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By TJ NARA Date 9/17/99

The Washington Post
APR 22 1943

Devaluation Out

House Votes Stabilization Fund Bill

By Robert C. Albright
Post Staff Writer

The Administration yesterday won its fight for a two-year extension of the Treasury's two billion dollar currency stabilization fund but at the cost of the President's dollar devaluation powers and any right to use the fund in the projected international bank.

Extension of the fund for another two years was approved by a House voice vote after the House Coinage Committee reached a hasty agreement on limiting amendments.

The bill was sent back to the Senate, which previously had approved extension of the fund. The House concurred in Senate action terminating the President's power to devalue the dollar when that authority expires June 30.

Senate Must Act

The Senate still must act on the House amendment barring use of the stabilization fund in connection with Secretary Henry Morgenthau's recent proposals to set up a five billion dollar bank for post-war stabilization of world currencies.

Representative Chauncey W. Reed, (Republican), of Illinois, author of the amendment, said the action was without prejudice to the international bank plan. He said he merely wished to protect the right of Congress to pass on the merits of the world currency stabilization proposal when it is submitted.

Both Reed and Representative Andrew L. Somers (Democrat) of New York said Secretary Morgenthau had already promised to come back to Congress for authority before setting up the bank, although he probably had power to use the two billion dollar fund without specific authorization.

Tenure of Morgenthau

"The committee took Mr. Morgenthau at his word, but there is no certainty that Mr. Morgenthau will continue to be Secretary indefinitely," Reed told reporters. "Another Secretary would not be bound by the promise."

The Illinois Republican told the House: "It would have been ironic for Congress to have locked the door after the horse was gone. The legislation, as we have amended it, preserves the integrity of the fund, secures its use for the purposes intended, and retains in Congress the decision of the post-war problem of creating a sound economic policy."

The Senate is expected to retain the Reed amendment. As both Senate and House have refused to extend the President's dollar devaluation authority, that power will die automatically in another two months. It has not been used since the President in 1934 cut the gold content of the dollar to 59.6 per cent. Chairman Somers said the committee was assured the Treasury has no thought of further devaluation before the June 30 expiration date.

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US Stab. Fund Hearings 1943

Statement of Secretary Morgenthau before the Committee on Coinage, Weights and Measures of the House of Representatives

Monday, April 19, 1943

Extension of the Stabilization Fund

On April 13, 1943, Congressman Somers introduced a bill (H. R. 2489) extending to June 30, 1945, the powers relating to the Stabilization Fund and the power to alter the gold content of the dollar, both of which under the present law will otherwise expire on June 30, 1943.

I believe that a two-year extension of the power to devalue the dollar would be helpful, but in view of the action taken by the Senate last Friday, I am here before your Committee only to ask for the extension of the Stabilization Fund.

The spread of the war to this hemisphere and the presence of American forces in many countries abroad have heightened the importance of our currency relations with these countries. The gold, currency, and stabilization operations of the Stabilization Fund in the past two years have reflected these changes in the world situation.

While during most of the period since 1934 there was a heavy inflow of gold into the United States so that the Fund's purchases exceeded its sales of gold, during the last two fiscal years the Fund has sold more gold to foreign countries than it has purchased. In the fiscal year 1942 the Fund sold $644 million of gold to foreign countries and purchased $162 million of gold from foreign countries. So far in the fiscal year 1943 the Fund has sold $401 million of gold to foreign countries and purchased only $27 million from foreign countries. The Fund's sales of gold have been made to 21 different countries.

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Hearings 1943

ary Morgenthau before the
ge, Weights and Measures
of Representatives

As I have said to this committee before, I know of no better means of settling international balances than with gold. For this reason it has been, and is, the policy of the Treasury to facilitate the continued use of gold for the settlement of international balances. Our Stabilization Fund has definitely contributed to the implementing of this policy. Since I last appeared before this committee the Stabilization Fund has entered into three gold-purchase agreements with Russia and a gold-sale agreement with Cuba.

Under the gold-sale agreement with Cuba, which was signed on July 6, 1942, the Stabilization Fund has undertaken to sell gold to Cuba, payment to be made in United States dollars within 120 days from the date of such sale. Under this agreement Cuba has already acquired $25 million in gold, all of which has been paid for. The agreement with Cuba was designed to facilitate the accumulation and the maintenance of a gold reserve against Cuban currency as provided by Cuban law.

During the past two years we have made and completed three gold purchase agreements with Russia. The agreements called for future delivery of gold purchased by the Stabilization Fund, with an advance on such gold prior to its delivery. The obligations of Russia under these agreements have been fully met. The dollars made available by these gold transactions were used by Russia to pay for purchases of goods and services in the United States in addition to the materials obtained under the terms of the Lend-Lease arrangement.

The series of stabilization agreements under which the Stabilization Fund cooperates with other countries to facilitate the maintenance of stability in the exchange rate of currencies of other countries with the dollar have been extended since July 1, 1941.

On November 19, 1941, a stabilization agreement was entered into with the Government of the Republic of Mexico and the Bank of Mexico for the purpose of stabilizing the United States dollar-Mexican peso rate of exchange. It is still necessary under this agreement for the Mexican Government to confirm its authority to guarantee the performance of all obligations undertaken by it and the Bank of Mexico.

On February 27, 1942, a stabilization agreement was signed with the Government of the Republic of Ecuador for the purpose of stabilizing the United States dollar-Ecuadoran sucre rate of

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exchange. The agreement is now in force, although no stabilization operations have as yet been necessary under this agreement.

As a further link in the closer relations between the Governments of the United States and Iceland, a stabilization agreement was signed with the Government of Iceland and the National Bank of Iceland on May 5, 1942, for the purpose of stabilizing the United States dollar-Icelandic krona rate of exchange. This agreement is also now in force, although no stabilization operations have as yet been necessary under this agreement.

In the same period since July 1, 1941, we have renewed the stabilization agreements with China and Brazil.

We have two stabilization agreements with China. Under the first of these agreements, which was signed in 1937, the Stabilization Fund held nearly $49 million of yuan on February 10, 1938. By October, 1942, China had completed the repurchasing of all the yuan. On December 31, 1942, this stabilization agreement was renewed. The Stabilization Fund does not at this time hold any yuan under this agreement.

The second agreement with China was signed on April 25, 1941. The first transaction under this agreement took place on December 10, 1942, when the Stabilization Fund acquired $10 million of Chinese yuan. On June 30, 1942, this agreement was renewed for one year. No additional operations have been undertaken under this agreement, and the Stabilization Fund now holds $10 million U. S. dollars in Chinese yuan under the repurchase provisions of this agreement.

The stabilization agreement with Brazil was signed in 1937. On November 5, 1941, we bought $8 million in milreis from Brazil. As Brazil's foreign exchange position was strengthened these milreis were repurchased, and on February 25, 1942, the Stabilization Fund held no more milreis. Under another section of this same agreement we have sold $74 million in gold to Brazil for dollars for the purpose of strengthening the monetary reserves of Brazil. The agreement with Brazil was renewed on July 15, 1942.

In September, 1942, we entered into an agreement with the Government of Liberia to facilitate the conversion of the currency system of that country from sterling to dollars. The Liberian Government had for a long time been eager to adopt the exclusive use of United States currency and coin, and the need for such a conversion became more urgent in 1942 as additional

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British coin could not be secured and as American troops stationed in Liberia brought in United States currency and coin. The Stabilization Fund is facilitating the conversion of the Liberian currency system to dollars through an agreement to purchase with United States currency the British coin withdrawn from circulation. Arrangements have been made with the British Government to dispose of these British coins without cost to the Stabilization Fund.

Two proposed stabilization agreements are now pending. A draft of an agreement to facilitate the stabilization of the dollar-boliviano rate of exchange is now being considered by Bolivia. We are also engaged in discussions with Iran under which the Iranian Government would undertake to provide rials for the needs of our Army and other Government agencies in return for dollars paid to the Iranian account in this country. As part of this agreement, the Iranian Government undertakes not to change the dollar-rial rate of exchange without prior consultation.

In the more than nine years since the Stabilization Fund was created it has been operated with scrupulous care. Not only have we succeeded in keeping intact the resources that were entrusted by the Congress to the President and the Secretary of the Treasury, but in the course of performing our broader function of maintaining stability of exchange rates we have been able to accumulate a net profit which now exceeds $30 million. I do not wish to emphasize the profitability of the operations of the Stabilization Fund. I prefer to stress the success of the Stabilization Fund in its fundamental purpose of bringing about a greater degree of stability in exchange relationships of other currencies with the dollar.

The pattern for international monetary cooperation that we have developed in the operation of our Stabilization Fund holds a real promise of achieving currency stability in the post-war period. We took an important step in the direction of international cooperation for currency stability through the Tri-partite Accord in 1936. Unfortunately, the functioning of the Tri-partite Accord was interrupted by the war. Nevertheless, we have continued to embody the principles of that Accord in our stabilization agreements with our neighbors in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may affect the stability of exchange rates. Under provisions safeguarding our interests,

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Stab. Fund

we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates. In the five years before the war and in the nearly four years since the outbreak of war, the operations of the Stabilization Fund have contributed to maintaining relatively stable exchange rates, despite the unprecedented conditions of political and economic disorder.

-oOo-

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The bill as introduced by Congressman Somers, in addition to providing for a continuation of the stabilization fund, provides for an extension of the President's power to alter the gold content of the dollar. This power has been in existence since 1934, having been renewed for two-year periods in 1937, 1939 and 1941, and it afforded us a substantial defensive weapon against the possibility of competitive depreciation of currency by other countries.

The Bill as reported out by the Senate Committee continued the stabilization fund for two years but did not extend the devaluation power. As you know, the Senate passed the bill as reported.

I believe that a two-year extension of the power to devalue the dollar would be helpful, but I should regard it as unfortunate if Section II of the bill were to be the subject of an extended debate in the Congress during wartime.

4/17 - Or. & 1 cc to Mr. Schwarz's office
/ cc to Mrs Chainey

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Ow & Stab Fund
1943
Hearings

April 19, 1943.

My dear Mr. Chairman:

The powers relating to the Stabilization Fund expire on June 30, 1943 unless extended. The House now has before it H. R. 2489 extending the Stabilization Fund until June 30, 1945. A similar bill S. 991 has already been passed unanimously by the Senate.

During the past nine years the operations of the Stabilization Fund have been extremely useful in helping to maintain relatively stable exchange rates despite the unprecedented conditions of economic disorder. These stabilization operations are undertaken in accordance with stabilization agreements which we have with our neighbors in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may effect the stability of exchange rates. Under provisions safeguarding our interests we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates.

In the more than nine years since the Stabilization Fund was created it has been operated with scrupulous care. Not only have we succeeded in keeping intact the resources that were entrusted by the Congress to the President and the Secretary of the Treasury but in the course of performing our broader functions of maintaining stability of exchange rates we have been able to accumulate a net profit which now exceeds $30 million.

