

DECLASSIFIED

RG 104

Entry 2113 P 328 F

Box 9

Authority

By JW NARA Date 83-99

New York Times

— NEW YORK, FRIDAY, NOVEMBER 4, 1977 —

U.S. to Return Hungary's Crown Held Since End of World War II



Associated Press

The Crown of St. Stephen, the 977-year-old symbol of Hungarian nationhood

By BERNARD GWERTZMAN

Special to The New York Times

WASHINGTON, Nov. 3—The Carter Administration, in a significant move to improve relations with Hungary, has decided to return to Budapest the Crown of St. Stephen, the symbol of Hungarian nationhood that has been in American custody since the last days of World War II.

Administration and Congressional sources said that the decision was conveyed to key members of Congress today. Secretary of State Cyrus R. Vance in-

tends to deliver the crown and crown jewels to the Hungarian Government at the end of President Carter's scheduled trip to nine countries, from Nov. 22 to Dec. 2.

The decision to return the crown and jewels is regarded by Administration officials as a symbol of the changes that have occurred in recent years in Hungary. Under Janos Kadar, Hungary, in

Continued on Page A6, Column 1

205983

CARTER WILL RETURN CROWN TO HUNGARY

Continued From Page A1

terms of internal policy, has become probably the most liberal of the East European countries linked to the Soviet Union.

Now that the crown issue is being settled, it is expected that steps will be taken to negotiate an economic agreement with Hungary. This would include granting Hungarian goods normal tariff status, the so-called most-favored nation treatment. Currently, only Poland and Rumania in the Soviet bloc receive such concessions.

Officials said that the question of returning the crown has been under active study for some time, and it was judged that this was the appropriate time. It is understood that Philip M. Kaiser, the American Ambassador in Budapest, strongly urged the move.

The crown was sent as a coronation gift to Stephen, Hungary's first King, in the year 1,000 by Pope Sylvester II. The Byzantine-style crown is studded with gems, decorated with miniatures depicting religious scenes and surmounted by an inclined cross. In addition to the crown, the other royal jewels include a gold scepter and orb and a gold-encrusted mantle.

Crown a Symbol of Legitimacy

All this has profound national symbolism for Hungarians, who trace their country's nationhood and conversion to Christianity to that period.

The jewels were turned over to American military authorities at the end of World War II by members of a Hungarian military guard who feared that it would otherwise fall into the hands of advancing Soviet troops.

The crown had been used in the coronation of more than 50 Hungarian kings and no state ceremony was considered legitimate without it. The common belief of many Hungarians was that as long as the crown was safe, so was Hungary.

After accepting the crown from the Hungarian guard in 1945, the United States sent it to West Germany for a few years. It was kept in American custody there and eventually transferred to Fort Knox, Ky., where it has remained.

The Hungarian leaders repeatedly asked for its return, but as relations hardened following the Communist takeover of the country in 1947, the United States refused to even consider the request.

After Soviet intervention in 1956 to crush the anti-Communist uprising, relations between Washington and Budapest became even worse. But in the last 10 years there has been a steady improvement, aided by Mr. Kadar's economic and political liberalization.

Soon after the the Carter Administration took office in January, it was asked by several members of Congress, including some with large Hungarian-American constituencies, to consider returning the crown.

On April 6, the United States and Hungary signed a cultural and scientific exchange agreement, and officials said at the time that the accord might create "the necessary improvement in the climate."

American officials were impressed by Hungary's willingness in September to allow Billy Graham, the American evangelist, to make a week's tour of the country, something that likely would have been impossible earlier.

The Carter Administration up to now has not announced a special policy toward Eastern Europe, although it seems ready to continue the policies of trying to improve ties with Eastern European countries, encouraging, where possible their divergences from the Soviet Union.

Administration officials said that initial inquiries with key members of Congress indicated support for the return of the crown.

By coincidence, Senator Joseph R. Biden Jr. of Delaware, chairman of the Foreign Relations subcommittee on Europe, just visited Hungary and was preparing a report recommending the return of the crown jewels, officials said.

A major obstacle to the return of the crown and jewels was the situation of Jozsef Cardinal Mindszenty, the Roman Catholic Primate of Hungary, who was imprisoned by the Communists following a controversial trial in 1949 on charges of treason.

After his release during the 1956 uprising, the Cardinal was given asylum in the American Legation in Budapest. He remained in the legation, was later upgraded to an embassy, until 1971 when he left for the West.

He died in 1975, a fervent anti-Communist to the end, so opposed to the Vatican's improvement of relations with the Communist world that he was stripped in 1974 of his offices of Primate of Hungary and Bishop of Esztergom by Pope Paul VI.

205985

U.S. to Give Crown Back to Hungary

CROWN, From A1

that the crown should not go back to the Communist government of Hungary."

"I was misled," she said.

She said she was told by a State Department official last night, and this was confirmed by another official who requested anonymity, that President Carter made the decision on the crown's return.

The crown, which came into the United States' possession near the end of World War II in the European theater, has been in the United States since 1953, and Oaker said she believes it and some related regalia are being held at Ft. Knox.

Among other things, the Crown of St. Stephen represents the beginning of Hungary as a political entity and a Christian nation. The upper portion was given by Pope Sylvester II in 1001 to King Stefan I, Hungary's first Christian monarch. The lower diadem was given to Stefan's successor, Geza, about 75 years later by Emperor Michael Ducas of Byzantium.

An official of the Hungarian embassy said last night that "for two decades we have always stated that the crown and crown jewels belong to the People's Republic of Hungary, where the Hungarian People live . . . The holding back of the crown creates the same situation as if some other government would hold back the Liberty Bell and won't give it back."

The U.S. official who last night confirmed the decision to return the crown attributed it to improved relations with Hungary and the belief that the crown belongs to the Hungarian people. Before the decision was made, the official said, "we had never made any special conditions as to how or when or in exchange for what we would return it."

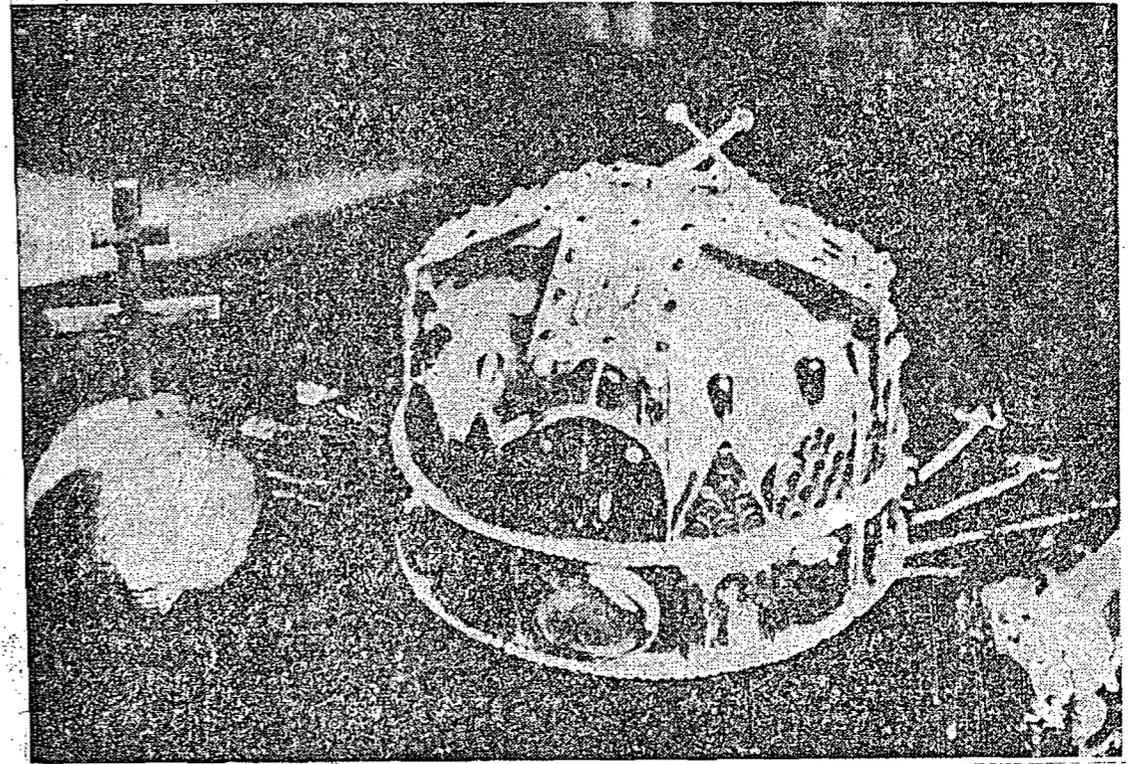
Now, the officials said, the United States is negotiating with the Hungarian government for assurances that, once returned, the crown "would be on public display for all the people of Hungarian extraction to see it. . . We are seeking assurance that as a symbol of that religious, cultural and national heritage it is something that

can be seen the way our Constitution . . . can be seen."

Oakar said she plans to take three actions in response to the administration's decision. She plans to deliver to President Carter a letter protesting it, to ask House Speaker Thomas P. O'Neill Jr. (D-Mass.) if House rules can be suspended so her bill can be taken up for a floor vote, and to get in touch with leaders of the Hungarian American community to tell President Carter of their feelings.

In April, Oakar said, administration officials indicated there was no cause for her to worry about the crown's return. In May, she said, the new U.S. Ambassador to Hungary, Philip Kaiser, and another State Department official, Thomas Gerth, met with her. "They wanted to know why the people felt so strongly about retaining the crown," Oakar said.

"There are thousands of Hungarians who fled Hungary in 1956 who will never be able to return to their ancestral home because they are considered criminals by this atheistic government," Oakar said.



The Crown of St. Stephen, a 1,000-year-old symbol of Hungary's religious, cultural and national heritage.

United Press International

RG 104
Entry 2118 F
Box 9
306 F
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Authority
BY JW NARA Date 83-99

REPRODUCED AT THE NATIONAL ARCHIVES

U.S. to Return Long-Sought Symbol

Hungary to Get Crown

By Peter Masley
Washington Post Staff Writer

The U.S. government has decided to return to Hungary its long-sought Crown of St. Stephen, a 1,000-year-old relic symbolizing the country's religious, cultural and national heritage.

"We feel that the time has come and that it would be the right thing to do to return it," a government official said last night.

All that remains for the expected return by the end of the year are assurances by the Hungarian government that the crown will be on public display and available to all Hungarians, the official said, "the same way our Constitution can be seen."

Rep. Mary Rose Oakar, a Demo-

crat from Cleveland who says she represents the largest concentration of Hungarian-Americans, many freedom-fighters from the aborted 1956 Hungarian revolution, strongly objected last night after she was told by a State Department official of the U.S. decision.

Oakar is sponsor with 30 other House members of legislation that would require the President to seek congressional approval before the crown was returned.

Oakar said that last April 5 she was informed by letter from the State Department that "there are no present plans to return the crown to Hungary." Oakar said, "We feel strongly

See CROWN, A10, Col. 1

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328 12

Authority
By JW NARA Date 83-9

Is ancient relic of saint crowning glory of fort?

Continued From Page One

The relic, a small, dark, rectangular object, is believed to be the crown of St. Elizabeth, a 13th-century saint. It is said to have been discovered in the ruins of a castle on the site of the fort in the 18th century.

The relic is currently housed in a small, ornate wooden case. It is believed to be the crown of St. Elizabeth, a 13th-century saint. It is said to have been discovered in the ruins of a castle on the site of the fort in the 18th century.

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Authority _____
By JW NARA Date 83-9
RG 104
Entry 243 F
Box 9

328 F
file - New York

United States Senate

November 21, 1974

Respectfully referred to:

Department of Treasury
IRS Building
1111 Constitution Ave.
Washington, D.C. 20224



Because of the desire of this office to be responsive to all inquiries and communications, your consideration of the attached is requested. Your findings and views, in duplicate form, along with return of the enclosure, will be appreciated by

C-1

Lloyd Bentsen
Lloyd Bentsen U.S.S.
Attention Tanya Hart

Form #2

205989

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Authority
By JW NARA Date 83-9

RG 104
Entry 242 F
Box 9

328 F

file - Hengony

MRS. ROBERT KNOX BATTEN
2348 DRYDEN Road
HOUSTON, TEXAS 77025
Oct. 15, 1974

Hon. Lloyd Bentsen
Senate office Bldg
Washington D.C.

There are several questions that I
wish to ask you, for you seem
to be so knowledgeable about things -
even tho' I do disagree with you
at times..

In the paper written the past
few weeks the man (forgot his name)
who is in charge of firing federal
employees said that ~~the Congress~~
~~had passed legislation to drop~~
~~hundred of employees~~, he could not
do this because they had not
authorized him to do this. Why
is this? ~~why don't they follow thru?~~

File - Namgong

Again it was reported in the press that before elections Congress did not hand the money to vote themselves a raise. They added \$10,000 to their ~~spending~~ ^{pay to be} accounts. This would not be reported, I think this reprehensible! No wonder people are losing faith in their leaders if the two examples are ordinary!

But this is really why I write - I'm just back from the Eastern European Nations - including Russia of course. People are the saddest looking humans you've ever seen - they absolutely have no hope of improvement. The guides of course, are just parrots. I know they don't believe what they say as "The Church asked us to take over this Cathedral as a museum, because they couldn't take care of it, no services held."

Finally in Hungary after having seen a movie of their country, followed by a delightful evening of native

File - Nangany

dances, I commented to the guide about the beauty of their mountains and rivers. Then I added "Having seen the picture of the Golden Crown the King had worn before Russian took over I asked "where is the crown now - feeling positive it was in Moscow where the loot from all the other countries was. She looked me directly in the eye and said "In your country at St. Krop. I couldn't help but laugh, and said "why would we want it?" By any chance was she correct? Is the crown here & if so how did we get it - never having gotten that far in WW II. Of course they only let me see what they want us to see and our room was bugged, the food was terrible and when I didn't eat ^{at dinner} my roommate did so didn't leave the key at the desk, so they called my room twice so as

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Box 9

By JW NARA Date 83-9

to make sure I was still in the room, isn't that surveillance?

Aren't we lucky our ancestor, had enough nerve to cross that unbroken Atlantic?

This is much too long and I apologize for taking so much of your time but do we have the "Golden Crown"?

Very truly yours,
Orma Bates Better
(Mrs R. K.)

P.S. Keep fighting for the oil depletion allowance.

MRS. ROBERT KNOX BATTEN
2318 DRYDEN
HOUSTON, TEXAS 77025

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RG 104
Entry 212 F
Box 9

328 F

Authority _____
By JW NARA Date 83-9

File - *Wangong*

Routing Slip

Internal Revenue Service

12/12 Mr. Wolfe

To	Symbol	Room	Action Code	Initial/Date
<i>Commissioner</i>	<i>C</i>	<i>3000</i>		
<i>Mr. Harlan</i>	<i>CP</i>	<i>3501</i>		
<i>Mr. Weber</i>	<i>MT</i>	<i>3414</i>		
<i>question asking if "Golden Crown" of Kings in Russia are stored at Ft. Knox.</i>				

- 1. Per our conversation
- 2. As requested
- 3. Approval
- 4. Comments
- 5. Information
- 6. Corrections
- 7. Signature
- 8. Initials
- 9. Note and return
- 10. Necessary action
- 11. See me
- 12. Call me
- 13. File
- 14. Prepare reply for signature of _____
- 15. Please answer by _____

Remarks

Please send your book with a copy of the response

From <i>C/TR</i>	Phone	Room No.
	Date <i>12/9</i>	

Form 1725 (Rev. 9-74)

Send

DECLASSIFIED
Authority _____
By JW NARA Date 83-9
RG 104
Entry 243 F
Box 9 328 F

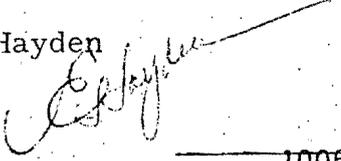
632-1739

Fte - Hungary

to. Mr. Sheperd
Hungarian Desk
Dept. of State
room. _____ date. 1-7-75
Department of the Treasury
Bureau of the Mint
Warner Building
501 13th Street, N.W.
Office of Public Services

Mr. Sheperd:
As a result of our conversation of yesterday afternoon, I am sending you for appropriate action the letter Mrs. Robert Batten of Houston, Texas addressed to Senator Lloyd Bentsen concerning the Hungarian Crown.

I have advised our Congressional Liaison office and Senator Bentsen's office of this transfer.

Eleonora Hayden


room 1006
ext. 184-5121

Louisville Times

MYSTERY CROWN

Hungary's is in U.S., but who has it?

By EDWIN A. LAHEY
Chicago Daily News Service

Washington, July 11—Who's got the crown of St. Stephen?

This is one of the most fascinating and romantic mysteries of Washington. And it comes to mind again since Communist Hungary is making passes at the United States in the search for better relations.

The crown of St. Stephen, who not only founded the Hungarian nation but Christianized it at the same time, in the year 1000, is the most precious symbol of nationality in existence.

To the Hungarian people, St. Stephen is a combination of what George Washington is to Americans and what St. Patrick is to Irishmen.

St. Stephen's crown is in the possession of the United States. It was found by American soldiers in 1945 in a salt mine in Austria, where it had been stashed by retreating Nazi soldiers.

By all tradition, the G.I's should have broken it up for souvenirs. But it was turned over to Army authorities intact.

No one in Washington will concede that he has custody of this precious possession of the Hungarian people. The Defense Department refers inquiries to the State Department, and officials there kick the inquirer back to the Pentagon.

All that one knows for sure is that the crown of St. Stephen is in our possession. It would be a tremendous bargaining weapon in any negotiations with Hungary. But it probably will not be returned to its owners, the Hungarian people, until they have a government of their own choice.

The crown is of dubious value as royal crowns go. But its historic importance is great. The crown was given to Stephen by Pope Sylvester II in 1000, as part of the deal where in Stephen and the whole Hungarian nation became Christian.

The Communists in Hungary made a stab at regaining possession of the crown about 12 years ago, as part of the price for releasing Robert Vogler, an American businessman, from prison. But the State Department refused to make the crown part of the bargain.

Hungary has recently been making overtures to the United States to normalize relations between the two countries.



The hallowed crown of St. Stephen.

These overtures, plus the abandonment in the United Nations General Assembly of an annual U.S. down-the-nose attitude toward Hungary on the credentials committee, have created fears among refugee groups and their friends in Congress.

The current issue of the Republican Congressional Campaign Committee newsletter accuses Walt W. Rostow, policy planner in the State Department, of steering for a soft line toward the regime of Janos Kadar in Budapest.

The Republicans even suggest that the State Department wants to get Cardinal Mindszenty out of his asylum in the U.S. Ministry in Budapest because the self-imprisoned churchman is "an irritant delaying full expression of our new amnesty for Kadar."

Spokesman for the State Department say that this stance by the Republicans is senseless. They insist that all the attempts for better relations between the U.S. and Hungary have been made by the Hungarians.

It will be a long time before the U.S. and Hungary are in any position where they can talk about the return of the crown of St. Stephen.

But the whereabouts of that precious bit of metal work is still a fascinating mystery.

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Entry ~~272 F~~ 328 F
Box 9

Authority _____
By JW NARA Date 83-99

OPTIONAL FORM NO. 10

UNITED STATES GOVERNMENT

Memorandum

TO : Director of The Mint

DATE: September 20, 1965

FROM : OIC U.S. Bullion Depository - Fort Knox.

SUBJECT:

One of the attached items also appeared in the Sunday edition of the Louisville newspaper. The second item, on the same subject, appeared some time ago.

Since both these articles bear Washington date lines, it is assumed that they also appeared in your local papers. Nevertheless, they are forwarded for your information.

Sept 19, 1965

700 Hemminger
Orlando, Fla.

A 14

THE COURIER-JOURNAL, LOUISVILLE, KY

To Hungarians. It Was Sovereignty

The Mystery Of The Crown

By DONALD H. MAY

WASHINGTON (UPI)—Late in the summer of 1945 a heavy metal chest, triple locked and richly ornamented, was deposited at a U. S. Army office in Wiesbaden, Germany.

When it was opened it was found to contain, among other objects, a golden crown decorated with gems and pearls and bordered with a series of enameled figures of kings and saints with oddly staring eyes.

On top was a golden cross bent at a cockeyed angle.

The crown was one of thousands of art treasures which fell to Allied armies in the closing weeks of World War II, most of which have since been returned to their owners.

Crown Named For King Stephen

This one, however, was a relic so priceless and so politically potent that even today the U. S. government is unable to dispose of it. Its location now is a closely guarded State Department secret.

The chest contained the Holy Crown of Hungary. According to a legend, it was given by Pope Sylvester II to the first King of Hungary, Stephen I, in the year 1000, as a reward for promoting Christianity in that land. It is often called "St. Stephen's Crown."

Among exiled, anti-Communist Hungarians today the crown is a symbol evoking strong emotion for regaining control of their country. The Communist Hungarian government also long has sought its return.

The State Department is afraid that giving it to anyone would raise an international storm.

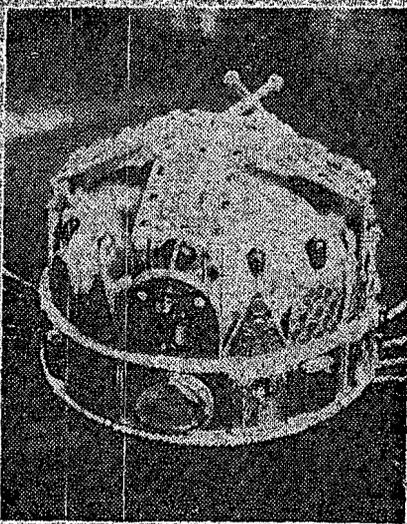
Unsupported rumors have it that the crown is in a vault in the Washington area, at Fort Knox, or in a secret U. S. depository somewhere in a mountain side. But it is not even certain that it is in the continental United States.

They Were Crown's Subjects

The State Department will only say: "The Crown of St. Stephen was surrendered into the custody of U. S. authorities in the latter days of World War II by Hungarian military guards who had earlier removed the property from Hungarian territory."

The crown thereby came into U. S. safekeeping. It has since been held in trust by U. S. authorities as property of the Hungarian nation of a special status.

The holy crown has a history not quite



United Press International Photo

HOLY CROWN of Hungary is in the possession of the United States. Its location is a secret.

like any other in Europe. In ancient Hungary it was more than a symbol of sovereignty. It WAS sovereignty, and Hungarian kings were believed to have drawn their constitutional power from it. The people, the land and the holy crown made up the Hungarian nation, and Hungarians were subjects of the holy crown.

And so it was fought over. The pretender Wencelas carried it off to Bohemia. Otto of Bavaria retrieved it. Driven into exile, Otto put it on his saddle-bow and lost it one night riding through a marsh. He found it the next day after an anguished search.

The widow of Albert of Habsburg stole it, took it to Vienna and hocked

it for grocery money. The German Emperor Frederick III raised the price of the pawn ticket, and it took Hungary 23 years to ransom it back for 80,000 gold florins.

When Turks came it was hidden, once in a fortress and once for four years in a swamp.

Bent Cross Is Cherished

Somewhere along the line its cross was bent, giving it a slightly drunken look, a fault apparently as cherished as the crack in the American Liberty Bell.

Like any good relic, its validity is suspect. Some historians argue that it was put together from various pieces at different times and that only part of any of it may have come from Pope Sylvester.

No official has yet said exactly how it got to the U. S. Army monuments, fine arts and archives collecting point in Wiesbaden in 1945. One report says early in the war the collapsing Hungarian monarchy of Regent Horthy tried to send it to Switzerland.

Its arrival in Wiesbaden gave scholars their first real opportunity to study it. In the preceding century, Hungary had displayed it for inspection only six times, and it had never been adequately photographed. It stayed in Wiesbaden under guard for seven months, then went to a U. S. installation in Munich.

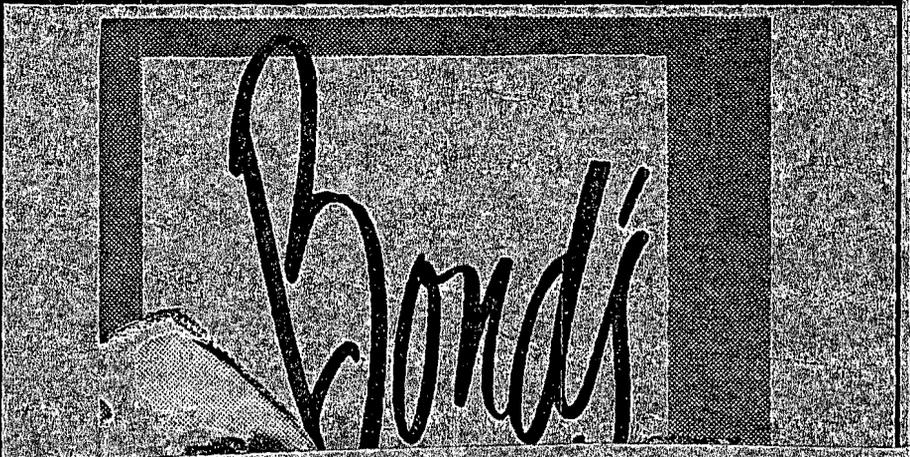
There the trail is lost

In 1951 the Communist Hungarian government demanded it as ransom for release of Robert A. Vogler, an American citizen held on spy charges. Vogler was released in return for a series of other U. S. concessions. The State Department would not give up the crown.

