abroad (except for very short periods) while the borrowing central bank or government still owns gold, is a speculation on a rise in the price of gold. For example, if the Bank of France borrows in dollars without security for, say, five years, while it still retains a relatively large gold reserve, would one properly charge them with reprehensible speculation on a rise in the price of gold? On the contrary, such a policy would probably be accepted as a standard and commendable practice. Is it then speculation if the Bank gives security for the loan by a pledge of some of its gold -- thereby incidentally obtaining a lower rate of interest?)"

Mr. Kamarck called attention to several decisions regarding the NAC, as follows:

"We also agreed that we would report to the NAC on the Treasury and Federal Reserve position when it was agreed and Treasury would inform the Council of applications for licenses to permit loans by commercial banks and the action taken on such applications."

Because this was an internal Treasury decision, it was not put in the retyped version for Mr. Sproul.

In the original Point 3 [illegible]

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Gold - Div Memos

January 15, 1947.

MEMORANDUM TO THE FILES

Subject: Loans by Commercial Banks Secured by Earmarked Gold

Meeting in Mr. Schmidt's office, 9 January 1947, attended by Messrs. Friedman and McNeill of the Legal Division, and from the Division of Monetary Research, Mrs. Gold and Messrs. Schmidt, Kamarck, Wilmann, deMaris, Jenkins, Willis, Tomlinson, Hebbard, Kleiner, Eddy.

It was unanimously agreed:

(1) that it was not undesirable for the Treasury to issue licenses, with the required approval of the President, allowing gold under earmark for foreign central banks and governments in the New York Federal Reserve Bank to be pledged as security for loans by U. S. commercial banks, and

(2) that the Treasury should not officially review the terms of prospective loans for which licenses were asked and should not indicate whether the terms were satisfactory or unsatisfactory to the borrower's interest.

The propriety of such loans had been questioned in a letter from the President of the Federal Reserve Bank of New York to the Secretary of the Treasury. A previous discussion of the question was held in Mr. Overby's office some time ago.

Reasons in favor of the conclusion to issue gold licenses to secure loans are:

1. Would-be foreign borrowers evidently are ready to pledge gold to secure loans, and in the absence of compelling considerations to the contrary, the Treasury should not oppose such requests. Possible reasons why central banks may wish to pledge gold for loans are discussed in the appendix.

2. It is a general policy of the Administration to encourage foreign lending through private channels rather than to continue reliance solely upon official channels. The making of some loans secured by earmarked gold may not only remove the need for those particular loans by official lending agencies, but may also lead the way to further foreign lending by commercial banks.

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3. It is the policy of the United States to encourage widespread holding of gold by foreign central banks and governments. Hence, we should not insist that gold be sold to the United States whenever a country needs to use its gold to obtain dollars.

4. The right to pledge gold to secure loans is one advantage in holding gold which should not be obliterated. It adds flexibility to international financial arrangements and reserves.

5. The usefulness of loans secured by gold for 90 days up to one year is fully recognized in the policies of the Federal Reserve Bank of New York. Particularly during the difficult period of postwar reconstruction, longer term loans on the same security may be entirely defensible.

Arguments against the loans, and the contrary arguments, were as follows:

1. It is cheaper for the borrower to sell the gold than to borrow against it. (Rejoinder: The borrowers should be allowed to decide what is in their best interest.)

2. If U. S. citizens are not allowed to hold gold to speculate on an increase in its price, central banks should not be allowed that privilege either. (Rejoinder: It is absolutely essential to the utility of the gold standard and of our own gold stock that foreign central banks own gold. Allowing them to retain ownership of gold while pledging it for loans is entirely consistent with this and, as stated above, tends (however slightly) to foster the importance and usefulness of gold reserves.)

3. Use of gold as security for loans by commercial banks is an infraction of Treasury gold policies and may encourage demands for private ownership of gold. (Rejoinder: This use of gold is an insignificant infraction of Treasury gold policies. No U. S. private interest is allowed to obtain beneficial ownership of gold under the proposed loans, and the foreign ownership is limited to a government or central bank. Private ownership of gold would not appear to be appreciably encouraged.)

4. The pledges of gold are likely to be accounted for faultily in the borrowing banks' balance sheets, and long-term borrowing against gold is a bad central bank policy. (Rejoinder: Enforcement of such

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objections, if they are valid (and in fact they appear open to question) should be sought through other means than Treasury gold-licensing policy. It hardly seems up to the U. S. Treasury to tell the Netherlands Central Bank, or that of Uruguay, how to do its accounting or its central banking.)

5. Commercial banks may insist upon gold security for all their foreign loans. (Rejoinder: Resistance by borrowers and competition among lenders should work against this danger. Furthermore, there have been no loans by banks to most of the countries seeking the right to pledge gold for loans, so that such loans may be considered an unavoidable step toward more normal commercial bank lending abroad.)

6. In certain cases, compromising of a foreign country's present gold stock would violate the understanding upon which the U. S. Government has made loans to that country. (Rejoinder: Since each loan to be secured by gold will require a Treasury license, there will be ample opportunity to discuss each case and to take up with the foreign country any possible violation.)

G. A. Eddy.

GAE:dsh
1/15/47.

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Field - Div. Memo

November 20, 1946.

Mr. Glasser

Mr. Bittermann

Subject: Loans secured by earmarked gold.

I. Loan Requests and Licenses

In the course of the last year a special problem in the gold licensing policy of the Treasury has arisen out of applications by commercial banks to acquire a pledge interest in gold held under earmark by the Federal Reserve Banks as collateral for loans made by American commercial banks to foreign governments or central banks.

The Federal Reserve Banks have made short-term loans secured by earmarked gold since 1934, presumably under the authority of sections 28 and 29 of the Provisional Regulations under the Gold Reserve Act of 1934. The Treasury has offered no objection to this practice. The New York Federal Reserve Bank at the present time has outstanding in loans of this sort $135.3 million, of which $110 million is for a loan to the Netherlands.

Commercial banks entered the field with the Netherlands loan, made by a syndicate of banks and secured by earmarked gold as collateral. The Treasury, with Presidential approval, granted a license to the banks to acquire a pledge interest in this gold. Subsequently a similar license was authorized to the Chemical Bank to cover a loan to Bolivia, but it was not necessary to issue it, since the occasion therefor had disappeared before the issuance.

At the present time loans of this sort aggregating $103.5 million are being considered by commercial banks. Of these loans only two are likely to require action in the immediate future. The Manufacturers Trust Company in New York has applied for a Treasury license to hold a pledge interest in $1.5 million of gold as collateral for a loan to the National Bank of Czechoslovakia, and the Bank of America, San Francisco, is considering a loan to the National Bank of Nicaragua, with $2 million of gold collateral. Inquiries have been made of the Guaranty Trust Company about a loan of $100 million for Roumania, but this loan is not likely to be made. A loan to Roumania would seem to be precluded by the Johnson Act, since Roumania is not a member of the International Bank and Fund, and the Eximbank is not a participant in this loan. Proposed loans by the Bankers Trust Company and the Chemical National Bank to the Central Bank of Bolivia are no longer being actively considered.

Loans of this sort require licenses under Section 34 of the Provisional Regulations under the Gold Reserve Act, which permits the Secretary of the Treasury, with the approval of the President, to issue licenses for gold transactions not inconsistent with the practices of the Act, not otherwise provided for.

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While the loans by the Federal Reserve Banks have been for short periods, the proposed loans by the commercial banks present a different issue since these loans are long-term loans with repayment provisions extending for as long as 5 years. The funds obtained are not to be used to meet current obligations but to finance permanent projects of development, or, in the case of the Roumanian loan, to purchase wheat with repayment extended over a period of years. The question of policy presented by these loans may be considered under two heads: (a) should gold be used as collateral for long term loans, and (b) should such loans be made by commercial banks, or only by Federal Reserve Banks? The question of policy must be considered in the light of the gold and banking policy of the United States and the particular circumstances of the countries requesting such loans.