Among the countries with whom we have stabilization agreements are Brazil, China, Ecuador, Iceland and Liberia. Agreements are now pending with Mexico, Bolivia and Iran. The gold operations of the Stabilization Fund have also been extremely helpful in facilitating the sale of Russian gold to the United States and the purchase of American gold by Cuba. There is no doubt that it would be much more difficult to maintain stability of exchange rates in the post-war period without the continuance of the Stabilization Fund.

Sincerely yours,

Honorable Adolph J. Sabath,
Chairman, Rules Committee,
House of Representatives.

Assistant Secretary of the Treasury.

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MH

Miss Chauncey brought these in. They are a couple of extra copies of statement used at Secretary's home (subsequently changed slightly).

LS

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U S Stab Fund Hearings 1943

Statement of Secretary Morgenthau before the Committee on Banking and Currency of the Senate
Friday, April 16, 1943

Extension of the Stabilization Fund

On April 12, 1943 Senator Wagner introduced a bill (S.991) extending to June 30, 1945 the powers relating to the Stabilization Fund and the power to alter the gold content of the dollar both of which under the present law will otherwise expire on June 30, 1943. I am appearing before you in support of this bill.

In my previous appearance before your committee to recommend the extension of these powers, I emphasized the emergency necessitating the continuance of these powers. It is hardly necessary to say that the emergency is greater now than it was when I appeared before your committee on June 13, 1941. The monetary situation throughout the world is potentially more unstable than it has ever been before. The powers extended under the proposed bill will help assure currency stability and help avoid competitive currency depreciation in the critical period following the war.

The spread of the war to this hemisphere and the presence of American forces in many countries abroad have heightened the importance of our currency relations with these countries. The gold, currency, and stabilization operations of the Stabilization Fund in the past two years have reflected these changes in the world situation.

While during most of the period since 1934 there was a heavy inflow of gold into the United States so that the Fund's purchases exceeded its sales of gold, during the last two fiscal years the Fund has sold more gold to foreign countries than it has purchased. In the fiscal year 1942 the Fund sold $644 million of gold to foreign countries and purchased $162 million of gold from foreign countries. So far in the fiscal year 1943 the Fund has sold $401 million of gold to foreign countries and purchased only $27 million from foreign countries. The Fund's sales of gold have been made to 21 different countries.

As I have said to this committee before, I know of no better means of settling international balances than with gold. For this reason it has been, and is, the policy of the Treasury to facilitate the continued use of gold for the settlement of international balances. Our Stabilization Fund has definitely contributed to the implementing of this policy. Since I last appeared before this committee the Stabilization Fund has entered into three gold-purchase agreements with Russia and a gold-sale agreement with Cuba.

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During the past two years we have made and completed three gold purchase agreements with Russia. The agreements called for future delivery of gold purchased by the Stabilization Fund, with an advance on such gold prior to its delivery. The obligations of Russia under these agreements have been fully met. The dollars made available by these gold transactions were used by Russia to pay for purchases of goods and services in the United States in addition to the materials obtained under the terms of the Lend-Lease arrangement.

The series of stabilization agreements under which the Stabilization Fund cooperates with other countries to facilitate the maintenance of stability in the exchange rate of currencies of other countries with the dollar have been extended since July 1, 1941.

On November 19, 1941, a stabilization agreement was entered into with the Government of the Republic of Mexico and the Bank of Mexico for the purpose of stabilizing the United States dollar-Mexican peso rate of exchange. It is still necessary under this agreement for the Mexican Government to confirm its authority to guarantee the performance of all obligations undertaken by it and the Bank of Mexico.

On February 27, 1942, a stabilization agreement was signed with the Government of the Republic of Ecuador for the purpose of stabilizing the United States dollar-Ecuadoran sucre rate of exchange. The agreement is now in force, although no stabilization operations have as yet been necessary under this agreement.

As a further link in the closer relations between the Governments of the United States and Iceland, a stabilization agreement was signed with the Government of Iceland and the National Bank of Iceland on May 5, 1942, for the purpose of stabilizing the United States dollar-Icelandic krona rate of exchange. This agreement is also now in force, although no stabilization operations have as yet been necessary under this agreement.

In the same period since July 1, 1941, we have renewed the stabilization agreements with China and Brazil.

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We have two stabilization agreements with China. Under the first of these agreements, which was signed in 1937, the Stabilization Fund held nearly $49 million of yuan on February 10, 1938. By October, 1942, China had completed the repurchasing of all the yuan. On December 31, 1942, this stabilization agreement was renewed. The Stabilization Fund does not at this time hold any yuan under this agreement.

The second agreement with China was signed on April 25, 1941. The first transaction under this agreement took place on December 10, 1942, when the Stabilization Fund acquired $10 million of Chinese yuan. On June 30, 1942, this agreement was renewed for one year. No additional operations have been undertaken under this agreement, and the Stabilization Fund now holds $10 million ~~of Chinese yuan under~~ the repurchase provisions of this agreement. US dollars in

The stabilization agreement with Brazil was signed in 1937. On November 5, 1941, we bought $8 million in milreis from Brazil. As Brazil's foreign exchange position was strengthened these milreis were repurchased, and on February 25, 1942, the Stabilization Fund held no more milreis. Under another section of this same agreement we have sold $74 million in gold to Brazil for dollars for the purpose of strengthening the monetary reserves of Brazil. The agreement with Brazil was renewed on July 15, 1942.

In September, 1942, we entered into an agreement with the Government of Liberia to facilitate the conversion of the currency system of that country from sterling to dollars. The Liberian Government had for a long time been eager to adopt the exclusive use of United States currency and coin, and the need for such a conversion became more urgent in 1942 as additional British coin could not be secured and as American troops stationed in Liberia brought in United States currency and coin. The Stabilization Fund is facilitating the conversion of the Liberian currency system to dollars through an agreement to purchase with United States currency the British coin withdrawn from circulation. Arrangements have been made with the British Government to dispose of these British coins without cost to the Stabilization Fund.

Two proposed stabilization agreements are now pending. A draft of an agreement to facilitate the stabilization of the dollar-boliviano rate of exchange is now being considered by Bolivia. We are also engaged in discussions with Iran under which the Iranian Government would undertake to provide rials for the needs of our Army and other Government agencies in return for dollars paid to the Iranian account in this country. As part of this agreement, the Iranian Government undertakes not to change the dollar-rial rate of exchange without prior consultation.

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In the more than nine years since the Stabilization Fund was created it has been operated with scrupulous care. Not only have we succeeded in keeping intact the resources that were entrusted by the Congress to the President and the Secretary of the Treasury, but in the course of performing our broader function of maintaining stability of exchange rates we have been able to accumulate a net profit which now exceeds $30 million. I do not wish to emphasize the profitability of the operations of the Stabilization Fund. I prefer to stress the success of the Stabilization Fund in its fundamental purpose of bringing about a greater degree of stability in exchange relationships of other currencies with the dollar.

The pattern for international monetary cooperation that we have developed in the operation of our Stabilization Fund holds a real promise of achieving currency stability in the post-war period. We took an important step in the direction of international cooperation for currency stability through the Tri-partite Accord in 1936. Unfortunately, the functioning of the Tri-partite Accord was interrupted by the war. Nevertheless, we have continued to embody the principles of that Accord in our stabilization agreements with our neighbors in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may affect the stability of exchange rates. Under provisions safeguarding our interests, we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates. In the five years before the war and in the nearly four years since the outbreak of war, the operations of the Stabilization Fund have contributed to maintaining relatively stable exchange rates, despite the unprecedented conditions of political and economic disorder.

Power to Alter the Gold Content of the Dollar

The power to alter the gold content of the dollar was given to the President by Title III of the Agricultural Adjustment Act of May 12, 1933, and reaffirmed with its present limitation by the Gold Reserve Act of January 30, 1934. On January 31, 1934, the President fixed the dollar at its present gold content, which has remained unchanged for more than nine years.

This power was given to the President in the midst of a deep depression, unquestionably prolonged and intensified by the general depreciation of other currencies which destroyed the markets for American products abroad and brought ruinously low prices. The revaluation of the dollar was an unavoidable step in the restoration of foreign and domestic markets for the industrial and agricultural products of the American people.

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This power given to the President to determine within limits the gold content of the dollar could not safely be terminated until a satisfactory means was available for assuring the stabilization of the appropriate exchange relation among currencies and avoiding competitive currency depreciation. The President recommended and the Congress enacted extensions of this power in 1937 and again in 1939 and 1941.

We are all agreed that no one can benefit from a competitive race in the depreciation of currencies. If such a development is to be avoided, we must frankly face the danger of competitive currency depreciation in the post-war period. It is not possible at this time to foresee the pattern of post-war monetary developments. But this we do know: that if we are to avoid competitive depreciation of currency after the war, it would be helpful to be armed with this power as a warning that we shall not permit the international economic position of this country to be undermined by competitive currency depreciation.

For nine years the President has had the power to alter the gold content of the dollar without using it. As I have said before, there is no present intention to use this power. But it is needed as a means of helping to prevent competitive depreciation of currencies by other countries. When adequate arrangements for international monetary cooperation have been completed, we shall be happy to surrender the power without having used it.

EMB/grs
4/15/43

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Stab Fund - U.S.

March 18, 1943.

MEMORANDUM FOR THE PRESIDENT

1. The Act authorizing (a) the $2 billion Stabilization Fund and (b) the power to alter the gold content of the dollar, expires on June 30, 1943. You will recall that this legislation was first enacted in 1934 and that it was extended by Acts of Congress in 1937, 1939 and 1941. It is now necessary to ask for a further two-year extension of these powers.

2. We have informally discussed with certain Congressional leaders the extension of these powers. The consensus appears to be that there will be little difficulty in securing the continuation of the Stabilization Fund. Whatever opposition may develop will be concentrated on the devaluation power. The opinion of Senator Barkley and Senator George and Congressman Somers is that if we are willing to fight for it we can probably retain the devaluation power.

3. The continuation of the Stabilization Fund is particularly necessary because it provides an important means of monetary cooperation with other countries. The need for the Stabilization Fund will be even greater in the next two years when we shall be faced with the problem of reconstruction of the currency systems of the world. Moreover, we have several Stabilization agreements with friendly countries which will terminate if the Fund expires, and we are in the process of negotiating others. Our position in the field of international monetary cooperation will be impaired by a failure to continue the Fund.

4. Continuation of the President's power to fix the gold content of the dollar (not lower than 50 per cent nor higher than 60 per cent of its old gold content) is desirable but not as important. In the past the power has been helpful in discouraging competitive depreciation and may be even more so in the period of instability after the war.

3/18 To Secy.
3/18 Submitted to President by Secy.

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On the other hand, there is no reason to think that we shall have to use this power during the next two years either to raise prices or increase exports. Besides the international monetary arrangements, which we hope will be made should provide us with considerable protection against deliberate depreciation of other currencies.