It said at the time: "The government of the United States is not prepared to discuss the return of St. Stephen's Crown."

Chess Master

Off. Club



DECLASSIFIED	
Authority	UND 775042
By	M. S. KARA Date 8-3-99

RG 260
 Entry 016 US 716
 Box 129

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)
 FINANCE DIVISION
 APO 742

27 JAN 1942

AG 007 (FD)

SUBJECT: Request for Documents Located in Soviet Occupied Territory Pertaining to Looted Monetary Gold.

TO : The Chief of Staff

I. DISCUSSION.

1. This Division is engaged in studies with respect to the identification and tracing of gold bars and coins obtained by Germany from occupied countries by duress. This information will aid in the restitution of this gold to its rightful owners. It is urgently needed at this time in connection with negotiations as to the return of looted gold presently in progress both in Lisbon and Madrid.

2. The most important gold records were those of the Devisenabteilung of the Reichsbank and those of the Prussian Mint. With respect to the Reichsbank records we are advised by Friedrich Wilhelm, former Reichsbank Director in charge of the Devisenabteilung, that the most important records of the Reichsbank, including records relating to gold, were evacuated to mines at Merkers, Thuringia. Certain of these gold records were recovered at Merkers and have been utilized in our studies. Additional records from this source bearing upon the obtaining, resmelting or disposition of looted gold would be of inestimable value.

3. With respect to the records of the Prussian Mint, located at Molkenbastei in the Soviet Sector of Berlin, we are advised by Franz Pallass, Managing Director of the Mint, that some records still remain at this location. Inasmuch as the Mint performed all smelting operations for the Reichsbank and it is only by means of the smelting records that we can identify smelted coins and bars which were resmelted in order to conceal their origin, any records of the Mint are potentially of highest importance. One folder containing Mint records of smeltings has been made available to us through the courtesy of Mr. Denisov, Soviet Member of the German External Property Commission, and served to identify many resmelted bars. We have discussed informally with Mr. Denisov the question of obtaining access to the Mint records. This request was denied on the ground that the records contain no other information of interest to us. We are unwilling to concede that this is true without information as to their actual contents.

II. ACTION RECOMMENDED.

4. That the attached letter to General Kurochkin be signed and dispatched. (See Tab A)

III. CONCURRENCES.

None.

205999

DECLASSIFIED	
Authority	NND 775042
By	MM/SARA Date 8-3-99

RG 260
 Entry 016 US 116
 Box 129

Prepared by [redacted]
 Rewritten Sec. Gen - WW/rz/42006

30 January 1947

Dear General Kurochkin:

Certain records which are reported to be held in the Soviet Zone and the Soviet Sector are of great importance to us inasmuch as they will serve to identify and trace monetary gold looted by Germany in occupied countries. Our ultimate objective is to aid in the restoration of this gold to the rightful owners.

The most significant records from our standpoint are those of the Devisenabteilung of the Reichsbank and those of the Prussian Mint. With respect to the Reichsbank records we are advised by Friedrich Wilhelm, former Reichsbank Director in charge of the Devisenabteilung, that many important records of the Reichsbank, including those relating to monetary gold, were evacuated to mines at Merkers, Thuringia. Certain of these records we recovered when our forces occupied Thuringia and we have put them to valuable use. However, they are incomplete and should it be possible to locate additional records of the Devisenabteilung relating to the obtaining, smelting or disposition by Germany of looted gold bars or coins, such information would be very valuable.

The Prussian Mint is located at Molkenbastei in your Sector of Berlin. Franz Pallass, Managing Director of the Mint, has advised that certain records remain on the premises. The Mint performed all smelting operations for the Reichsbank and it is only by means of smelting records that we can identify and trace gold coins and bars which were resmelted to conceal their origin. Therefore, these records are potentially of extreme importance. Our need is most urgent in view of the fact that negotiations are now taking place in Lisbon and Madrid in connection with the restoration of looted gold.

We are prepared to send a representative of the Office of Military Government for Germany, U. S., to inspect any available records of the Reichsbank or the Prussian Mint which relate to monetary gold acquired from occupied coun-

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206000

RG 260
Entry OMGUS 116
Box 129

DECLASSIFIED
Authority WND 775042
By WMSHARA Date 8-3-94

To Gen. Kurochkin re gold records / From OMGUS

tries, or we would be agreeable to any other procedure suggested by you for placing the records at our disposal.

Your assistance in this matter will be very much appreciated.

Sincerely,

LUCIUS D. CLAY
Lieutenant General, U. S. Army
Deputy Military Governor

Colonel-General P. A. Kurochkin
Deputy Commander-in-Chief
Soviet Military Administration in
Germany
Berlin, Karlshorst

- 2 -

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(DUPLICATE
IN BOX 2)NON-RECORD REF MATERIAL
FED RESV BANK NY7/16/99
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NAZI ASSETS

206002

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7/16/99

NON-RELONB REF MATERIAL
 FED RESRV BANK NY
 BOX 2 - INDEX TO FRB-NY DOCS
 RELATED TO NAZI ASSETS

206003

FRBNY LEDGERS RELATED TO NAZI ASSETS

The table below lists gold transaction summary ledgers for the periods 1932-36 and 1940-41 for the central banks of Argentina, Germany, Portugal, Sweden, Switzerland and the Bank for International Settlements. These ledgers reflect gold custody transactions (deposits and withdrawals in aggregate), but do not necessarily reflect the purpose of the transaction, the counterparties, nor details of the gold itself (e.g., refiner, etc.). These ledgers cannot be photocopied. They are available for review upon request at the Federal Reserve Bank of New York.

✓ = account activity

□ = no activity

Blank = no ledger entries

	1932	1933	1934	1935	1936	1940	1941
Argentina			✓			✓	✓
Germany		✓	✓	✓	□		
Portugal	✓	✓		✓	□	✓	✓
Sweden	✓					✓	✓
Switzerland	✓	✓	✓		✓	✓	✓
Bank for International Settlements	✓	✓	✓	✓	✓	✓	✓

7/16/99

NON-RECORD REF MATERIAL
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 RELATED TO NAZI ASSETS

206004

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

AIRGRAM

MUTUAL SECURITY AGENCY

Foster
DE 1/2

RESTRICTED - Security Information

FROM - MSA/W

DATE SENT
Dec. 8, 1952

SENT TO - SMEC to Vienna, MUSTO A-1A 131
Pot. Info. SRE to Paris, TREP A-1585

DATE REC'D

DISTRIBUTION
IND
FDS
PIC
S&R
SMBUS
TRANS
CDE
EXSEC
CF
VI NA 8
SRE-10

SUBJECT - 202-343

REFERENCE -

*Offord
Let's not authorize
any gold for Austria
until we've examined
all the facts*

Austria wants PA for gold valued at \$15000. Mission approval requested giving end use and details concerning need and ultimate consumers with assurance gold not to be diverted to premium market. This info necessary for US Mint approval here. Mission comments appreciated.

WOOD

*Mr. Fairley -
That's what I thought
when M.S.A. phoned about
this, so I suggested that
they send this cable -*
[Signature]

MSA-75-P

OTHER AGENCY
CIA
COMM
STATE
TREAS

AUTHORIZING OFFICER Robert Whittet, Acting Director	DRAFTED BY B. Lockwood:ma	OFFICE IND	PHONE NO 3100	DATE 12/5/52
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RESTRICTED - Security Information

MSA AND OTHER CLEARANCES
P. Shafer, IND
R. Weber, AD/IE
Miss O'Hara, MINT (by phone)

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

Mr. Failor

December 5, 1952

Miss O'Hare

Export of gold to Austria

Mr. Lockwood of Mutual Security Agency phoned this morning, saying they had a request to export gold to Austria.

I suggested that he have the request cleared through the American authorities in Austria, asking for what purpose the gold was to be used and the assurance that, if exported, it would not be diverted to the premium price market.

I explained to Mr. Lockwood about the re-striking of old gold coins which was being done in Austria and told him that we did not want to be in the position of furnishing gold which might be used for that purpose.

Mr. Lockwood said he would send a cable requesting all details.

JOH:mh 12-5-52

copy for DB 3 Austria

206006

DECLASSIFIED

Authority EO 10501

By JW NASA Date 7-8-99

RG 56
Entry 352 A (A1)
Box 39

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Failor
FROM : Miss O'Hara *OK*
SUBJECT: Exports of gold to Germany

DATE: March 28, 1952

Mr. Josef Reufels, accompanied by Director R. Afflerbach, of the German Mission to the United States, called at the office today to discuss their need for gold with Mr. Failor. The meeting was attended by Miss O'Hara.

They submitted a final statement regarding availabilities and consumption of 24K fine gold in the Federal Republic of Germany for 1951.

They estimated their needs for 1952 would be approximately 85,000 ounces which, at \$35. per ounce, amounts to \$2,975,000.

They explained that the gold was under strict control by their government and was used principally to cover export orders for jewelry and chinaware. The statement submitted by Degussa, showing the end use of the gold previously exported to them, indicates that this gold is allocated by special licenses thru the Central Land Bank of Pforzheim and the Minister of Economics, thru the Department of Non Ferrous Precious Metals.

In 1950 Germany's industrial gold import program called for an annual expenditure of approximately \$1.6 millions most of which was authorized by ECA funds.

In October 1951 we were advised by Mr. Wheeler of ECA that the West German Government had no longer been allocated funds for precious metals by us. However, he said the government itself had allocated \$500,000 for the remainder of the calendar year, of which \$350,000 was for Degussa in Frankfurt and \$150,000 to W. C. Heraeus in Hanau.

I note from the photostatic copies of the import licenses that they state that the foreign trade bank entrusted with the execution of the payment is Degussa Foreign Trade Bank (Degussa-Aussenhandels Bank). In this connection there is an excerpt from a secret letter from ECA Frankfurt, Germany to ECA Washington, dated 3/5/51, (2-107-791), which reads as follows:

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By JW NARA Date 7-8-99

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ENTRY 352A (A1)

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-2-

1. Metallgesellschaft, Frankfurt - 2. Degussa, Frankfurt

" It is reported that each of the two subject companies is the head of a cartel or combine in its respective field and are inter-related in many respects. Proceedings have been instituted against them on the score of concentration of economic power under Military Law 56, while through the Federal Republic they have been the recipient of nearly \$14,000,000 in ECA funds, or aid.

" The companies enjoy a unique position in German trade and finance. As authorized foreign trade banks (AUSSENHANDELSBANKEN) they are not only in a position to exercise influence over importers but are also authorized to issue certain import and export licenses. In our instance where a "usual check" from Commerce was made in connection with an application for US export for two tons of nickel scrap for HEINRICH DIEHL, Nurnburg officials developed the fact that the nickel was to go to a subsidiary of that company which in turn was to sell it without processing to METALLGESELLSCHAFT'S V.D.M. (a free dollar transaction).

" It is believed that the free hand accorded these two firms in their fields is typical of the general pattern of present German Federal Republic industry relations.

" Some cases have shown that Allied approval, required on the export of strategic items, may be evaded by appropriate descriptions of materials on license applications; that in the case of AUSSENHANDELSBANKEN, some exporters issue their own licenses, and some licensing authorities issue licenses in blank. This permits trafficking in licenses."

During our discussion with Mr. Reufels, and also on the affidavit submitted in support of their pending applications, it is stated that this gold will be allocated by special licenses through the Central Land Bank of Pforzheim under the Ministry of Economy (Economics), the Department of Non Ferrous Metals.

However, the photostatic copies of the licenses, which were also attached to the affidavit, states that the foreign trade bank entrusted with the execution of the payment (transaction) is

DEGUSSA-AUSSELHAND BANK

or the Degussa Foreign Trade Bank, Frankfurt on the Main, mentioned in the ECA Secret letter.

We have on file a copy of an airgram dated 11-26-51 from ECA Germany to ECA Washington urging that United States export licenses be granted Degussa to avoid serious layoffs in that German gold stocks were completely exhausted. The airgram also stated that the firm Degussa was in good standing. After receiving this information the licenses pending at that time were issued.

206008

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

- 3 -

W. C. Heraeus

Hanau/Main, Germany

Export licenses have also been issued for gold consigned to the above company, as follows:

	<u>Fine troy ozs.</u>
1950	19,824
1951	14,423

Ⓐ However a Secret report from Hicog, Frankfurt, to the Dept. of State (A-1203, dated Oct. 15, 1951) indicated alleged violation of East-West trade regulations; also, it suggested that no licenses be issued for the export of 4,234 fine troy ounces of gold to Heraeus before final action was decided upon. When this information was received Mr. Failor cancelled their license which had been authorized but had not been exported. Since that time no licenses have been authorized for gold consigned to this company, and no further information has been received regarding Heraeus.

Checked
with Cable Room
3/31/52
Jrt

206009

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By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

3

GERMANY

In a secret letter from ECA Frankfurt to ECA Washington, dated 3/5/51 (2-107-791) (subject: Procurement & Transshipment of Strategic Materials)

- 1. Metallgesellschaft, Frankfurt - 2. Degussa, Frankfurt

It is reported that each of the two subject companies is the head of a cartel or combine in its respective field and are inter-related in many respects. Proceedings have been instituted against them on the score of concentration of economic power under Military Law 56, while through the Federal Republic they have been the recipient of nearly \$14,000,000 in ECA funds, or aid.

The companies enjoy a unique position in German trade and finance. As authorized foreign trade banks (AUSSENHANDELSBANKEN) they are not only in a position to exercise influence over importers but are also authorized to issue certain import and export licenses. In one instance where a "usual check" from Commerce was made in connection with an application for US export for two tons of nickel scrap for HEINRICH DIEHL, Nurnburg officials developed the fact that the nickel was to go to a subsidiary of that company which in turn was to sell it ~~through~~ without processing to METALLGESELLSCHAFT'S V.D.M. (a free dollar transaction).

It is believed that the free hand accorded these two firms in their fields is typical of the general pattern of present German Federal Republic industry relations.

Some cases have shown that Allied approval, required on the export of strategic items, may be evaded by appropriate descriptions of materials on license applications; that in the case of AUSSENHANDELSBANKEN, some exporters issue their own licenses, and some licensing authorities issue licenses in blank. This permits trafficking in licenses.

Aside from any question of merit of the proposed relinquishment of Allied licensing powers to the German, it was felt ~~that~~ that immediate steps should be taken to induce the German Federal Republic to recall licensing powers it has delegated to banks and others having a monetary interest in the transactions being licensed. With the Federal Republic itself directly responsible for the issuance of all licenses, abuses could be attributed to the Government alone.

omit

Frankfurt, Germany
(The firm HAZELGRUBER is one of the largest procurement agencies for the Soviets; also, GEMEINSCHAFT works with them. Illegal transactions also handled by WENDSCHLAG & Pohl, Berlin.)

summed up
please note

Copied by J. Harko from O.I.T. files

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

others DE 1/1

MEMORANDUM

To: Mr. Failer
From: Miss G'Haro *GH*
Re: Export of gold to Turkey
Consignee: N. Markaroff ✓

3-19-52

I called Department of Commerce today and talked with a Miss Herman who covers the desk for Turkey, (164 X 2429) who advised that there would be no objection to our exporting gold to that country as a matter of policy.

However, before taking action I got a World Trade report which was dated October 8, 1951.

I find in this report that this concern has been an importer of precious metals since 1936. However, it also was found that the owner, who is 28 years old, is a Russian subject.

In view of this information I recommend that no action be taken on the pending application submitted by Eastern Smelting & Refining Corporation.

Mr. Alpern was advised by us on November 8, 1951 that, based on information received by us from reliable sources, we were not sure that the gold, if exported, would be used for the purposes set forth in our Gold Regulations. He was again notified, indirectly, on January 14, 1952, that our decision remained unchanged when we sent him a copy of our first letter.

I see no reason at this time why we should change our original decision which was based on the consignee, rather than the fact that the gold was being exported to Turkey.

*Right-o!
Failer*

Record Copy Filed: DB 3 Turkey

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
ENTRY 352A (A1)
Box 39A

DE 1/1

March 11, 1952

MEMORANDUM FOR THE FILE

From: Miss O'Haro *OK*

Re: Exportation of Gold to Yugoslavia

Frank Bueck
DE 5/2

I phoned Commerce in connection with a request to export some dental gold to Yugoslavia.

Explained that the amount of gold involved was small (about 1 ounce) and was to be used for dental purposes.

Talked with Mr. Schmitter (164, Ext. 3500) who stated that he was Chief of the Division and that they were "bending over backwards" to help Yugoslavia to get supplies since that country has broken off with Russia. Mr. Schmitter said that we, in fact, were furnishing them money with which to purchase supplies.

Mr. Schmitter seemed very enthusiastic to help Yugoslavia. We brought out the fact that the gold was not for the government but was for private use for dentistry.

Copy Filed

DR 3 Yugoslavia

206012

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
ENTRY 352A (A1)
Box 39

8/22/46

Mr. Foley

Mr. Howard

Reference is made to my memorandum of August 14, 1946, relative to the exportation of gold, in which it was suggested that the Department take all reasonable measures to restrict such exportations to those which are authorized by the Regulations.

The State Department was requested to look into this matter in connection with applications we had to export gold to Syria and Lebanon. Following is an excerpt from such report:

"A special inquiry has been made regarding the firms listed in the subject instruction. It was found that none of them requires gold for industrial, professional or artistic purposes. Dentists or jewelers in Syria and Lebanon are not given any quantity of gold by the governments at fixed prices; they buy their requirements on the free market at the day's market rate. The inquiry disclosed that the firms named are in the kinds of business indicated below:-

Michael Maggier et Fils,	Beirut,	Building materials.
Moise Tawil,	Beirut,	Haberdashery.
Shehfe Freres,	Beirut,	Commission merchants.
Wadib Shehfe,	Damascus,	Commission merchant.
Joseph Masleum,	Beirut,	Commission merchant.
Moabbi and Sawaf,	Beirut,	Cotton textiles.
H. and F. Farra,	Beirut,	Cotton textiles.

The following firms are not known in Beirut:-
Sheffield Smelting Co., Beirut.
Abdel Wahed Freres, Sagg-Cairo
Wadib Abai, Beirut.
Victor A. Abadi, Damascus.

" * * * * * The gold applied for in the United States by these firms is presumably not to be used for industrial, professional or artistic purposes. Their statements that the gold is for dental or jewelry use are not credible."

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Authority EO 10501
By JW NARA Date 7-8-99

RG-56
ENTRY 352A (A1)
Box 39

Mr. Foley

-2-

The firms referred to are consignees to whom gold was being exported, presumably for industrial purposes, and the issuance of their licenses has been withheld by this Bureau.

I feel that this information will be of interest to you, as it confirms our suspicion that the gold was not being used for the purposes stated in the applications and the licenses should, therefore, be denied.

Acting Director of the Mint

JOH:pa 8/22/46

206014

DECLASSIFIED	
Authority	EO 10501
By	JW NACP Date 7-8-99

RG 56
ENTRY 352A (A1)
Box 39

July 1, 1946

The Director of the Mint

Miss O'Hare

Mr. Watts of State Department called today relative to our request to investigate the increase in shipments of gold to South America.

I explained to him that due to the very apparent increase in requests for licenses, the Director thought it advisable to have the situation investigated, inasmuch as the issuance of these licenses were within her province. I also informed him that it was her desire to expedite all licenses that were being used for industry, professional or artistic use, but we did not want to be in the position of furnishing gold for the purpose of using, holding or disposing of such gold as, or in lieu of, money, or for the value of its gold content.

Mr. Watts said he agreed with you that it was a good idea to look into the matter.

He said he had our list of consignees before him, and that he would get in touch with the Bureau as soon as a report was received.

JCH
JCH:pb 7/1/46

206015

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Authority EO 10501
By JW NASA Date 7-8-99

RG 56
Entry 352A (PI)
Box 39

June 25, 1946

Walter S. Surrey, Chief Economic Security, State Department
The Director of the Mint

Recently there has been an unprecedented increase in applications for licenses to export gold to South America. The following figures will show the comparison between that exported for the entire year 1945 and the amount exported from January through May 31, 1946.

	<u>No. Licenses Issued</u>	<u>Total Ounces Exported</u>	<u>Total Ounces to South America</u>
1945	719	97,432	80,174
1946 (5-month period)	518	98,888	74,920

The total shipped to Brazil alone amounted to 67,450 ounces and there are pending at the present time applications for an additional 22,224 ounces.

There has also been an increase in shipments to Montevideo, Uruguay, and Caracas, Venezuela, although not as marked as that going to Rio de Janeiro.

The Provisional Regulations issued under the Gold Reserve Act of 1934 authorize licenses to be granted permitting the exportation of gold only for industrial, professional or artistic purposes. In all these applications the gold is stated to be for dental and jewelry use. In view of the rate at which gold is being exported to these countries, some doubt has arisen as to whether the consignees are using the gold for purposes for which export licenses are authorized.

Attached is a list of names of consignees to whom most of the gold in question is being shipped.

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By JW NASA Date 7-8-99

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ENTRY 352A (A1)
Box 39

-2-

It is requested that you have the Embassies in these countries determine whether the listed consignees are engaged in a legitimate industry, profession or art requiring the use of such amounts of gold, whether this gold has actually been used for the purposes stated and whether the importations of such gold have complied fully with the applicable gold and exchange regulations.

In addition, this Bureau would be pleased to receive recommendations as to the desirability of granting further licenses to export large amounts of gold to each of the countries named and to the particular consignees in those countries.

would be

(Signed) Leonard Howard

cc:ing

[Handwritten signature]
JOH: GHN:ph 6/21/46

206017

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 Authority EO 10501
 By JW NARA Date 7-8-99

RG 56
 Entry 352 A (A1)
 Box 39

RIO DE JANEIRO

Consignees

Applications Pending
Fine Troy Ounces

Panambra S.A. Importadora e Exportadora Panamericana Brasileira 311 Avenida Rio Branco Rio de Janeiro, Brasil	643
Banco Mercantile de Sao Paulo Avenida Rio Branco 79	965
Herminio Teixeira Rua da Conceicao, 116-A, 1 and.	2,305
Teixeira & Cia. Ltda. Rua 7 de Setembro, 174-1º and.	803
J. Rodrigues dos Santos Segundo, Rua da Quitanda, 59-3 and e/18	161
Jose Ferreira & Cia. Ltda Praça Tiradentes, 11-1 andar.	835
Mr. E. Spiller, Jr. Alfandega, 139/141	128
Joias Rosario Ltda. Rua do Rosario, 159-2 andar.	161
Napoleao Pereira Dos Santos Rua da Conceicao 41	643
Soares, Cicci & Cia. Ltda. Rua do Rosario 147	983
Domingos Oliveira Companhia Rio de Janeiro	321
Importadora e Exportadora de Metais "Brasimet" S.A. Caixa Postal 2362	643
Caetano de Figueiredo Metalurgica Dentaria Santa Apolonia Rua 13 de Maio, 44	1,630
Gregorio de Azevedo Rua Buenos Aires 109	1,635

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By JW NARA Date 7-8-99RG 56
ENTRY 352A (A1)
Box 39

<u>Rio de Janeiro</u>	-2-
G. Batista & Cia. Rua Ouvidor, 169	1,020
Nacional Ouro Ltda. Rua Senhor Passos, 57	1,685
Importadora Goldpar Ltda. Av. Rio Branco, 120-11 andar, s/1106	500
Antonio Mateo da Silva Neto Rua Uruguaiana, 86-9 and., s/904	96
Jaguare, Ribeiro & Cruz Ltda. Rua de Ouvidor 55-2 andar.	160
Mayer Z. Goldgrob Rua Ouvidor 169 s/905	321
Imobiliaria Comercial Vieira Sobrinho S/A Rua Buenos Aires 44-30 And.	321
Luis Villar Rua Goncalves Dias, 19	321
J. Santos & Marques Ltda. Rua Luis de Camoes, 80	2,968
Farcisio Carvalho Rua Cururu 25	482
Pen Brasil Ltda. Rua Itapira 49	160
Wilson de Azevedo Rua Inhangá 3	680
Albert Schneider Avenida Rio Branco 91	350
H. Kranthammer Rua Goncalves Dias 78 (4º)	321
Joseph Goldschler Avenida Rio Branco, 111 s/505-A	643
B. Vicente Marques & Cia. Rua G. Dias, 67	340

206019

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 By JW NARA Date 7-8-99

RG 56
 ENTRY 352A (P1)
 Box 39

Montevideo, Uruguay

Dondero Cantarini & Cia
 Colonia 917

Rogus Albano
 Calle Sarandi 433

A. Jourdan & Cia
 Buenos Aires 588

Alter Jaime Rybak
 Plaza Independencia 738

Argentina

Alberto Molho
 Talcahuano Buenos Aires

Caracas, Venezuela

F. Tugues Hnos
 Samejo a Santa Teresa 45

Natolio Koledner
 Joyeria "EL SAFIRO"

Pending
 (Fine troy ounces)

400

340

311.0348

643.014

1607.538

1993.343

200

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Authority EO 10501
By JW NARA Date 7-8-99

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Box 39

SAO PAULO, BRAZIL

Consignees

Applications Pending
Final Treasury Orders

J. Pereira Vianna R. Barão de Faramapianha, 25/60, 9/8 6, 7 e 8	964
Importadora e Exportadora de Metais "Brasilmet" S/A Caixa Postal 2787	2.886
A. G. Bellizis S.A. Avenida, São João 53	481
Pastigliano & Cia., Ltda. Avenida Rangel Pestana, 12, 10, 8/197	321
Siogundo Gonal Rua Conselheiro Crispiniano 404	160
Leo Weiss Rua Conselheiro Crispiniano, 404 5º, andar.	160
Bruch & Kempenich Rua Libero Badaro 361, 2º, n/208-210	160
Metallurgica Dentaria São José, Ltda. Rua 15 de Novembro 193, 2º, n/23	992
Charles Gutman Importadora S/A Rua José Briccola 46	643
Jacob Isaac Chazan São Paulo	160

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Authority EO 10501
By JW NARA Date 7-8-99RG 56
Entry 352A (A1)
Box 39

TO:

Ahsam.
~~Mr. Frank Ahsam~~**Commercial Intelligence Unit
Bureau of Foreign and Domestic Commerce**

Appended is a list of certain firms to which the Mint Bureau has authorized the shipment of gold.