II. Reasons for Loans

Foreign countries would appear to have four probable reasons for wishing to use gold as collateral for their loans, each of which deserves special consideration:

(1) By using gold as collateral, the rate of interest is lower than on loans otherwise secured from commercial banks or from the International Bank. The cost might also be less than drawing on the International Monetary Fund for the same period of time, depending upon the amount of the loan, and the period of time for which it is held. Of course, the cost involved in selling the gold now and repurchasing it later is much less than the interest paid on a loan secured by the pledge of the gold or the purchase of currency from the International Bank. It is reported, however, that the Bank of America proposes to charge 3.5 percent on the $4 million loan to Nicaragua, even when secured by gold to the extent of $2 million. The Bank also will require Nicaragua to maintain a balance of $1.5 million with the Bank, so that in practice only a half million dollars of the loan is unsecured.

(2) The use of gold collateral makes possible a loan to a country which would otherwise be considered too great a risk. Thus Bolivia is in default on earlier bond issues. The Nicaraguan political situation is not entirely stable, while repayment prospects might be too uncertain for private capital. Czechoslovakia has recently had its difficulties with U.S. Government agencies in matters involving surplus property disposal and loans.

(3) The central banking systems of most foreign countries permit gold held under earmark to be regarded as part of the monetary reserves of the country. By pledging this gold it is possible that the monetary reserves would not appear to be reduced, unless subsequently the borrowers were unable to meet payments. In the case of Bolivia total gold reserves amount to only $22 million,

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so that the sale of $5 or $10 million of gold would involve a serious loss in gold reserves and might require a drastic deflation of bank credit. According to the 1945 Central Banking Law of Bolivia, the Banco Central must ordinarily have a reserve against circulation of 50 percent in gold (in vault or under earmark abroad) and foreign exchange, and 50 percent in local currency obligations. The Minister of Finance may, however, reduce the ratio of gold and exchange to total reserves to 25 percent if the exports of Bolivia fall to 50 percent or less of the average of the three highest annual amounts in the past ten years, and to 40 percent if the exports fall to 80 percent of this average. (Cf. Banco Central Memoria Annual 1945, pp. XLV-XLVI). The banking law apparently is silent on the matter of mortgaging the gold held abroad, but there has been a special authorization for pledging $5 million earmarked gold.

(4) Countries might wish to hold their gold unencumbered in anticipation of an increased price of gold in the United States. Clearly, the United States, if it considered this possibility, could offer no objection to the later sale of gold at the higher price if the gold were in the physical possession of the country involved. Since the earmark operations represent ownership by the foreign country, there would appear to be no objection on this score. Where, however, the pledging operation is merely a device to avoid sale, it becomes more questionable. A foreign country which sells gold in order to obtain dollars would of course be at a disadvantage in comparison with a country which used the device of a loan secured by gold collateral. Since it is the announced policy of the United States not to change the gold content of the dollar, this would not appear to be a very important consideration, though it might loom large in the policy of foreign central banks.

III. U.S. Gold Licensing Policy

The Gold Reserve Act of 1934 established the principal of government ownership of all monetary gold. Licenses may be issued under section 3 (a) for industrial, professional or artistic uses of gold, (b) to the Federal Reserve Banks for the settlement of international balances, and (c) for other purposes which, in the judgment of the Secretary, are not inconsistent with the purposes of the Act. The Act was intended to centralize and conserve monetary gold stocks and to confine the use of gold in the settlement of international balances to the Federal Reserve System. Licenses must of course be issued to hold gold in various forms where the gold is not part of the monetary gold stocks, e.g., in process of mining and refinement, or when used for industrial purposes.

The monopoly of holding monetary gold is predicated on the desirability of centralizing gold reserves. These gold reserves perform a double function: (1) they are available to settle foreign balances, and (2) they

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provide an automatic limit to the expansion of currency and deposits. While the United States has retained the principle of a gold reserve, despite the inconvertibility of the dollar, the reserve ratio has been reduced from 40 and 35 percent of note issue and deposits, respectively, to 25 percent. The gold reserves of the United States are, of course, particularly important for the settlement of international balances because of the large foreign balances held in the United States. With the gold concentrated in the Treasury, the ability of the banking system as a whole to meet foreign obligations is greater than if the reserves were divided up among many private holders.

The government monopoly of gold holdings also has the purpose of assuring that profits or losses arising from changes in the gold content of the dollar accrue to the public, rather than to private holders. A black market for gold can also easily develop with the dollar inconvertible, unless the government sees to it that gold is used by private persons only for licensed purposes. In this way a premium on gold can be avoided, particularly in periods of rapidly rising commodity prices.

IV. Gold License Policy and Gold Collateral Loans

Loans secured by gold collateral do not seem to be repugnant, if at all, in more than a formal sense to the policy embodied in the Gold Reserve Act. Under Section 3 of the Act and Section 34 of the Provisional Regulations, licenses may be issued for purposes not inconsistent with the purposes of the Act. These are "to protect the currency system of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes." Gold under earmark is not a part of the monetary gold stock of the United States. It is part of the gold stock of the foreign owner, though of course it may become a part of the U.S. gold stocks by ultimate sale. The pledge interest acquired by a bank is really a right to collateral in dollars. If the borrower fails to pay the loan, the Bank could not acquire the gold but could, by appropriate legal process, acquire the right to the dollars represented by the gold, which would have to be sold to the Treasury. Moreover, earmarked gold used as collateral does not represent any dispersion of the gold reserves since the gold does not pass out of the physical control of the Federal Reserve Banks.

There is, however, a theoretical objection to the pledge of gold. The gold pledged is immobilized, while if it were sold it would become part of the monetary stock of the United States. Granting of a loan by a commercial bank increases the foreign liabilities of the United States, since the proceeds may be used to purchase goods in other countries, without at the same time providing additional gold reserves. This might be a serious objection if the gold stocks of the United States were close to the permissible minimum. The same objection would, of course, apply to any foreign loan made by a bank under these circumstances, whether it had gold collateral or not. (This is of course one of the reasons for requiring the consent of the Government, where

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a loan is made in its currency by the International Bank.) The immobilization of gold reserves through collateral loans might prove objectionable from the standpoint of the borrowing country, but it would not be a serious matter from the standpoint of the United States under present conditions. If there were danger of large withdrawals of gold from the United States, such loans would be equally objectionable with other foreign loans made under those conditions.

V. Other Policy Considerations

The proposed loans should be considered also from the standpoint of international loan policy and domestic banking policy. The experience of foreign lending in the period following the first World War indicates that it is undesirable to use funds obtained by a foreign loan to meet local currency requirements. This principle has been incorporated into the charter of the International Bank, which may lend to its members only for the foreign currency portion of the loan project, with certain minor exceptions. If a country borrows abroad but uses the funds for local expenditures, the loan merely contributes to its ability to purchase goods in the country supplying capital, or in the countries in which the currency supplied can be transferred. The projects do not necessarily produce the future exchange needed to pay the loan and so may add to the difficulties of the borrowing countries by creating an inflationary pressure and worsening their balance-of-payments situation. As indicated, the prospective foreign borrowers under consideration are already involved in certain financial difficulties. The use of a loan with gold collateral is a way of avoiding the limitations imposed by the Articles of the International Bank, as well as a means of securing funds at a lower rate of interest.

While it seems doubtful wisdom to use our gold licensing policy as a device for deciding what policies foreign governments should use, it is at least significant to note that the proposed loans are questionable in various respects. In the cases of Bolivia and Nicaragua, the gold to be pledged represents about half of their gold reserves ($22 million for Bolivia and $4.8 million for Nicaragua). The transactions proposed thus would seriously misrepresent their reserve position. Moreover, Bolivia in 1945 increased its gold reserves by purchases from the U.S. Treasury amounting to $4 million, presumably as a matter of "window dressing", since dollar exchange satisfies legal requirements quite as well as gold. These loans would have to be repaid out of surpluses in current account balances of payments. Nicaragua could, of course, repay the pledged gold more easily than Bolivia, since recent gold production in Nicaragua has been in the neighborhood of $7 million a year, whereas Bolivia has had difficulty in purchasing even such gold as is produced in the country.