Even without this devaluation power it would still be possible, if necessary, actually to alter the gold value of the dollar through another provision in the Gold Reserve Act which authorizes the Secretary of the Treasury to fix the price at which he will buy and sell gold.

It may be that its voluntary relinquishment at this time may be regarded as a sign of weakness inasmuch as we have thrice urged its renewal.

5. Two courses seem possible:

A. Ask for an extension of the Fund, and of the devaluation power as we have three times in the past. If necessary we can then use the power to devalue as a basis for bargaining.

B. Ask for only an extension of the Fund and accompany that request with a statement possibly something along the following lines;

> I have had the power to further devalue the dollar for nine years. We have needed it as a weapon in reserve with which to combat competitive depreciation of currencies and disastrous deflation. During the next two years, however, our problem is to develop through international cooperation other defenses against competitive depreciation of currencies and world-wide deflation.
>
> I am not requesting an extension of the power to devalue the dollar because I am confident that Congress will approve the measures we shall suggest to avoid through international cooperation the dangers of competitive currency depreciation and ~~savings~~ swings in world prices.

/s/ H. Morgenthau, Jr.

HDW:AFL:EMB:dmh 3/18/43.

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MONTHLY SWISS FRANC SALES TO HUMANITARIAN AGENCIES
January - July, 1946

AGENCY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	TOTAL
Joint Distribution Committee	$1,000,000.00	$1,000,000.00	$1,300,000.00	$1,000,000.00	$1,250,000.00	$1,200,000.00	$2,500,000.00	$9,250,000.0
World Council of Churches	436,476.64	4,521.38	262,978.01	128,718.00	541,241.65	-	258,653.45	1,632,589.1
International Red Cross	85,000.00	20,600.00	127,157.41	10,000.00	-	152,770.24	1,121,332.09	1,516,859.7
Special Administration of Vatican	500,000.00	-	300,000.00	-	-	-	700,000.00	1,500,000.0
Jewish Agency for Palestine	-	-	399,828.54	-	-	279,879.97	319,862.84	999,571.3
World Committee Y.M.C.A.	48,537.56	294,903.12	12,389.06	-	272,325.92	47,718.61	184,689.92	860,564.1
Vaad Hatzala Emergency Committee	144,070.00	40,000.00	50,000.00	100,000.00	85,000.00	60,000.00	100,000.00	579,070.0
Seventh Day Adventists	23,320.00	23,320.00	23,320.00	23,320.00	139,920.00	23,320.00	54,779.53	311,299.5
American Ort Federation	60,000.00	60,000.00	-	60,000.00	60,000.00	30,000.00	30,000.00	300,000.0
World Jewish Congress	25,800.00	37,134.16	2,185.18	15,042.09	59,009.87	18,990.13	61,175.25	219,336.6
Hebrew Sheltering and Immigrant Aid	20,000.00	20,000.00	-	40,000.00	40,000.00	40,000.00	40,000.00	200,000.0
Jewish Labor Committee	25,000.00	25,000.00	25,000.00	42,000.00	39,000.00	20,000.00	10,000.00	180,000.0
Lutheran World Convention	99,871.52	-	-	-	-	-	49,935.76	149,807.2
Unitarian Service Committee	-	3,595.37	19,116.64	9,691.69	28,825.28	10,630.89	19,652.23	91,512.1
American Christian Committee for Refugees	5,439.67	5,439.67	3,901.33	3,901.33	3,901.33	14,993.57	4,997.86	42,574.7
International Rescue & Relief Committee	5,992.29	8,514.05	7,740.04	9,068.33	8,363.24	15,969.45	15,179.28	70,826.6
American-Polish War Relief	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	-	-	25,000.0
Mission Catholique Suisse	2,496.79	-	-	-	-	-	-	2,496.7
War Prisoner's Aid, Inc.	1,196.92	1,196.92	1,196.92	532.63	532.63	530.63	531.63	5,718.2
American Friends Service	998.71	33,332.11	-	3,384.65	2,996.15	3,994.86	1,997.43	46,703.9
Societe' Israelite Francaise	2,989.25	-	-	-	-	-	-	2,989.2
Save the Children Int. Union	2,950.00	7,114.00	2,852.00	3,978.00	300.00	3,298.15	3,740.00	24,232.1
American Committee of Oso	-	10,000.00	5,000.00	10,000.00	20,000.00	17,000.00	10,000.00	72,000.0
Methodist Relief	-	9,991.43	9,991.43	9,991.43	25,378.24	17,587.80	-	72,940.3
International Migration Service	1,650.00	825.00	825.00	-	2,925.00	-	3,000.00	9,225.0
World's Y. W. C. A.	-	2,174.70	2,174.70	-	4,847.69	2,174.70	2,174.70	13,546.4
Agudath Israel Youth Council of America	-	4,997.86	-	4,997.86	-	6,247.32	-	16,243.0
Mennonites Central Committee	-	-	466.40	1,000.00	-	-	7,215.34	8,681.7
American Bible Society	-	-	-	23,320.00	-	-	-	23,320.0
American Relief for France	-	-	-	6,032.88	2,868.78	-	-	8,901.6

8-27 Dr. & Mr. Glasser
cc: Hadel
Richards
de Tenaillon
Bicker
Curtis
Bissell
Bay
Sala

RG 56
Entry 54 (PA 4320)
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216516

MONTHLY SWISS FRANC SALES TO HUMANITARIAN AGENCIES
January - July 1946

AGENCY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	TOTAL
National Catholic Welfare Conference	$ -	$ -	$ 22,921.36	$ 149.48	$ -	$ -	$ 16,941.87	$ 40,012.
American League for Free Palestine	-	-	-	-	25,000.00	25,000.00	-	50,000.
Central European Rehabilitation	-	-	-	-	-	-	1,821.29	1,821.
Merrer Yeshiva Association	-	-	-	-	-	20,000.00	5,000.00	25,000.
Jewish National Workers Alliance	-	-	-	4,770.00	-	-	50,000.00	54,770.
Labor Zionist Committee for Rec. & Rehab.	-	-	-	-	2,000.00	27,000.00	9,075.00	38,075.
Trendel Foundation	-	-	-	-	-	-	1,000.00	1,000.
Comite pour l'assistance de la Populations Juifs Frappe par la Guerre	-	-	-	13,000.00	-	-	-	13,000.
Fellowship of Reconciliation	500.00	500.00	500.00	499.36	499.36	499.36	499.36	3,497.
Union of Russian Jews	1,000.00	-	-	-	-	-	-	1,000.
Poale Zion Organization	-	-	4,500.00	-	-	-	-	4,500.
Estonia Committee, Inc.	1,500.00	-	-	-	1,747.00	-	-	3,247.
Lithuanian Roman Catholic Priests League of America	-	-	-	-	-	2,300.00	-	2,300.
Domestic & Foreign Missionary Society (Emmanuel Church)	-	-	-	-	-	-	1,000.00	1,000.
League of Nations-Milbank Memorial Fund	-	-	-	-	-	2,000.31	-	2,000.
Rev. Sylvester Eisenman	-	-	2,242.29	-	2,317.08	-	-	4,559.
Eidgenossische Technische Hochschule	-	-	-	6,883.55	-	1,515.80	-	8,399.
Dr. Valerie Binsutti, Sanatorium Anna-Maria Swiss. by P. S. Dupont	5,992.29	-	5,992.31	-	-	-	-	11,984.
Comite Hongrois de Secours en Suisse by Save the Children of Hungary	-	-	877.87	-	-	-	-	877.
Credit Suisse Bahnhofstrasse Zurich a/c Mariele G. Bossiger spec. a/c, order of James O'Loughlen	-	-	-	-	-	1,997.43	2,996.15	4,993.
University of Zurich, Physiological Institute, order Union Bank of Switzerland	-	-	-	-	3,907.85	-	-	3,907.

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Table Showing ~~Dollar Amounts of~~

Number	Agency	January	February	March	April
18	Jewish Joint Distribution Committee	$1,000,000.00	$1,000,000.00	600,000.00	$1,200,000.00
28	Polish American Council	10,230.00	—	—	—
26	Paderewski Testimonial Fund	499.36	249.68	249.68	249.68
12	Fellowship of Reconciliation	500.00	500.00	500.00	500.00
17	American Relief for Czechoslovakia, Inc	1,500.00	1,000.00	1,000.00	—
33	United Lutheran Relief Fund of America, Inc	—	—	—	1,750.00
19	Poale Zion Organization	—	—	—	—
34	Vaad Hatzala Emergency Committee	—	200,000.00	233,200.00	75,000.00
31	Société Israélite Française de Secours Mutuel	—	—	2500.00	2,500.00
43	World's YWCA, Washington	—	—	—	—
24	Morris Jastrow Association	—	—	—	—
20	Jewish National Workers Alliance	—	—	—	—
3	Unitarian Service Committee	7,087.83	13,038.28	20,165.41	27,412.98
35	Special Administration of Vatican	—	—	—	—
39	War Prisoners Aid	1,994.86	—	—	1,994.86
4	American Friends Service Committee	62,500.00	6,254.00	49,978.57	6,155.00
21	Lutheran World Convention	—	—	—	—
42	Mennonites Central Committee	500.00	—	—	500.00
11	American Bible Society	—	—	—	—
8	American Relief for France	—	—	—	—
25	National Catholic Welfare Conference	2,989.74	—	—	—
31	Save the Children Federation	500.00	—	—	400.00
2	American Committee of Ose	5,000.00	—	—	10,000.00
15	Intergovernmental Migration Service	—	—	—	—
14	International Rescue and Relief Committee, Inc	9,987.15	9,987.15	11,984.58	11,984.58
17	Jewish Labor Committee	—	12,000.00	—	18,000.00
13	Hebrew Sheltering and Immigrant Aid	—	—	—	5,150.00
30	Russian Jews, Inc	—	—	3,000.00	—

216517

RG 56
Entry 56 ~~BA 420~~
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Monthly Swiss Francs Sales for Humanitarian Purposes in 1945

May	June	July	August	September
$ 800,000.00	$ 825,000.00	$ 1,000,000.00	$ 200,000.00	$ 1,500,0
—	—	—	—	—
24968	—	—	—	—
500.00	500.00	500.00	500.00	5
1,000.00	1,000.00	1,500.00	1,000.00	1,00
6,250.00	—	9,200.00	4,000.00	4,00
—	5,000.00	—	5,000.00	2,00
—	—	—	—	50,00
2,500.00	—	—	—	3,000
—	—	—	40,000.00	—
—	—	12,000.00	—	—
—	—	—	—	10,000
—	19,170.37	6,094.78	35,069.92	69,037
600,000.00	—	—	—	—
997.43	997.43	997.43	997.43	997
—	17,492.50	—	—	—
—	9,987.15	—	24,967.88	—
500.00	500.00	500.00	1,499.36	—
8,162.00	8,162.00	8,162.00	—	—
—	—	—	—	175,00
10,962.39	4,982.91	—	—	—
—	400.00	500.00	500.00	500
—	—	10,000.00	—	—
—	—	—	1,350.00	—
12,483.94	11,984.58	12,983.29	14,481.37	12,483
15,000.00	20,000.00	—	25,000.00	—
—	—	—	—	—
—	—	—	—	—