I would appreciate having an opportunity to examine such information as you may have concerning these concerns which might serve as a basis for denying licenses for future shipments.

My extension at the Treasury is 434.

**Administrative Officer
Bureau of the Mint**

May 9, 1946.

MR. FAILOR

206022

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By JW NARA Date 7-8-99

RG 56
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Box 39

Cairo, Egypt

Burma
7-17 Fouad IST

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Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

Rio de Janeiro, Brazil

Shale
no record

Wilson de Azevedo
Rua Ithanga 3

Paul Janiszowski
(also spelled Janiszewski)
Avenida Rio Branco, 120, 8/701

✓ Albert Schneider
Avenida Rio Branco 91

J. Santos & Marques, Ltda.
Rua Luis de Camoes 80

Gregorio de Azevedo
Rua Buenos Aires, 109

Levy, Frank & Cia. Ltda.
Av. Rio Branco 90-1 andar

Castano de Figueiredo Metalurgica
Dentaria Santa Apolonia
Rua 13 de Maio, 44

no record Samuel Levcovits
Rua Uruguaiana, 118-4 and e/404

Armando Jagie
Rua Uruguaiana, 54-3º andar

C. Batista & Cia.
Rua de Ouvidor 169-8 and e/806

Emmanuel Bloch & Cia.
Rua da Quitanda 54

no record Jacob Walkes & Cia.
Rua Visconde de Rio Branco 22

Hermínio Teixeira
Rua da Conceicao 116-A, 1º and.

no info M. Ribenboim *airgram 3/12/43*
Av. Rio Branco, 128-1 e/106

Aristodemo Bellia
Rua da Quitanda, 41 - sob.

no record Antonio Queiros & Cia.
Praça Tiradentes, 58

Teixeira & Cia. Ltda.
Rua 7 de Setembro, 174-1º

no record E. Sevi *Amesbury Hill - Amesbury*
Rua do Rosario 97-1 andar

J. Rodrigues dos Santos
Segundo, Rua da Quitanda, 59-3 & e/18

Nacional Ouro Ltda.

Jose Ferreira & Cia. Ltda.
Praça Tiradentes, 11-1 andar.

"Sajoral" Joias & Relogios
Rua do Rosario 133

Mr. E. Spiller, Jr.
Alfandega, 139/141

Napoleão Pereira dos Santos
Rua de Conceicao 41

Joias Rosario Ltda.
Rua do Rosario, 159-2 andar.

H. & G. Bloch Ltda.
Rua Rosario 169

Importadora Goldpar Ltda.
Av. Rio Branco, 120-11 andar, 3/1106

Mr. Carlos Gabriel
Caixa de Correio 3038

Antonio Mateos da Silva Neto
Rua Uruguaiana, 86-9 and., e/904

G. A. Baptista & Cia. Ltda.
Rua Buenos Aires 118

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By JW NARA Date 7-8-99

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Box 39

Rio de Janeiro, Brazil - continued

Jaguare, Ribeiro & Cruz Ltda.
Rua do Ouvidor 55-2 andar

Mayer S. Goldgrab
Rua Ouvidor 169 a/905

Jose Ferreira & Cia. Ltda.
Praça Tiradentes 11

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By JW NARA Date 7-8-99

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Sao Paulo, Brazil

Casa-Neustel-Joalheria S. A.
Rua Cap. Salenno, 46

Zapparoli Sarcina & Cia. Ltda.
Rua do Carmo 161

Alfonso Pepe
Rua Xavier de Toledo, 114, Sobre Lojas, Salas 103/104
and/or

Joaquim Arnaldo de Alfonso Pepe,
Rua Xavier de Toledo, Sao Paulo, #114

J. Pereira Vianna
R. Barao Paranapiacaba, 25/60 S/S 6,7 e 8.

Importadora e Exportadora de Metais "Brasimet" S. A.
Caixa Postal 2787

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By JW NARA Date 7-8-99

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Força Aérea B. P. do Sul, Brasil

Ianine Dreisik
Av. Octavio Rocha, 40-3º andar
Caixa Postal 823

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Paranápolis, Brazil

M. Ribenstein & Cia, Ltda.
Rua Sigismundo Gonçalves, Ed. Sul America
sala 41, Recife

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General, Yononaka

F. Eugene Hines
Camejo a Santa Teresa 45

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Montevideo, Uruguay

Bondaro Cantarini & Cia.
Colonia 917

Roque Albano
Calle Sarandi 433

Martinez Hermanos
Avenida Agraciada 1990

David Rosina
Calle 18 Julio, 841

Adolfo L. Strauch, S. C.
Calle Reconquista, 612.

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RIO DE JANEIRO

Consignees

Applications Pending
Fine Troy Ounces

Not good

Panabva S.A.
Importadora e Exportadora Panamericana
Brasileira
111 Avenida Rio Branco
Rio de Janeiro, Brazil

643

*Question
See Note*

Banco Mercantile de Sao Paulo
Avenida Rio Branco 79

965

No suff

Hervanio Teixeira
Rua da Conceicao, 116-A, 1 and.

2,305 *No suff*

*Question
see Note*

Teixeira & Cia. Ltda.
Rua 7 de Setembro, 174-1º and.

803

No suff

J. Rodrigues dos Santos
Segundo, Rua da Quitanda, 99-3 and e/18

161 *No suff*

*Not good
see Note*

Jose Ferreira & Cia. Ltda.
Praça Firadantes, 11-1 andar.

839

*See Note
NOT good*

Mr. R. Spiller, Jr.
Alfândega, 139/141

128

Joias Rosario Ltda. *no suff.*
Rua do Rosario, 159-2 andar.

161

Apoleno Pereira Dos Santos *no suff*
Rua da Conceicao 41

643

Souza, Gisele & Cia. Ltda. *no suff*
Rua do Rosario 147

983

Domingos Oliveira Companhia *no suff*
Rio de Janeiro

321

*See Note
question*

Importadora e Exportadora de Metais
"Brazimet" S.A.
Caixa Postal 2362

643

Castano de Figueiredo Metalurgica
Dentaria Santa Apolonia
Rua 13 de Maio, 44

no suff

1,630

Gregorio de Azevedo
Rua Buenos Aires 109

no suff

1,635

Res

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Company Name	Address	Notes	Value
<u>Rio de Janeiro</u>			-2-
✓ C. Satieta & Cia.	Rua Ouvidor, 169	no def	1,020
✓ Nacional Guro Ltda.	Rua Senhor Passos, 57	no def	1,685
Importadora Goldner Ltda.	Av. Rio Branco, 120-11 andar, s/1106	no def	500
Antonio Mateo da Silva Neto	Rua Uruguaians, 86-9 and., s/904	no def	96
Jaguare, Ribeiro & Cruz Ltda.	Rua do Ouvidor 55-2 andar.	no def	160
Mayer S. Galgrob	Rua Ouvidor 169 s/905	no def	321
Imobiliaria Comercial Vieira Sobrinho S/A	Rua Buenos Aires 44-30 And.	no def	321
Luiz Villar	Rua Goncalves Dias, 19	no def	321
✓ J. Santos & Marques Ltda.	Rua Luiz de Camoes, 80	no def	2,968
Sarcinio Carvalho	Rua Curucu 25	no def	482
OK See Note	<u>Pan Brasil Ltda.</u> Rua Itapira 49		160
Wilson de Azevedo	Rua Inhangá 3	no def	680
See Note	Albert Schneider Avenida Rio Branco 91	Commerce list him last O.K. now.	350
See Note	H. Brantthamer Rua Goncalves Dias 78 (10°)	Not good if he is person mentioned in note	321
See Note	Joseph Goldschler Avenida Rio Branco, 111 s/903-A	Not good - if person mentioned in note	645
See Note	E. Vicente Marques & Cia. Rua G. Dias, 67	no def address	340

Rio

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SAO PAULO, BRAZIL

Applications Pending
Fine Troy Ounces

Consignees

J. Pereira Vianna R. Barao de Paranyjacaba, 25/60. S/S 6. 7 e 8	964
Importadora e Exportadora de Metais "Brasimat" S/A Caixa Postal 2787	2,886
A. G. Bellizfa S.A. Avenida, Sao Jose 53	481
Fastiglione & Cia., Ltda. Avenida Rangel Postana, 12.10. S/197	321
Stegande Sanel Rua Conselheiro Crispiniano 404	160
Leo Weiss Rua Conselheiro Crispiniano, 404 5º andar.	160
Bruch & Kowpanich Rua Libero Badaro 561. 2º. S/203-210	160
Metallurgica Dentaria Sao Jose, Ltda. Rua 15 de Novembro 193. 2º. S/23	992
Charles Gutman Importadora S/A Rua Jose Ariccola 46	643
Jacob Isaac Green Sao Paulo	160

OK
See Note
question

See Note
question

OK

no inf.
no inf.
no inf.
no inf.

Sao Paulo

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Montevideo, Uruguay

Pending
(Fine troy ounces)

good
1944
Dondere Cantarini & Cia
Colonia 917

400

a
dam
1945
Rogas Albano
Calle Sarandi 433

340

good
1943
A. Jourdan & Cia
Buenos Aires 583

311.0348

no suff
Alter Jaime Rybak
Plaza Independencia 738

643.014

no suff

Argentina

no suff
Alberto Nolho
Talcabano Buenos Aires

See State Report

1607.538

no suff

Caracas, Venezuela

good
1940
F. Tugues Rinos
Samojo a Santa Teresa 45

1993.343

not good
Natalio Kolodner
Joyeria "EL SAFIRO"

200

El Safiro

Uruguay

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Authority EO 10501
By JW NASA Date 7-8-99

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MEMORANDUM FOR THE FILE

May 6, 1946

Re: Exportations of gold to Brazil

In discussing exportations of gold to Brazil recently with Mrs. Berchardt, who is on the Brazilian desk (State 2550), she advised that all gold exported there was cleared through the Bank of Brazil and that the State Department had received the utmost cooperation from the Bank.

JW

JCH:eph 5/6/46

206035

REPRODUCED AT THE NATIONAL ARCHIVE

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By JW NASA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 18, 1946

TO Mr. Joseph B. Friedman, Assistant to the General Counsel
FROM Acting Director of the Mint

The Provisional Regulations issued under the Gold Reserve Act of 1934 permits, as you know, the exportation of gold for industrial, professional and artistic uses. Recently, however, applications for licenses to export gold to South America have increased appreciably, which has caused concern in the Bureau as to whether the gold is actually being used for the purposes stated, namely, jewelry and dentistry, or is by any chance being diverted to other channels.

We realize, of course, that it is difficult to control the final disposition of gold, nor do we want to do that, other than to make certain that it is actually being used for professional or artistic purposes and not for the purpose of using or holding or disposing of such gold beyond the limits of the continental United States as, or in lieu of, money, or for the value of its gold content.

Prior to the issuance of a Treasury gold license, all consignees are checked against the Proclaimed List, the List of Specially Blocked Nationals, also Foreign Funds Flexoline List and, if there is any question about the particular company, in many instances a Secret Service investigation is made. Also, in some instances a request for an investigation is made to the Embassy if we have information concerning the consignee which merits it.

The following will show the exportations of gold made during the past few years:

1943	Approx. 2,600 fine troy ounces
1944	" 19,000 " " "
1945	" 97,500 " " "

The increase is particularly noticeable in the amount of gold which is being shipped to Brazil; out of a total of 97,500 ounces exported, 85,000 ounces were sent to that country, and at the present writing we have licenses to be issued for approximately 20,000 additional ounces.

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By JW NASA Date 7-8-99

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Mr. Joseph B. Friedman

-2-

The question arises as to whether the Department should continue to issue export licenses based upon the limited checks now being made, or whether, as a matter of policy and for the purpose of determining the bona fides of orders being placed with United States concerns by individuals or firms in South and Central America, a procedure should be developed whereby the Embassies concerned will be requested to furnish a report prior to the issuance of a United States license. Our representatives abroad are not only cognizant of conditions under which gold may be imported into a specific country, but also the Embassy files contain a wealth of first-hand information concerning individuals or firms who may be sufficiently suspect on the basis of past record, to warrant denial of licenses even though it may not be possible to determine whether their current applications for gold are for a legitimate use or are intended to serve as a means of acquiring gold for unscrupulous ends.

It is noted that Foreign Funds had established procedure whereby TIR (Treasury Investigation Requests) were forwarded to the various Embassies. Do you consider the present exportation rate to be of sufficient magnitude to warrant a similar arrangement to take care of gold shipments?

Your early reply will be appreciated.

Stuart Howard
Acting Director of the Mint

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By JW NARA Date 7-8-99

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Entry 352A (A1)
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September 7, 1944

Rio de Janeiro, Brazil, August 25, 1944.

No. 17539

Subject: Foreign Funds Control - Treasury Investigative Request Brazil No. 27 Concerning the Application of Mercantile Metal and Ore Corporation for a Gold Export License.

CONFIDENTIAL

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Department's instruction No. 6167 of July 22, 1944, enclosing Treasury Investigative Request Brazil No. 27, its telegram No. 2546 of August 18, 1944, 9 p.m., and the Embassy's telegram No. 3013 of August 22, 1944, all concerning a gold export license application made by Mercantile Metal and Ore Corporation, New York City for shipment to various consignees in Brazil. Investigation so far has disclosed no suspicious circumstances about either the consignees or their operations which would indicate that their gold purchases are for other than legitimate use in their businesses, except in the cases of Gregorio de Azevedo and Metalurgica Dentaria Santa Apolonia, and only to the extent mentioned below.

1. Gregorio de Azevedo, Rua Buenos Aires 109, Rio de Janeiro is a Brazilian, formerly a resident of the State of Espirito Santo, Brazil, where he was engaged in buying gold and precious stones. He later operated a similar business in Rio de Janeiro. In June 1943 he founded the firm "Oficina de Transformacao de Ouro para Industria Dentaria," Rua Buenos Aires 109, from which time he has been engaged under that name in making dental alloys and fabricating gold for sale to jewelers, employing for such purpose three full time workmen. The firm is licensed by the Fiscalizacao Bancaria (Brazilian Government agency which controls the purchase and sale of

cc: 9/9/44 For Information - Messrs. Gilbert, Ball, Hess, Lunn, Miss Scullen, Foreign Investigations Unit, NY Fed., Flexolins.
Action: McNeill.

No Action Required
Action Taken
Refer to Application No.
In Process
Name

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Authority EO 10501By JW NASA Date 7-8-99RG 56
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gold) to buy a monthly quota of 30 kilos of fine gold, which quota can be increased, that agency willing. Since the despatch of the Embassy's telegram under reference the manager of one of the concerns dealing in gold in Rio de Janeiro who was questioned by the Embassy with regard to Mr. Azevedo informed that on occasions Azevedo would resell at a higher than the market price, gold in bars to jewelers, who would need more than their quota permitted them to buy and who could get no increased quota. This informant appeared to think that such activity comprised the bulk of his business. Azevedo has from a modest beginning increased his business to a point where he is now one of the larger purchasers of gold in the Rio de Janeiro area and for this reason may not enjoy the favor of some others in the trade. As more fully explained hereinafter, unless Mr. Azevedo has the "cooperation" of some Brazilian authorities or is taking great risks, it is unlikely that much of his gold is disposed of illegally. It is the opinion of others consulted that Azevedo is a business man of good repute and that 1200 ounces (40 kilos) of gold would not be an exorbitant amount for him to purchase for legitimate use in his business. Azevedo states that he has only been able to get so far this month about eight kilos of gold and that the Fiscalizacao Bancaria will permit him to apply his unused quota for this month to that for September, which would allow him to buy about 52 kilos up to October first.

2. Metalurgica Dentaria Santa Apolonia, Rua 19 de Maio 444, Rio de Janeiro is engaged in the manufacture of dental alloys and fabricating gold for jewelers. The firm is owned by Gastao de Figueiredo, a Brazilian, who has been in that business for three years, having formerly been in the gold mining business. This firm has a license from the Fiscalizacao Bancaria to purchase monthly 25 kilos of fine gold, of which according to Mr. Figueiredo about 30 percent goes into dental alloys and the balance is fabricated for jewelers. He employs three workmen in his factory and sells mostly in Rio de Janeiro and Sao Paulo. The firm is not known unfavorably to the trade or otherwise so far as can be ascertained except that the same informant as in the case of Azevedo stated that the business of this firm was principally supplying gold extra-legally at a premium price to jewelers whose requirements are greater than their quotas and whose quotas the Fiscalizacao Bancaria has refused to increase. Some time ago also it was suspected, as were many other such firms, of selling platinum which it had been keeping for making dental alloys to the jewelry trade at the then phenomenally high price at which platinum was selling.

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By: JW NARA Date: 7-8-99

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3. *Orfina de Oliveira Marcel Levy Ltda.*, Rua Curitiba 123, Rio de Janeiro is a jewelry fabricator operating only in Rio de Janeiro and using about two kilos of gold monthly. It is the successor to a Frenchman who had been in the same business ever since 1937 and who died about two years ago. He left a widow who desired to continue the business and has done so with the help of two Frenchmen, George and Balduino Kloch, owners of R. & F. Bloch Ltda., who are her partners in the subject firm. This firm is also licensed by the *Fiscalismo Brasileiro* to purchase gold. Nothing unfavorable to this firm is known by the Embassy.

4. *P. O.* (correct initials) *Renealho & Cia.*, Ltda., Rua Vila de Omeas 80, Rio de Janeiro is a fabricator of dental alloys, and gold for jewelry, which firm has been so engaged for many years. The firm is presently licensed by the *Fiscalismo Brasileiro* to purchase 20 kilos of gold per month. Investigation by the Embassy has disclosed no unfavorable information concerning the firm.

The balances of the firms, *Ernoso & Cia.* (jewelry fabricators), *Pan Brasil Ltda.* (dental alloys), *R. & F. Bloch Ltda.* (jewelry fabricators), *Rennival Bloch & Cia.* (jewelry fabricators), and *Prusa* (correct spelling) *Neuman & Cia.* (jewelry fabricators), all have a legitimate use for gold and have licenses from the *Fiscalismo Brasileiro* to purchase it in varying quantities according to their need. Their quotas vary from 5 to 15 kilos per month. The Embassy has no unfavorable information concerning any of them.

There has been a considerable boom in the jewelry business in Rio de Janeiro and an increase of between 10 and 15 percent in production of dental alloys in the past year. At the same time there has been a decrease in the amount of domestic gold available to the trade because many marginal mines have ceased operations, being unable to pay the wages necessary to keep their workers from going into more lucrative fields (rubber production) and still compete with imported gold. This combination of circumstances would more likely explain increased imports of gold and increased purchases by those in the trade rather than diversions for other than legitimate uses.

The Brazilian Government prompts the gold produced in Brazil, permitting however a portion to be sold in the market to firms such as that of *Asvredo and*

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Metallurgica Dentaria Santa Apolonia and others, which firms are licensed to buy a certain monthly quota either of the domestically produced or imported gold or both. These firms are required by law to keep records showing the amount, price and seller's name of any gold they buy, and the amount, price and buyer's name of any gold they sell. A monthly statement is required by the Fiscalisacao Bancaria showing that information and periodically an examiner inspects the books and records of such firms. The way is, of course, still open with the connivance of officials, jewelers, or to some extent otherwise to divert gold from legal channels for sales to those whose quotas are insufficient for their needs and to those of wealth who would like a supply of gold as a protection against inflation or a decline in the cruzeiro. Diversions of that nature, however, would appear to be limited, since profit opportunities would not be great, such black market sales being, it is reported, at a price only about 12 to 15 percent higher than the legitimate market. There would also appear to be little opportunity for speculation or manipulation otherwise. In any event, if any firms are diverting gold in such a manner that fact alone would seem to be a denial that they were in some way using the gold for speculation in the Swiss Franc.

Respectfully yours,
For the Ambassador:

Harold S. Tswall,
First Secretary of Embassy

File No. 820 H

AJH:mcc

To Department in original
and hectograph.

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Authority EO 10501
By JW NARA Date 7-8-99

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ENTRY 352A (A1)
Box 39

25

September 6, 1944

Superintendent
United States Mint
Philadelphia 30, Pennsylvania

Dear Sir:

There have been forwarded to you, under separate cover,
200 copies of the August 19, 1944 Press Release and a form letter
of the same date, relative to "fabricated" gold.

Each licensee has already received his copies but you may
have occasion to furnish additional ones upon request.

Very truly yours,

(Signed) Leland Howard

Acting Director of the Mint

MLB
MLB:Ln

JW

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MEMORANDUM FOR THE FILES

July 28, 1944

On July 26, 1944, Mr. McNeill called Mr. Dempsey at the Department of Commerce to ascertain if they had any information about several Brazilian consignees named in applications for gold export licenses. The following information was obtained.

Monteiro, Aranha & Cia., Ltda.
Rio de Janeiro, Brazil

This Company conducts a large business and has numerous subsidiaries. There was no exact information about the nature of its business or about the business of its subsidiaries except that it was engaged in financial matters and in the importation and exportation of goods. The company has a clear record and is politically satisfactory. Mr. Dempsey said he did not believe that gold would be diverted to speculative purposes by that firm. He referred to the fact that the firm was closely related to Aranha, the former Minister of Brazil, who is a friend of the United States.

Importadora e Exportadora de Metais Brasimet S/A
Rio de Janeiro, Brazil

This Company is stated to be politically satisfactory and is primarily interested in the development of mining properties and also in the importation and exportation of precious metals. While it did not appear that this firm would use gold for dental purposes itself, it appears likely that in the normal course of their business they would import gold for sale to small manufacturers and to individual dentists.

Pan Brasil Ltd.
Rio de Janeiro, Brazil

No information in addition to that which appears on the World Trade Intelligence Report of June 19, 1944, was obtained about this firm.

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Krause & Cia.
Rio de Janeiro, Brazil

No information in addition to that which appears on the World Trade Intelligence Report of June 19, 1944, was obtained about this firm.

Casa Masetti S/A
Sao Paulo, Brazil

A report has been received in March, 1944, indicating that this firm is politically satisfactory and that it is engaged in the manufacture of jewelry and dental products.

Scares, Cioci & Cia., Ltd.
Rio de Janeiro, Brazil

Reports indicate that this concern is engaged in the manufacture of jewelry and dental products and is considered to be politically satisfactory.

CPM

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Authority EO 10501
By JW NARA Date 7-8-99

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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 15, 1944

TO Mr. McNeill
FROM Mr. Wilton

Conference Between Bureau of the Mint and F.E.A.
Re: Exportation of Gold, and Treasury and F.E.A.
Export Gold Licenses.

On July 14, at 2:30 p.m., in the Director's Office, a conference was held between representatives from the Bureau of the Mint and Foreign Economic Administration relative to the exportation of gold from the United States to foreign countries and relative to applicable Treasury and F.E.A. Gold Licenses.

The Bureau was represented by Dr. Howard, Mr. Charles McNeill, Legal Counsel, and Miss O'Hare and Mr. Wilton from the Gold Unit.