The purposes for which the funds borrowed under the proposed transactions are to be used are such that loans should or could be made by the International Bank or other agencies. It seems undesirable for the United

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States to encourage foreign countries to evade certain restrictions. In the case of Czechoslovakia, the loan discussion may be related to the termination of sales of surplus property to Czechoslovakia, thus reducing her ability to secure foreign exchange by the sale of such property for gold or other exchange. The proposed Czech loan, moreover, was to be made for the account of a bank not the central bank, and was to be used for general reconstruction needs. In the cases of Roumania, Czechoslovakia, and one of the Bolivian cases, the loans were really to finance current account deficits. As such they come within the proper sphere of the Fund or the Bank. Roumania is, of course, not a member of either, but Roumania also may not borrow in the American market under the Johnson Act. In brief, the pledging of gold as a means of financing long-term loan projects seems to be undesirable technique from the standpoint of the borrowing country. The urgency for such transactions is diminishing with the prospects of the International Bank and the Fund soon undertaking active operations.

Where the Federal Reserve Banks have made loans with gold collateral the purpose has been to obviate the sale and repurchase of gold where the borrowing country would soon have dollar assets to meet the loans. Short-term loans of this sort are consistent with good banking policy. In practive, however, the 60-day loans of the New York Federal Reserve Bank have been renewed several times, so that in the case of the Netherlands loan it has practically become a loan with over a year's maturity. The Federal Reserve Banks should not make long-term loans to foreign governments for programs of reconstruction or specific projects, and there is good reason for maintaining a higher degree of liquidity on the part of a central bank than on the part of a commercial bank.

These loans raise some issues when viewed from the standpoint of domestic banking policy. Banking theory has generally frowned upon the extension of long-term loans by commercial banks. The law, however, contains no explicit prohibition, and in fact exempts from the 10 percent limitation loans which are secured by warehouse receipts, acceptances, and other negotiable instruments other than stocks and bonds. Clearly gold is as good collateral as bankers' acceptances. Nevertheless, bank examiners may criticise a bank for holding too many long-term loans. In view of the large assets of the banks proposing to make these loans, and the small amount involved, this does not appear to be a serious objection. To a certain degree extension of five-year loans may avoid the provisions of the Banking Act of 1933, divorcing commercial and investment banking, since the alternative to these loans would be the public sale of securities through investment channels. This argument, however, would apply to any long-term loan, regardless of its collateral. A loan secured by gold collateral is clearly less objectionable from the standpoint of commercial banking policy than an unsecured loan of the same term.

If, however, the practice of pledging gold should become widespread, American banks might insist upon gold collateral for loans to other foreign countries. The usefulness of gold reserves would then be greatly impaired.

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The United States should not insist that foreign countries follow the same central banking policies that we do. While it is undoubtedly bad policy for a country to immobilize its gold reserves for a period of five years, the United States has little direct interest in the matter, unless these loans should assume very large proportions. In that case there might be serious objection from the standpoint of our own gold reserve policy. Moreover, as a consequence of immobilizing their gold reserves, the borrowing countries may be required to draw on the International Monetary Fund.

VI. Conclusion

From an examination of the relevant legal and economic factors there does not appear to be an overwhelming argument in favor of denying or granting licenses to commercial banks to acquire a pledge interest in earmarked gold.

(1) Loans secured by gold collateral do not involve any serious conflict with the purposes of the Gold Reserve Act.

(2) Loans made by the International Bank or other banking channels, subject to their appropriate limitations, probably are preferable from the standpoint of the borrowing country, except in the matter of interest rates.

(3) Gold licensing policy should be used as part of monetary regulations of the United States, rather than as a device for policing loans. Where there are objections of a serious sort to a proposed loan other methods should be used to stop the loan.

(4) It is generally undesirable for commercial banks to make long-term loans, but such loans are objectionable only when they constitute a large part of the total.

(5) The use of gold collateral for short-term lending operations by the Federal Reserve Banks is unobjectionable. Federal Reserve Banks, however, should not make long-term loans for reconstruction purposes, nor should they renew short-term loans for indefinite periods.

(6) At the present time, in view of the small amount of these loans, there appears to be little real objection to them. The matter might become more serious if they increased to larger amounts and if, as is possible, banks insist upon getting gold as collateral for loans to foreign countries. This practice would impair the usefulness of gold reserves, and therefore ought to be discouraged.

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Treasury Department
Division of Monetary R ch

Date Sept. 4 1943

To: Messrs. White, Luxford, Pehle and Taylor

From: Mr. Bernstein

lease on Gold

To my mind this is just as effective as a formal document with "whereases" and "therefores". The concluding statement is as broad as any could possibly be.

If it is thought desirable to tack this on to some actual action it could be made a press release incident to the amendment of General Ruling 6.

retary Morgenthau stated today that on of the United Nations on the he Axis in occupied areas as fully

illions of dollars worth of gold in and plundered", the Secretary said. d we do not intend to be a fence for

ut that the Treasury has already protect the assets of invaded countries. try belonging to the nationals of looting by Germany, Italy and Japan. o prevent the disposal of currencies, seized by the enemy in the occupied

"The Axis has been disposing of looted gold to obtain much-needed imports from the neutral countries", Secretary Morgenthau pointed out. "Countries that continue to maintain diplomatic and commercial relations with the Axis and acquire gold in this manner do not acquire a clear title", the Secretary said. "The Treasury does not and will not recognize the transference of title to the looted gold which the Axis has disposed of or will dispose of in the world markets".

Secretary Morgenthau pointed out that it will be the policy of the United States Treasury not to buy any gold from any country which has directly or indirectly acquired gold looted by the Axis.

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Proposed Release on Gold

In response to an inquiry, Secretary Morgenthau stated today that the Treasury regarded the declaration of the United Nations on the disposition of property looted by the Axis in occupied areas as fully applicable to gold.

"We know the Axis has seized millions of dollars worth of gold in the nations that they have occupied and plundered", the Secretary said. "So far as the Treasury is concerned we do not intend to be a fence for the disposal of such looted gold."

Secretary Morgenthau pointed out that the Treasury has already taken similar measures designed to protect the assets of invaded countries. The blocking of assets in this country belonging to the nationals of occupied countries prevented their looting by Germany, Italy and Japan. The Treasury has also taken steps to prevent the disposal of currencies, securities and other looted assets seized by the enemy in the occupied countries.

"The Axis has been disposing of looted gold to obtain much-needed imports from the neutral countries", Secretary Morgenthau pointed out. "Countries that continue to maintain diplomatic and commercial relations with the Axis and acquire gold in this manner do not acquire a clear title", the Secretary said. "The Treasury does not and will not recognize the transference of title to the looted gold which the Axis has disposed of or will dispose of in the world markets".

Secretary Morgenthau pointed out that it will be the policy of the United States Treasury not to buy any gold from any country which has directly or indirectly acquired gold looted by the Axis.

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EBH:mww
7/16/43

I have Hannay not used file
revise this and
make more pointed

To: Mr. White

From: Mr. Hannay

Subject: French gold held in Martinique

The gold which is held in Martinique apparently arrived in a single shipment aboard the French naval cruiser Emile Bertin which picked up the cargo of gold at Brest June 1940. The gold was moved from the cruiser through Fort de France to Fort Desaix sometime in June or July of 1940. The gold is controlled directly by Eduourd d'Katow who is manager of service for the Banque de France. This creates a strong presumption that the gold when shipped was regarded as the property of the Banque de France even thought some question has been raised regarding the gold shipped to New York at that time. In the law suit of the National Bank of Belgium it was not altogether clear that the gold belonged to the Banque de France rather than to the French Government but the court decided that it was the property of the Banque de France and attached a large amount of it as such. Jean Martial, inspector of service of the Banque de France and who testified that he was the highest ranking official of the Banque de France not now in metropolitan France, was given sweeping authority to manage the Banque de France immediately before France was expected to come under enemy occupation. After an armistice was concluded most of his authority was withdrawn and he was left primarily with routine duties. During this period he maintained contact with Mr. Kator at Martinique. In December 1942 in consultation with Mr. Goatier the Banque de France representative in Algiers who was in contact with Mr. Giraud, he deciced to assume control of the affairs of the Banque de France in areas outside metropolitan France. He states that it would become his duty to supervise Mr. Katow if at any time relations between the

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administration of Admiral Robert in Martinique with occupied France should become severed. It should also be noted that Mr. Eugene Marquis is recognized by the Treasury Department as evidenced by a letter from Mr. Bell to the Secretary of State on April 14, 1943, to be the representative of the French West Indies in the U.S. on financial and economic matters.