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216518

September	October	November	December	Total
$1,500,000.00	$250,000.00	$1,500,000.00	$850,000.00	$10,725,000.00 ✓
—	—	—	—	10,250.00 ✓
—	—	—	—	1,498.08 ✓
500.00	500.00	2,000.00	500.00	7,500.00 ✓
1,000.00	—	—	—	9,000.00 ✓
4,000.00	4,000.00	—	—	29,200.00 ✓
2,000.00	—	—	—	12,000.00 ✓
50,000.00	50,000.00	62,000.00	38,000.00	708,200.00 ✓
3,000.00	—	—	—	10,500.00 ✓
—	—	—	—	40,000.00 ✓
—	—	—	—	12,000.00 ✓
10,000.00	1,000.00	—	2,000.00	13,000.00 ✓
69,037.70	22,480.71	7,493.57	33,196.53	260,248.08
—	500,000.00	—	—	1,100,000.00 ✓
997.43	2,194.35	1,196.92	1,196.92	113,565.06
—	—	23,137.73	24,967.88	190,485.68
—	—	29,961.46	—	64,916.49 ✓
—	—	—	—	3,999.36 ✓
—	—	—	—	24,486.00 ✓
175,000.00	—	—	—	175,000.00 ✓
—	—	—	—	18,935.04 ✓
500.00	—	—	3,000.00	5,800.00 ✓
—	10,000.00	—	—	35,000.00 ✓
—	2,050.00	1,334.00	—	4,734.00
12,483.94	6,391.78	5,992.29	14,481.37	135,224.02
—	45,000.00	—	25,000.00	160,000.00 ✓
—	—	—	—	5,150.00 ✓
—	—	—	—	3,000.00 ✓

216519

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Agency	January	February	March	April
	$	$	$	$
33 Seventh Day Adventists	—	34,980.00	—	34,980.00
(6) American Art Federation	—	35,000.00	15,000.00	30,000.00
4 World Council of Churches	—	—	70,000.00	12,051.48
3 American Christian Committee for Refugees, Inc	4,997.77	7,996.48	8,096.52	7,996.56
5 American Jewish Congress, Inc	3,097.48	—	11,900.00	—
9 Jewish Congress, N.Y.	—	—	—	—
9 Interfaith Committee of Y.M.C.A.	212,309.87	—	415,798.09	33,956.31
World YMCA's Washington	—	—	—	2,700.00
1 Lisa Immigrant Bank	—			9,726.00
2 Red Cross –				
Interbureau Red Cross Committee, Wash	9,976.97	4,991.62	4,983.48	6,858.42
American National Red Cross, Wash	100,000.00	176,000.00	128,000.00	202,343.72
23 Ministry of Finance of the Republic of Poland	12,955.57	24,914.53	34,880.34	29897
32 Self-Help for Emigres from Central Europe, Inc	—	—	—	29962
13 Junta Ajuna Judia Victimas	—	—	—	—
11 Estonia Committee, Inc	—	—	—	—
19 Associacao Brasileira de Auxilio a Crianca	—	—	—	—
10 Comite Italiano Socorro as Victimas da Guerra	—	—	—	—
42 World Student Christian Federation	—	—	—	—
Miscellaneous Beneficiaries				
(3) Comitee for the Relief of War Stricken Jewish Population of Europe	—	—	—	3,097.48
(5) Dr. Ernst Lauer	—	4,664.00	—	—
(6) Dr. Valerio Biasutti	—	—	6,000.00	—
(7) Isaac Sternbuch and Roswell D. McClelland rep. of War Refugee Board in Switzerland	—	—	703,800.00	—
(8) Boris Tschlenoff	—	—	—	10,000.00
1 wish for assistance Costs	—	5,500.00	5,500.00	5,150.00

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216520

May	June	July	August	September
—	—	—	34,980.00	—
—	—	50,000.00	25,000.00	—
61,793.00	36,829.56	9,104.65	54,363.47	37,500.00
16,093.08	4,902.80	2,998.71	2,998.71	2,998.71
—	—	3,000.00	—	13,100.00
350,049.68	186,165.01	—	610,862.90	78,898.50
10,074.00	11,089.00	—	—	—
—	—	—	9,987.15	—
10,000.00	25,000.00	100,000.00	10,000.00	116,000.00
34,850.34	8,969.23	—	—	—
349.54	—	—	—	—
9,965.80	—	—	—	—
—	—	3,977.82	—	—
—	—	—	10,000.00	—
—	—	—	12,000.00	—
—	—	—	—	—
—	550.00	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
16,300.00	—	—	—	16,300.00

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216521

October	November	December	Total
₽ 34,980.00	—	—	₽ 139,920.00 ✓ ×
—	50,000.00	50,000.00	255,000.00 ✓ ×
65,896.66	34,000.00	97,399.14	478,938.16 ×
2,898.71	17,992.28	2,998.71	83,069.04 ×
—	14,000.00	—	11,097.48 ✓ ×
—	—	77,611.87	111,783.00 ×
—	349,850.00	224,998.02	2,462,238.38 ×
—	—	—	27,000.00 ×
—	—	—	30,889.00 ×
—	49,935.76	—	86,723.40 ×
200,000.00	50,000.00	925.20	1,118,268.92 ×
—	—	—	116,898.98 ×
—	—	—	649.16 ×
—	—	—	9,965.80 ✓ ×
—	—	—	3,977.82 ✓ ×
—	—	—	10,000.00 ✓ ×
—	—	—	12,000.00 ✓ ×
—	—	1,997.43	1,997.43 ✓ ×
—	—	—	3,647.48 ×
—	—	—	4,614.00 ✓ ×
—	—	—	6,000.00 ×
—	—	—	703,800.00 ✓ ×
—	—	—	10,000.00 ✓ ×
16,300.00	—	—	65,050.00 ×

(4) Lic. Boris Tschenoff
Florian Piskorski for auctions
Sets

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4707

Misc. Benef.	Nov	Total
(2) Archimandrite Leonty Bartoshevich	$1,997.43	$1,997.43
(1) Florian Peskorski, American-Polish War Relief of the U.S., Geneva.	Dec $5,000.00	$5,000.00

216523

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MEETINGS in Room 913 - District Nat'l Bank

TUESDAY, August 27 —

11 a.m. - Seventh Day Adventists - DnB

2:30 p.m. - Mr. Asofsky (HIAS) DnB

4:00 p.m. - Mr. Gass (Jewish Agency) DnB

WEDNESDAY, August 28 —

10 a.m. - Joint Distribution Com. with Mr. Glasser HG's office

11 a.m. - Mr. Schoen (Vaad Hahatzala) DnB

THURSDAY, August 29 —

9:30 a.m. - Dr. Barstow - (World Council of Churches) DnB

11:30 a.m. - Dr. Tartakower (World Jewish Congress) DnB

FRIDAY, August 30 —

11 a.m. - Mr. Pat (Jewish Labor Committee) DnB

3:30 Eusor (Am. Friends)

216524

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United States trade with Switzerland
(Thousands of dollars)

	U.S. Exports	U.S. Imports
1946 - Jan	5,890	8,491
Feb	7,087	8,713
Mar	7,904	8,637
April	8,486	10,028
May	11,486	7,393
June	7,510	6,888
July	10,227	6,785
Total 7 months	58,690	48,935

Hesse said
Relief + Charity - not
till Monday —
Commerce is
closing —

216525

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RG 56
Entry 56-69A 4702
Box 123
4707

To Mr Taylor
From GA Eddy

Subject Responsibility for Swiss francs and especially one individual in Foreign Funds.

It seems to me that Foreign Funds have ~~so~~ seized control of a function which is not properly theirs and which there is considerable danger ~~that~~ they will botch beyond immediate repair. I recommend mutual cooperation ~~prog~~ with the Swiss and recognition of the inflationary problem which we are aggravating. ~~the problem of obtaining Swiss francs and keeping the quoted rate stable seems quite outside the scope of Foreign Funds Control.~~

¶ The original ~~purpose~~ for establishing Foreign Funds Control was to protect the U.S. assets of foreigners from being put to German uses, and to prevent American assets being shifted to ~~foreign~~ blocked ~~citizens~~ nationals ~~or~~ except for approved purposes.

~~Watching Obtaining Swiss francs over the~~ Paying dollars into Swiss accounts was part of this function but ~~obtaining~~ arranging for the procurement of Swiss francs was a stabilization function. ~~Swiss francs was not properly part of the~~ Latter ~~which legitimately fell to the Stabilization Fund~~, was properly ~~worked~~ carried on in close cooperation with Foreign Funds, but it was a separate function.

~~For Foreign Funds now to take the lead in negotiating~~ Inducing the Swiss in August 1946 to ~~cooperate in~~ allow Foreign Funds to ~~negotiating with the Swiss concerning the terms on which they will~~ inflate their currency in exchange for dollars or gold has ~~is quite separate from~~ no discernible connection with the job of ~~watching over~~ guarding against German use of Swiss ~~bells~~ ~~&~~ assets in the United States.

~~Personalities~~

If an aggressive group seizes responsibility that is

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personal opinion ~~that~~ the apparent line Foreign Funds is trying to put across is a mistaken one which is against both U.S. and Swiss best interests, and further ~~that~~ the personnel involved will put the United States case at a disadvantage.

I learned to-day ~~that~~ the Swiss legation here in Washington are holding up ~~word~~ ~~notice of~~ action on an apparently important cable in the Swiss defrosting negotiations until Orvis Schmidt returns from his vacation and ~~disp~~ displaces John Richards. Some Foreign Funds people ~~in New York~~ also tell me ~~that~~ John has, ~~badgered~~ in their opinion, abused his powers toward the Swiss and ~~strongly~~ repeatedly offended them. I have no way of judging the merits of ~~the~~ John's case other than ~~on~~ this immediate incident.

Further, I'm sure you know how Jim Mann stands with the Swiss. What little I saw of Jim seemed very competent and pleasant. It's not up to me to judge in any event. But resting ~~the~~ the whole U.S. case on his direct negotiations with Swiss ~~people~~ officials who have asked ~~that~~ he be removed would seem to put us behind the eight-ball. ~~To~~ Moreover, his channel of communication with Washington is so slow and feeble ~~that~~ he is at a further severe disadvantage.