F.E.A. was represented by Mr. Charles C. Rieth and Messrs. John P. Carr and Walter Thompson.

The purpose of the meeting was obviously to determine the respective jurisdictions of the two Government Departments and to outline a procedure that would prevent over-lapping of functions in the granting of export gold licenses.

It was decided that all shipments of gold to the Argentine would be cleared through F.E.A., regardless of the amount of gold involved in any shipment.

It was decided that doubtful cases would be discussed with F.E.A., as we have been doing with World Trade Intelligence, for any information they may have which might help the Treasury Department in making its decision as to the advisability of issuing a license.

For the present it was decided that the Bureau of the Mint would continue to issue all licenses covered by the Provisional Regulations issued under the Gold Reserve Act of 1934, until such time as the Treasury Department reclassifies gold considered to be fabricated and gold considered to be not fabricated.

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At such time as the new list of fabricated golds is determined, F.E.A. will take over the export licensing of any additions to the list; and conversely the Bureau will no longer license these additions (which formerly had not been ruled to be "fabricated" gold) and will not require gold reports relative to these additions.

The Legal Counsel for the Treasury Department will, as promptly as possible, expedite the reclassification of fabricated and non-fabricated golds, in order that the Foreign Economic Administration may make a proper announcement to the trade, also to terminate present over-lapping of functions exercised by the two Government Departments.


S. M. Wilton

206046

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Authority EO 10501
By JW NARA Date 7-8-99

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MEMORANDUM

July 5, 1944

To: Mr. Howard

From: Miss O'Hare

It is noted from our export files that from February to June 17, 1944, approximately 9,600 fine troy ounces of gold have been exported by the Irvington Smelting & Refining Works to Importadora e Exportadora de Metais "Brasimet" S/A, Caixa Postal 2363, Rio de Janeiro, Brasil. Their applications stated that such shipments were to be used for the purposes of dentistry.

Do you think it advisable to ask World Trade Intelligence to give us a report on this company?

JOH:epf 7.5.44

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Authority EO 10501

By JW NARA Date 7-8-99

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INFORMATION DERIVED FROM THE FILES AT WORLD TRADE INTELLIGENCE
ON JUNE 19, 1944

Subject: Krause & Cia
Rio de Janeiro, Brazil

W. T. I. rating NR dated 6-13-42

This rating was given on the basis of Despatch No. 7305 dated 5-13-42 which indicates that the subject was the consignee of two packages containing 64.455 troy ounces of platinum rings valued at \$3,809.50, shipped by Philipp Brothers Inc.

Embassy in Despatch No. 7229 of May 5, requested Department to inform it if shipments of this nature are in order. Despatch further states that Embassy has received no information of a derogatory nature regarding Krause & Cia.

Enclosure to F. S. D. No. 8623 dated October 1, 1942 from the American Embassy in Rio de Janeiro, states that Krause & Cia. are a local branch of the Rio de Janeiro firm of naturalized Brazilian German-Jewish jewelers.

Pan Brazil Ltda.
Rua Itapiru 49
Rio de Janeiro, Brazil.

W. T. I. rating NR dated 4-5-44

Airgram No. A-507 dated 3-27-44, states that there is no connection between Pan Brazil Ltda., Rio de Janeiro and Pan Brazil Commercial e Representante Ltda. (PL) Sao Paulo. The Rio firm is registered in January 1938 with a declared capital of Cr \$180,000.00 contributed by Francisco H. Nabuco, Joao Alencar Muniz and Jose Alexandre Pereira. Nabuco and Muniz are Brazilians, Pereira is a Portuguese national and is in charge of the Rio office. The concern imports and manufactures various metal dental products and no unfavorable political information is known by the Embassy regarding its components.

Bloch Ltda., R. & C.
Rua do Rosario 169
Rio de Janeiro, Brazil

W. T. I. rating OK dated 10-12-42

F. S. telegram No. 3098 of 8-18-42 states that subject is

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definitely known to be a satisfactory consignee for 349 electric clocks valued at \$792.72 and future inquiries concerning this firm (or individual) are not necessary.

Block & Cia., Emmanuel (no address given)

Brazil.

W. T. I. rating OK dated 3-3-43.

Telegram No. 949 dated 2-24-43 indicates that Emmanuel Block is considered a satisfactory consignee.

Emmanuel Bloch & Freres

Rua de Quitanda 54.

Rio de Janeiro, Brazil

W. T. I. rating OK dated 1-23-42

Importer of Jewelry, objects of art, watches, clocks, porcelain, novelties, silverware etc.

Manufacturer of Platinum and gold jewelry.

Authorized capital - 500,000\$000 - 1\$000 equal 5 cents

Working capital - 15,000,000\$000

Very large concern

Good reputation

Bank reports: "This is a first class firm good for its credit requirements." (World Trade Directory Report dated February 23, 1940).

W. T. I. rating OK dated 8-25-42

Intercept SJ FIN 888 of 6-5-43 indicates that an intermediary, Salvador Goncalves, Ltda., Oporto, Portugal, forwarded a letter addressed to the subject by Schwob Freres & Cia., S. A., Switzerland, stating that following instructions, they had been in touch with the beneficiary of 100,000 French francs and effected payment accordingly. Schwob Freres would debit Bloch's account with the equivalent amount in Swiss francs as soon as the remittance was acknowledged to them by the party concerned.

On the basis of this intercept a Treasury Investigative Request Brazil No. 19 was forwarded to the Mission in Brazil, requesting an investigation of the activities of the subject firm with particular reference to whether the beneficiary of the remittance of French francs is actually located in France and the

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Authority EO 10501
By JW NARA Date 7-8-99

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Box 39

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reasons for this remittance. A recommendation by the Embassy as to the desirability of designating the subject company a Special Blocked National was also requested. No answer has as yet been received by World Trade Intelligence.

Mr. Spencer of the Brazilian Unit at World Trade Intelligence informed this office that there is nothing to indicate whether or not Bloch & Cie., Emmanuel and Emmanuel Bloch & Frere are one and the same company.

Eruse Neumann & Cie.

W. T. I. rating OK dated 11-13-42

F. S. Telegram No. A-306 dated 9-17-42 from the Embassy at Rio de Janeiro, states that the subject is definitely a satisfactory consignee for 59 doz. gold plate watch bracelets valued at \$471.90, 24 doz. solid gold neck chains valued at \$945.84 and that future enquiries concerning this firm (or individual) are not necessary.

Gregorio de Azevedo

No information

Metalurgia Dentario Santa Apollonia

No information

Foreign Investigations Unit
GKDenham:mj:6/21/44

206050

DECLASSIFIED

Authority EO 10501By JW NARA Date 7-8-99RG 56
Entry 352A (A1)

Box 39

June 20, 1944

: Mr. McNeill

: S. S. Gilbert

Reference is made to your memorandum of May 30, 1944, requesting information from World Trade Intelligence concerning certain firms who are prospective consignees of Mercantile Metal and Oil Corporation of New York City which has applied for a federal license to engage in the business of exporting gold.

Enclosed is the available information in the files of World Trade Intelligence concerning the prospective consignees. There is no available information concerning Gregorio de Azevedo and Metalurgica Dentaria Santo Appolonia.

SAMUEL S. GILBERT

206051

DECLASSIFIED
 Authority EO 10501
 By JW NASA Date 7-8-99

RG 56
 ENTRY 352 A (A1)
 Box 39

ARGENTINA SHIPMENTS
1942 - 43 - 44 (cont)

<u>Company</u>	<u>Date of Application</u>	<u>Amount & Form</u>	<u>Consignee</u>	<u>Purpose</u>	<u>Remarks</u>
Baker & Co. Inc.	11/16/42	.029 fine troy oss. Dental goods	Dr. F. Olavaga, Buenos Aires	Further dental mfg.	
	2/6/43	.061 fine troy oss. Dental goods	Hegon, Ltda. Buenos Aires	"	
	7/28/43	.05 fine troy oss. Dental goods	"	"	
	9/4/43	.026 fine troy oss. Dental goods	"	"	
E.I. DuPont de Nemours	6/15/44	22.56 fine troy oss. Liquid bright gold	Industrias Quimicas Argentina "Dapetal" S/A. Buenos Aires	China and glass- ware decoration	
Hanoveria Chemical & Mfg. Company	8/14/42	32.154 fine troy oss. Liquid gold	Metalum Soc. de Resp. Ltda., Buenos Aires	"	
	8/22/42	100 fine troy oss. Liquid paste & dry gold	Cristalerias Rigollon S/A. Buenos Aires	"	
	9/15/43	150 fine troy oss. Liquid gold	Metalum Soc. de Resp. Ltda., Buenos Aires	"	
	1/26/43	37.198 fine troy oss. Liquid gold	"	"	
		41.8 fine troy oss. Liquid gold	"	"	

DECLASSIFIED
Authority EO 10501
By JW NARA Date 7-8-99

RG 56
Entry 352A (A1)
Box 39

ARGENTINA SHIPMENTS (Cont.)

<u>Company</u>	<u>Date of Application</u>	<u>Amount & Form</u>	<u>Consignee</u>	<u>Purpose</u>	<u>Remarks</u>
Hemovia Chemical & Mfg. Company	4/26/43	70.71 fine troy ozs. Liquid gold	Metalum Soc. de Resp. Ltda. Buenos Aires	China & glassware decoration	
	9/10/43	45.175 fine troy ozs. Liquid gold (Liquid Paste)	Cristalerias Rigollean S/A	"	
	3/2/44	39.894 fine troy ozs. Liquid gold	"	"	
	5/6/44	58.33 fine troy ozs. Liquid gold	"	"	

opt 7/11/44

DECLASSIFIED
Authority EO 10501
By JW NASA Date 7-8-99

RG 56
ENTRY 352A (A1)
Box 39

May 30, 1944.

Mr. Gilbert

Mr. McNeill

As I advised you yesterday, Mercantile Metal & Ore Corp. of New York City has applied for a Federal gold license so that they may engage in the business of exporting gold. There appears to be some possibility that this firm may be participating in a scheme to export gold to South America for purposes of speculation in foreign exchange. Accordingly, we have obtained a list of prospective consignees from that corporation as follows:

Krauss & Cia.,	Ouvidor 152,	Rio de Janeiro
Pan Brazil Ltda.,	Rua Itapira 49,	" " "
R. & G. Bloch Ltda.,	Rua Rosario 159,	" " "
Emanuel Bloch & Cia.,	Rua de Quitando 54,	" " "
Frusse Neumann & Cia.,	Rosario 133,	" " "
Gregorio de Azevedo,	Rua Buenos Aires 109,	" " "
Metalurgia Dentario Santa Appolonia,	Rua 13 de Maio 44,	" " "

It would be appreciated if you would obtain complete reports on these companies from World Trade Intelligence for the purpose of determining whether they might use gold for speculation in foreign exchange or act as cloaks or intermediaries for persons who would use gold for such purposes. Naturally, it would be helpful in determining if an application to export gold to one of these consignees is for a legitimate purpose if the reports would indicate the amount of gold required by these companies for their normal industrial, professional, or artistic purposes.

ORMcNeill:tmh 5-30-44

DECLASSIFIED
Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6813

227

DOCUMENT FILE
NOTE

SEE 120.7/736a FOR letter

~~From~~ General Accounting Office (.....) DATED Apr. 29, 1938
TO NAME 1-1127 o.p.

Monetary system.

REGARDING:

Decision with reference to the exchange situation due to the steps taken toward the absorption into the German Reich of the former Republic of Austria will be necessary in view of the official reports now received from Vienna concerning -.

✓
viii

862.515/227

862.515

DECLASSIFIED
Authority SL HFR
By SR NARA Date 8-5-99
RG 59
Entry 198A
Box 6813

DOCUMENT FILE

NOTE

SEE 862.515/93 FOR Despatch #118

FROM Germany (Gilbert) DATED April, 30, 1938
TO NAME 1-1127

REGARDING: Introduction of Reichsmark currency into Austria. Translation of decree of April 23, 1938 relative to -. Provisions of decree.

fp

862.515 / 228

206056

in the form at present applied in the rest of the Reich territory. Section

FP 5

DECLASSIFIED
Authority S.L. H-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6813

DOCUMENT FILE

NOTE

SEE 120.7/773 FOR #

FROM For. Ser. Inspector (Erhardt) DATED July 12, 1938

TO _____ NAME _____ 1-1127 GPO

REGARDING:

Position of the schilling with respect to the reichsmark in Vienna, at the present time, the schilling as a currency of circulation in the former State of Austria, having disappeared. Basic rate prescribed for Germany recommended for computation of exchange losses by members of American Consulate General in Vienna.

emc

862.515 / 229 GDD

862.515 / 229

DECLASSIFIED
Authority SL 1-11-72
By SR NARA Date 8-5-99
RG 59
Entry 198A
Box 6813

230

DOCUMENT FILE
NOTE

SEE 862.51/4644 FOR Tel. 69- 9am

FROM Switzerland (Harrison) DATED Sept. 2, 1938
TO NAME 1-1127 ***

REGARDING: Currency- Germany. Note circulation is now about nine billion having increased nearly two billion over year, one-half billion being accounted for by Austria.

fp

862,515 / 230

DECLASSIFIED
Authority SL 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6813

TELEGRAM RECEIVED

In reply refer to
EA 862.515/232

December 25 1938.

My dear Mr. Johnson:

In response to your oral request of a few days ago for information relating to all laws and decrees affecting the value and the utilization of the Austrian Schilling, the American Embassy at Berlin was requested to report by telegraph all such laws and regulations as have come into force since March 13, 1938.

There is now enclosed a copy of the Embassy's telegram, dated December 20, 10 a.m., in response to this request.

I presume that not all of the items in this list will prove pertinent to the problem before your Office for determination. If you will indicate the items in the list of which you desire the full text, this Department will be glad to endeavor to secure such texts either from its files or from the Embassy at Berlin.

Sincerely yours,

A true copy of the signed original

Frederick Livesey,
Acting Adviser on
International Economic Affairs.

Enclosure:
From Berlin,
No. 740, December 20,
1938.

Mr. W. R. Johnson,
Chief Counsel, Bureau of Customs,
Treasury Department,
Washington, D. C.

CR
DEC 23 1938

EA:LS:DJW

12-22

EO
A. J. G.

862.515/232
GDG

DECLASSIFIED
Authority S.L. 1-11-72
By SR NARA Date 8-5-97

RG 59
Entry 192A
Box 6813

DIVISION OF
EUROPEAN AFFAIRS
DEC 22 1938
TELEGRAM RECEIVED
DEPARTMENT OF STATE

December 26 1938

REB

Copy to Treasury

GRAY

*12-22
File*

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
LS DEC 22 1938
DEPARTMENT OF STATE

Berlin (Part Air)
Dated December 20, 1938
Rec'd 4:09 p. m. 21st

Secretary of State,
Washington.

740, December 20, 10 a. m.

1231a

Department's 237, December 15, 8 p. m.

The following is believed to be a complete list of all published material. All dates refer to 1938.

One. The following were published in the REICHGESETZ-BLATT part one to which the numbers refer.

Decree of March 17 respecting the introduction of Reichsmark currency in Austria, 27.

Decree of March 17 respecting the taking over of the Austrian National Bank by the Reichsbank, 27.

Decree of March 19 for the establishment of a Vienna foreign exchange office, 30.

Eleventh executory Decree of March 30 to the law respecting foreign exchange control, 45.

Decree of April 4 to the law respecting tourist traffic with Austria, 49.

Decree of April 23 for the execution of the decree governing the introduction of Reichsmark currency into Austria

862,515

862.515/232

RECEIVED
DEC 20 1938
FP

DECLASSIFIED

Authority SL H-72
By SR NARA Date 8-5-99

RG 59
Entry 192A
Box 6813

REB

2-#740, From Berlin, Dec. 20, 10a.m.

Austria and of the decree for the taking over of the Austrian National Bank by the Reichsbank, 60.

DECREE of April 23 respecting the introduction of the law for the establishment of a German clearing office in Austria, 62.

DECREE of April 29 governing the introduction of regulations based on Reich laws respecting international capital traffic in Austria, 66.

DECREE of May 25 respecting withdrawal from circulation of Federal gold and silver coins, 85.

DECREE of July 16 respecting the surrender of domestic and foreign gold coins withdrawn from circulation, 113.

Announcement of December 12 respecting the foreign exchange control law, 211.

Two. The following were published in REICHGESETZBLATT part two to which the numbers refer.

DECREE of May 18 respecting the German-Greek clearing agreement of April 14 (21).

DECREE of June 15 respecting the German-Italian payment agreement of May 28 (23).

DECREE of August 25 respecting the German-Polish economic agreements of July 1 (36).

Three.

206061

DECLASSIFIED

Authority S.L. 1-11-72By SR NARA Date 8-5-99

RG

Entry 59
1984Box 6813

REB

3-#740, From Berlin, Dec. 20, 10a.m.

Three. The following were published as circular orders in the DEUTSCHE DEWISENERLASSE.

22 of March 30 Austria tourist and border trafficking.

25 of April 7 Austria tourist traffic.

27 of April 13 Austria tourist traffic.

41 of May 19 Hungary extension of clearing agreement to Austria.

47 of May 28 Austria removal of foreign exchange restrictions with Germany.

48 of May 28 extension of German-Czech clearing to Austria.

49 of May 30 extension of German-Greek clearing to Austria.

50 of May 30 extension of German-Yugoslavs clearing to Austria.

53 of May 31 extension of German-Italian clearing to Austria.

56 of June 3 extension of German-Bulgarian clearing to Austria.

49 of June 9 extension of German Dutch clearing to Austria.

60 of June 9 extension of German Swedish clearing to Austria.

61 of

206062

DECLASSIFIED

Authority S.L. 1-11-72By SR NARA Date 8-5-99

RG

Entry 59
1984Box 6813

REB

4-#740, From Berlin, Dec. 20, 10a.m.

61 of June 10 extension of German Norwegian clearing to Austria.

69 of June 18 import prohibition on Austrian currency.

72 of June 25 extension of German Belgian payment agreement to Austria.

73 of June 27 extension of German Rumanian clearing to Austria.

76 of June 30 extension of German Lithuanian clearing to Austria.

79 of July 7 extension German Swiss clearing to Austria.

80 of July 7 extension German Uruguayan clearing to Austria.

84 of July 8 German Swiss capital transfer regulations.

86 of July 8 extension German Chilean clearing to Austria.

91 of July 16 extension German Finnish clearing to Austria.

92 of July 19 extension German Colombian clearing to Austria.

93 of July 22 extension German Brazilian clearing to Austria.

96 extension German Polish clearing to Austria.

98 of

206063

DECLASSIFIED

Authority S.L. 1-11-72
By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6813

REB

5-#740, From Berlin, Dec. 20, 10a.m.

98 of August 4 extension German Turkish clearing to Austria.

139 of November 14 extension German Esthonian clearing to Austria.

142 of November 17 extension German Latvian extension to Austria.

Four. The following were published in the DEUTSCHER REICHSANZEIGER UND PREUSSISCHER STAATS ANZEIGER to which the numbers refer.

Announcement of April 30 by the Reichsbank respecting exchange of shares of the Austrian National Bank (99).

Compensatory offer of October 24 for holders of Austrian debentures (249).

Five. The following were published in the GESETZBLAT FUER DAS LAND OESTERREICH to which the numbers refer.

Foreign exchange law of March 23 (7).

Foreign exchange law of June 1 (54).

GILBERT

HPD

206064

DECLASSIFIED

Authority S.L. 1-11-72

By SZ NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Collect
Charge Department

Charge to
This cable was sent in confidential code
It should be carefully paraphrased before
being communicated to anyone. C

Department of State

Washington,

1938 JUN 17 AM 11 01

June 17, 1938. 11am

AMEMBASSY

DIVISION OF
COMMUNICATIONS
WASHINGTON

PARIS (FRANCE)

Confidential

377

Can Cochran secure an estimate in total and by individual countries of blocked balances in Germany under clearing arrangements and otherwise? Department understands that Bank for International Settlements has considerable detailed material.

Hull
(H.F.)

EA: HF: LWW

Enciphered by

Sent by operator M., 19.....

862.5151/1836A

CONFIDENTIAL FILE

GMI

208065

DECLASSIFIED

Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

12711

No. 1112

VOLUNTARY REPORT

There is enclosed herewith a copy of the original report of the American Consulate General in Berlin, Germany, dated June 9, 1938, and a copy of the original report of the American Consulate General in Berlin, Germany, dated June 13, 1938, also enclosed with each of the copies of this report.

Assistant Secretary
of State
JUL 9 - 1938
MR. SAYRE

Handwritten notes:
to Cons
to F.R.B.
to Treas
to Tariff
E.S.V.
A.S.

862,515

RECEIVED
OFFICE OF THE SECRETARY OF STATE
JUN 22 9 23 AM '38

COMMUNICATIONS
SECTION

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
JUL - 6 - 1938
DEPARTMENT OF STATE

Handwritten initials: J.P.

Handwritten initials: A.P.

REMOVAL OF FOREIGN EXCHANGE BARRIER
BETWEEN GERMANY AND AUSTRIA

From Consul General, Berlin, Germany

Handwritten signature: Ware Adams

Ware Adams

Consulate General,
Berlin, Germany.

Date of Completion: June 9, 1938

Date of Mailing: June 13, 1938

JUL 20 1938

FILED

RECORDING DESK
C.B.M.
JUN 23 1938
ASSISTANT SECRETARY OF STATE

Approved: *Handwritten signature*
Raymond H. Geist
American Consul

SPECIAL ASSISTANT TO THE SECRETARY OF STATE
1938
MR. PASVOLSKY

862,515/1892

GE

206066

DECLASSIFIED

Authority S.L. 1-11-72
By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6816

- 1/ There is enclosed herewith a translation of a German foreign exchange control order removing the foreign exchange barrier between Germany and Austria.
- 2/ A printed copy of the original text of the order is also enclosed with each of the first six copies of this report.

The principal effect of the order is to release residents of Germany from the restrictions of the German exchange control law with respect to Austria, and to classify residents of Austria as residents of Germany for the purposes of that law. It thus makes it possible to transfer money and property unhindered between the two areas. At the same time it leaves unaffected the restrictions on the extension of business activity to Austria that have been placed upon German firms by separate legislation.

While abolishing restrictions on payments, the order still provides for the control of certain classes of imports from Austria into Germany (agricultural products, animal products, foodstuffs, oils and fats), while releasing all other imports from this control.

Enclosures:

1. Translation of German exchange control order No. 47/38 of May 28, 1938.
2. Copy of original text of same (with first six copies of this report).

To the Department in sextuplicate.
Copy for the Embassy.

851.51
WA/g

SOURCE OF INFORMATION

Eildienst fuer amtliche und private Handelsnachrichten
G.m.b.H., Berlin.

206067

DECLASSIFIED
Authority SL 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

TELEGRAM RECEIVED

REB

This telegram must be closely paraphrased before being communicated to anyone. (BR)

Dated June 28, 1938

REC'd 3:53 p. m.

Secretary of State,
Washington.

*6 Para. Treas
6-29-38
H. L. W.*

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
JUN 29 1938
DEPARTMENT OF STATE

333, June 28, 6 p.m.

Number 3. FOR TREASURY FROM HEATH.

Last April Blessing of the Reichsbank approached Mann, local representative of Brown Harriman, to sound out the Foreign Bondholders Protective Council in regard to a general settlement of the German dollar bond problem. J. Reuben Clark, chairman of the Council has just concluded a two days series of conferences with Schacht, Blessing and Von Wedell of the Reichsbank and Brinkman of the Economics Ministry which is the Ministry having the power to effect such a settlement.

When here in August 1937 Clark made the statement that the American bondholders would resent any offer less than 70 to 80% of the contractual service. In the recent discussions however, Clark tells me that he suggested that the Germans resume cash payment of interest on all national and local dollar bonds including

862.5151

862.5151/1894

JUN 30 1938

FILED

CONFIDENTIAL FILE

GML

DECLASSIFIED
Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

REB

2-#333, From Berlin, June 28, 6p.m.

including possibly corporate bonds beginning with an initial payment of 2% interest which would be built up over a series of coupons to a "reasonable percentage" suggesting that after three or four years German credit might be sufficiently enhanced to put through a conversion operation. He asserted that apart from the Dawes and Young bonds the other German long term obligations now in the hands of Americans did not total over three ^{hundred} million dollars. Brinkman is understood to have informed Clark that he approved of the plan and that he would try to send a commission to the United States to negotiate with the Council along these lines. He stated however that it would be necessary to find the foreign exchange to meet this outlay and clearly indicated that such an increase in availabilities would have to come through a trade agreement in the United States although he said he thoroughly realized that the United States did not include debt discussions in its trade agreement negotiations.

WILSON

CSB

206069

DECLASSIFIED

Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

14297

VOLUNTARY REPORT

No. 1126.