The French gold in Martinique is located in a vault which is an outlying building of Fort Desaix which is on a heighth rising 450 feet above the city at Ft. de France. It is near the main entrance and when visited by the American consul negro soldiers commanded by a white officer were on guard. One of the four divisions of the vault contained ~~xxxxx~~ ammunition but there were boxes said to contain gold in the other three vaults. Approximately 8,000 numbered boxes were reported to have been made in Martinique following the model boxes which were shipped from Brest. M. d'Katow said that the contents of 4,000 ~~xxxxx~~ sacks of gold coin each sack weighing $62\frac{1}{2}$ kilograms had been placed in the 8,000 boxes, $31\frac{1}{4}$ kilograms of coins to each box. Another stack contained approximately 1,000 numbered boxed said to have been shipped in this form from Brest. The outside dimensions of the boxes are 32 mm. by 24 mm. by 14 mm. The wood from which the boxes are made is 3/4 inch thick. The gold is contained in small sacks securely tied with heavy cord and the small sacks are contained in a large bag also securely tied. The boxes are heavily nailed and bound with steel strips 1/2 inch wide. The one box which has been examined by an American naval observer was numbered 7,963 and contained gold coins of Austria, Belgium, Russia, Italy and France (Louis XVIII, Napoleon III and the Third Republic). All the coins of these dates are of the same value.

The first report of the quantity of gold was received from the British Naval officials but subsequently appears to have been under estimated ($245 million)

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A subsequent examination was made by Rear Admiral Greenslade USN on November 1940. Another ~~A subsequent~~ examination was made by the American Consul Mr. Marcel Malige on December 4, 1943, in company with Captain Benech, Admiral Robert's Chief of Staff and M. de Katow, Banque de France official. The gold was inspected again by the American Consul General, the American naval observer, Captain Roques Chief of the French Admiralty Naval Staff, Captain Benech of the French Navy and Mr. d'Katow on April 12, 1943, with the permission of Admiral Robert. This last inspection was the only one at which a sample box was opened and the coins examined. The British intelligence officials in November 1941 heard the report that some or all of the gold had been transferred in the night in the vicinity of Precheur to the French cruiser Barfleur which was lying off the coast at that time. The inspection made shortly afterward by Mr. Malige appears to have proved that this report was ~~entirely~~ incorrect.

An inquiry directed by the State Dept. to the Federal Reserve Bank of New York as to the physical characteristics of the gold received from France by the Fed. Res. Bank led to the estimate that shipments of gold received at the same time in New York of coins similarly packed contained 200,000 francs per sack and 100,000 francs per box, that is to say, 64-1/2 kilos per sack and 32-1/4 kilos per box, or slightly more than the reported weight of the coins received in Martinique. This led to an estimate by the Fed. Res. officials that the value of the gold received in Martinique, if 9,000 boxes was the correct estimate, would be 8,138,151 fine ounces having a value of 284,835,285 dollars equivalent to 12,447,301,954.50 francs at the official exchange rate of 43.70 francs to the dollar. The Consul had estimated the weight of the gold at 253,000 fine kilos or $283 million. On July 11, 1940, the financial ~~consular~~ counselor of the French ~~Empire~~

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Embassy (in Washington?) placed the value of the gold in Martinique at 12 billion francs equivalent to $283 million at an exchange rate of 2.364 cents per franc.

The gold in Martinique should have remained unaltered in value since its original arrival since all transfers between metropolitan France and the French West Indies according to Consular Report No. 311 late in 1942 have been made exclusively by book transfers through the banks, post offices or the Treasury of Martinique. These transfers have been made freely in both directions insofar as they involve French funds belonging to French nationals resident in French territory. There have been reports from time to time of fishing and other small boats handling gold from French Guiana but there is no mechanism by which this would enter the official French gold held at Ft. Desaix.

The ~~role~~ significance of the gold held in Martinique as part of the total gold holdings of the French Government and the Banque of France are shown roughly in the following table which indicates the location on December 22, 1941, of French gold according to an estimate made at that time by Mr. Hawkey.

U.S.	$502	Martinique	$245
Canada	$370	French West Africa (Keyes, Senegal)	$448
Canada, Bank of England	$212	Morocco or en route to France	$ 58
So. Africa	$ 15		
Sydney, B.A. Bombay and Singapore	$ 53	Total	$1,903

Doubtless the location of the gold has been considerably altered since that time either by transfer from the French African territories to European France and hence to Germany, Switzerland, etc., or by sale to various members of the United Nations in one area in exchange for acquisition of earmarked

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gold at other places. On July 16, 1940 the total French holdings had been estimated at $2,200 million in value. The exact title to the official French gold holdings as between the Banque de France and the French Exchange Stabilization Fund is not at all clear, as there were frequent transfers from one to the other depending upon administrative convenience even before occupation, and since occupation there is no way of knowing in whom the title has been vested.

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Copy of O O P Y

SCHEDULE OF EARMARKED GOLD HELD FOR FOREIGN ACCOUNT AS AT THE CLOSE OF BUSINESS JUNE 13, 1942.

EUROPE

Belgium, Banque Nationale de Belgique	$	166,770,123.56
Denmark, Danmarks Nationalbank		13,365,771.60
Finland, Finlands Bank		3,240,561.17
France, Banque de France		501,773,245.39
Greece, Banque de Grece		6,706,065.20
Latvia, The Government of Latvia		3,429,973.80
Lithuania, The Government of Lithuania		2,805,980.08
Netherlands, De Nederlandsche Bank		338,994,190.39
Netherlands, Royal Netherlands Government		11,231,340.31
Surinam, Surinaamsche Bank		1,097,206.67
Norway, Royal Norwegian Government		33,702,843.68(a)
Poland, Bank Polski		2,246,202.39
Portugal, Banco de Portugal		154,032,234.82
Rumania, Banque Nationale de Roumanie		13,121,126.90
Sweden, Sveriges Riksbank		169,380,827.23
Switzerland, Bank for International Settlements		8,761,593.40
Switzerland, Banque Nationale Suisse		510,024,715.01
Vatican City, Amministrazione Speciale Della Santa Sede Stato Della Citta' del Vaticano		8,361,784.10
Yugoslavia, The Government of Yugoslavia		46,886,537.06
Vatican City, Amministrazione Pontificia Per Le Opera Di Religione, Citta Del Vaticano		3,490,838.28

AMERICAS

Mexico, Banco de Mexico	13,351,053.72
Costa Rica, Banco Nacional de Costa Rica, Issue Dept.	746,064.00
El Salvador, Banco Central de Reserva de El Salvador	2, 549,512.16
Guatemala, Banco Central de Guatemala	12,375,817.76
Haiti, Banque Nationale De La Republique d'Haiti	749,995.08
Nicaragua, Banco Nacional de Nicaragua, Departamento de Emision, Special Account	1,501,727.48
Argentina, Banco Central de la Republica Argentina	190,535,645.44
Bolivia, Banco Central de Bolivia	2,992,339.77
Brazil, Banco do Brasil as Fiscal Agent of the Brazilian Government	45,986,061.23(b)
Chile, Banco Central de Chile	617,161.72
Curacao, Curacaosche Bank	5,239,252.50
Peru, Banco Central de Reserva del Peru	1,948,330.73
Uruguay, Banco de la Republica Oriental del Uruguay	29,521,744.01(d)
Venezuela, Banco Central de Venezuela S.A.	14,999,946.36
Ecuador, Banco Central del Ecuador	1,749,996.78

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ASIA

Afghanistan, Da Afghanistan Bank	$	4,437,961.53
China, The Central Bank of China Currency Reserve Board		6,036,784.21
Java, De Javasche Bank		135,254,194.81
Thailand, Royal Thai Treasury		8,999,985.69
Turkey, Banque Centrale de la Republique de Turquie		22,719,527.64
		$2,501,736,263.66

(a) Includes $3,015,284.37 held by FRB. of San Fran. as our agent and for our account.
(b) Held by us as fiscal agent of the United States.
(d) Includes $555,156.07 held as collateral to foreign loans on gold.

FEDERAL RESERVE BANK OF NEW YORK

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Gold - earmark

July 28, 1941

Dear Mr. Cox:

In accordance with the telephoned request received today from Mr. Kaufman of your office, there is enclosed a table showing deposits and gold on earmark held by various occupied countries to their credit in the United States. This information should be treated as confidential.