My view on the policy which Foreign Fund has apparently adopted is ~~that~~ we are pressing for too much "humanitarian". ~~It~~ The unused balance of outstanding licenses amount to ~~1500~~ over 40 million Swiss francs ~~— about~~ well over 1 percent of the entire Swiss currency circulation. ~~Licenses~~

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4707

~~for humanitarian agencies~~ ~~How would the United States like it if Switzerland insisted on our~~ licenses which will be issued later for humanitarian agencies, and the large amount of francs for government (including Army) and living expense purposes ~~will~~ would make the total sales of Swiss francs under the Foreign Funds proposal several percent of the total Swiss currency circulation. How would the United States react to pressure by a foreign country to inflate our currency by a half billion dollars or a billion, or two billion, ~~or~~ without interest and when the inflationary danger ~~is~~ was worse than ours is to-day.

This country cannot do an adequate job of scrutinizing the purposes for which the francs we provide will be spent. That is possible only in Switzerland, and it seems to me a matter of Swiss sovereignty. Accordingly, it seems reasonable to me to have the ~~terms~~ buyers of the Swiss francs make an accounting to the Swiss.

At one time the humanitarian agencies were ~~req~~ expected to obtain Swiss approval of their budgets for Swiss francs. That provision was allowed to lapse at one time when the humanitarian expenditures were much smaller than they are now and when the ~~danger~~ problem of Swiss inflation was much less acute.

It seems to me that we should

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concern in determining Treasury policy on Swiss francs this week has been fear of protests by the "humanitarian" agencies over presentinty a reasonable budget for Swiss francs to the Swiss government.

216529

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Entry 56-69A 4702
Box 123

4707

To: Mr. Ness

From: Mr. Taylor

Please send the following message by cable from Department and Treasury to Legation and Mann, Treasury Representative, American Legation, Bern, Switzerland.

CONFIDENTIAL

Reurtel 1408 August 17, you may advise Swiss this Govt appreciates and accepts their offer to continue for two months present arrangements for humanitarian agencies. We shall advise agencies to avoid where possible franc payment contracts in third countries.

During this interim period we propose discussions for solution over-all problem be continued. Believe your proposal monthly ceiling offers acceptable solution. Treas will canvass major agencies to determine what ceiling would satisfy needs and will advise you further.

Proposal Swiss alone determine franc needs these agencies after interim period is unacceptable. As matter national policy considered vital obtain arrangement enabling this Govt insure effective operation these agencies.

If Swiss prepared agree acceptable arrangement for humanitarian agencies, you may inform them we are prepared terminate our sales of francs to other Govts.

Charge Appropriation: TX 387

216530

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RG 56
Entry ~~56-69A 4702~~ 4707
Box 123

Thurs meeting 4 PM, 22 VIII

H.G.
no limitations on-purposes of sales of Sw fr for 2 months

Argentn refunding
Jewish orgs making paymts in China

Get up memo

Advise not to use $ f for 3d country operations
for which they can use $

diplomatic

Buy francs at once
Tell agencies within week on 3d country limitation
when they come in for quota talk
Statement signed by Overby + Foley

216531

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RG 56
Entry ~~56-69A 4702~~ 4702
Box 123

Swiss Francs

Hdd 2810

Sales to US Govt 3,572,041
Liv. Exp 149,300

Purchase 600,000

Requests Outstanding.

1,072,327 Hum Purposes
21,052 Braz. Treas. Delg.

216532

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Stab Fund Swiss franc Worksheet

$ 125.2 Total dollar credits to acct J
−60.3 for purch of Sw fr from SKB
$ 64.9
4.2x9 Purch rate for francs (maybe higher than Swiss allowed these independent buyers)
5841
1298
2596
278.421 Total Sw fr equivalent
353.951 " sales of Sw fr by Stab Fund
632.37

130f.x6 as 1740:

4.3
4.3
179
172
1849

216533

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4707

PROPOSED CABLE TO MANN ON SWISS FRANC PROBLEMS

Re URTEL of You may advise Swiss that this Government appreciates and accepts their offer to continue present arrangements. We will advise agencies to avoid use of francs where possible.

During interim period of two months we propose that discussions for solution of over-all problem be continued. We believe that your proposal of a monthly ceiling offers an excellent solution to the problem. We are proceeding to canvass major relief agencies to determine what ceiling would satisfy our needs and will advise you further.

Swiss proposal that after two-month period the Swiss Government be given discretion to determine the needs of these of these agencies is unacceptable. As a matter of national policy we feel it vital that the effective operation of these agencies not repeat not be left to discretion of Swiss Government.

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not used in memo

~~I have no way~~ o

The problem would only be reduced but not solved by reducing the quantity of francs being sold for humanitarian, governmental, and other purposes. I have no way of knowing whether or not Foreign Funds may have granted some licenses with insufficient scrutiny. So far as I know, the license for $4,500,000 for the Jewish Agency for Palestine was granted on the basis of a ~~see~~ ten-word statement of very broad purpose, ending in "etc.", when ~~said~~ the Agency had not been buying any francs at least for a number of months. The Apostolic Delegate's application for $700,000 was likewise very broad, being ~~to the~~ in effect, "for ~~the~~ purposes of the Vatican during 1946." ~~However~~, On the other hand, one naturally feels the utmost sympathy for all benevolent ~~humanitarian~~ agencies operating in Europe to-day, even if ~~they are~~ some of them may be ~~has~~ obtaining francs to purchase third-country currencies in the Swiss black market.

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Treasury Department
Division of Monetary Research

Date.....194....

~~To: Mr Taylor~~

To ~~From~~: Ga Eddy

Please see me about this

Tm

Cable to New York Federal received 5 August but dated 2 August from Zurich.

#379

In view your arguments have executed your numbers 757, 768, 777, 780, 782, 799. However with proviso than beneficiaries of so called humanitarian payments furnish details enabling us to control utilization of funds. For further payments of this nature please credit us dollars.

Banque Nationale Suisse.

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Stab Jd - Sept.

$38,140,210 IS SENT TO JEWS OVERSEAS

JDC Allocations So Far in 1946 Greater Than in All 1945, Chairman Reports

Sept 46

Edward M. M. Warburg, chairman of the Joint Distribution Committee, 270 Madison Avenue, announced yesterday that allocations of the Committee to date this year for the relief, rehabilitation and emigration of Jewish survivors overseas had soared to $38,140,210—a figure greater than the Committee's appropriations for all of 1945.

Appropriations for August, he said, totaled $4,953,450. The Committee, the major agency aiding distressed Jews overseas, receives its funds from American contributions to the United Jewish Appeal. In pointing out that Poland was the "zone of the greatest distress among Jews in Europe today," Mr. Warburg asserted that the Committee is engaged in a program in Poland that will total more than $8,000,000 in funds and supplies this year. Details of the Polish program were formulated in conversations in New York and Poland with leaders of the Central Jewish Committee of Poland, he said.

Thousands Still In Poland

"While thousands of Polish Jews have taken to the road in fleeing anti-Semitism there," Mr. Warburg said, "the stark fact remains that thousands of ragged, hungry and destitute Jewish survivors are staying in Poland; their relief is among the foremost tasks of the JDC in Europe."

He explained that 25,000 Jewish repatriates have settled in lower Silesia, where the JDC, in cooperation with the Central Jewish Committee and orthodox groups, is supporting farmers, cooperatives and has opened small loan banks to enable Jewish professional men and women, artisans and merchants to purchase the tools and supplies they need to become self-supporting.

He noted that in the displaced persons centers of Germany and Austria, JDC activities are supplementary to the basic relief provided by the Army and UNRRA. The JDC's activities, he said, involving an appropriation of $2,200,000 this year, concern the operation of thirty-five vocational training centers, educational and cultural activities, the support of orphan and medical institutions and the subvention of local Jewish committees.

$1,470,000 to Czechoslovakia

The JDC's appropriations for aid in Czechoslovakia thus far total $1,470,000. Mr. Warburg also listed the large sums advanced for relief work in France, Belgium, Hungary and Shanghai, China.

It was also announced yesterday that more than $40,000 has been contributed to date by university students to the $100,000,000 United Jewish Appeal for Refugees, Overseas Needs and Palestine, 342 Madison Avenue.

Institutions contributing in this area include Adelphi College, Barnard College, Columbia University, Brooklyn College, City College, Hunter College, Jewish Institute of Religion, Jewish Theological Seminary, Long Island University, New School for Social Research, New York University and Queens College. City College led all other schools in the country with a student-faculty contribution of $6,209.

METHODISTS TO CELEBRA

Zion Church to Mark Sesqu tennial Next Sunda

The African Methodist Church Zion, founded ago by Negro Methodis hold the first exercis quicentennial celebra Zion Church, 15 Street, next Sund Walls announced ing services wi Bishop Buford lotte, N. C. Zion Met tory to th James Va became service Street Willi also W h

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Pt. to Jnd. - Sw fr

Notes at JRBNY Sept 5-6, 1946

YM — Mr Strong

Complicated deal in Ger... maybe dollars would be better overall... using Sw fr for purchase of It + Jr, but not with Sw fr from US. Getting 212 Jr fr to $ from SHB ,000 Sw watches into Poland - Pol Govt releasing materials

World Student Xn Jed + World Student Jnd + War Prisoners Aid

Mr Brooks

Ort + OSE — Mr Goldenweiser

Poor experience with SHB. They stall.

No foreigner can work in Switz. Prefer to support them on charity. Swiss Govt very sympathetic to Ort

All money spent in Switz. Ort trains for repatriation. OSE buys supplies. Both Zarist Russian.

O. Society RJ for trade education; SE for health (& children)

OSE money wholly from outside US - eg So Am, Mexico & JDC

Lutherans — Mr Kleen (?)

Works closely with World's Council Chs. Michaelfelter

Use Switz for redistribution of funds but some direct

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Am Kn

Mr Caccio

Sending $5m a mo. Have $8m there. Maybe enough. Program ending for this yr. Next year's dollar funds uncertain. 70 students. Some DP expenditures in this yr.

If we don't hear from them forget about it. Main job the support of people in US

1.

2

216539

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August 29, 1946.

To: Mr. Bess

From: Mr. Glasser

CONFIDENTIAL

Will you kindly send the following cable to the American Legation for Kolnur-Haos, Budapest, Hungary, from Treasury.

"Swiss restricting sales of francs against dollars to finance U. S. humanitarian agency expenditures particularly in third countries. Some agencies say Hungary typically demands payment in francs rather than dollars. Cable urgently reasons for this attitude and possible remedies. ~~Jewish Agency for Palestine~~ principal user." Joint Distr. Committee

TX-387

GAE:dmh
8/29/46.

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4202

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Authority NND 968025
By TJ NARA Date 9/15/99

Swiss franc

RESTRICTED

Basel, Switzerland
August 15, 1946.

Secretary of State
Washington.

A-24,
August 15

Subject: Swiss National Bank Refuses to Buy Turkish Gold

The Turkish Government appears to be short of Swiss francs and all efforts upon the part of their fiscal agents, the Swiss Bank Corporation, Basel, to induce the National Bank to take over this gold have thus far failed.