DIVISION OF EUROPEAN AFFAIRS
JUL 27 1938
DEPARTMENT OF STATE

Cont
Treas
FRB

9 JUL 21 1938

ADVISER ON POLITICAL RELATIONS
JUL 28 1938
DEPARTMENT OF STATE

OFFICE OF THE ADVISER ON INTERNATIONAL ECONOMIC AFFAIRS
JUL 26 1938
DEPARTMENT OF STATE

AM 10 23

JUL 20

DEPARTMENT OF STATE

A-M/C

JUL 20 1938

RECORDING DESK
ASSISTANT SECRETARY OF STATE

COMMUNICATIONS AND RECORDS

IMPORT EMBARGO FOR AUSTRIAN BANK NOTES AND COINS

From Consul: *A. Dana Hodgdon*
A. Dana Hodgdon

Consulate General,
Berlin, Germany

Date of Completion: July 8, 1938

Date of Mailing: July 11, 1938

Approved:

Enclosures:

Copy of exchange control order; Translation thereof.

Raymond H. Geist
Raymond H. Geist
American Consul

To Department of State
Copy to Embassy.

RECEIVED
AEP/CH

BOARDS OF DISCIPLINE

As stated in the text of the report.

206070

662.6151/1905

GDS

FILED

JUL 28 1938

87-5751

DECLASSIFIED

Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

No. 1141

16790

VOLUNTARY REPORT

As a matter of record these are submitted to the
a translation and a copy of Foreign Exchange Control
Order No. 97/38 D.I. DIVISION OF EUROPEAN AFFAIRS
Reich Ministry of Economics and Finance, Berlin, Germany,
by which foreign exchange permits are issued permitting pay-
ments to be made to Austria and in future to be
issued to competent import control offices, so as
to be consistent with the exchange control
office in Vienna.

*Com
Treas
FRB
AUG 26 1938*

DIVISION OF EUROPEAN AFFAIRS
AUG 29 1938
DEPARTMENT OF STATE

RECEIVED
DEPARTMENT OF STATE

AUG 24 PM 2 42

DIVISION OF COMMUNICATIONS AND RECORDS

OFFICE OF THE ADVISER ON INTERNATIONAL ECONOMIC AFFAIRS
SEP 15 1938
DEPARTMENT OF STATE

962.5151

862.5151 / 1926

This administrative measure is chiefly
in that it indicates that a stage has not been reached
in the evaluation of the German and Austrian economic
system where imports into Austria may be treated essen-
tially as FURTHER STEP IN EXTENSION OF GERMAN
FOREIGN EXCHANGE CONTROL METHODS TO AUSTRIA

in its reference to the confidential general
Order No. 95/38 which provides for the issue of foreign
exchange permits to Austria.

From Consul: *A. Dana Hodgdon*
A. Dana Hodgdon

Assistant Secretary of State
SEP 16 1938
MR. SAYRE

vested in the Austrian exchange control system
back in view of the many trade agreements
Consulate General,
Austria and foreign countries which required special
Berlin, Germany.

consideration by a central competent authority on the
spot, although in practice the various offices of control
consulted the various competent offices in their
Date of Completion: August 10, 1938
Date of Mailing: August 15, 1938.

case. Meanwhile the commercial and clearing agreements
of Austria and Germany with respect to foreign exchange
have been entered into an agreement, so that it is
now possible to issue these certificates

Approved: *Raymond H. Geist*
Raymond H. Geist
American Consul

enter in the various import control offices, where
functions

DEPARTMENT OF STATE
A. ALBUQUERQUE
AUG 23 1938
ASSISTANT SECRETARY OF STATE

SEP 22 1938
RHP

DECLASSIFIED

Authority S.L. 1-11-72
By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6816

- 2 -

1/ 2/

As a matter of record there are submitted herewith a translation and a copy of Foreign Exchange Circular Order No. 97/38 D.St. -- 44/38 Ue.St. issued by the Reich Ministry of Economic Affairs on July 30, 1938, by which foreign exchange certificates permitting payments for imports into Austria are in future to be issued by the competent import control offices, as in the Old Reich, instead of by the foreign exchange control office in Vienna.

This administrative measure is of interest chiefly in that it indicates that a stage has now been reached in the amalgamation of the German and Austrian economic systems where imports into Austria may be treated essentially in the same way as imports into other parts of Germany. Hitherto, as the present Circular Order reveals in its reference to the confidential General Order No. 95/38, authority to grant or refuse foreign exchange permits for payment for imports into Austria was vested in the foreign exchange control office in Vienna in view of the many trade arrangements between Austria and foreign countries which required special consideration by a central competent authority on the spot, although in practice the latter office of course consulted the various import control offices in each case. Meanwhile the commercial and clearing agreements of Austria and Germany with almost every foreign country have been combined into one agreement, so that it is now possible to give the power to issue these certificates in Austria to the import control offices, whose functions

206073

DECLASSIFIED

Authority S.L. 1-11-72

By SZ NARA Date 8-5-99

RG

Entry 59
198A

Box 6816

TELEGRAM RECEIVED

MJD

Berlin

A portion of this telegram must be closely paraphrased before being communicated to anyone. (C)

Dated October 12, 1938.

Rec'd. 3 p. m.

Secretary of State,
Washington.

Handwritten: 10-13-38
Hand
10-13-38
H/lu

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
OCT 13 1938
DEPARTMENT OF STATE

543, October 12, 5 p. m.

(GRAY) No. 22. FOR TREASURY FROM HEATH.

While the Sudeten inhabitants now have the privilege of converting their crowns into marks at the rate of one crown equals reichmarks 0.12 (see my No. 20) the official rate for transfers between Germany and Czechoslovakia remains constant around one crown equals reichmarks 0.086.

Today's financial press points out that the over-valuation of "Sudeten crowns" for conversion purposes by 39.5% over the official crown-mark rate almost exactly corresponds to the 40% difference in the wholesale price indices of Czechoslovakia in Germany measured in gold (on the basis 1928 equal 100 the German wholesale index is 77 and the Czech 55).

It is somewhat amusing to note that despite the difference in wholesale indices the German official index shows living costs to be only 21% higher measured in gold than the Czech index. (82 as compared with 68.)

The usually well informed FRANKFURTER ZEITUNG indicates that

862.5151/1953

FILED

GMB
Confidential File

OCT 14 1938

DECLASSIFIED

Authority S.L. 1-11-72
By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6816

-4- 564, October 20, 9 p.m., from Berlin.

reichsmarks. In the last two months, however, there has been a still larger outflow of gold so that for the first nine months exports of gold exceeded imports by 1945 million reichsmarks. In September alone there was a net export of 91 million reichsmarks of gold. These statistics apply only to shipments from Germany proper.

I saw Brinkmann and Bergemann of the Economics Ministry today. The latter said that no progress had been made in the German-Czech negotiations for a new tariff and payment arrangements during the last ten days. Various small quotas had been discussed but he asserted that it could not yet be predicted what would be the ultimate tariff and payment arrangements between the two countries. (END GRAY)

WILSON

KLP

206076

DECLASSIFIED

Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6816

GA

TELEGRAM RECEIVED

RAW

A portion of this telegram must be closely paraphrased before being communicated to anyone. (B)

Berlin (part air)

Dated October 20, 1938

Rec'd 9:30 a.m., 21st.

Secretary of State,

Washington

564, October 20, 9 p.m.

(GRAY) 25. FOR TREASURY FROM HEATH.

Files
Partial Card. Files
10-21-38
H/How

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
OCT 21 1938
DEPARTMENT OF STATE

Under such headlines as "progressive reduction of Reichsbank credits" the German controlled press is hailing as an achievement the considerable reduction in credits and currency circulation shown in the mid October statement of the Reichsbank.

Roughly 1,217 million reichsmarks or 73% of the huge September increase of Reichsbank credits have been repaid during the first half of the month. This is about the normal percentage rate of repayment however. At mid October 1937 71.4% of fresh credits of the previous month were repaid. Reichsbank bill holdings on October 15 were 6,986 million reichsmarks a decrease of 350,000,000 reichsmarks from October 8. In mid October 1937 bill holdings were 5,000 million reichsmarks.

Total currency in circulation decreased by 888 million reichsmarks to the figure of 9,266 million reichsmarks on October 15 which is still 331 million reichsmarks over the circulation at the end of August and 558 million reichsmarks

over

862.5151 Y 1957

OCT 24 1938

FILED

FP

DECLASSIFIED

Authority S.L. 1-11-72By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6816

-3- 564, October 20, 9 p.m., from Berlin.

The continued passive trade balance and decrease in exports are causing worry however as is evidenced (1) by Funk's recent letter to the Reich Economic Chamber in which he exhorted German manufacturers to fresh efforts for export trade and (2) the attempts of the German Government to persuade England to begin the negotiations for mutual tariff concessions called for by a clause in the Anglo-German agreement of last June (END GRAY). According to British sources here the British Government is, at present disinclined to enter into such negotiations pending further clarification of the political atmosphere. The same sources state that the British Government is perfectly aware that the relatively favorable trade and payment arrangements which it had granted Germany had allowed the Reich to purchase on the London market raw materials not of English origin which were used in German military preparation and rearmament. Had the trade agreement been a clearing agreement of the type of the Swiss arrangement Germany would have been unable to make these purchases except through the use of its free exchange and gold reserves.

(GRAY) In previous telegrams it has been noted that Germany's import surplus for the first seven months of this year was accompanied by net gold imports of 94.5 million reichsmarks.

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Authority SL 1-11-72By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6816

MJD -2- No. 543, October 12, 5 p. m. from Berlin

that consideration was given to assigning an even higher conversion value for "Sudeten crowns". It is pointed out that the German average industrial hourly wage is reichmarks 0.78 whereas the average hourly wage in thirty-two Czech industries in 1936 was reichmarks 0.37. On this basis it is stated that a conversion rate of the mark for the crown of 16 pfennigs was indicated.

(END GRAY) As regards the rumored Czech-German customs and currency union (see my No. 19) the Czech Legation insists that Czechoslovakia has made no such offer nor has it received such a request from Germany. It would seem that if serious consideration is being given to such a move by the Czechs they would delay it as long as there was any possibility of getting the proposed loan from England. A member of the British delegation to the conference here remarked that he assumed that Peroutka of the Czech National Bank who is in London presumably negotiating for the loan was probably being severely questioned as to the rumored customs union; that it would be "unusual" for England to make a large loan to a country which was planning to incorporate itself economically with the Reich. Such action would be equivalent to a loan to Germany to complete its four year plan for military and self sufficiency in raw materials.

WILSON

WWC

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Entry 198A
Box 6817

Authority S.L. 1-11-72
By SR NARA Date 8-5-99

EU

CARTER GLASS, VA., CHAIRMAN
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HENRY CABOT LODGE, JR., MASS.
RUFUS C. HOLMAN, OREG.
ROBERT A. TAFT, OHIO

United States Senate

RECEIVED
DEPARTMENT OF STATE
COMMITTEE ON APPROPRIATIONS.

1939 OCT 2 AM 11 09

October 5 1939

*File
Oct 3-39
JK.*

September 28, 1939.

EVERARD H. SMITH, CLERK
JOHN W. R. SMITH, ASST. CLERK

DIVISION OF
COMMUNICATIONS
AND RECORDS

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
OCT - 3 1939
DEPARTMENT OF STATE

Divis
OCT 3 1939
DEPARTMENT OF STATE

Honorable Cordell Hull
Secretary of State
Washington, D. C.

Dear Mr. Secretary:

I enclose herewith a letter received from
Mr. T. J. D. Fuller, Jr., of the Polaroid Corporation,
285 Columbus Avenue, Boston, Massachusetts. The
letter explains itself.

I shall be glad to have whatever information
you can send, together with the return of Mr. Fuller's
letter.

Sincerely yours,

H. C. Lodge, jr.

H. C. Lodge, jr.

I-t

OCT 6 - 1939

ATTEND

862.5151/2110

G/HC

*No.
862-5757*

Encl.

DECLASSIFIED

Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG

Entry 59
198A

Box 6817

COPY:EA:EB

POLAROID CORPORATION

285 Columbus Avenue . Boston, Massachusetts

September 19, 1939

Senator Henry Cabot Lodge, Jr.
U. S. Senate
Washington, D. C.

Dear Sir:

May we call your attention to a situation now existing which indicates the necessity for an extension to the so-called Johnson Act, prohibiting the flotation in this country of public loans by foreign states whose debts to the U. S. Government remain unpaid.

Before Austria and then Czechoslovakia lost their independence, we shipped our products on open account to certain private companies in these two countries. We had every expectation that the bills would be paid when due, as they had been in previous instances. But now that Austria and Czechoslovakia have been incorporated into the German Reich, it is apparently impossible for our customers to obtain the necessary American exchange to make payments.

The reason for this is obviously that the German Government has taken under its control all the available public and private foreign credits belonging to the residents of its occupied territories.

We understand that it is using the American exchange and credit so acquired to make fresh purchases for its own account or is releasing it to certain favored German concerns for the purpose of making fresh purchases in America. American sellers accepting these new orders are, we understand, receiving payment for them. In the meantime prior sellers, such as ourselves, are going unpaid.

Consistent with the Johnson Act it does not seem reasonable to us that the German Government directly or under cover of other instrumentalities should be permitted to spend money in this country unless it be applied on account of the German, Czechoslovakian or Austrian debt to the U. S. Government.

In

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Authority S.L. 1-11-72By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6817

-2-

In any event, we fail to see the logic of permitting the German Government to purchase goods from other suppliers in America with money which rightfully belongs to us.

Yours very truly,

T. J. D. FULLER, JR.

tjdf/ew

206082

DECLASSIFIED

Authority S.L. HF-72By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6817

October 5 1938

In reply refer to
EA 862.5151/2110

862.5151/2110

My dear Mr. Lodge:

I have received your letter of September 28, transmitting Mr. T. J. D. Fuller, junior's letter to you of September 19.

Mr. Fuller complains of his inability to obtain payment for goods shipped on open account to private companies in Austria and Czechoslovakia before the occupation of these territories by Germany. He suggests that the German Government should not be permitted to spend money in this country unless it be applied on account of the German, Czechoslovak or Austrian debt to the United States Government.

As to the situation of fact to which Mr. Fuller refers, both Austria and Czechoslovakia for considerable periods after 1931 maintained régimes of exchange control, but the Austrian control was generally relaxed a few years ago and Czechoslovakia imposed little restriction

on

The Honorable

H. C. Lodge, junior,

United States Senate.

G/JA

206083

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Authority S.L. 1-11-72By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6817

- 2 -

on payments for American goods, particularly since the conclusion of the trade agreement between Czechoslovakia and the United States. German exchange control regulations have now been applied in Austrian territory.

Czechoslovakia has a separate régime of exchange control under an authority established in the Ministry of Commerce for the territory around Praha. Since 1934 imports into Germany have been closely regulated by a system of prior permits and there has been little accumulation of arrears of commercial indebtedness to Americans. Unpaid German commercial indebtedness to American suppliers which accrued before the installation of the plan adopted in 1934 has not been large and has gradually been reduced by payment.

Mr. Fuller's suggestion that the German Government be not permitted to spend money in this country except in payment of indebtedness to the Government of the United States would of course not directly remedy the situation concerning which he complains. In the recent period of numerous defaults on foreign payment obligations, debtor states have given priority to payments for current imports, their ability to make any payments abroad being largely dependent upon the continuation of their international trade, which requires both imports and exports in order

that

206084

DECLASSIFIED

Authority SL 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

- 3 -

that trade may continue. I believe that Mr. Fuller's suggestion would generally be regarded as impracticable.

Mr. Fuller's letter to you is returned herewith, a copy having been retained in the Department.

Sincerely yours,

Cordell Hull

Enclosure:

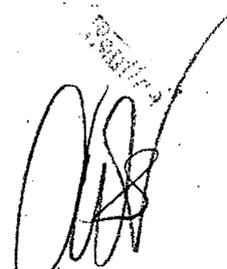
From Mr. Fuller,
September 19.

CR
OCT 5 1939. PM

A true copy of
the signed original.

EA:FL:LWW 10-4
W

etc EV 



206085

DECLASSIFIED

Authority SI 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

CROSS-REFERENCE FILE

NOTE

SUBJECT

Receipt of 17 tons of gold from Russia by the German Reichsbank which is to serve as intermediary banker for the Russian Government.

For the original paper from which reference is taken

See Tel#1847 5 p.m.
(Despatch, telegram, instruction, letter, etc.)

Dated Oct. 26, 1939 From Germany (Kirk)
FP

File No. 861.51/2828 Confidential File

ml

206086

862.5151

862.5151 / 2114

FP

2114

DECLASSIFIED

Authority SL 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

FA

TELEGRAM RECEIVED

JI

This telegram must be closely paraphrased before being communicated to any one. (br)

Berlin

FROM

Dated November 6, 1939

Rec'd 5:20 p.m.

Secretary of State
Washington

*File
Para 39
11-7-39
1021 hour*

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
NOV-7 1939
DEPARTMENT OF STATE

1964, November 6, 5 p.m.

CONFIDENTIAL TO TREASURY FROM HEATH.

With reference Secretary's letter of October 4.

Taylor states that while in Rumania he was informed that about one half of the Polish gold reserve had been retained in Rumania where it was being used to pay for the upkeep of the large number of Polish military, official and other refugees in that country. The balance of the gold reserve he understands was shipped to Alexandria, Egypt.

KIRK

ROW:EMB

862-5751

862.5151/2118

NOV 8 - 1939

FILED

Confidential File

GMR

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Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

TELEGRAM RECEIVED

JR

This telegram must be closely paraphrased before being communicated to anyone. (C)

FROM

Berlin

Dated December 7, 1938

Rec'd 7:35 a.m.

Secretary of State,
Washington.

699, December 7, 11 a.m.

No. 36. FOR TREASURY FROM HEATH.

I learned yesterday that Schacht had left for London to confer with Montagu Norman. His visit is being kept secret here, nor could any explanation of its purpose be obtained. Several days ago Schacht said that he had not seen Norman for several months and hoped to have an early opportunity to talk with him.

GILBERT

WWC:PEG

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
DEC-7 1938
DEPARTMENT OF STATE

*File
Para 38
12-7-38
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GDG

CONFIDENTIAL FILE

DEC 8 1938

DECLASSIFIED

Authority SL 1-11-72

By SR NARA Date 8-5-99

RG

59

Entry 192A

Box 6817

DEPARTMENT OF STATE

OFFICE OF THE ECONOMIC ADVISER

December 21, 1938.

EU - Mr. Moffat:

Yesterday we sent the Treasury paragraph No. 1 of Berlin's 738, December 19, 1 p.m., by which Gilbert approved Heath's visit to Washington and transmitted Heath's request for instructions as to the approximate time when his arrival is desired.

This morning Mr. Lochhead telephoned me that he had taken this up with Secretary Morgenthau, after Mr. Achilles had suggested that it might be desirable for Heath to stay in Berlin through the time of Mr. Rublee's visit there. Mr. Lochhead said that Mr. Morgenthau said that any time for Heath's visit will be agreeable to him, even if a month or more elapsed before the visit, and that he would leave it to the State Department to decide. He did not want Heath here until after New Years but it did not matter how long after New Years.

Mr. Lochhead went on to say as of possible interest that in the last day or two there has been an interesting difference in the tone of the exchange experts of the Bank of France and the Bank of England in telephone conversations with the Federal Reserve Bank. The Bank of France man is jubilant; gold is flowing into France; he dismissed an inquiry about possible trouble with Mussolini contemptuously. On the other hand, the Bank of England man is most pessimistic. He is worried over the sterling exchange situation, and over the

ber 20, 1938.

sents his compli-
f the Treasury,
. 738 of December 19

5751/1991

8002, 5151/1991

A true copy of
the original
1938

EA:LWW

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Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

DEPARTMENT OF STATE

OFFICE OF THE ECONOMIC ADVISER

-2-

reported dissention in the Chamberlain Cabinet and he expects that there will be more trouble with Hitler by spring. He would not indicate just what kind of trouble with Hitler was expected.

[Handwritten signature]

ber 20, 1938.

resents his compli-
of the Treasury,

p. 738 of December 19

2,515/1991

802,515/1991

EA:FL:DJW

A true copy of
the original
1938

EA:LWW

FL

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Authority S.L. 1-11-72

By SZ NARA Date 8-5-99

RG 59
Entry 148A
Box 6817

TEA

REB

TELEGRAM RECEIVED

A portion of this telegram must be closely paraphrased before being communicated to anyone. (C)

FROM BERLIN

Dated January 10, 1939

Rec'd 3 p. m.

Secretary of State,
Washington.

*File
Pres
Page 39
1-11-39
H/lu*

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
JAN 11 1939
DEPARTMENT OF STATE

25, January 10, 4 p. m.

(GRAY) Number One. FOR TREASURY FROM HEATH.

Montague Norman had left before I returned to Berlin. According to the British Embassy there were no monetary or other negotiations during his trip here which was to return Schacht's visit and to obtain financial and economic impressions. The Reichsbank gave a lunch for him which was attended by members of the Directorate and a few German bankers and industrialists. (END GRAY)

Since my last telegram several weeks ago there seems to be increasing opinion and evidence of financial and economic strain and deterioration and little belief that the leaders of the Government will modify their ambitious programs sufficiently to relieve this trend. The trend is gradual, no informed observer here believing that any real break down of the economic machine is at all imminent or that, barring unforeseen occurrences, effective public opinion

862.5151/1938

JAN 10 1939

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CONFIDENTIAL FILE

GML

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Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG

59

Entry 198A

Box 6817

REB

2-#25, From Berlin, Jan. 10, 4p.m.

opinion against restrictions on the standard of living imposed by the necessities program will develop for some time.

Although I accept the story with considerable reserve I was told on apparently good authority that at the end of December the Finance Minister asked Hitler's permission again to raise taxes stating that he had borrowed 500,000,000 marks from the Arbeits front funds which had to be returned in April and that present revenue and proceeds of loans were insufficient to meet budgetary expenditures. According to the story the request was met by flat refusal whereupon the Finance Minister stated that he would have to resign. Hitler is then supposed to have said that he would take the matter under advisement. I understand that a story to this effect was published in certain English papers.

Personal subscriptions for the fourth 1938 loan of one and one-half billion marks (see my No. 32 of November 20) closed on January 9 and were unsatisfactory according to certain local bankers who assert that the consortium banking houses will be saddled with the greater part of the issue.

There

GML

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DECLASSIFIED

Authority S.L. 1-11-72By SZ NARA Date 8-5-99

RG

Entry 59
1984Box 6817

REB

3-#25, From Berlin, Jan. 10, 4p.m.

There is increased pessimism about the foreign trade outlook. It is to be noted that coffee is now being rationed in Berlin. There are also unconfirmed reports of rationing of meat in certain parts of Germany although the Agricultural Attache asserts that there is a plentiful supply at the present rate of consumption so that any restriction on this commodity would seem to be directed toward building up stocks. The British Commercial Attache is of the opinion that the gold and foreign exchange resources (197 million marks in gold and free exchange and 65 million marks in claims on clearing countries) acquired from the Austrian National Bank have now been exhausted. (GRAY) November figures show a net gold export of about 26 million marks which brings the total net gold exports for the first eleven months to 76 million marks. The published trade deficit for greater Germany for the first eleven months amounts to 425 million marks.

The November adverse balance for greater Germany was 69 million marks as compared with 36 million in October. The increase was almost entirely due to a falling off of exports. Imports in November 1938 were 3 per cent under the value of imports in November 1937 but due to lower prices

JMB

206093

DECLASSIFIED

Authority SL 1-11-72
By SR NARA Date 2-5-99

RG 59
Entry 198A
Box 6817

REB

4-#25, From Berlin, Jan. 10, 4p.m.

prices about 10 per cent greater in quantity. It is to be noted that the adverse foreign balance is almost entirely accounted for by the acquisition of Austria and Sudetenland. For old Germany alone the adverse balance was only about 9 million marks.

GILBERT

HPD

GML

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Authority S.L. 1-11-72
By SZ NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

~~SECRET~~

TELEGRAM RECEIVED

REB

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FROM BERLIN

Dated January 21, 1939

Rec'd 3:35 p. m.

Secretary of State,
Washington.

*File
Para 3-172
H.H.*

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
JAN 23 1939
DEPARTMENT OF STATE

59, January 21, 10 p. m. (GRAY)

No. 4. FOR TREASURY FROM HEATH.

In his conversation with Rublee today Goering let it be clearly understood that Schacht's dismissal had nothing to do with his discussions with the Evian Committee over Jewish emigration. He said that Hitler had given Schacht certain directives which Schacht thought he could not perform and accordingly relieved him of his position as president of the Reichsbank. (END GRAY)

This presumably authentic information lends credence to rumors that are current here that the Government is determined to meet its budgetary requirements and the needs for increased industrial investment through credit creation by the Central Bank plus some economies instead of through increased taxes or forced savings which were politically undesirable.