~~I trust that this information will be useful to you.~~

Sincerely yours,

Harry D. White,
Director of Monetary Research.

Mr. Oscar Cox,
General Counsel,
Division of Defense Aid Reports,
Richmond Room,
Federal Reserve Building,
Washington, D. C.

HDW/jm
7/28/41

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Deposits and Gold on Earmark

	Deposits	Gold on Earmark
Netherlands East Indies		
de Javasche Bank	$24,731,000 1/ *	$105,212,000
Other Netherlands East Indies	82,101,000	
Netherlands		
Netherlands Bank	12,260,000 2/	338,994,000
Royal Netherlands Govt.	7,654,000 2/	21,361,000
Other Netherlands	150,106,000 2/	
Norway		
Norges Bank	8,430,000 1/	17,119,000
Royal Norwegian Govt.	2/	16,584,000
Other Norway	34,608,000	
Greece		
Bank of Greece	5,418,000 1/	6,706,000
Other Greece	27,018,000 2/	
Yugoslavia		
Govt. of Yugoslavia	21,267,000 1/	46,883,000
Other Yugoslavia	5,121,000 2/	
Poland		
Bank Polski	689,000 1/	2,246,000
Other Poland	1,743,000 2/	

1/ As of July 23, 1941.

2/ As of July 2, 1941 or July 9, 1941.

* Includes $37,891,000 held by Netherlands Purchasing Commission.

EMB/jm
7/28/41

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gold-Earmarking

Field Lee

July 25, 1939

Secretary Morgenthau

A. Lochhead AL

Earmarked Gold Held by Federal Reserve Bank For Foreign Central Accounts

Country	Earmarked Gold
England	$185,207,000
France	246,617,000
Holland	269,519,000
Belgium	164,364,000
Switzerland Swiss Natl. Bk.	195,372,000
Switzerland BIS	17,477,000
Russia	0
Canada	0
Mexico	16,330,000
Colombia	0
China	1,107,000
Japan	2,909,000*
Sweden	87,794,000
TOTAL	$1,186,696,000

*Held at Fed. Res. Bk. at San Francisco as our agent and for our account.

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ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA

June 21, 1938

My dear Mr. Taylor:

Some time ago Mr. Lochhead informally sent this Office a copy of your memorandum of February 23, 1938, regarding the treatment of earmarked gold in time of war.

I enclose a copy of a memorandum prepared in this Office May 10, which, as a review of this Department's files on the subject, may be of some interest to you in connection with this question and the question of immunities of the Bank for International Settlements which has been raised again by the Secretary General of the World Monetary and Economic Conference and is about to be submitted to the Treasury. The memorandum is not to be taken as an indication of this Department's views on any question of policy.

Sincerely yours,

Herbert Feis

Herbert Feis,
Adviser on International
Economic Affairs.

Enclosure:
Memorandum of
May 10, 1938.

The Honorable

Wayne C. Taylor,

Assistant Secretary of the Treasury.

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May 10, 1938

GOLD UNDER EARMARK: DISPOSITION IN TIME OF WAR

The President of the Netherlands Central Bank (Mr. Trip) wishes to be able to assume "that gold acquired under the existing arrangements and earmarked for our account in your (American) vaults will, under any circumstances, be free for export to any destination in times of war as well as in times of peace."

American law does not create the immunity in which Mr. Trip is interested. On the contrary, the Secretary of the Treasury is authorized to prescribe regulations which would restrict the movement of earmarked gold. It should be noted also that the Secretary of the Treasury has been operating on a twenty-four hour basis with regard to gold and foreign exchange matters under the Tripartite arrangements. The pertinent section of the Gold Reserve Act of 1934 reads as follows:

"Section 3. Acquisition, holding, etc., of gold.

"The Secretary of the Treasury shall, by regulations issued hereunder, with the approval of the President, prescribe the conditions under which gold may be acquired and held, transported, melted or treated, imported, exported, or

earmarked:

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earmarked: (a) for industrial, professional, and artistic use; (b) by the Federal Reserve banks for the purpose of settling international balances; and, (c) for such other purposes as in his judgment are not inconsistent with the purposes of this Act. Gold in any form may be acquired, transported, melted or treated, imported, exported, or earmarked or held in custody for foreign or domestic account (except on behalf of the United States) only to the extent permitted by, and subject to the conditions prescribed in, or pursuant to, such regulations. Such regulations may exempt from the provisions of this section, in whole or in part, gold situated in the Philippine Islands or other places beyond the limits of the continental United States."

During the past twenty-one years, the United States has twice imposed restrictions upon the exportation and earmarking of gold. An Executive order of April 20, 1933 prohibited "the earmarking for foreign account and the export of gold ... etc.," except that the Secretary of the Treasury was authorized to "issue licenses authorizing the export of gold coin and bullion (a) earmarked or held in trust for a recognized foreign government or foreign central bank or the B.I.S....." By Executive proclamation of September 7, 1917 prohibition was imposed upon the exportation of coin, bullion and currency except at such times and under regulations and orders, and subject to limitations and exceptions prescribed by the President. The Federal Reserve Board published the following comment in the Bulletin of October 1, 1917 (page 733):

"In

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"In order fully to carry into effect the gold export policy thus undertaken, the Board has deemed it necessary to take measures for the control of what is known as the 'earmarking' of gold for foreign account in the United States. The purpose of gold export control is that of preventing a loss of gold which would otherwise be withdrawn from actual banking. Such a loss reduces our reserve resources and the capacity of domestic banks to increase their loans. The earmarking of gold necessitates the segregation of specified sums of gold in the vaults of banks which undertake so to 'earmark'. These sums are then held in trust for account of those in whose favor they are thus withdrawn. This is in its effect equivalent to the shipment of the gold out of the country. In connection with the regulations governing the exportation of coin, bullion, and currency from the United States, the Board has requested Federal Reserve Banks to ask all national banks, State banks, trust companies, private banking firms, or other similar institutions likely to have earmarked gold for foreign account, to furnish a full statement of the gold which is held in custody by them, indicating under what stipulations it was received, with the assurance that the information furnished will be held in strict confidence. These institutions will be informed that the Board regards the earmarking of gold for foreign individuals, firms, corporations, or Governments, as being tantamount to the exportation of gold, and that in the public interest it requests that no more gold be earmarked for foreign account except upon the approval of the Board. It is understood, however, that any restrictions which may be placed upon the exportation or earmarking of gold must in no way be allowed to affect the payment in gold whenever required, of any obligations payable in gold within the United States."

In the 1933 case provision was made for withdrawal of earmarked gold by certain classes of owners and further earmarking prohibited. The 1917 embargo likewise had the effect of prohibiting further earmarking but no provision was included permitting withdrawals of gold

already

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already under earmark, although there evidently was Executive discretion to this effect.

An act of Congress evidently would not be a satisfactory way of establishing the immunity of earmarked gold from restriction, since Congress might quickly enact legislation removing a previously authorized immunity.

A treaty would appear to afford the best possible legal basis, part of its superiority being the definitive period of notice which gold owners would have. If restrictive action could not take effect until, say, one month after denouncement of the treaty, gold owners would probably have time to shift their holdings by the most economical methods available in the circumstances.

In 1919 and 1920 a series of conventions was signed by the United States with the Governments of Guatemala, Haiti, Panama, Paraguay, and Ecuador, providing for an international gold clearance fund. These conventions were ratified by some of the Latin American parties, but were never ratified by the United States Senate.

The pertinent passage in each convention relating to immunity of earmarked gold reads as follows:

> "... and they (the signatories) furthermore engage, each within its own jurisdiction, to guarantee the fund, in any and all circumstances, in war as well as in peace, against seizure by any public authority as well as against impairment by or as a result of any political action or

change

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change whatsoever."