According to local financiers, the President of the National Bank cannot be moved to buy a single kilo of gold on the grounds that such purchases would of necessity force him to increase the Swiss note circulation. His thesis is, however, denied at the Swiss Bank Corporation which has announced its readiness to pay Mr. Weber 10 million francs for the yellow metal in question from their Swiss bank balance at the National Bank in Zurich. The latter has, however, remained unimpressed, doubtless for fear of setting a precedent which may come to plague him in the near future. Moreover, he well knows the Bank in order to keep liquid, will sooner or later call upon him to redeem this gold. (Please see this Consulate's airgram No. 15 of June 13, No. 18 of July 9, and the report of July 18, 1946 entitled "Swiss franc note hoardings, etc.")

It will be recalled that the Swiss banks have large dollar holdings and have been importuning the National Bank for some time to buy "finance dollars" which have been accumulating here and in America for years and now reach an estimated total of 40,000,000 and maybe more. They would have the National Bank liberalize its dollar policy, but have met with no success in Zurich, for the present.

In any case, Mr. Weber, as will be seen, is not buying or selling gold these days because to do so might well give the Swiss public some clue regarding the dollar-Swiss franc exchange of the future.

SHOLES

9-6 Reg Dist
Dolf

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4707

Stab Fund, ~~Safe~~

Cable to New York Federal received 5 August but dated 2 August from Zurich.

#379

In view your arguments have executed your numbers 757, 768, 777, 780, 782, 799. However, with proviso that beneficiaries of so called humanitarian payments furnish details enabling us to control utilization of funds. For further payments of this nature please credit us dollars.

Banque Nationale Suisse.

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Stabilization Fund - Swiss Francs

Dictated by Mr. Norman Davis's secretary

Cablegram to Federal Reserve Bank, New York

In view of your increasingly substantial Swiss franc requirements and considering their inflationary effect in our country as well as our endeavors to keep currency volume within adequate limits we would thank you to confine to lowest possible level such Swiss franc payments as are not covering U.S. Government requirements and not to make payments to third countries in our currency. Moreover, we would appreciate your crediting us in dollars for payments not covering U.S. Government requirements thus permitting us to examine purpose and convert dollars inconformity with Swiss regulations regarding commercial transfer. Consequently we would prefer to execute payments ordered in your cables 757 and 768 in dollars or to deliver equivalent in gold loco Switzerland. We await reply with keen interest and thank you for cooperation.

Banque Nationale Suisse

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Treasury Department
Division of Monetary Research

Date.....194....

To: GAE

From: dmh

To be filed in Switzerland and

c.r. to Vatican and Stab. Fund

We need a Stab Fund Swiss francs.

c r Vatican

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FOREIGN FUNDS CONTROL

To:
(1) Mr. Eddy (Room) (Bldg.)
(2) (Room) (Bldg.)
(3) (Room) (Bldg.)

Have you heard anything from the Swiss on this remittance for the Vatican?

H Robinson
7/19

From: (Date)
(Room) (Bldg.)

St. Thomas – Swiss Franc

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Swiss Francs

MEMORANDUM FOR THE FILES

July 19, 1946

Subject: Remittance of $700,000 to Switzerland for the Account of the Vatican

We received a letter from the Apostolic Delegation dated July 9, 1946, requesting authority to purchase the Swiss franc equivalent of $700,000 for remittance to the Swiss National Bank in Bern for the account of the Vatican. It was stated that "this amount will be in fulfillment of the requirements of the Vatican for the year 1946".

On July 12th, I gave the facts of this request to Mr. George Eddy of Monetary Research and requested his clearance as is customary in cases of this nature involving the acquisition of Swiss francs through the special facilities of this Government. He called back on July 15th and stated that in view of the amount involved, he considered it necessary to clear the remittance with the Swiss authorities prior to our issuing the necessary license. The Swiss, in turn, desired to clear it with their Government in Bern and promised to get a reply in two or three days. In view of the delay which this would occasion, I called the Apostolic Delegation on July 17th and talked to Father Skehan. I informed him that the remittance requested in their letter of July 9th was under active consideration in the Treasury Department, and that we hoped to be able to reply in the course of the next few days. I did not indicate to him that the remittance was being cleared with the Swiss Government, but explained the delay merely upon the basis of the necessary clearances within the Treasury Department.

It has since been called to my attention that similar remittances of this type in the past have not been cleared with the Swiss authorities, and there is a strong feeling within Foreign Funds Control that we should not relinquish all administrative discretion with respect to the use of Swiss francs in the Stabilization Fund for remittances to Switzerland. Furthermore, the amount of the present remittance, i.e., $700,000, is not far out of line with respect to past remittances of the same nature. The last few remittances were as follows: $300,000 in March 1946; $500,000 in January 1946; and $600,000 in April 1945.

As soon as the Swiss have cleared the present remittance, an appropriate license will be issued to the Chase National Bank and the Apostolic Delegation will be informed by letter from the Secretary that arrangements have been made for the consummation of the remittance.

Hamlin Robinson

HRobinson:ems

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By N NARA Date 1/5/99

Swiss bal (3) freely exportable gold for francs - humanitarian purposes

LEGATION DE SUISSE
WASHINGTON 8, D. C.

COPY

Points to be discussed with Mr. Straessle on April 12, 1944

ad (1) Payment of Swiss Exports.

The Swiss National Bank has taken note that the United States Treasury agrees to change all trade licenses to the effect that payments for Swiss exports to the United States and to any other country, and incidental costs in connection therewith, payable in dollars, must be paid in dollars and that no licenses will be issued authorizing such payments in Swiss francs.

As far as the settlement of arrears from previous exports made in excess of the export and transfer quotas set by Switzerland is concerned, discussions are taking place between the interested parties in Switzerland. The Swiss National Bank, therefore, would appreciate it if no licenses would be issued pending receipt of new propositions.

ad (2) Non-Commercial Payments.

(a) - Under General Licenses Nos. 32 and 33:

According to the experience of the Swiss National Bank, General Licenses Nos. 32 and 33 have been used for remittances for other purposes than to cover the necessary living expenses of the beneficiaries. Since it is not the Bank's intention to absorb dollars representing the transfer of principal and capital income, except in hardship cases, a solution should be found which would permit only the transfer of funds destined for the immediate needs of persons in Switzerland not disposing

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(c) - Interest Service of the 4% Swiss franc Bonds of the International Standard Electric Corporation:

The Swiss National Bank will be pleased to discuss with the United States Treasury the procedure with respect to making available to the paying agent the funds for the July 1, 1944 interest maturity.

(c) - Mortgage Interests and Taxes:

Requests for the payment of obligations of this type on behalf of American citizens will continue to be handled in the same liberal manner as heretofore so that American property rights in Switzerland should not be jeopardized in any way. It is, however, the policy of the Swiss National Bank not to accept dollars in payment of taxes if the tax payers dispose themselves of Swiss francs, or if the particular taxing authorities are in a position to accept blocked dollars in payment of such taxes.

ad (3) - Payments for Humanitarian Purposes.

The Swiss National Bank takes note that the United States Treasury is prepared to sell freely exportable gold for the equivalent of its payments in Swiss francs for humanitarian purposes. In order to facilitate the bookkeeping work of the Federal Reserve Bank of New York, it will monthly, as of April 1, 1944, indicate by cable the dollar amounts absorbed under this heading.

While the Swiss National Bank facilitated the transfer for humanitarian purposes of about $1,000,000 in 1942 and

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$800,000 in 1943, the aggregate sum for January and February 1944 amounts already to $450,000.

The Bank has been advised by various organizations of their needs for 1944, which are as follows:

Joint Distribution Committee	$2,629,000
Y. M. C. A.	1,340,000
Conseil Oecumenique	250,000
Fonds Europeen de Secours aux Etudiants	66,000
Europaeische Zentralstelle Kirchlicher Hilfsaktionen (Prof. Keller, Genf)	50,000
Mission Catholique Suisse	36,000
Pax Romana	20,000
Various Others	200,000
Total	$4,591,000

This amount does not include the requirements of the International Red Cross which are as yet unknown. The Swiss National Bank would appreciate it, if the United States Treasury would submit to it whatever additional data it may possess.

Both the Swiss Government and the Swiss National Bank are not in a position to purchase dollars (or gold held outside Switzerland) in amounts of this magnitude, unless a substantial part thereof will be computed against the monthly quota of Sw. Fcs. 8,250,000 granted the United States Government.

The Swiss Government and the Swiss National Bank feel that they cannot relinquish their right to obtain information concerning the purposes for which the funds are to be used. They, therefore, would greatly appreciate it, if the requests submitted by the organizations in question to the United States Treasury would also be laid before the Swiss National Bank, so that a decision can be taken as to the desirability of the trans-

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fers and their conformity with the policies of the Swiss Government.

If so consulted, the Swiss National Bank is prepared to permit, until further notice, to the same extent as heretofore, the transfer of such funds, without charging them against the monthly quotas totalling Sw. Fcs. 8,250,000 granted the United States Government. Additional dollars, within the aforementioned quotas, will have to be credited to the Swiss National Bank in the special account to the debit of which freely exportable gold may be acquired.

The Swiss Authorities will as much as possible facilitate the transfer of funds for humanitarian purposes. In the past, the denial of Swiss francs by the Swiss National Bank was frequently due to the failure or even refusal of the organizations in question to submit budgets and other adequate information required by the Swiss National Bank. No doubt, the closer cooperation between the competent authorities of both sides will, in the future, greatly facilitate the clearance of the applications.

To the extent as funds and merchandise purchased out of such funds go to third countries, the import to Switzerland of additional goods should be permitted. The equivalent of such payments effected after consultation with the Swiss National Bank, should be credited to a special account out of which such additional imports may be paid. An agreement as to type and quantity of the merchandise to be purchased should be concluded

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after the end of the negotiations now being carried on in London.

Furthermore, the Swiss National Bank would suggest that the requirements of the individual humanitarian organizations be not satisfied by authorizing one lump sum but by spreading the payments over the whole year.

Additional details, and phases of the agreement which may, in the light of the experience to be gained, give raise to suggestions, will be worked out by discussions between the competent authorities on both sides.

Washington, D. C., April 7, 1944.

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LEGATION DE SUISSE
Washington 8, D. C.
F. A. 12

January 13, 1944.

My dear Mr. Pehle:

On the occasion of yesterday's conversation between your goodself, Dr. Bernstein, Mr. Straessle and Dr. Pfenninger you expressed the wish to receive a word of confirmation from me concerning the subjects discussed. I, therefore, take pleasure in summing up the attitude of the Swiss Government and of the Swiss National Bank with respect to these questions as follows:

(1) The Swiss National Bank is prepared to place at the disposal of the United States Treasury until further notice Sw.Fcs.2,500,000 (two million five hundred thousand Swiss francs) per month against U. S. dollars at the official rate of exchange, with the understanding that these funds be used for the purposes of the United States Government.