It

862.5151/2003

JAN 24 1939

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CONFIDENTIAL FILE

3-11-39

DECLASSIFIED

Authority SL 1-11-72By SZ NARA Date 8-5-97RG 59
Entry 198A
Box 6817

REB

2-#59, From Berlin, Jan.21, 10p.m.

It is recalled that Schacht said to me some time ago that he was one central banker who could not countenance inflation. He had made his reputation through ending an inflation and he would have to resign if asked to pursue an inflationary policy.

GILBERT

CSB

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Authority SL 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 1984
Box 6817

FW

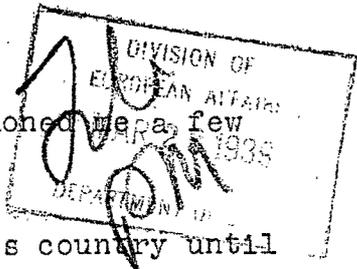
DEPARTMENT OF STATE
DIVISION OF EUROPEAN AFFAIRS
MEMORANDUM



March 10, 1939.

Mr. Messersmith:

The Secretary of the Treasury telephoned me a few minutes ago on four points.



1. He asked that Heath remain in this country until the next American sailing on Wednesday, March 15. I told him there could be no trouble on this score.

2. He said that the Treasury made a modest entertainment allowance to Butterworth and Cochran on a scale which had been approved by the State Department. The Treasury was willing to make a corresponding allowance to Heath of any amount that we considered appropriate. (*\$1,000 a year suggested*)

3. Mr. Morgenthau said that he had not been receiving any financial information of value from our missions in Poland, Hungary and Rumania. He was anxious to send Heath occasionally to visit those three countries and get financial information or gossip in the same way that Cochran periodically visited Belgium, Holland and the Scandinavian countries. He asked if I saw objection. I said none but that I felt the way should be paved by personal letters to the three chiefs of mission explaining that

862.5151/2016 GDC

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Authority S.L. 1-11-72
By SR NARA Date 8-5-97RG 59
Entry 198A
Box 6817

EDA - 4 - #102, February 7, 10 a.m. from Berlin

exchange reserves Germany would only reap disadvantages in devaluing. He said Schacht and he were of the same mind on this point.

At this point he was interrupted by the arrival of Reichsbank officials.

Blessing has resigned from the Reichsbank and while he insists that Brinkmann inclines to let him stay, his resignation was practically forced by party opposition.

GILBERT

PEG:CSB

206098

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Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

DEPARTMENT OF STATE

ASSISTANT SECRETARY

A-M

March 10, 1939.



*action
late file*

With reference to your memorandum of March 10 concerning Heath, I note:

1. That Heath will be sailing on March 15 and that Secretary Morgenthau is prepared that he should be going at that time. This is quite in order.

2. I see no reason why Heath should not accept the entertainment allowance which the Treasury is prepared to make to him as is now being made to Butterworth and Cochran. I told Heath there would be no objection to his receiving such an allowance during the period that the Treasury chooses to give it. The work which the Treasury desires Heath to do makes necessary certain special entertainment during travel and away from his post. It is quite proper that he should under the circumstances receive this special allowance from the Treasury. I have told him, however, that he should not mention anything concerning this allowance to others for I see no object to be gained in its being known that he gets this allowance.

3. I can see no objection to Heath going occasionally to Poland, Hungary and Rumania in order to carry through his reporting activities for the Treasury. I discussed this

*Telephone
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3-14-39-
H will
make
Morrison has
payments
for Heath*

862.5151/2017

GDD

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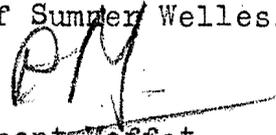
Authority S.L. 1-11-72By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6817

-2-

that the visits of Heath were in no sense a reflection on their work but were designed to obtain certain types of technical information to indicate to our missions the type of financial reporting the Treasury wanted and to coordinate financial information by bringing the chiefs of mission up to date on what was going on financially speaking with their neighbors. Mr. Morgenthau thought this would be an excellent idea.

4. Mr. Morgenthau said that Heath was gradually breaking in more and more and turning out to be of value to him. He hoped that it would be possible for Heath to devote more time, - if not all his time, - to Treasury reporting. I told him that just at present the Embassy was a bit disorganized with the Ambassador absent and Prentiss Gilbert's death. He said that his request was not of immediate urgency but hoped it would be granted when conditions reverted to normal.

If you would care to give me the information under point 2 I can pass it on orally to Mr. Morgenthau's office. If you approve my answer under point 3 I can prepare draft letters for either your signature or that of Sumner Welles.


Pierrepoint Moffat

EuPM:VEJ

206100

DECLASSIFIED
Authority S.L. 1-11-72
By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

TELEGRAM RECEIVED

file
DIVISION OF
ECONOMIC AFFAIRS
APR 27 1939
DEPARTMENT OF STATE

AC

This telegram must be closely paraphrased before being communicated to anyone. (C)

FROM Berlin

Dated April 14, 1939

Rec'd 9:28 a.m.

Secretary of State
Washington

file
Para 39
4-14-39
HH/le...
OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
APR 14 1939
DEPARTMENT OF STATE

249, April 14, 9 a.m.

NUMBER 14 FOR TREASURY FROM HEATH

I had a long talk with Puhl who, as a result of Brinkmann's illness has taken the latter's place provisionally as Vice President of the Reichsbank. Funk, Minister of Economics, is President but the actual administration of the bank is in Puhl's hands.

Puhl admitted frankly that the exchange stringency of the Reich was greater than ever before. He asserted that contrary to general opinion the liabilities of the Czech National Bank in foreign exchange were greater than the assets since the Reichsbank was meeting "loyally" and would in the future meet the heavy credit commitments abroad of Czech importers. Normally when an importer paid off one foreign credit he would receive new credits from foreign suppliers but Puhl admitted that fresh credits were not being much granted to Czechoslovakia in view of the international situation.

I was unable to obtain an estimate of the gold and foreign exchange assets acquired with Czechoslovakia.

When

862.5151/2027

APR 15 1939
CONFIDENTIAL
GMB

6-15/51

DECLASSIFIED

Authority SL 1-11-72By SZ NARA Date 8-5-99RG 59
Entry 198A
Box 6817

REB

2-#224, From Berlin, Apr. 1, 4p.m.

At the present time the Czech exchange control has a nominal autonomy but its operations are followed and in fact directed by representatives of the Reichsbank and Reichs exchange authority who brought a staff of employees to Praha.

GEIST

NPL

DECLASSIFIED

Authority S.L. 1-11-72

By SR NARA Date 8-5-99

RG 59
Entry 198A
Box 6817

DOCUMENT FILE

NOTE

SEE 860f.51/723 FOR Tel. 278-11em

FROM Germany (Geist) DATED April 24, 1939

TO NAME 1-1127 ***

REGARDING: Exchange-Germany. Chamberlain informed the German Embassy in London that Great Britain is prepared to release to the Reich the greater portion of the Czech gold reserve which was deposited in London. He also said that private Czech funds and credits now blocked in England will also be released.

fp

862.5151/2036

2036 G

DECLASSIFIED

Authority SL 1-11-72
By SR NARA Date 8-5-99RG 59
Entry 198A
Box 6817*OK*

JR

This telegram must be closely paraphrased before being communicated to anyone. (C)

Berlin

Dated April 24, 1939

Rec'd 9:10 a.m.

Secretary of State,
Washington.

278, April 24, 11 a.m.

Reliable information has been received that Chamberlain has informed the German Embassy in London that Great Britain is prepared to release to the Reich the greater part of the portion of the Czech gold reserve which was deposited in London. He is also understood to have informed the German Embassy that private Czech funds and credits now blocked in England will also be released.

The reaction of Reich officials to this news is one of surprise and somewhat amused disdain their interpretation being that Chamberlain is still inclined to gestures of "appeasement" and a belief that the Reich may be bought off by financial enticements.

Repeat appropriate portions of the foregoing to Treasury as No. 20 from Heath.

GEIST

HPD

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*note**862.5/51**862.5/51*

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*Int'l: Europe
Messengers
European - 1945
Goldman's notebook
Rozell
Pocket
9/29/45*

STRICTLY CONFIDENTIAL

ROUGH DRAFT
OF NOTES ON EUROPEAN TRIP

Walter H. Rozell, Jr.
Walter H. Rozell, Jr.
September 29, 1945.

[Faint rectangular stamp]

206105

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NOTES ON VISIT TO BANQUE NATIONALE SUISSE

July 24-August 2

July 27

Mr. Pfenniger

Switzerland's control exists only because of controls elsewhere and because of other wartime conditions. Switzerland would be willing to abolish controls as soon as she is able to purchase goods abroad and U.S. freezing control is removed.

Switzerland's traditional role of banker for Europe has been one of the principal sources of present difficulties. About 20 per cent of funds now held in the United States for Swiss account represents French capital (France has about 1 billion Swiss francs in Switzerland. This far exceeds Swiss funds in France.) Several Swiss commercial banks are now in difficulties and probably will require reorganization. The trouble began with German exchange control. Some banks wrote off losses, but others carried them until present. Switzerland's claims on Germany, including a large credit balance on clearing account, amount to about 800,000,000 Swiss francs. This is much larger than German assets in Switzerland. It has been suggested that all German assets in Switzerland be pooled with Allied holdings. This would be to Switzerland's disadvantage because of her neutral status during the war.

Switzerland as International Banker and Capital Exporter

The N/B realizes that Switzerland's present difficulties arise largely from its traditional role of banker for Europe and therefore feels that this should not be resumed after the war. Commercial banks, however, are opposed to this since it has been an important source of revenue.

The export of Swiss capital will undoubtedly be resumed after the war. Returns on overseas investments have always been an important source of income in the Swiss balance of payments and will be needed in the future. Swiss

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investments, however, will have to be more distributed and diversified than before. (Prewar investments were concentrated in Germany, France, and the United States and these are largely gone in the case of the first and blocked in the other two countries.)

July 28

Paris

Switzerland realizes it will have to do its share in providing credits to Europe during the postwar period. The trade agreements now under discussion fall into two groups: (1) with countries such as the U.S.S.R. which can pay cash and (2) with countries which need credits. The trade negotiations are continuing with Italy, representatives of which are now in Switzerland. They have asked for credits and the Swiss have expressed a willingness if the Italians recognize their old debts; the latter seem to accept these terms. The agreement with France is modeled after the Anglo-French agreement. Each agrees to provide the other with currency. Interest is charged on outstanding balances.

Switzerland's claims on Germany amount to around 1 billion Swiss francs. The trade balance alone, however, was adverse to Switzerland during the war.

Since Switzerland had a free gold market it was obliged to accept gold from Germany. Switzerland asked for, and according to Germany, received the latter's own gold. This gold was used largely to acquire Swiss francs for use in Portugal and Spain. The R/B, however, credited the Swiss francs only to the Reichsbank account at the R/B, although the Reichsbank could, and did, subsequently transfer the francs to commercial banks for account of Portugal and Spain.

There has been a substantial increase in acreage under cultivation. Furthermore, due to reduction in cattle, field previously used for feed are now used for food.

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July 31

Dr. Erb

Agricultural Production

Farmers are obliged by law to grow grains (mainly wheat). Previously, they had raised herds and produced dairy products. The Federation purchases the wheat at prices about twice the world price. (The farm bloc politically is very strong.) Nevertheless, the farmers prefer dairy farming because it requires less work. Military service also hinders the farming. The government tries, except during emergencies, to regulate the services so that it interferes the least with farming -- at harvest time, etc.

There is little doubt but that the farmers will return to dairy farming after government relaxation of regulations. (All individuals also are now required to grow vegetables, etc.)

Trade Agreements

Agreements have been made with France and Belgium -- patterned after the British agreements with these countries. Although they provide for a mutual exchange of currencies, the Swiss realize that they will amount to the extension of credit, because the balance will be due to Switzerland. The Belgian agreement, for example, provides that Belgian exports to Switzerland are contingent upon Belgian production returning to prewar (7) levels.

Negotiations are also under way with Italy and the Netherlands. (For the former, see discussions with Hirs.) Other countries would also like to enter agreements, particularly with provision for credit.

Exchange Funds

In Switzerland as yet there is really no opinion. A few at the National Bank and in the commercial banks have followed it, but otherwise there has been

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little discussion. Those familiar with the plans feel that there are definite disadvantages, but if enough countries join, Switzerland probably will go along. To Switzerland, the one big disadvantage would be that she would be supporting with her gold the weaker currencies of other countries, many of which would be her competitors in foreign trade. If Switzerland joins, she would not like to be treated as a "minor" country with a sacrifice of independence. Erb estimates that Switzerland's quota (at 250 million Swiss francs (1)) would be between that of Belgium and the Netherlands.

Gold

The Federation now holds some gold. This is apparently a temporary arrangement, connected with the 50-50 arrangement for the dollar proceeds of Swiss exports. Gold purchased by the National Bank with the dollar proceeds of the Swiss francs made available to Swiss exporters is held by the bank. Gold purchased with dollars against which blocked Swiss francs are given is turned over to the Federation. (Apparently to be held against the liability to Swiss exporters.) The bank also holds gold acquired from proceeds of diplomatic (2) transactions, while the Federation, against intergovernmental transactions (2).

Summary

Switzerland's problems seem to be largely of a temporary nature -- a shortage of raw materials (coal) and blocked foreign assets. With an easing in transportation and removal of monetary restrictions, Switzerland has the wherewithal to buy goods abroad. With an adequate supply of civilian goods, the present threat of inflation, which is the greatest fear now, will be removed.

In Switzerland, we now have the perfect illustration of the mistaken idea that an export surplus is always a necessity. Switzerland's problem is similar to ours -- a need for goods. Switzerland seems to understand it better than we do, for she realizes that imports are her first requirement for recovery.

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Normally, Switzerland's adverse trade balance amounted to about 500 million Swiss francs a year before the war. This had been offset by about 300 million as income on overseas investments and 200 million from tourists expenditures. Most of Switzerland's assets in Germany will have to be written off. As a result, she will now be more dependent upon tourist trade (Hirs). Tourist trade will have to await only sufficient food supplies. Her railroads are in good shape, particularly compared with other European countries, and her hotels, although not in as good a shape as in prewar years, are far better than in the belligerent countries. Switzerland's future is bright.

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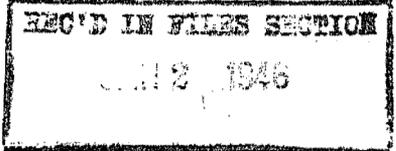
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FEDERAL RESERVE BANK
OF NEW YORK



October 24, 1945.

Dr. E. A. Goldenweiser,
Economic Adviser,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Dr. Goldenweiser:

I thought you might be interested in the enclosed copy of rough notes I had intended to use in a talk I gave to the Research and Foreign Departments. Actually, I used only about a quarter of the material, since the talk was ad lib and it would have taken too much time to cover all of it.

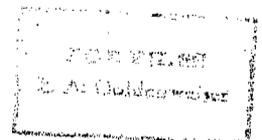
I hope to come to Washington next week or the following and am looking forward to dropping in to see you, if it's convenient to you. I plan to bring with me our itemized expense account and a rough outline of the written report, which I am anxious to discuss with you before proceeding much further.

Incidentally, I noticed the article in last week's American Banker about your future plans. I take it that it's out in the open now.

Sincerely,

Walter

Enc.



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ROUGH NOTES FOR TALKS - OCTOBER 24, 1945

EUROPEAN TRIP
July 1 - September 22

REC'D IN FILES SECTION

1945

Messrs. Enoke, Goldenweiser, and Rosell

Covered 14 countries and over 12,000 miles in exactly twelve weeks. Travel almost entirely by air - A.T.C., British Overseas Airways, R.A.F. Transport, and Soviet Military Aircraft.

Purpose of trip -- to renew contacts and make such observations of economic conditions as could be done in few days. Time only for general impressions and some of these are no doubt wrong.

Sponsored by War and State Departments.

Embassies and Legations helpful, but trip would have been impossible without U.S. Army, which supplied transportation, billets (usually the best hotel in town), and meals.

A.T.C. is efficiently run and travel very satisfactory after one learns to wait and take orders. (Waiting soon became a very essential part of our journey.)

As to renewing of contacts, reception at all banks, including State Bank of U.S.S.R., cordial, and discussions open and frank. Italy, Norway, and Finland particularly glad to receive us.

European is

Economically short of coal, food, and raw materials, and long on money

Socially, short of energy and long on work to be done

Politically, short on confidence and long on bitterness (as expressed by Dr. Goldenweiser)

There are, of course, wide differences between countries. Generally speaking, except for the neutrals, formerly occupied countries can be classified, as to present conditions, on a scale running roughly from south to north.

Italy probably in worst shape of countries visited -- both politically and economically. (Finland, though, not far behind.) Next in line comes France, and then the northern fringe of German occupation.

The neutrals -- virtual oases -- in class apart.

One more general observation before dealing with countries individually. Nearly all European countries want imports and not exports. A temporary situation but nevertheless significant.

* Statistics unchecked.

FOR FILES
E. A. Goldenweiser

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- (2) Capital levy on personal property.
- (3) Confiscation of illegitimate war profits.
- (4) Moderate tax on legitimate.
- (5) Encouragement of private savings.

France's neighbors very critical. Feel that she cannot afford heavy expenditures to rebuild large army.

French recovery will be dependent to a large extent on the developments of leadership in the political field and on the ability to overcome general lethargy of the people.

SWITZERLAND

Twenty-four hours on the train and eighteen hours without food. Talk with former Marquis and his son who provided crackers. French trains extremely crowded and progress slow through battle area over temporary bridges.

Switzerland like paradise after experience on French trains. Swiss railways virtually all electrified and in good repair.

Hotels not crowded and service up to prewar standards. Portier, most influential person in Europe in prewar days, still functioning in Switzerland.

Living costs have increased somewhat, but still not exorbitant according to American standards. Food sufficient, although scarcity of butter and such imported commodities as sugar. Rationing system in effect and very efficient.

Quality and quantity of merchandise in stores very impressive after France. Cameras, watches, hand embroidery, and even silk stockings for sale.

As war measure, dairy farmers forced to convert to grain. After restrictions removed will return to dairy farming which they prefer. Individuals also obliged to plant victory gardens.

Wages up to some extent, but still behind prices. Money in circulation increasing steadily, and gold holdings still rising. Now selling gold going at slight profit hoping to withdraw up to 100 million francs from circulation.

Swiss appear ready to end all controls as soon as imports are possible and her foreign assets are defrosted.

Much talk at Bank about measures taken by U.S. Treasury and curious as to policies of Morgenthau's successor. (About 20 per cent of funds in U.S. represents French capital.)

Several banks in difficulty because of heavy investments in Germany. Swiss claims on Germany amount to 800 million Swiss francs -- much larger than German assets in Switzerland. National Bank opposed to

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Switzerland resuming her role of banker for Europe. Commercial banks in favor.

No public opinion as yet on Bretton Woods. (Talk by Dr. Goldensaiser.)

Export of Swiss capital likely to be resumed. Returns important source of income in balance of payments. Trade agreements now in discussion with several European countries. (Agreements signed with France and Belgium. Switzerland realizes they represent extension of credit.)

In present, receipts in balance of payments consisted of 300 million income on overseas investments and 200 million tourists expenditures. Switzerland now, more than ever, dependent upon foreign tourists expenditures.

Swiss take morbid delight in adversity. Very pessimistic about lack of imports and selling their substance in return for blocked dollars and gold. Fear of inflation.

Another example of economic paradox of a country anxious to import and use foreign exchange and extremely hesitant to export.

Swiss problems only temporary — shortage of raw materials and blocked foreign assets.

ITALY

Our first real difficulty with transportation. No trouble until arrival at Italian border. Police out to lunch. Finally crossed border and traveled to Milan by jeep.

Two days in Milan. Heavy bomb damage and resentment of Allied bombings. Still seems to be some touch of fascism.

After complications with Italian aircraft, hitchhiked to Rome on A.T.C. plane. Arrived at Grand Hotel which reminds one of has-been prima donna — proud but seedy.

Rome little damaged. People seem more cheerful than in the north, even though poorly dressed and hungry. Shoes seem particularly scarce. Leather ones costing \$90.

Cost of living in Rome about 50 per cent above Milan, although accurate measurement difficult. Higher prices in Rome due largely to more active black market.

Wages in south higher than in north, although gap narrower.

Four kinds of prices:

- (1) official prices, principally for food;
- (2) free market prices for other consumers' goods (non-rationed);

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- (3) black market prices — quoted in the press. Operations undertaken with no effort of concealment;
- (4) "gray" market prices — institutions, official agencies, buy in black market for distribution among employees.

Primary needs are food and coal.

Under pressure of labor, factories in north compelled to maintain forces two or three times larger than are needed (production restricted because of lack of coal). Political discussions rampant and "each day the discussions become more red".

Devaluation seems to be inevitable. Dollar quoted in black market at 300 lire.

Two meetings at the Banca d'Italia. Appreciated our visit.

5 per cent 5-year government bond being floated. Will yield about 6 per cent. Expect total subscription of 75 billion, or 20 per cent of money in circulation.

Prewar gold reserve 125 million dollars, of which 23 million was paid to Switzerland, and 75 million turned over to the Germans. Remaining 25 million taken over by the Fifth Army and now held by Allied Commission.

"Contributions" to the Germans totaled 190 billion lire. Eight billion held in account due to Germans now blocked by Allied Commission — to the surprise of the Italians.

Also had talks with Minister of Finance (a communist), Minister of Reconstruction (able but old), and Under-Secretary of Treasury (a little brusque).

Future of Italy does not seem bright. Politically, uncertain. Economically, out of balance and socially lacking in moral fibre. Cannot all be blamed on the war. Outside help can be given, but the answer lies in themselves.

DENMARK

After delay of five days, received army permission to fly by A.T.C. to Paris and proceed to Copenhagen. En route, landed in Marseille and Bremen (the latter from the air seemed badly battered).

Denmark suffered least of all occupied countries.

Little or no bomb damage evident. Extensive air-raid shelters.

Cattle in good condition. Herds only 20 per cent below prewar level and this due largely to shortage of feed.

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Big problem in balance of payments is to restore Norway's merchant marine, about one half of which was lost during the war. Income from merchant marine previously one of largest items in balance of payments.

During war wholesale prices increased about 80 per cent, cost of living about 50 per cent, and standard of living reduced about 50 per cent.

Considerable adjustment needed in wage structure. Thrown off balance by arbitrary German action in raising some and lowering others.

Exchange rate under discussion. Considerable sympathy in maintaining rate. One difficulty is inability to estimate price level because of scarcity of goods.

Norway, like other occupied countries, has difficulty in getting workmen back on the job -- previous slow-downs and lack of incentive.

In general, situation seems to be in competent hands.

A picture of gallant, hard-headed people.

SWEDEN

Bumped off A.T.C. plane at Oslo because of No. 1 priority freight. Hitchhiked on a C-54 which we had practically to ourselves.

Sweden another delightful interlude in a trip through war-torn Europe. Comfortable hotel and smooth running city in sharp contrast to most of Europe.

Stockholm a beautiful city and the keynote seems to be cleanliness. Atmosphere of comfort and prosperity. Well known hotels doing big business. Taxis in evidence, but all good burning. Bicycles have become very popular during war.

People well dressed, well behaved, and friendly.

Sweden has probably benefited more from neutrality than Switzerland.

As in Switzerland, rationing system in effect and operating smoothly. Coupons necessary in restaurants and expected in homes. (Story about eggs.)

Shortage of coal. Preparations for winter with huge piles of wood neatly arranged in streets.

In sharp contrast to Swiss policy, Sweden has adopted policy of large-scale foreign loans and exportation. Total credits to number of countries thus far amount to 2.5 billion kroner as compared with national income of 15 billion. In the case of Norway, Denmark, and Finland credits amount to outright gifts.

Credits mean exports and this involves some risk to internal stability. Gambling on ability to import before reserves are depleted. Can last six months to one year.

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Reason for export policy two-fold:

- (1) Sweden realizes she had a relatively easy time during war;
- (2) believes firmly that her stability is dependent upon the stability of other European countries.

In addition, has strong cultural ties with other northern countries which she helped greatly during the war.

Monetary agreements have been reached with England, Belgium, and France and one with Holland being discussed. Agreements thus far bilateral but would like to see multilateral trade. Would also have no objection to assuming lead in forming a bloc of northern countries if that appeared to be natural development.

Wholesale prices up about 80 per cent since 1938, but cost of living not unreasonable.

Officers of the Riksbank, particularly Governor Rooth, most obliging and willing to answer all our questions.

Arrangements made to meet many public officials, most bankers, and several visiting central bankers. Luncheons and dinners every day. Professors Ohlin and Hirdahl, present Minister of Commerce; Hammersjöl, Under-Secretary of Treasury (very young, formerly Governor Rooth's secretary); the Governor and Economist of Finland's Bank, Governor of the National Bank of Iceland, and officers of new Polish National Bank visiting Stockholm.