The purpose of this provision is described in the following paragraph from a Memorandum of the International High Commission which drafted the original convention in 1916:

> "In itself this problem would not offer any great difficulty. It would mean, as a matter of fact, no more than one bank ear-marking gold for another; that is to say, one bank holding gold for the credit and at the disposal of another bank upon the distinct agreement that the creditor bank may ask for the amount due it in actual gold and not in any other currency or credit. The difficulty of the problem, however, lies in the fact that if this gold fund is to be large enough substantially to avoid the shipment of gold it would have to embrace sums of very large proportions, and inasmuch as these deposits of gold will probably have to be made for account of governments or government banks, which will have to treat this gold held in foreign countries as part of their own gold reserve, against which they have outstanding their own circulation, it is necessary that the title to and the ownership of the gold in foreign countries be placed beyond any possibility of dispute or of seizure. It had of necessity to be considered that, in case of interruption of friendly relations between any two nations, the gold belonging to one could not be seized by another, and it was, therefore, felt that the prerequisite of the creation of such a gold fund would have to be international agreements, not only by two, but by several governments which, all together, would constitute themselves the trustees of the fund. Thus, in case of hostilities between two, the remaining trustees would still act as trustees, whose rights and privileges could not be affected by an interruption of friendly relations between two of the contracting parties."

The reasons for non-ratification of these conventions by the Senate are not described in documents that I have found in the Department's files. A letter of March 7, 1921 from

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from Senator Lodge, Chairman of the Committee on Foreign Relations, to the Secretary of State, Mr. Hughes, states that four of the conventions were transmitted to the Senate on January 21, 1920, and "The Committee took them up and were unanimously against them and Senator Glass, who was the Secretary of the Treasury at the time this scheme was entered on, we find, has also disapproved them. The Committee is very decidedly against entering on any such obligations and I think it might be well if you would withdraw these four treaties and have the whole matter within your jurisdiction."

Secretary Hughes replied, "The so-called Gold Standard Fund Conventions involved questions which I should like to have the opportunity carefully to examine before expressing any definite views regarding them. I venture to suggest that it might be desirable to allow these agreements to remain before the Committee without action for the present. If such a course should be agreeable to the Committee, I would be glad to communicate my views to you as soon as it may be practicable for me to give the Conventions further consideration." It appears likely that the Secretary did not subsequently communicate his views to the Committee (DCR claims to have sent me the whole file on this matter, and no communication of this tenor is included). In 1935 the Foreign Relations Committee returned the Conventions

to

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to the State Department archives.

The question of immunity of earmarked gold from seizure or restriction in time of war has also come up in connection with Article X of the Hague Agreement of January 20, 1930 establishing the Bank for International Settlements. Article X reads as follows:

> "The Bank, its property and assets, and also the deposits of other funds entrusted to it, on the territory of, or dependent on the administration of, the Parties shall be immune from any disabilities and from any restrictive measures such as censorship, requisition, seizure or confiscation, in time of peace or war, reprisals, prohibition or restriction of export of gold or currency and other similar interferences, restrictions or prohibitions."

A convention guaranteeing these immunities is effective between the Bank and many countries. The United States Government has not signed this convention although apparently it has never formally declined to do so. The latest correspondence in the Department's files on this question is as follows:

> Letter dated January 22, 1935, from Leon Fraser to Secretary Hull, in which affirmative action is asked in regard to American adherence to the provisions of Article X.
>
> Letter dated February 20, 1935, to Leon Fraser from Mr. Feis, acknowledging letter of January 22, 1935.
>
> Letter dated February 20, 1935, Secretary Hull to Secretary Morgenthau, enclosing a copy of Fraser's letter of January 22, stating as follows:

"The

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"The letter contains an accurate recital of the previous consideration given to this question. You may wish to have this matter further studied. I will await your advice before communicating any judgment to Mr. Fraser."

Letter of March 4, 1935, from the Acting Secretary of the Treasury (Coolidge) to Secretary Hull, stating that "I am having the question studied and shall communicate with you further as soon as the study is completed."

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Gold - Gen.

GOLD HOLDINGS OF VARIOUS COUNTRIES
(Millions of U.S. dollars)

	December 31, 1938	June 30, 1944	Increase or decrease
Argentina	431 a/	391 a/	- 40 a/
Australia	1.7	—	
Belgium	625 b/	734	+ 109
Bolivia	3	14	+ 11
Brazil	32	297	+ 265
British India	274	274	0
Bulgaria	24	25 c/	+ 1
Canada	192	6 d/	- 186
Chile	30	56	+ 26
China	18	n.a.	
Colombia	24	84	+ 60
Costa Rica	.2	10	+ 10
Cuba	0	76	+ 76
Czechoslovakia	83	61	- 22
Denmark	53	44	- 9
Ecuador	3	19	+ 16
Egypt	55	52	- 3
El Salvador	7	13	+ 6
Estonia	15	n.a.	
Finland	27	n.a.	
France	2,766 b/	2,000	- 766
Germany	29	29	0
Greece	27	28 c/	+ 1
Guatemala	7	10 e/	+ 3
Hungary	37	24	- 13
Iran	25	109	+ 84
Italy	193	120 e/	- 73
Japan	164	164 f/	0
Java	80	216 c/	+ 136
Latvia	17	n.a.	
Lithuania	10	n.a.	
Mexico	29	224	+ 195
Netherlands	998	500	- 498
New Zealand	23	23	0
Nicaragua		4 g/	

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	December 31, 1938		June 30, 1944		Increase or decrease
Norway	94		84	g/	- 10
Peru	20		34		+ 14
Philippines	1.7		—		
Poland	85		84	g/	- 1
Portugal	69		60		- 9
Rumania	133		369		+ 236
South Africa	220		749		+ 529
Spain	525	h/	104		- 421
Sweden	321		432		+ 111
Switzerland	699		1,023		+ 324
Turkey	29		210		+ 181
United Kingdom	3,449	h/	1	d/	- 3,448
U.S.S.R.	n.a.	i/	n.a.	i/	
United States	14,512		21,173		+ 6,661
Uruguay	69		139		+ 70
Venezuela	52		110		+ 58
Yugoslavia	57		83	g/	+ 26

a/ These figures are for gold held in Argentina. In addition the Central Bank of Argentina held, in the account, Gold and Exchange Abroad, $22 million on December 31, 1938 and $681 million on June 30, 1944. It is to be presumed that a large part of these amounts are gold and U.S. dollars.

b/ Including the gold holdings of the various exchange stabilization funds of these countries.

c/ Figures relate to last official report dates for the respective countries, as follows: Bulgaria, January 31, 1943; Greece, March 31, 1941; Java, January 31, 1942; Norway, March 30, 1940; Poland, July 31, 1939; Yugoslavia, February 28, 1941.

d/ Gold holdings of the Bank of England were reduced to a nominal amount by gold transfers to the British Exchange Equalization Account during 1939. Similarly, on May 1, 1940 the gold belonging to the Bank of Canada was transferred to the Foreign Exchange Control Board. The gold reported for Canada since that time is gold held by the Ministry of Finance.

e/ December 31, 1940.

f/ Figure for February 1941; beginning March 29, 1941, gold reserves no longer reported separately.

g/ May 30, 1944.

h/ April 30, 1938.

i/ Mint estimate for December 31, 1934, $744 million.

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Gold and Dollar Balances of European Countries not Receiving Lend-Lease Assistance

(The figures of dollar balances are as reported in U.S. Treasury capital movements data)

(millions of dollars)

	Published Gold Holdings as of Latest Date Available	Dollar Balances As of Feb. 29, 1944 Official	Private
Denmark	44 1/	3	10
Finland	3 2/	4	3
Germany	29 3/	2	5
Greece	28 4/	22	21
Italy	120 5/	5	5
Luxembourg	-	0.4	18
Norway	55 6/	148	43
Portugal	60 6/	45	26
Rumania	302 6/	3	6
Spain	85 7/	28	8
Sweden	401 8/	151	14
Switzerland	984 8/	28	181
Yugoslavia	88 9/	3	4
Albania	3 10/	-	0.1*
Azores Islands	-	-	1 *
Bulgaria	25 11/	0.4*	0.4*
Czechoslovakia	61 12/	1 *	1 *
Cyprus	-	-	0.1*
Estonia	13 13/	2 *	2 *
Hungary	24 13/	0.3*	1 *
Latvia	13 14/	5 *	2 *
Lithuania	11 15/	0.6*	0.3*
Madeira Islands	-	-	0.6*
Poland	84 16/	2 *	1 *

* These figures cover only deposits held by Banks in the New York Federal Reserve District as of October 31, 1943.