(2) The Swiss National Bank is willing, as of January 1, 1944 to satisfy until further notice, the Swiss franc requirements of the Red Cross to their full extent.

(3) The Swiss National Bank will continue to buy dollars for humanitarian and cultural purposes and for the living expenses of American citizens in the same liberal manner as heretofore.

My Government and the Swiss National Bank sincerely hope that these proposals may be a substantial contribution toweards further improving the friendly atmosphere in which these discussions have taken place and will prove to be instrumental in bringing about

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a general understanding to the mutual satisfaction of the two Governments.

(4) Furthermore, the Swiss National Bank is prepared, at any time, to place at the disposal of the United States Government additional Swiss francs to the extent as the existing restrictions now hampering the free purchase and export to Switzerland of goods in the Dollar Area will be lifted.

(5) Moreover, the Swiss National Bank will sell Swiss francs to the United States Government against gold which may be at any time freely exported to Switzerland and other countries which are not enemies of the United States.

In this respect I may add that an agreement has just been concluded between the Swiss National Bank and the Bank of England pursuant to which the Bank of England undertakes, at the request of the Swiss National Bank, to license at any time the export to any non-enemy country of the United Kingdom, of gold purchased by Switzerland under the terms of the agreement. The Bank of England also undertakes to assist the Swiss National Bank in enlisting the cooperation of the competent authorities to facilitate the export of the gold from London to Lisbon. Similar assurances have been given by the Bank of England with respect to gold acquired by the Swiss National Bank in 1943 against the sale of Swiss francs.

I am, my dear Mr. Pehle,

Sincerely yours,

/s/ Bruggmann
Minister of Switzerland

Mr. J. W. Pehle
United States Treasury
Department,
Washington, D. C.

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194

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SWITZERLAND

Swiss gold market

Messages received from Switzerland appear to suggest that the authorities in that country are tightening their control over the open gold market. Dealings in that market are to be subject to license by the Swiss National Bank, and the prices quoted will be limited to the official selling price of the central bank, namely 4,970 francs per kilo fine. The price for gold bars had risen to about 5,600 francs in the open market, while even higher equivalents have been paid for coins. It remains to be seen whether the official attempt to suppress free dealings in gold will be altogether successful. It must not be forgotten that a considerable amount of gold found its way to banks and safe deposits in Switzerland on private account in the years before the war. That gold has not been mobilised by the Swiss authorities since the war, and, with this considerable volume of privately held gold in the country, it must be difficult to prevent transactions at prices other than those decreed by the authorities. Although the Swiss National Bank has been steadily gaining gold as a result of the conversion of dollars, the whole of that substantial addition to its reserves-it amounts to 1,053,700,000 francs for the past year, representing an increase of 58 per cent --is held earmarked in New York. The holding in Switzerland itself was falling in the early part of this year, partly as a result of withdrawals of bars which were being exchanged for coin. The reason for this traffic was the high premium commanded by gold coins, not only in the Swiss open market, but more particularly in black markets throughout the Continent. The Swiss authorities consequently issued their embargo on sales and export of coins. The Swiss National Bank continues to be a somewhat reluctant buyer of dollars, as it does not relish the prospect of inflating the currency position at home against the accumulation of foreign exchange resources, even though these can be converted into gold. The position would be far more satisfactory from Switzerland's point of view if it were able to import, in the shape of materials it urgently requires, the current excess on the international balance of payments. A comparable dilemma was solved by Sweden in the last war by refusing to buy more gold and letting the exchange rate of the currency appreciate. There is as yet no evidence that the Swiss authorities contemplate following the same course. The reduction in the free market price of gold, which may follow the steps recently taken by the Swiss authorities to control that market, should certainly not be taken as evidence of such a policy. On the contrary, it may well be accompanied by the establishment of a black market in which the prices quoted for gold will range appreciably above those recently seen in the free market.

(The Swiss National Bank maintains a rate of about 23 cents per Swiss franc for commercial transactions between the United States and Switzerland. However, it has declined to purchase dollars originating in most other trancactions, especially capital movements; such dollars are convertible into Swiss francs only in the free market, where the rate is currently about 26 cents per franc.)

The Economist, London, December 19, 1942, pages 773, 774

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Monetary - Stabilization & Fund Gold Transactions

MEMORANDUM TO THE FILES

March 24, 1950

U.S. Stabilization Fund Advance Payments on Future Deliveries of Gold by Russia, 1941-1942

During 1941 and 1942, the Stabilization Fund made advance payments totaling $60 million on future deliveries of gold by Russia. The advance payments were as follows:

August 1941	-	$10 million
October 1941	-	$30 million
January 1942	-	$20 million

The actual delivery of the gold against these advances was $30.3 million in 1941 and $29.2 million in 1942. The other $.5 million was paid in dollars in October 1942. A breakdown of deliveries against each advance is as follows:

August 16, 1941 - $10 million (90 days)

September 26, 1941	-	$5,636,422.73	(proceeds)
October 25, 1941	-	$4,871,938.67	"
		$10,508,361.40	

Balance of $508,361.40 due Russia

October 11, 1941 - $30 million (180 days)

October 25, 1941	-	$ 662,908.24	(proceeds)
November 18, 1941	-	$ 5,590,791.09	"
December 13, 1941	-	$ 6,629,108.62	"
December 18, 1941	-	$ 6,796,408.04	"
May 5, 1942	-	$11,222,110.13	"
May 21, 1942	-	$ 614,757.78	"
		$31,525,083.90	"

Balance of $1,525,083.90 due Russia

January 2, 1942 - $20 million (180 days)

May 21, 1942	-	$ 6,079,822.44	(proceeds)
July 27, 1942	-	$ 1,892,949.93	"
July 28, 1942	-	$ 1,877,967.30	"
August 26, 1942	-	$ 5,609,968.60	"
October 1, 1942	-	$ 1,867,685.83	"
		$17,328,384.10	"

Balance of $2,671,615.90 due U.S.
Less 2,033,445.30 due Russia on previous transactions

Balance of $ 638,170.60 due U.S. from Russia and paid in dollars on October 28,1942.

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There appears to be a question of whether the $60 million was an advance payment on future deliveries or whether it was the actual purchase of gold to be delivered in the future. Mr. Rushmore of the Federal, when asked about it some time ago, was of the opinion that the $60 million represented advances on future deliveries, and the Commercial and Financial Chronicle also speaks of it as advances by the Stabilization Fund against future deliveries. However, a Treasury Press Release dated January 6, 1942 refers to "the purchase of an additional $20 million of gold from the USSR".

Charlotte A. McGuire

CAMcGuire:yb:3/24/50

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File Man Gold Stab Fund Tran
Box 123

Stabilization Fund - Ow. S.

January 7, 1942

Mr. White

Mr. Southard

Subject: Gold purchases and sales by the Stabilization Fund.

I gave you a hasty answer two weeks ago to your question as to why the Stabilization Fund regularly buys gold from the General Fund through the New York Assay Office.

The attached memorandum shows that in 1941 the Fund on balance sold $58,000,000 more gold to foreign countries than it bought from them. This gold deficit was approximately balanced by the Fund's net purchases of $47,000,000 of gold from the General Fund.

The question of the Stabilization Fund's gold purchases from and sales to the General Fund thus boils down to this: Should the Stabilization Fund, during a given period (such as the first six months of 1941) purchase considerable amounts of gold on balance from foreign countries, its special cash account with the Federal Reserve Bank of New York may be run down undesirably low. In such a period the Stabilization Fund would sell gold to the General Fund. Contrariwise, at other times (such as the latter part of 1941) the Stabilization Fund sells considerable amounts of gold on balance to foreign countries and finds it convenient to use some of the resulting cash to purchase gold from the General Fund through the New York Assay Office.

The general policy has been to hold about $25,000,000 worth of gold either at the Federal Reserve Bank of New York or with the Assay Office to meet unpredictable demands for gold by foreign countries.

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January 6, 1942

Mr. White

Mr. Southard and Mr. Hawkey

Subject: Gold transactions of the Stabilization Fund in 1941.

The following table summarizes the gold transactions of the Stabilization Fund during 1941:

	Purchased from:	Sold to:	Net Purchases (+) or Sales (-)
	(In millions of dollars)		
Foreign Countries	$405.7	$463.5	- $57.8*
Treasury General Fund	$230.8	$184.1	+ $46.7*

*These amounts, adjusted for $11.9 million in gold still to be delivered by Russia, account for the decline of about $23 million in the Stabilization Fund's gold balance, from $48 million on December 31, 1940 to $25 million on December 31, 1941.

Gold transactions with individual foreign countries, and a summary by months of transactions with the General Fund of the Treasury, are shown in the attached tables.

The Stabilization Fund's individual purchases from and sales to foreign countries in 1941 varied greatly in time and size, despite the relatively small difference of $57.8 million in the totals for the year. In the first half of 1941, for instance, the Fund's net purchases from foreign countries amounted to $195 million. In order to maintain a fairly large dollar balance, the more easily to meet calls for dollar exchange which might arise under stabilization agreements, the Fund frequently offset these purchases of gold from foreign countries by gold sales to the General Fund of the Treasury. The attempt was made to time such sales so that the resultant increase in Treasury gold stocks would not reveal the Fund's specific transactions with foreign countries.

In contrast to its net purchases during the first part of 1941, the Stabilization Fund sold $252.8 million in gold on balance to foreign countries during the second half of the year. Frequent purchases therefore had to be made from the General Fund in order to have gold available for this purpose. There was no change in the Fund's policy of keeping liquid assets largely in the form of dollars rather than gold, but a small gold balance was maintained for the convenient handling of sales to foreign countries. Some of the purchases from the General Fund resulted in reductions in Treasury gold stocks; others were timed to coincide with the General Fund's acquisition of as much or more gold from other sources, such as imports and domestic deliveries.

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

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

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

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

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Gold Transactions of the Stabilization Fund with the General Fund of the Treasury during 1941

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

	Purchased by Stab. Fund:	Sold by Stab. Fund:
January	$ —	$25.0
February	—	—
March	—	5.0
April	—	88.8
May	—	25.0
June	—	10.0
July	—	—
August	—	—
September	37.0	5.7*
October	14.8	5.5*
November	70.7	5.6*
December	108.3	13.5*
Total	$230.8	$184.1

*Gold deposited at the San Francisco Mint by the Russian Government, under the gold purchase agreements of August 15 and October 10, 1941.

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Stabilization Fund. Gold

January 6, 1942

Mr. White

Mr. Hawkey

There follows a summary of the Stabilization Fund's gold transactions with the central banks of foreign countries during the month of December, 1941:

	Purchased from:	Sold to:
Argentina		$ 16,958,000
Bolivia		2,992,000
Chile	$ 189,000	
Costa Rica	21,000	
Mexico	4,729,000	
Sweden		25,000,000
Switzerland		59,850,000
Uruguay	1,504,000	
Total	$6,443,000	$104,800,000

To supply foreign buyers, and to maintain a small gold balance, the Stabilization Fund purchased $108,250,000 in gold during December, 1941 from the Treasury's General Fund, through the New York Assay office.