Governor Rooth would like to see Stockholm made the meeting place of central bankers and economists of all northern countries.

Connection between Riksbank and government very close. Probably the only bank in Europe owned by the Parliament. Hammersjöl is Chairman of the Board. Most policies, including open market operations, decided by Rooth who reports to the directors.

General impression that Sweden is in capable hands. Also impressed with number of young men in important places.

In view of her export policy at variance with that of Switzerland, it will be interesting to watch the progress of the two countries. I think I'd put my money on Sweden.

POLAND

Representatives of new National Bank painted a dark picture of destruction and privation in Poland. Warsaw 75 to 80 per cent destroyed, but some of her industries, such as textile and coal mining, recoverable. Poland, in fact, is beginning to ship coal to Sweden under agreement. Poland seems to be the only country in Europe that needs no coal.

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Important to remember that in a completely controlled economy, taxes are only one of many means of control credit, etc.

Cooperative Farms

Each farm is allotted a quota. Surplus over quota may be disposed of in free market and proceeds divided among farmers. Individual farmers may produce for their own consumption, but part of this too must be delivered to government.

Officials at State Bank seemed well versed and interested in our banking system. Interested primarily in possible changes in our price of gold and in sterling dollar rate. We refrained from inquiring as to their gold production and holdings. Learned from Embassy that total amounts from between 1.5 and 2 billion dollars.

5-year reconversion plan in operation. Hope to bring war-devastated areas back to normal by that time. Planning that other areas will, after five years, exceed prewar level. No details furnished.

Transportation to Berlin provided by State Bank.

The usual in Russian planes. No safety belts and five standees. Plane filled with Red Army colonels in engineer corps going to Berlin to "re-construct" and take away whatever is available. Very friendly and shared their lunch and vodka with us. Discovered in Minsk we had a woman pilot with very good war record. Trip from Moscow to Berlin 8 hours.

GERMANY

Germany not in our itinerary and, therefore, had no program for study. However, provided time to view what is left of Berlin.

Coming from Russian airfield to American zone we had our first sight of complete destruction and the first stench of bodies still in the rubble.

Unlike other cities, little cleaning up has been done and the heart of Berlin is unrecognizable.

A real example of complete and utter defeat. Condition of the people intolerable. Berlin overcrowded with insufficient food. Acute coal shortage and this winter many more will probably die.

Little transportation other than military; no mail deliveries.

British seem to favor transfer of the capital to Hamburg.

Schacht and Puhl and other Reichsbank officials held, at that time, as prisoners in Frankfurt.

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Allied military claim they have located all of Reichsbank gold, except that looted from Belgians. Except from the air, no opportunity to see other German cities, but were told that most large cities just a question of Berlin all over again.

Like most of Europe, the farmlands seem amazingly untouched by war, aside from evidence of field fortifications and bomb craters around which the farmers have plowed.

BELGIUM

Little physical damage by the war. Brussels still seems to be the "Paris of the north". People seem happier than in France.

Transportation improving and much better than in Paris.

Port of Antwerp operating and harbor and roads congested with supplies moving inland. Recent improvement in imports.

Industries preserved, less problem of unemployment. Belgian industry never geared for war and, therefore, no reconversion necessary.

Production, however, still only about 20 per cent of prewar. Wages have increased 60 to 75 per cent and further 20 per cent increase expected.

Price level expected to stabilize at 200 per cent of prewar level. Black market prices still 500 per cent of prewar; recent high of 1,800 per cent. Volume now 20 per cent of total trade; 50 per cent recently.

Currency conversion considered success. The delay in liberation and resultant delay in imports made anti-inflationary program more difficult. Currency circulation dropped from 103 billion to 27 billion after conversion. Has since risen to 63 billion largely due to expenditures by and for Allied troops.

It is hoped that new taxes now under discussion will drain off 60 per cent of blocked funds. Plan to convert 40 per cent into government bonds, redeemable after six months. Bonds probably will carry 4 per cent interest.

Reverses lend-lease exceeds direct. 6 billion francs due from U.S. on lend-lease and 5 billion from net troop pay.

Two problems facing Belgium

- (1) Inflation and
- (2) large public debt.

Inflation can be prevented only if supply of goods increases. Monetary reforms made on assumption that prices could be held and on promise that goods would be forthcoming. Present international assets could finance purchases for about one year.

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OCT 17 1945
October 9, 1945

Confidential

CONVERSATIONS AND REFLECTIONS IN EUROPE, SUMMER 1945

by
E. A. G.
(Unedited)

Economically, not enough coal, food, or raw materials - and too much money.

Socially, not enough vitality and too much work.

Politically, not enough confidence and too much bitterness.

These are the characteristics of European countries in the summer of 1945.

There are variations. In some countries - like Italy and Denmark - coal is the principal need; in others like France and Norway it is raw materials; in still others - like Finland it is food. The Scandinavian countries are ahead of the others, principally because they have confidence in their governments and can be handled through the difficult period ahead. This is true of Switzerland also - but the Swiss enjoy adversity and take a morbid delight in seeing the dark side of things. Not too profoundly, however. At bottom they know that all will be all right with them. They just don't want to tempt Fate by being content or confident.

The most profoundly disrupted nations (omitting Germany which for the present does not exist as a nation) are France and Italy. In both countries the roots of the trouble antedate the war. In France corrupt politicians and demoralized administration have prevailed for two generations. In Italy there is an excess of population over resources and a shattered body politic - resulting from fascist corruption and abuse.

To restore Europe what is needed is food - fuel - clothing and competent administration. The outlook for achieving this is not too promising.

Nearly all the countries of Europe want imports and not exports in the immediate future. Their experience has taught them that an "unfavorable" balance of trade is a Midas prosperity - for the real object of exports is to obtain means for paying for imports. When the imports cannot be obtained - because goods are scarce and currencies blocked - exports appear in their true light - as an uncompensated drain on a country's consumption goods, a sacrifice of living standards in return for distant and frozen assets. So export controls are rigid in all countries; almost anything that is brought into a country is welcome - except money - and almost nothing is taken out of a country if it can help it. All this is a very

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Europe
Rear...*

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Lorenz M...
M... letters*

all documents 12/2/45 - see letters 11/7/45 - 12/12/45 - 12/14/45 - 12/17/45 - 12/17/45 - 12/18/45

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That is bad - not only the act, but the deceit. He admits that the people themselves are not doing enough - but they have been underfed and overworked for years. The liberal governments must get together - or else. ... Things are not going too smoothly for us with Russia - and France may still have a role to play as an ally.

Arrived in Switzerland

Switzerland superficially looks like an oasis. People have to cut down on things but there is not that absence of everything that prevails in France or even in Britain. Rationing is all-embracing but effective, and people are sure to receive their rations without waiting in queues.

July 25

Conference with Weber and Hits, two of the three executive directors of the National Bank. Their problems are the familiar ones: quite a lot of exports - blocked dollars - few imports. They talked a great deal about details of their exchange problems. Knoke notes on this will be sufficient.

Switzerland appears to be run efficiently and equitably. Coupons for every restaurant meal for everybody. Not only vegetable gardens (and some time off to work them) but also much more wheat raised than formerly. Little patches everywhere. Drought.

The only country - so far - that looks normal. Electric signs, etc. Little traffic, however, and autos with little attachments (very ugly) for using coke or wood instead of gas.

Supper down the lake with the directors. Lovely ride in launch - ate at country inn on water. Cool for the first time since London. Three meatless days - but good fish. Prices high (52 per cent above prewar). My cousin says that housekeeping is very difficult, but one has a feeling that it is a hard-working, sober people who will pull out before long. Next winter, however, the coal problem will be acute.

July 27

Long conference with McKittrick who explained his entire war record, the methods he used in obtaining the BIS gold from Germany and Italy, the way he figured the amount of interest due from Germany (the amount that the BIS had there in excess of fixed figure of 240 millions). He feels that he has a clear and creditable war record. He would like an investigation. Clear his record and then he would like to resign. The only thing he is concerned about is to provide for his staff. He says he has a group that knows more about Europe than any other group, and they should be utilized as well as taken care of.

The reasons the Germans kept on paying interest is that the Reichsbank wanted to keep up its credit. It had difficulties with the German officials but it succeeded in getting the money out. That was Puhl.

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The accounts of the BIS are all in good shape, except for the amounts due from Germany which, of course, is their principal asset.

Jacobsson was also here; nice visit with him. Not much new.

He and McKittrick are both bitter about Bretton Woods and McKittrick is also opposed to it as unsound; (1) Loans are too easy, will encourage countries to lean on Fund rather than put their house in order. Old argument. (2) Political log-rolling. Serious problem.

I gave a lecture on Bretton Woods at the National Bank at which I discussed the principal issues raised. They listened, thought it quite an occasion. I spoke English, they asked questions in German.

July 28

Mr. Rossi - one of the executive directors of the Bank, told me that while their discounts were of little consequence, their discount policy was very important. This for the reason that when they declare the paper of some undertaking as eligible for discount at the National Bank - then the enterprise can borrow at the banks at a rate related to the discount rate which is 1 1/2 per cent. They may obtain a rate of 2 or 2 1/2 per cent, while otherwise they would have to pay considerably more. This is not law - just custom. I should say that this would give the Bank enormous power.

The Bank sells gold coins at a slight premium - and buys them at a little less. Deals with anyone but keeps record. Makes its living out of the margins.

Switzerland:

Discount rate 1 1/2
Bill rate in market 1 1/4
Rate on bank loans - ca 4 per cent
Mortgage rate 3 3/4 per cent

The National Bank has no short-term Treasury paper and only about 64 million francs of long-term Government bonds, more than half of them railroad bonds.

About the Swiss balance of payments: they have approximately 500 million francs excess of imports in normal prewar years, covered 300 million by income from foreign investment and the rest by tourists. Now, with the investments largely gone, they will be more dependent on tourists. Have pressure from the hotel industry.

August 4 - Rome. Unofficial interlude

Through no fault of our own, we have not had any official discussions for several days. We spent one day going to Bern to get the necessary papers to go to Italy. As a matter of fact Knoke had to stay behind and do some more talking because the key person was out of town.

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By LE NARA Date 7/22

- 17 -

Because no permit to refuel the plane could be obtained. There appeared to have been some pilfering of gas by the local people, so the army said: "No more gas" and there we were. No one knew what was going on; our baggage got itself back into the bus and departed for town. So we managed to follow on its trail. In town we went to our old friend - a warrant officer - to see what he could do, but he was out to lunch. So we went up with our Hildring letter to see Polletti - but he was out for the weekend. Finally, a British Colonel in shorts but with authority took charge of us, took us out to lunch and arranged for us to go to Rome on an Army plane which was taking some American soldiers back to Italy after a visit to Switzerland.

After a not unreasonable amount of waiting and fuming we did get on that Army plane. The flight over the mountains and the Mediterranean was lovely; we saw many of the towns whose names - hoary with history - have been barked at us by the radio only a few months ago; La Spezia, Pisa, Leghorn, etc.

We arrived in Rome airport at 6 p.m. and, after some waiting, were given jeep transportation to town and rooms at the Grand Hotel, which is reserved for senior officers and where we are very much on sufferance. But then - we have become accustomed to that. The hotel is in the luxuriant style of fifty years ago, very elaborate - but now with insufficient light to live up to its gilt - and with an atmosphere of elaborate stage setting - with workmen moving around, with but an occasional actor wholly or partially dressed for his part - and the stage in a dim and forbidding light.

We have only had one brief walk in Rome - and that in the dusk - not enough to form any impression, except that there are many American soldiers and English signs. Beneath that, however, one feels that Italian life is going on, and that this not unfriendly invasion is only a passing phase in this eternal city.

On the way home in crossing a square Walter and I stumbled over an invisible barbed wire barrier. No serious damage resulted - but it is a reminder not to venture out at night without guidance.

August 5

Visited Tasca, Treasury representative at Embassy, and Ambassador Kirk. Tasca made engagements for us with people we want to see and talked a good bit about political parties. It's complicated and not worth while - so I asked whether Italians had enough to eat. Then he gave us useful references and indicated that the food situation was desperately bad. (800 or 900 calories a day when 2200 are considered an adequate minimum). Coal shortage next winter will be very bad.

One thing is worth noting about parties: labels are misleading like in France. Democratic party is monarchist, liberal party is the most reactionary, communist party comprises some Moscow-minded communists but also many moderate, ardent catholic, and nationalistic people. Very much in flux.

Source: 11/1/45-11/13/45-12/14/45-1/1/45-12/17/45-12/18/45

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REC'D IN FILES SECTION
SEP 7 1945
Date 9/10/45

FEDERAL RESERVE BANK
OF NEW YORK

August 20, 1945

Hon. M. S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Chairman Eccles:

Enclosed is a copy of letter received this morning from Mr. Knoke, containing some interesting information about his visit to Rome. He thought you might be interested in its contents, so I am sending it to you in Mr. Sproul's absence.

Very truly yours,

L. R. Rounds
L. R. Rounds,
First Vice President.

Enclosure

- FOR CIRCULATION
- First to Mr. *Eccles*
 - Mr. Boardman ✓
 - Mr. Sprague ✓
 - Mr. McKee ✓
 - Mr. Cooper ✓
 - Mr. Egan ✓
 - Mr. Thurston ✓
 - Mr. Merrill ✓
 - Mr. Carpenter ✓
 - Mr. Hancock ✓
 - Mr. *Mr. Sproul*
 - Mr. *Mr. Sproul*
 - Mr. _____
 - Mr. _____
- Please copy _____ and for _____
aly



FOR FILES
A. L. Yates

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REC'D IN FILES SECTION

SEP 7 1945

Date 9/10/45

Rome
 August 9, 1945

Dear Allan,

As you will have gathered from my cables our trip from Zurich to Rome, which in more normal times would have taken overnight, required more than two days. It was, in fact, only by chance that we were able to make it in that time. After a very pleasant trip from Zurich to Chiasso by Swiss train, we ran into difficulties at the Italian border, but were finally successful in getting the Army to provide us with a jeep to take us to Milan. There we were obliged to wait almost two days for transportation to Rome. During that time we had an opportunity to make a brief call on the Banca d'Italia's branch there and to look over the city which is pretty badly bombed out. The rubble, however, has been removed from the main thoroughfares and the street cars seem to be functioning fairly satisfactorily. After a couple of false starts we finally left Milan Saturday afternoon on an Army P-47, which took us to Rome, where we are put up at the Grand Hotel, requisitioned by the Allied Military.

Despite the difficulties in reaching Rome, we are convinced that our stop here has been worthwhile. Through arrangements made by Mr. Tasca, the U. S. Treasury representative here, we have talked to the Italian Minister of Finance, the Minister of Reconstruction, and the Undersecretary of the Treasury (in the absence of the new Minister, Ricci). Our most productive conversations, however, have been with Governor Einaudi, Director General Introna, and other officials of the Banca d'Italia. They all seem genuinely appreciative of our visit and of the opportunity to renew contacts and discuss their problems.

Einaudi - a university professor and for several years an exile in Switzerland - has a very high academic standing, being perhaps Italy's outstanding economist. He was recently offered the job of Minister of the Treasury to succeed Soleri, who was killed in an accident, but declined. Mr. Ricci was appointed instead. Introna has been with the bank for some 50 years and has the reputation of an able and courageous administrator. During the period of German control, he is known to have attempted many blocking measures, which although not always successful clearly indicated his sympathies.

As in France and Switzerland, the number one obstacle to economic recovery in Italy seems to be coal, although food and raw materials are also urgently needed. In the industrial north, about 80 per cent of the factories are in good shape despite the war, but few have been able to resume production because of the lack of coal and, to a lesser extent, of raw materials. Through the pressure of the labor movement, the factories have been obliged to retain many times the number of workers for which there is work. This is not only resulting in a drain on the resources of the factories, which Einaudi thinks will not be able to bear this burden much longer, but is also interfering with such production as can be undertaken. Political discussions, we are told, are rampant, and each day "the discussions become more red".

This unhealthy atmosphere has also slowed up the current sale of 5 per cent 5 year Treasury bonds, which were sold in the south to yield 6.15 per cent and are now being offered in the north to yield 5.8 per cent a year. In the south, subscriptions have totaled 33 billion lire and it was hoped that an additional 50 billions would be raised in the north. It is now expected, however, that only about 40 billions will be sold there, giving a total of around 75 billions, or about 20 per cent of money now in circulation. Money at 6 per cent is, of course, pretty dear, but part of the Government's need is obtained at 4-4½ per cent by means of time deposits (at present about 125 billions)

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held by commercial banks with the Banca d'Italia; such deposits, until recently, were compulsory, but now seem to be continued by means of gentle moral pressure.

The way the Germans financed themselves in Italy during the war was similar to that applied in France, namely, by means of exacting contributions, originally 7 billion lire a month, but finally 12 billions. The total thus exacted is in the neighborhood of 190 billions.

From our limited observation, prices seem to be high in Italy, but not as high as they are in France. The cost of a good lunch, for instance, which we had here, was about \$6 per person, compared with \$18 for a poor one, which friends of mine had in Paris. Although accurate measurement is difficult owing to wide price differentials even between neighboring towns resulting from lack of transportation, it appears that the upward trend in prices (taking the black market into account) has been more pronounced in the south than in the north. The cost of living in Rome, for instance, is said to be about 50 per cent higher than in Milan. Wages are also higher in the south, although recent increases in the north have narrowed the gap somewhat. Generally speaking, prices seem to be more than five times the prewar level. Einaudi, therefore, and others at the bank are of the opinion that the lira is overvalued at the present rate and foresee great difficulties in resuming exports. Imports also present a problem, since it is realized that, under present conditions, the purchase of goods abroad at the current rate and sale here would only further enrich the black market operators. Einaudi, however, seems to favor no further devaluation at this time at least, but talks of the possibility of multiple rates for different purposes, somewhat a la Venezuela, I should imagine.

Of the 125 million dollars of gold held by the Banca d'Italia at the beginning of the war, only about 25 millions remain in the vaults here but under Allied control. How much will be recoverable of the 75 millions carted away by the Germans is a question that interests the bank considerably. By the way, not once was reference made to Governor Azzolini.

According to Introna, they have no questions to ask regarding the bank's account with us. They have, they say, complied with the suggestions made by us in connection with certifications, etc., and advised us accordingly by letter. They ardently hope that the Italian account now carried on the books of the Treasury (several hundred millions) may, before long, be merged with that on our books.

They are hungry for information from abroad, which has been completely lacking for years now. No papers, no periodicals, no statistical data, just nothing; hence, our long cable on B.I.S. data which we offered to send when they indicated the need for the information in connection with their present study of the domestic price level.

Coming from Switzerland where the economic problems are probably only temporary, Italy's future looks pretty dismal to us, particularly during the coming winter.

~~He is~~ waiting for Army permission to leave Rome--already two days overdue--~~and to proceed with~~ our trip.

Sincerely,

(Signed) Werner

Please have a copy made for B/G if satisfactory to you.

H.W.K.

FOR FILE
A. L. Yoder

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By: LE NARA Date: 9/20

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SEP 7 1945
2-11-45

FEDERAL RESERVE BANK
OF NEW YORK 7

August 8, 1945.

Hon. M. S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington 25, D.C.

Dear Chairman Eccles:

Enclosed is a copy of letter received this morning from
Mr. Knoke, containing some interesting information about his visit to
Zurich. Dr. Goldenweiser and he thought you might be interested in its
contents, so I am sending it to you in Mr. Sproul's absence.

Very truly yours,

L. R. Bounds
L. R. Bounds,
First Vice President.



Enclosure

FOR FILES
A. L. Yates

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 By 16 NARA Date 9/20

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REC'D IN FILES SECTION

Zurich SEP 7 1945
 July 31, 1945

Dear Allan

After standing up the better part of 6 hours on the train from Paris to Dijon, then walking from 2 A.M. to 5 A.M. on the platform at Dijon and with no food for 18 hours, we arrived in Zurich exactly 24 hours after leaving Paris. In Switzerland we found a veritable Paradise, a peaceful (politically as well as economically) island in the midst of war ridden Europe. We have met Weber, Hirs, Rossy (the three members of the Directorium), Bachmann, Pfenninger, Gautier, and many others. Apart from a number of lunch and dinner invitations and a trip on Saturday to Lucerne with its unparalleled beauty, to the Pilatus, and to the Burgenstock, on which Weber, Hirs, and Rossy took us as their guests, the National Bank has bent every effort to do everything possible for us and to show and tell everything of professional interest to us.

The quid pro quo which they seem to expect of us is to answer an endless number of questions about conditions in the States and particularly about what they may expect of our Treasury in the future. They are terribly worried about the economic future of Switzerland, the expansion of their currency, and their blocked balances and gold in the States. One sees here the unique picture, for Europe at least, of a country deadly afraid of adding to its exports and praying for an opportunity to cut down its foreign assets by increasing its imports. That is the one point they never tire of harping on. They dislike, I believe, seeing foreigners here at present consuming the Swiss substance and paying in dollars which further increase their blocked holdings in the States. Foreigners here have a royal existence. Food is, or at least seems to be, plentiful, except for butter, eggs, sugar, and bread. It is all excellent but rationed. Incidentally, their rationing system is fairer than ours in that it covers restaurants and hotels and it works perfectly. No meals, bakery products, or candy are sold without first receiving coupons. No orders are taken until you have given up the necessary number of coupons indicated on every menu, in every shop, etc. Prices are quite high, not in comparison with ours, but in comparison with wages and salaries here and compared with 1938, for instance, when I was last here. The window displays are excellent and the proverbial Swiss neatness striking, especially for those who come from Paris and even from London.

As I said before, Switzerland is a Paradise, a veritable oasis the moment you cross the frontier. Weber admits all this, but then he looks at his circulation figures; "we are not used to such astronomical figures" he says and turns gloomy. We have pointed out to him that in this respect his problems are the same as ours. He seems to find a measure of consolation in the fact that his portfolio contains no Government securities*, whereas we have more than 26 billions dollars of them. The present status of employment is good and plans are completed to meet the possibility of any future unemployment. According to Weber the crops are bad, although Schnorf, his former associate at the bank, maintains they are good.

While our gold holdings decrease, theirs increase so that the National Bank has now decided to sell Swiss gold coin to anybody who wants it (at a profit to the bank of about 10 per cent, incidentally). In this way Weber hopes to withdraw

* That is not quite right, we now learn. The bank does hold a very small amount of long term obligations.

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 A. R. T. 1945

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SEP 7 1945

from 80 to 100 million Swiss francs a year from circulation. In general, Switzerland's present difficulties appear to be due chiefly to blocked assets abroad and a lack of raw materials, particularly coal, an acute shortage of which is threatening during the coming winter. These difficulties, however, should be of a temporary nature and all three of us feel that Switzerland's future is decidedly promising.

Those at the bank do not seem to be enamored of Bretton Woods, but probably feel that they will have to go along if it is finally accepted by enough nations. Goldenweiser, upon Weber's request, gave a short and very clear talk the other day on the purposes and proposed functions of the Fund and the Bank.

Is the dollar likely to be devalued along with other currencies? Will sterling be devalued? are questions which they ask. According to Weber there is no probability of a change in the Swiss franc value beyond the range established back in 1936. His opinion - and it seems to be shared unanimously by all to whom we have spoken here - of the French franc and the French economic picture is extremely bearish. "Prices are too high; the French do not want to work; nobody has confidence in the present French Government", etc.

McKittrick and Jacobson came to Zurich from Basle on Friday. Jacobson talks as much as ever. He is disgusted with the way the States have treated Switzerland and the B.I.S. and feels that the latter could profitably be used in the future. McKittrick seems thoroughly fed up - and very confidentially - wants to get out. He will try to persuade his board to let him go to Washington in September, to appear, if possible, before a committee of Congress to examine into the B.I.S., provided he can be assured that the State Department will give him a passport to return to Switzerland to arrange his affairs. All his efforts to bring his wife and daughter to England have, so far, failed because the State Department has not issued the necessary passports, even though the British are willing to arrange for visas and transportation.

We would have left for Paris yesterday if it had not been for the unexpected suggestion that we go to Italy. In fact, we had arranged for transportation (a matter that takes at least 2 or 3 days), but had to cancel the reservations. All now depends upon whether we will be successful in getting our passports validated for Italy, obtaining Army permission, making sure Governor Einaudi is now in Rome, persuading the Army to take us from the border to Rome by car and plane (since no railroads are running yet), to give us hotel accommodations, and, more important yet, to take us out of Italy afterwards. I have a notion that Washington does not quite realize that all these things take time. I cabled you on this matter stating that we were taking it up with the Legation at Berne. We went there yesterday and it looks as if we will be successful.*

That's all for today. Everybody is fine and I hope the same for you.

As ever, sincerely,

(Signed) Werner

* I have just returned from the American delegation and am hopeful, but not sure, that the trip to Italy will offer no further difficulties.