1/ Nov. 1943; 2/ Dec. 1942; 3/ Mar. 31, 1941; 4/ Dec. 1940; 5/ June 30, 1942. Reported by Norwegian Government; 6/ Oct. 1943; 7/ Sept. 1943; 8/ Feb. 1944. Preliminary; 9/ Feb. 28, 1941; 10/ Mar. 1940; 11/ Jan. 31, 1943; 12/ Dec. 1943; 13/ June, 1940; 14/ July 19, 1940; 15/ August, 1940; 16/ July 31, 1939.

Treasury Department, Division of Monetary Research — April 28, 1944

US:WTN:inc:5/5/44

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Gold and Dollar Balances of Certain Lend-Lease Countries

(Unless otherwise indicated, the figures of dollar balances are as reported in U.S. Treasury capital movements data)

(millions of dollars)

	Gold as of latest date available	Dollar Balances as of February 29, 1944	
		Official	Private
British Empire			
United Kingdom	1,136 1/	760 1/	318
Union of South Africa	736 2/	5	3
British India	274 1/	0.3	20 3/
Australia	6 1/	18	11
New Zealand	23 4/	3	3
Hong Kong	-	0.2	23
Other British Empire 5/	-	4 6/	18 6/
Canada & Newfoundland	231 1/	474 1/	205
Egypt & Anglo-Egyptian Sudan	52 7/	0.4	6
French Empire	2,300 8/		
France		224	207
Algeria		51 12/	0.2 12/
French West Africa		0.4 12/	-
French Morocco		9	3
Tunisia		0.5 6/	0.4 6/
French Indo-China		23	5
French West Indies & Guiana		2	1
Other French Empire 5/		8 6/	3 6/
Netherlands Empire			
Netherlands	462 1/	15	179
Netherlands East Indies	213 1/	108	2
Netherlands W. Indies & Surinam	7 1/	22	17
Belgium and Colonies			
Belgium	734 9/	6	115
Belgian Congo	6 10/	12 6/	8 6/
China	32 11/	527	90
U.S.S.R.	13/	15	2
Iceland	-	4 6/	4 6/

Treasury Department, Division of Monetary Research — April 28, 1944

Footnotes — See page 2

202626

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1/ As reported to the Treasury by the government concerned. Figures for the United Kingdom are as of Feb. 29, 1944 and figures for Canada are as of January 31, 1944, while the figures of gold holdings of the Netherlands Empire are as of the middle of 1943. Australian gold holdings are for Dec. 28, 1942.

2/ Feb. 18, 1944.

3/ Includes dollar balances reported held for the account of Burma and Ceylon.

4/ Jan., 1944.

5/ For details see the supplementary tables enclosed in my letter of Jan. 29 to Mr. Coe.

6/ These figures cover only deposits held by banks in the N.Y. Federal Reserve District as of October 31, 1943.

7/ Nov., 1943.

8/ Oct., 1943.

9/ Dec., 1943.

10/ Dec., 1943.

11/ Oct., 1943.

12/ These figures cover only balances held at the N.Y. Federal Reserve Bank and the French American Banking Corporation.

13/ No official information.

MS:NTW:ima:5/5/44

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Gold-General

Jan. 27, 1944

Mr. White

Mr. Fisher

Subject: Gold Transactions - November and December, 1943.

Financial censorship discloses the following information concerning gold transactions during the period November to mid-December, 1943:

(1) Germany disposed of $6.4 million of gold to the following neutrals:

Portugal	$1,755,000
Sweden	4,633,000
Total	$6,388,000

The previous report, covering mid-September to the end of October, 1943 showed $5.8 million disposed of to these countries, but with the proportions essentially reversed, Portugal having taken $5.6 million of the $5.8 million total.

(2) Gold transactions between neutrals - sales (S) or consignments (C) - included the following:

Portugal to Switzerland (S)	$3,602,000
Switzerland to Spain (S)	1,700,000
Switzerland to Portugal (S)	1,000,000
Switzerland to Portugal (C)	11,784,000

In addition Portugal instructed Switzerland to hold gold of $1.35 million at the disposal of Germany.

(3) The price of gold on the Turkish "free" market rose from LT 4100 per kilogram at the beginning of September to LT 4850 early in November, 1943. (At the official rate of 77¢ per Turkish pound, these would represent quotations of $3157 and $3735 respectively, which appear to indicate an excessive premium on gold.)

Financial Censorship Summary, January 6, 1944.

c.c. Mr. Taylor
Mr. Bernstein
Mr. Cutrer

AMFter 1/27/44

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Gold on Earmark and Deposits Held by Banks of the Second Federal Reserve District for the Account of Countries of the Middle East as of October 31, 1943 (In thousands of dollars)

Countries	Earmarked Gold	Official	Private	Total
Turkey*	67,607	21,331	4,264	93,202
Iran	-	4,145	12,359	16,504
Afghanistan	9,024	7,192	678	16,894
Egypt & Anglo-Egyptian Sudan**	-	218	5,730	5,948
Syria	-	2,378	1,754	4,132
Palestine	-	-	2,401	2,401
Iraq	-	-	1,175	1,175
Saudi Arabia	-	-	438	438
French Somaliland	-	146	133	279
Ethiopia	-	-	89	89
Aden	-	-	5	5
Italian East Africa	-	-	1	1
Total	76,631	35,410	29,027	141,068

* Total short-term liabilities of the United States to Turkey, as of October 31, 1943, amounted to $25,694,000 of which $21,331,000 were held on official account and $4,363,000 on private account.

** Total short-term liabilities of the United States to Egypt and Anglo-Egyptian Sudan, as of October 31, 1943, amounted to $6,264,000 of which $392,000 were held on official account and $5,872,000 on private account.

Treasury Department, Division of Monetary Research January 8, 1944.
MS:rl 1/8/44

202629

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Gold General

January 6, 1944

Mr. White

Mr. Fisher

Subject: Gold Transactions - September to November, 1943

(1) Financial censorship discloses the following information concerning gold transactions during the period from mid-September to October 31, 1943:

(a) Germany disposed of $5.8 million of gold to the following neutrals:

Portugal	$5,600,000
Sweden	236,000
	$5,836,000

The previous report, covering July to early September, 1943 showed $23 million disposed of to these countries.

(b) Gold transactions between neutrals (sales or consignments) included the following:

Switzerland from Portugal	$ 800,000
Switzerland to Portugal	10,000,000
Switzerland to Spain	3,375,000

In addition Portugal instructed Switzerland to hold gold of $1.6 million at the disposal of Germany.

(c) There are indications that Germany is pushing the sale of looted coins in Turkey by requiring Turkish branches of German banks to accept a large proportion of Dutch or "Latin" gold coins in order to avoid a higher price for ingots.

(2) In the one week of November 11-17, 1943 gold was disposed of by Switzerland to other neutrals as follows:

Switzerland to Portugal (for German account)	$ 458,000
Switzerland to Portugal	3,335,000
Switzerland to Spain	1,687,000

1/8/44 - Or. to Mr. White.

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(3) During October, 1943 the sterling and dollar balances of the Banco do Portugal, and the Portuguese balance in the German-Portuguese clearing all increased by substantial amounts. The balances at the end of the month were:

Sterling	£ 49,175,000
Dollars	$ 25,664,000
Luso-German Clearing Credit	RM18,740,000 (free)

Financial Censorship Summary, November 23, 1943.
Censorship Relations Report FIR 119.

c.c. Mr. Taylor
Mr. Bernstein
Mr. Ostrow

AJFter 1/6/44

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RG 56
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Box 50

DEC 20 1943

Dear Oscar:

This is in reply to your letter of December 13, 1943, requesting information on the gold and dollar position of Norway and the Netherlands Empire.

The latest available data on the gold and dollar holdings of these countries are given in the table below:

	Gold	Official Dollar Balances	Private Dollar Balances	Total
	(millions of dollars)			
Netherlands Empire.....	682.0	139.6	196.8	1,018.4
Netherlands.....	461.4	19.6	176.2	657.2
Netherlands E. Indies....	213.3	101.9	2.7	317.9
Netherlands W. Indies & Surinam.....	7.3	18.1	17.9	43.3
Norway.....	55.0	117.0	40.9	212.9

The figures of dollar balances are for October 31, 1943 and are as reported on U.S. Treasury capital movements data while the gold figures are those submitted to us by the Norwegian and Netherlands Governments.