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A. L. Yates

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By LE NARA Date 9/20

REC'D IN FILES SECTION
SEP 7 1945
Rec'd 9/11/45

TO: Chairman Eccles

FROM: Mr. Thurston

REMARKS:

8/9/45

Have acknowledged the attached.
Thought you might be interested in
reading it.

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SEP 7 1945
E.T.

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CHAIRMAN'S OFFICE A. E. Yates

RESERVE BANK

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By LE NARA Date 9/20

CONFIDENTIAL

Copy No. 65

FINAL REPORT ON TOUR OF EUROPEAN CENTRAL BANKS

July 1 to September 22, 1945

by Messrs. E. A. Goldenweiser
L. W. Knoke
W. H. Rozell, Jr.

Federal Reserve System

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By LE NARA Date 7/20

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SWITZERLANDJuly 24 - August 2

On the surface Switzerland seems to have been little touched by the war. In fact, its natural beauty and orderly life now are all the more apparent in contrast to conditions existing in neighboring countries. In July 1945 the cities were brilliantly illuminated at night; the railway system, most of which is electrified, operated smoothly and efficiently; and the hotel industry, although experiencing difficulties because of certain food shortages, had managed in general not to fall too far short of its prewar standards. Retail stores seemed well stocked with merchandise, including such prewar luxuries as cameras, watches, and silk stockings, which had long since disappeared from the American market. Our experience indicated that food was fairly plentiful, except for meat, some dairy products, and imported items such as sugar and coffee.

That food was adequate and equitably distributed in a country which before the war imported about 45 per cent of its needs can be attributed primarily to two measures taken by the government during the war. The first was the introduction of a highly efficient rationing system, largely on a point basis. Unlike our rationing, the Swiss system covered all food consumed in restaurants and hotels, as well as that purchased in retail stores for home consumption. Meals in restaurants carried varying point values and coupons had to be surrendered before the meal was served. We were told, throughout Switzerland, that there had been little evidence of black market operations.

The second measure taken by the government to provide for an adequate food supply was an over-all plan to utilize all available acreage for the production of food. Wherever possible, dairy farmers and vineyard owners had been obliged to grow grains, particularly wheat. As a result of this

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program, acreage under cultivation rose from 460,000 acres in 1941 to about 1,100,000 acres in 1944. This, of course, had been a costly undertaking and was met with some opposition on the part of dairy farmers, who found their new assignment considerably more arduous than their former occupation to which both they and the topography of the land were better adapted. Furthermore, the frequent calls for military service had often hindered production, even though the government had attempted to regulate the periods of service so as not to coincide with the farming seasons. Despite the difficulties involved, however, this concentration on the production of basic foodstuffs did much to insure an adequate supply in the face of greatly restricted imports. This wartime expedient was not expected to create any postwar problems. Although the Confederation, under the pressure of the politically strong farm bloc, was purchasing the wheat at a price about 100 per cent above the world price, it was anticipated that most farmers, through preference, would reconvert to dairy and vineyard farming as soon as the government controls were removed.

In addition to these measures, all individuals were required to raise "victory" gardens and city workers living in the suburbs were usually given time off to tend these home gardens. This naturally had helped to augment the food supply during the summer months.

As far as daily life was concerned, probably the greatest need was for coal, an acute shortage of which was again threatened for the winter. As in the case of food, however, some precautions had been taken and neat piles of cord wood were in evidence outside most private homes.

Banque Nationale Suisse

We were extremely well received at the Banque Nationale Suisse and Mr. Weber, President of the Board of Management, together with Messrs. Hirs and Rossy, his two colleagues on the Board, took great pains to outline

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to us Switzerland's economic problems. Helpful assistance was also given by Messrs. Gautier and Pfenninger, both of whom had been in the United States as the Banque Nationale Suisse's representatives.

All were greatly disturbed over the blocking of Swiss assets in the United States and the growing friction with our Treasury Department indicating that Switzerland was still under suspicion of concealing German assets. Although it was made amply clear by us that it was not the purpose of our mission to attempt to find a solution of the blocking problems, Mr. Weber and his associates assiduously explained their position in the matter. They discussed quite frankly many of the wartime dealings with the Reichsbank. As to their purchases of gold from Germany during the war, they explained that, since Switzerland for many years had had a free gold market, it had not been possible to discriminate between sellers, and Switzerland had been obligated to accept incoming gold regardless of the exporting country. The Swiss authorities, presumably realizing the reaction their purchases would have upon the Allies, had asked for assurances from Germany that the gold was coming from the latter's own holdings. These assurances, according to the Swiss, had been given. As far as the Swiss were concerned, the proceeds of the gold sold by Germany in Switzerland were credited only to the Reichsbank account at the Banque Nationale Suisse. The Swiss realized, however, that the Reichsbank could, and in fact did, subsequently transfer Swiss francs so obtained to Swiss commercial banks for account of Portugal and Spain.

At the time of our visit the Swiss authorities, at the insistence of the United States Foreign Funds Control, were undertaking a census to determine the amount of German assets in Switzerland. Our Foreign Funds Control authorities, however, rightly or wrongly seemed to be sceptical of the completeness of the statistics obtained in the census.

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Switzerland's present financial predicament has, of course, arisen, to a large degree, from its traditional role of banker for Europe, which had not only brought on the blocking of her assets in Allied countries, but also had resulted in heavy losses sustained on Swiss investments abroad, particularly in Germany. Following the introduction of German exchange control in 1931 some of the Swiss commercial banks had written off their German assets as worthless. Others, however, had continued to carry the German investments on their books and a number of the latter banks are now experiencing difficulties. Several well known banking houses, in fact, had to be merged with other firms at the time we were in Switzerland. Consequently, there was a strong feeling of doubt -- at least at the Banque Nationale Suisse -- whether Switzerland should attempt to resume its role of international banker. Some of the commercial bankers, however, naturally felt differently since the international banking business had been an important source of their income in the past.

There seemed to be no such difference of opinion as to the need for a postwar export of Swiss capital. It was realized, however, that in the future Swiss overseas investments would have to be better distributed and diversified. Before the war Switzerland's investments had been concentrated largely in Germany, France, and the United States, and with the advent of the war the bulk of these assets was either lost or (in the case of the United States) immobilized through blocking.

Switzerland's desire to resume the export of capital, in the face of some unfortunate experiences in the past seems to be due to a number of reasons. First, Switzerland is well aware that trade with her war-torn neighbors depends upon the extension of credit. Monetary agreements have been made with France and Belgium-Luxembourg, patterned after the British agreements with these countries. In July 1945 negotiations were also under

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way for an agreement with the Netherlands, and an Italian delegation was in Switzerland for the purpose of negotiating an accord.^{6/} Although the agreements already concluded provide for a mutual exchange of currencies, the Swiss are under no illusions that, for the present at least, they represent anything more than a line of credit, since the balance of trade will be in Switzerland's favor. Under the accord with Belgium, for example, exports from Belgium are contingent upon Belgian production reaching certain levels; exports of metals will be made only after production has reached 75 per cent of the 1938 level.

That returns on overseas investments have always been an important source of income in the Swiss balance of international payments is another factor tending now to favor an export of capital. In normal prewar years income on foreign investments amounted to roughly 300 million Swiss francs. This, together with around 200 million derived from the foreign tourist trade, about covered the "adverse" trade balance. With a good part of the prewar investments dissipated, the building up of new sound investments abroad is one of the prerequisites for bringing the balance of payments into equilibrium in the postwar years.

In the domestic field, the Banque Nationale Suisse officials were concerned over the disruptive effects of the war on the national economy and the resultant threat of an inflationary spiral. Money in circulation had risen from 1.7 billion Swiss francs in July 1939 to 3.5 billion in July 1945 and has since increased to nearly 4 billion. It is estimated that about one half of this volume would be commensurate with present economic conditions and that the remainder is hoarded in Switzerland or abroad. The Swiss authorities take some consolation in the fact that this increase, percentage-wise, is less than the rise in circulation in the United States, but say

^{6/} The Swiss-Italian Agreement as yet has not been completed, largely owing to the opposition of the Allied Commission in Italy.

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that they are not accustomed to such "astronomical" figures. The general level of wholesale prices in Switzerland more than doubled during the war and the cost of living, according to the official index, increased about 50 per cent.

The Swiss rightly attribute their economic difficulties primarily to a strangulation of imports, which declined from 7.5 billion tons in 1938 to 2.6 billion tons in 1944.^{7/} Furthermore, as a result of the blocking control in the United States, the Swiss have found that their exports, for which a strong demand has continued, have resulted only in the accumulation of blocked assets abroad. To cope with this situation, the Swiss have pursued a well-defined policy of converting into gold, for earmark in New York, dollar exchange accruing to them during the war. As a result, Swiss holdings of short term dollar assets have held steady at around \$200-\$300 million. Swiss gold reserves, on the other hand, rose by the equivalent of \$517 million to \$1,104 million^{8/} between the end of August 1939 and December 1945 (the latest available date). Of the total, the bulk, or \$739 million, was held under earmark in New York. With respect to gold held at home, we were told that during the war Switzerland moved at least part of it to the Alps where it was hidden. Within one week after the first shipment was made, newspapers carried the story, the operation having been traced by German espionage. A subsequent shipment was moved under the label of ammunition and a year later the railroad sued for, and obtained, the difference in freight resulting from undervaluation.

^{7/} Owing to rising prices, the decline in value was only from 1.6 billion Swiss francs to 1.2 billion francs.

^{8/} In addition, some gold is now held by the Swiss Confederation. This apparently is a more or less temporary measure, arising from the arrangement (inspired by political considerations) whereby 50 per cent of the dollar proceeds of Swiss exports are taken over by the Banque Nationale Suisse against Swiss francs credited to blocked accounts of exporters. Gold purchased with the dollars so acquired is turned over to the Confederation.

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As a means of utilizing her gold reserves, Switzerland has, in addition to encouraging its use in industry and the arts, engaged in a program of minting coins, which are sold to the public at a profit of about ten per cent to the central bank. It was hoped that from 80 to 100 million Swiss francs a year could be withdrawn from circulation in this way.

As a consequence of the accumulation of blocked assets abroad and the inability to import raw materials, there has developed a strong reluctance to export merchandise or otherwise sell Swiss substance to foreigners. This reluctance seemed deep-seated and appeared in many forms. For example, when, through the efforts of the United States Army, arrangements were made for our troops to take short leaves in Switzerland, their number was limited by the Swiss to 800 a day until the total reached 5,000, and the amount of francs made available against dollars was restricted to 150 francs (about \$35) for each soldier, over and above the cost of board, billets, and transportation.

Thus, in Switzerland one saw during the summer of 1945 the rather unusual picture of a country extremely hesitant to sell abroad and bending every effort to import and cut down its foreign assets. It provides an illustration of the obvious, but often misunderstood, fact that an export surplus is, per se, not always a necessity for economic stability, but, in fact, can lead to instability. Switzerland fully realizes that imports are her first requirement for recovery. Most of Switzerland's problems, however, would appear to be largely of a temporary nature. With the removal of the wartime obstacles to shipping and civilian production abroad, and with the release of her foreign assets now blocked, Switzerland will again be able to replenish her supplies and remove the threat of inflation, probably her greatest economic fear during the war. Barring unforeseen developments, Switzerland's economic future would, therefore, appear to be promising.

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ITALY

August 2-10

Owing largely to Italy's undetermined diplomatic status vis-a-vis this country, no plans had been made originally to include Italy in our European tour. Subsequent political developments, however, including steps leading to the return of Italy to the "family of nations", made it seem advisable for us to visit the Banca d'Italia, even though, as was expected, the difficulties of travel to and from Italy added two weeks to our trip. Luigi Einaudi, the newly appointed Governor of the bank, expressed himself as highly pleased with our visit and all the officials discussed their problems frankly and helped to make our stay profitable and interesting.

With conditions as unsettled as they were in the summer of 1945, it is, of course, difficult and hazardous to draw any general conclusion on the basis of a few days' study. The difficulties involved perhaps are emphasized by a minor incident in Milan, where we were delayed for two days in transit from Zurich to Rome. Milan had suffered much damage toward the end of the war as a result of street fighting and Allied bombing. On many of the devastated buildings, which were numerous, legends had been scrawled: "This building was destroyed by our Anglo-Saxon liberators." At first blush, this would seem to indicate strong Italian resentment to the Allied invasion. Further investigation, however, brought out the fact that these legends were the work of fascist propagandists in the last days of the fighting and did not reflect feeling against the Allied forces by the rank and file of Italians.

Political and economic conditions in Italy presented many obstacles to a speedy recovery. As might be expected after 23 years of fascist rule and the suppression of all other political parties, the political scene last

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restoration of export trade.^{10/} As an example, it was pointed out that there was a market in Switzerland for Italian vermouth at 3 Swiss francs a liter, equivalent to about 70 lire. To make a liter of vermouth, however, required three liters of wine, each costing 70 lire to produce in Italy. It was realized, of course, that as long as Italy was importing on balance, an over-valued lira had certain advantages. Even here, however, problems had arisen with respect to goods imported by the government. If the merchandise were sold in Italy at the import price, converted at the official rate, the price would be well below the local market and a handsome profit would accrue to importers and black market operators.

Banca d'Italia

The new administrative staff of the Banca d'Italia, which was hand-picked by the Allied Commission, impressed us as being composed of capable and highly regarded men. Governor Einaudi, who spent several years in exile in Switzerland, enjoys the respect of the Italian people and, being one of Italy's outstanding economists, has a high academic standing. He is most earnest and greatly concerned over the present plight of his country. Mr. Niccolo Introna, the Director General, has been with the bank for 50 years and has the reputation of being an able administrator. He is known to be firm and courageous in his dealings, and is said to have countermanded many of former Governor Assolini's orders, prevented the burning of notes and securities as instructed by the Germans, and slowed up the delivery of gold and currency to the Germans. He was placed in charge of the bank as Commissioner by the Allied Commission as soon as Rome was liberated. Giorgio Cigliana, who before the war was in New York as assistant to Mr. Podesta,

10/ Recent reports indicate that a subsidy of 125 lire per dollar is now being paid to Italian exporters over and above the official rate of 100 lire to the dollar. Italian importers, on the other hand, are obliged to pay 125 lire as a surcharge on the official rate in order to obtain the necessary dollar exchange.

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the Banca d'Italia's representative, had been appointed as special assistant to the Governor, with the backing of the Allied military authorities.

It was the feeling of Governor Einaudi that the Banca d'Italia, which under the fascist regime had been eclipsed completely by the Italian Treasury, could now regain its former position. The old National Institute for Foreign Exchange (Istcambi) has been replaced by a new agency, the Italian Exchange Institute (Italcambi), of which Einaudi is chairman and Introna one of the directors. The funds for the new institute, which in general is responsible for the operation of the foreign exchange control, were furnished by the Banca d'Italia and, we understand, all accounts of the new institute are carried abroad in the name of the Banca d'Italia.

Governor Einaudi and members of his staff took considerable pains to outline many of the bank's operations during the war, particularly during the period of German occupation. At the beginning of the war the Italian gold reserves amounted to 125 tons, equivalent to about \$141,000,000. Of this amount 23 tons, or \$26,000,000, were used in settlement of prewar liabilities of the Italian Government to Swiss commercial banks and the Bank for International Settlements. A total of around 75 tons (about \$84,000,000) was turned over to Germany and its whereabouts was still unknown at the time of our visit to Rome. The remainder -- about 25 tons (\$28,000,000) -- of the prewar gold stock was shipped to the northern part of Italy where it was cached in a fortress under one German and two Italian keys. This gold was taken over by the United States Fifth Army in its drive north and was subsequently returned to Rome. Last August the gold was stored in the vaults of the Banca d'Italia under the control of the Allied Commission.

In addition to the seizure of Italian gold, the Germans financed themselves in Italy by levying "contributions" in much the same manner as was done in other occupied countries. The necessary funds were provided by

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the Italian Treasury through the sale of Treasury bills and were credited to German account at the Banca d'Italia. Italy's total "contributions" under this arrangement amounted to 190 billion lire. Starting at the rate of 7 billion lire a month during the last three months of 1943, this levy was raised to 10 billion a month in 1944 and to 12 billion in each of the first four months of 1945. The Banca d'Italia reportedly employed slow-down tactics in furnishing its branches with the necessary currency and as a result, with the expulsion of the Germans in the spring of 1945, 8 billion lire were held in an account due to Germany. Much to the apparent surprise of the Italians, this account had been blocked by the Allied Commission on the grounds that it represented German assets. The question, however, was under discussion with the Allied military authorities last August and a satisfactory settlement was expected.

The threat of a run-away inflation was one of the chief concerns of the Italian as well as of the Allied military authorities. Owing in large part to advances by the Banca d'Italia to the Italian Treasury, the government debt had risen from 132 billion lire in December 1939 to over 850 billion by V-E Day. Total deposits held by the Italian banks, including savings banks, amounted to roughly 500 billion lire last August. Of this amount, 50 per cent was invested in short and long term government securities, 25 per cent in private loans, and the remaining 25 per cent was held as time deposits with the Banca d'Italia at from 4 to 4 1/2 per cent per annum. The latter deposits were on a voluntary basis but, in effect, represented loans to the government at 4 1/2 per cent, since the government borrowed from the Banca d'Italia at that rate. As to the reason for the commercial banks' preference in keeping this volume of funds on deposit with the central bank rather than invested in government securities paying 5 per cent, we were told that it was due primarily to the fact that the commercial

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SWEDENAugust 22 - 30

Our seven-day stay in Sweden offered us an opportunity to gain a glimpse of the functioning of Sweden's planned economy during the war and her plans for meeting postwar problems in the international field. Through the efforts of both Governor Rooth of the Riksbank and Mr. Herschel V. Johnson, our Minister to Sweden, we were able to meet a wide and representative group of government officials, commercial bankers, and industrialists. In addition to the officers of the Riksbank, the Swedish Government officials with whom discussions were held included Finance Minister Wigforss; Mr. Hammarskjold, the young and very able Undersecretary of Finance and Chairman of the Board of the Riksbank; Professors Ohlin and Myrdahl, who succeeded each other as Minister of Commerce and whose debates in Parliament have done much to focus attention on the problems ahead; and Mr. Bergwald, Chairman of the Price Control Board. Conversations were also held with two officers of the newly reorganized National Bank of Poland, the General Manager of the Landsbanki Islands (Iceland), and the Governor and an economist of the Finlands Bank, all of whom happened to be in Stockholm.

Daily life in Sweden, as in Switzerland, was in striking contrast to that in liberated Europe. Signs of wartime shortages naturally were evident. All food was rationed and certain imported items such as coffee and sugar were relatively scarce. Clothing -- particularly shoes -- was limited, though adequate. Sweden was also laboring under a shortage of coal, but, unlike most countries, she was in the fortunate position of having easily accessible timber reserves on which to draw. Even in the summer most of the streets in Stockholm were lined with rows of firewood, which had been brought down from the north in preparation for the coming winter. In addition to supplying heat, Sweden's timber had also made it possible for

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price index by 50 per cent. The general level of industrial wages advanced 37 per cent between 1939 and 1944, and the further demands of labor during the first five months of 1945 resulted in an additional increase of 4 per cent.

As a result of the enforced curtailment of imports from the western countries, together with an inflow of capital in the early stages of the war, Sweden has accumulated substantial amounts of dollar exchange and gold during the past six years. Much of the dollars so acquired has been converted into gold to be held under earmark at the Federal Reserve Bank of New York. While there was no well defined program, these conversions were motivated by the general policy of keeping Sweden's reserves in this country about evenly divided between dollars and gold. As of the end of August 1945 Sweden's total holdings of short term dollar assets amounted to \$194 million, \$50 million above the level at the beginning of the war. The bulk, over \$150 million, of these holdings represented official dollar reserves. Reflecting the conversion of much of the current accumulations of dollar exchange into gold, the total of gold held under earmark in New York for account of the Riksbank rose \$89 million during the war to the current level of \$177 million.

Sweden's total published gold reserves increased by the equivalent of \$124 million (net) in the six years ended August 1945 to \$479 million. This represented a record high level and was more than three times the wartime low reached in October 1940. In addition to the published total, we were informed confidentially that some gold was held in a secret reserve.

As to the distribution of the published total, about \$78 million was held in Sweden last summer. Of the roughly \$400 million of gold held abroad, the largest amount was the \$177 million earmarked in New York. An additional \$160 million was in South Africa and represented newly mined

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gold which Sweden had purchased from the British at the official price of 168 shillings an ounce (equivalent to \$33.81 an ounce). About \$35 million of gold was also held in Canada, \$23 million in Switzerland, and \$2 million in Argentina, the latter representing the conversion of pesos arising under the trade agreement with Argentina. A small amount, due from the Bank for International Settlements, was held in London.

In the international field perhaps the most significant development in Sweden has been the large-scale program of financial assistance to other European countries. From the beginning of the war in Europe to the fall of 1945, the Swedish Parliament had voted a total of over 2.5 billion kronor of credits and gifts for reconstruction and similar purposes. This amount represented nearly 20 per cent of Sweden's national income and was equal to her total government expenditures for two prewar years. This lending program began in October 1943, when the Riksdag was asked for an initial appropriation of 100 million kronor. Although at that time it was decided that in view of Sweden's limited economy her assistance would have to be confined primarily to the Northern Countries with which Sweden has always had very close cultural and economic ties, the program since has been expanded to include most of the liberated countries of Europe.

The Northern Countries have been the principal recipients. The largest rehabilitation credit -- 380 million kronor -- was given to Norway. Of the total, 150 million kronor, which are to be used for aiding Norwegian refugees, are free of interest and are in the nature of a gift since repayment is left entirely up to Norway. In addition to the credits in kronor, Sweden has agreed to accept payments from Norway in pound sterling up to an aggregate amount of 160 million kronor, in connection with the Norwegian shipbuilding program in Sweden. Credits to Denmark have amounted to 230 million kronor, of which 50 million kronor for aid to refugees are also

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agreement, it is understood that some understanding has been arrived at as to the amount of the other's currency each will accumulate.

All these agreements are bilateral in nature. As Sweden has a highly developed foreign trade, those responsible for the operation of Sweden's planned economy feel that her best interests lie in the direction of free and multilateral trade. At the present junction, however, she has been obliged to bow to prevailing conditions and realizes that the resumption of world trade on a multilateral basis must await the development of international cooperation. For this reason Sweden is watching with interest the organization of the various international bodies.

By the time of our visit it was felt that Sweden had reached the limit of its ability to extend foreign credits and in so doing had stretched its economy to the utmost. It was fully realized that foreign credits were for exports and that to export without being able to import resulted in a loss of goods and a growth of the money supply, which aggravated the danger of inflation. The economy was considered to be finely balanced and any development such as a further rise in wages could set off an inflationary spiral. Largely as a result of deliveries under the foreign lending program, Swedish exports during 1945 exceeded imports by a record amount equivalent to \$149 million. This compared with an import surplus of \$209 million in 1944. In the summer of 1945 Sweden still had some reserves of raw materials, but in the absence of imports it was believed that these supplies would last only for another six months or a year at the most. Sweden, therefore, was gambling on the chance that her import trade could be resumed on a large scale before her reserves were exhausted.

A number of factors have been responsible for Sweden's engaging in large-scale foreign lending and exporting prior to the resumption of her import trade. In the background there is the feeling that since Sweden had

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APPENDIX II

Persons Seen During European Trip

July 1 to September 22, 1945

London

Bank of England

Lord Catto
C. F. Cobbold
H. A. Slepmann
Sir Otto Niemeyer
H. C. B. Mynors
G. L. F. Bolton
J. A. C. Osborne
Henry Clay
L. P. Thompson-McCausland
J. L. Fisher
H. B. C. Yeomans
Frank C. Hawker

Douglas E. Johns
Victor C. Tong
P. S. Beale
C. R. P. Hamilton

R. E. H. Allport
Charles C. Excell
Eric Crawshaw

R. S. Wright

P. L. Hogg

P. A. Pescud

C. W. St. J. Turner

L. F. Crick
F. J. Portsmore

Governor
Deputy Governor
Executive Director
Director
Secretary
Adviser
Adviser (retired August 1, 1945)
Adviser (retired)
Assistant Adviser
Assistant Adviser
Deputy Chief Cashier
Deputy Chief Cashier (Exchange Control)
Assistant Chief Cashier
Assistant Chief Cashier
Assistant Chief Cashier
Principal, Trade Control & Investigations Office
Principal, Statistics Office
Principal, Cashier's Office
Assistant Principal, Cashier's Office
Assistant Principal, Overseas and Foreign Office
Overseas and Foreign Office
Overseas and Foreign Office

British Treasury

Lord Keynes

Economic Adviser, Director of Bank of England

Midland Bank, Ltd.

Prof. W. F. Crick

Economic Adviser to the Chairman and Executive