Information on the other foreign exchange assets and on the foreign exchange expenditures and receipts of these two Governments is given in the enclosed tables which were compiled on the basis of information submitted by them to the Treasury.

Sincerely,

(Signed) H. D. White

Mr. Oscar Cox, Assistant Solicitor General,
Justice Department,
Room 5133,
Washington, D.C.

Enclosures

TMK:rrl 12/17/43

Attachments filed in Commission Docket Section
Ret. to Rm. 201

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STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	~~Aug. 31, 1943~~ Oct 31, 1943		Nov. 30, 1943	~~Oct. 6, 1943~~ Dec. 15		Jan 13 1943
Gold on earmark.....	67.6		67.6	~~67.6~~		67.6
Official Dollar Balances						
In N.Y.F.R.Bank.....	~~11.8~~	16.2	19.9	~~13.6~~	19.9	25.6
Outside N.Y.F.R.Bank.....	~~5.6~~	5.1	6.4			
Private Dollar Balances.....	~~4.8~~	4.4	4.6			

Treasury Department, Division of Monetary Research October 14, 1943.

MS:rl 10/14/43

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By JW NARA Date 11-1

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STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	~~July 31, 1943~~	Aug 31, 1943	~~Sept. 22, 1943~~	Oct. 6, 1943
Gold on earmark.....	~~67.6~~	67.6	~~67.6~~	67.6
Official Dollar Balances				
In N.Y.F.R.Bank.....	~~11.6~~	11.8	~~13.0~~	13.6
Outside N.Y.F.R.Bank.....	~~5.5~~	5.6		
Private Dollar Balances.....	~~4.5~~	4.8		

Treasury Department, Division of Monetary Research September 27, 1943.

MS:rl 9/27/43

202634

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By JW NARA Date 11-1

RG 56
Entry 67A 1804
File Gold-General
Box 50

25

SEP 6 1943

Dear Mr. Denby:

This is in reply to your letter of August 26, 1943, requesting information on the gold and dollar balances of the Yugoslavian Government and central bank and on the current income and expenditures of the Yugoslavian Government in exile.

The Treasury has no information on the current income and expenditures of the Yugoslavian Government in exile.

The latest available data on Yugoslavian gold and dollar balances are set forth below for the dates indicated:

(In millions of dollars)

Published gold holdings of Yugoslavia - 2/28/41.....	83
Gold of the Yugoslavian Government on earmark in U.S. - 8/31/43.....	46.9
Dollar balances held by the Yugoslavian Government at the New York Federal Reserve Bank - 8/31/43.....	3.2
Official Yugoslavian dollar balances held outside the New York Federal Reserve Bank - 6/30/43.	2.5
Private Yugoslavian balances in U.S. - 6/30/43.....	4.4

The figures of gold on earmark and dollar balances in the United States have been taken from U.S. Treasury capital movements data. Yugoslavian balances held at the New York Federal Reserve Bank have declined $5 million since June 30, 1943.

Very truly yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Mr. Charles Denby,
Assistant Administrator,
Office of Lend-Lease Administration,
515 - 22nd Street, N.W.,
Washington, D.C.

TMK:rl 9/3/43

Ret. to Rm. 201

202635

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By JW NARA Date 11-1

RG 56
Entry 67A 1804
File Gold-General
Box 50

SECRET

Gold and Dollar Balances held in the United States
by Allied Countries of Europe
as of June 30, 1943

(in millions of dollars)

	Gold on Earmark	Official Balances: Total	Official Balances: Held by Central Bank or Government with the New York Federal Reserve Bank	Private Balances
French Empire				
France	501.8	224.8	203.1	214.2
French Indo-China	-	22.7	-	4.5
Algeria	-	77.5*	72.4	.1**
French Morocco	-	19.3	—	3.7
French West Africa	-	3.1*	1.7	**
French West Indies & Surinam		3.5		1.0
Belgium	166.8	4.5	.9	120.3
Greece	6.7	19.9	12.8	19.6
Luxembourg	-	.4	—	18.0
Netherlands Empire				
Netherlands	346.2	18.3	4.2	173.2
Netherlands East Indies	135.3	131.8	8.5	2.3
Netherlands West Indies & Surinam	6.3	17.0	—	18.1
Norway	33.7	107.4	3.9	40.4
Yugoslavia	46.9	10.7	8.2	4.4
Czechoslovakia	—	#	##	#
Poland	2.2	#	.1	#

* Total of balances held by Banque de L'Algerie and Banque de l'Afrique Occidentale at the New York Federal Reserve Bank and the French American Banking Corporation in New York.

** Based on census of New York City Banks.

\# No recent information is available. As of October 11, 1939, forty-five large banks in the New York Federal Reserve District reported holding a total of $2.4 million of short-term funds for Czechoslovakian account. Reported deposits held as of July 1, 1942 by banks and bankers in the same Federal Reserve District for Polish account totalled $2.0 million.

$1,000.

TMK:rl 8/21/43

202636

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Box 50

STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	~~June 30, 1943~~ July 31	~~August 11, 1943~~ Sept 22
Gold on earmark.....	67.6	67.6
Official Dollar Balances		
In N.Y.F.R.Bank.....	~~9.7~~ 11.6	~~11.7~~ 13.0
Outside N.Y.F.R.Bank.....	~~6.0~~ 5.5	
Private Dollar Balances.....	4.5	

Treasury Department, Division of Monetary Research August 19, 1943.

MAB:rl 8/19/43

202637

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By JW NARA Date 11-1

RG 56
Entry 67A 1804
File Gold-General
Box 50

STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	~~May 31, 1943~~ June 30	~~July 14, 1943~~ aug 11,
Gold on earmark.....	67.6 67.6	~~67.6~~ 67.6
Official Dollar Balances		
In N.Y.F.R. Bank.....	9.6 9.7	~~10.3~~ 11.7
Outside N.Y.F.R. Bank.....	6.9 6.0	
Private Dollar Balances.....	4.5 4.5	

Treasury Department, Division of Monetary Research July 23, 1943.

MVF:rl 7/23/43

202638

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By JW NARA Date 11-1

RG 56
Entry 67A 1804
File Gold-General
Box 50

TK-Letters

25

JUN 26 1943

Dear Mr. Knollenberg:

There are enclosed two tables for your confidential use. The first table sets forth the latest available data on the gold and dollar balances held in the United States by Turkey. The second shows the gold and dollar holdings of the Union of South Africa, New Zealand, Australia, India, Burma and Ceylon, for the most recent date for which we have figures.

Very truly yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Mr. Bernhard Knollenberg,
Senior Deputy Administrator,
Office of Lend-Lease Administration,
Room 518,
515 - 22nd Street, N.W.,
Washington, D.C.

Enclosures

MVF:rl 6/25/43

Ret. to Rm. 201

202639

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RG 56
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File Gold-General
Box 50

STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	May 31, ~~April 30~~, 1943	July 14, ~~June 16~~, 1943
Gold on earmark.....	67.6	67.6
Official Dollar Balances		
In N.Y.F.R. Bank.....	~~4.5~~ 9.6	~~13.7~~ 10.3
Outside N.Y.F.R.Bank.....	~~7.5~~ 6.9	
Private Dollar Balances.....	~~4.6~~ 4.5	

Treasury Department, Division of Monetary Research June 25, 1943.

MVF:rl 6/25/43

202640

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RG 56
Entry 67A 1804
File Gold-General
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STRICTLY CONFIDENTIAL

Turkey's Gold and Dollar Holdings
in the United States
(Millions of Dollars)

	~~March 31, 1943~~ April 30	~~April 30, 1943~~ June 16,
Gold on earmark.....	~~57.6~~ 67.6	67.6
Official Dollar Balances		
In N.Y.F.R. Bank.....	~~6.8~~ 4.5	~~4.5~~ 13.7
Outside N.Y.F.R.Bank.....	7.5	
Private Dollar Balances.....	~~4.4~~ 4.6	

Treasury Department, Division of Monetary Research May 4, 1943

MVF:rl 5/4/43

202641