On December 3, 1941, Russia deposited about $6,646,000 in gold at the San Francisco Mint for the Secretary's account. This gold, which had been imported from Russia on the SS DONBASS, was applied against the Treasury's purchase, on October 10, 1941, of $31,605,000 in gold from the Russian Government, for delivery within 180 days. After melting and treating, the gold was sold by the Stabilization Fund to the Treasury's General Fund on December 12, 1941, through the San Francisco Mint. Another Russian shipment, imported on the SS TRANSBALT and valued at $6,814,000, was deposited on December 10, 1941 and similarly applied. The Stabilization Fund sold this lot to the General Fund on December 17, 1941.

RM:vw:1-6-42

1/7/42 - Or. to Mr. White.

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December 12, 1941

Mr. Dietrich

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of November:

	Purchased from:	Sold to:
Argentina		$ 4,988,000
Java		25,000,000
Mexico	$5,399,000	
Switzerland		39,900,000
Uruguay	1,004,000	
Total	$6,403,000	$69,888,000

As a result of increasingly heavy net sales to foreign countries, we continued to purchase gold from the General Fund, buying $70,688,000 in the full month of November. On four occasions, November 3, 17, 18, and 19, a reduction in Treasury gold stocks resulted from such purchases.

On November 6, Russia deposited about $5,614,000 in gold at the San Francisco Mint for the Secretary's account. This gold, which arrived at San Francisco from Russia on the S. S. Azerbaidjan, was applied against the Treasury's purchase, on October 10, of $31,605,000 in gold from the Russian Government, for delivery within 180 days. The shipment was melted and treated, then sold by us to the San Francisco Mint on November 18.

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Distributed to:

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Mr. Bell	Mr.
Mr. Foley	Mr. Coonrad
Mr. Bernstein	Mr. Dietrich
Mr. White	Mr. Hawkey

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October 22, 1941.

Mr. Dietrich

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of September:

	Purchased from:	Sold to:
Argentina		$ 4,988,000
Chile	$ 188,000	
Java		7,500,000
Mexico	4,517,000	
Switzerland		39,900,000
Uruguay	1,502,000	
Total	$ 6,208,000	$52,388,000

It will be seen that our sales exceeded purchases by $46,180,000, representing the largest net drain upon our gold holdings for any month since war began. As an offset, we began to purchase gold from the New York Assay Office on September 16; by the end of September, such purchases came to $37,000,000.

On September 19, Russia deposited about $5,651,000 in gold at the San Francisco Mint for the Secretary's account. This was applied against the $10,535,000 in gold which we agreed to buy from Russia on August 15 for delivery within 90 days. The $5,651,000 in gold was melted and treated, then sold by us to the San Francisco Mint on September 26.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

According to Bewley's letter of October 10 to White, the British authorities' gold assets amounted to $277.5 million as of October 3, indicating a rise of $11.5 million in roughly the month of September.

Comparison of the October 3 gold asset figures with those of previous dates is shown below (in millions of dollars):

	June 30	July 31	August 30	October 3
Available	$163.0	$202.5	$246.0	$247.5
Unavailable	20.0	23.0	20.0	30.0
Total	$183.0	$225.5	$266.0	$277.5

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Against their gold assets, the British place a post-war liability of $105 million, representing gold borrowed last March from the Belgian holdings in Canada.

The net increase of $11.5 million during September is believed to include the following changes:

(1) Available gold was drawn upon to the extent of $20 million, representing a sale to the United States of gold shipped from Canada on September 16.

It will be noted that the above shipment was slightly in excess of our rough estimate for British gold in Canada. (This estimate, $18.2 million, results from the deduction of $22.5 million from the British figure of $40.7 million as gold in or en route to North America on March 1—the $22.5 million being gold sold to us by the British last March.) If our estimate was approximately correct, it means that the British no longer have gold in Canada. On the other hand, the British, rather than drawing upon their own gold in Canada, may have effected another switch.

(2) Unavailable gold rose $11 million between September 1 and 26, then dropped $1 million in the week of October 3. (Figures for September 26 were obtained from a Bewley-to-White letter of October 3.) It is assumed that the $11 million rise resulted from the transfer of gold from "available" stocks in South Africa to "unavailable" scattered points.

(3) The foregoing changes suggest that available gold was drawn upon to a total of $31 million in roughly September. But since available gold was shown by the British to have increased $1.5 million on balance, it seems likely that the British gained $32.5 million from new African production.

In connection with our estimate of $32.5 million gained from new African production, note should be taken of the following:

(a) In recent House sub-committee hearings on the second Lend-Lease appropriation, Mr. Bell gave a British estimate that in the six-month period beginning with September, 1941, they would acquire $290 million from new production of the Empire (almost entirely) and dishoarding. If we deduct about $40 million to allow for non-African output,* and

---

* This is mainly output of Australia and New Zealand, estimated to yield $5-6 million a month. Examination of our gold imports from Australia indicates that shipments to the U. S. just about balance new production. Since such output is apparently steadily converted into dollars, it does not tend to increase British gold reserves. For this reason, only African production is taken into account in our estimates.

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dishoarding, $250 million remains to be acquired from African production. This last averages about $41 million a month. Therefore, our estimate of only $32.5 million for September indicates a very slow beginning for the six-month program.

(b) We have received cables from South Africa reporting that this Union's Finance Minister announced on October 10 an external debt repatriation arrangement whereby the British Government would give the South African Reserve Bank about $120 million worth of Union stocks (which had been issued in London and were formerly held by U. K. residents) in exchange for that amount of gold. The Bank is to pay this gold to the British in installments up to the end of this year. The Bank's gold reserve will be maintained, or replenished, out of African production.

In all probability, the $120 million should be included in the $290 million six-month gain discussed above. Our estimates indicate that, in the final quarter of this year, the Reserve Bank could not get together more than about $82 million if the $120 million were a separate item. Of the $82 million, $27 million would come from African output not otherwise acquired by the British, and about $55 million might be drawn from the Reserve Bank's present holdings (estimated to be $450 million) without reducing them to below $395 million, which the South African cables hold to be a minimum level in the Reserve Bank's opinion.)

NOTE

For detailed account of gold reserves of the countries that follow, reference is made to the September 16 report. Summarized below are a few additional items of information received since that date.

2. France (latest estimate: $1,900 million)

Cable No. 343, sent from Dakar on October 5, reports the French Governor General's statement that the French gold was still in West Africa. A small amount was sent to France but was replaced by the same quantity of gold produced in the dependency.

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3. Belgium.

This country may be held to have $427 million in "available" gold (available, that is, to the Belgian Government in London--of the $427 million, $167 million is in New York, $246 million is believed to be in Canada, and $14 million believed to be in other British Empire). In addition, the Belgians have a claim on the British for $105 million in gold borrowed last March.

Belgium's "unavailable" holdings are represented by the $228 million sent to Dakar last year. It will be recalled that we received two cables last July confirming our belief that all this gold had been withdrawn from French West Africa. A despatch from Algiers dated September 11 indicates that a substantial quantity of Belgian and Polish gold formerly in West Africa is in Algiers, with the French still using "slow-down" tactics.

Belgian Litigation against Bank of France:

It was reported in the press of October 11 that the New York Supreme Court's appellate Division had decided that the Belgian gold suit must go to trial. (This ruling upheld a decision by the Court to refuse dismissal of the action.) It is possible that the French may appeal further for dismissal on the grounds that the Court had no jurisdiction in this case. According to an August 23 memo from Mr. Cochran to the Files, the Belgian National Bank's Mr. Ansiaux expected that the French would continue to appeal, and that the case wouldn't be tried on its merits until March or April.

4. Poland.

As indicated by our September 16 report, only $2 million in Polish gold (in New York) can beclassed as "available" to the Polish Government in London.

In "unavailable" form, the Poles had about $6 million in Canada and England, $3 million tied up with the Rumanian National Bank, and $64 million sent by the Bank of France to Dakar last year.

It now appears that most or all of the $64 million Polish gold at French West Africa has been withdrawn from that point and sent to North Africa (part of this may have been further transported to France). Referring to our section on "Belgium", it will be seen that the Belgian gold had been withdrawn by last July. Since then, according to a cable (No. 428) from Casablanca dated August 31 and the despatch from Algiers dated September 11, a substantial quantity of "Belgian or Polish" gold was shipped from Dakar to Casablanca on a French cruiser, and transported on August 30 from Casablanca to Algeria in ten freight cars. In view of the size of this shipment, as well as a statement of the French Governor General at Dakar that the U. S. Treasury "knows what has become of the Belgian and Polish gold" (Dakar cable No. 343 of October 5), it is probable that all the Polish gold has been removed.

5. Netherlands.

Of an estimated $694 million, about $428 million may be classed as "available" to the Dutch Government in London. The National Bank holds $339 million and

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the Government $21 million in New York. There is believed to be $68 million in Dutch gold in Canada.

Location of the "unavailable" gold, placed at $166 million, is not known, although $14 million of it may be in South Africa.

6. Other Countries.

No change known for reserves of Norway (estimated at $86 million) or Denmark ($45 million).

The October Federal Reserve Bulletin places Czechoslovakian gold at $61 million as of the end of June.

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September 6, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of August:

	Purchased from:	Sold to:
Argentina		$13,965,000
Chile	$ 356,000	
Haiti		750,000
Java		20,000,000
Mexico	3,376,000	
Peru	505,000	
U. S. S. R.	10,535,000	
Total	$14,772,000	$34,715,000

We sold none of our gold holdings to the U. S. Assay Office during August.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

Total British gold reserves on August 30, according to a letter from Bewley to White dated September 3, came to $266 million, representing an increase of $40.5 million during the month of August. Since "scattered gold" was shown to have declined by $3 million, it appears that the British acquired $43.5 million in gold from Africa's new production.

Our estimates indicate that, in the April-August period, the British gained $186.2 million from Africa's new gold output:

April	$ 33.2 million
May	31.5 "
June	35.5 "
July	42.5 "
August	43.5 "
Total	$186.2 million

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For the same five-month period, the British forecast on April 18 that they would acquire about $167 million from African production (which works out to an average monthly gain of $33.3 million). The estimated excess of nearly $20 million over the British forecast, it will be noted, is almost entirely due to a greatly increased net gain in July and August. It may be well for us to receive British confirmation on the figures listed in the above table, since the May and July estimates depend upon the assumption that some South African gold was transferred to scattered points. Approximately $5 million is involved in this assumption; if it is incorrect, or if the British forecast made allowance for such transfers, then the actual gain from African output should exceed the British forecast by $15 million, rather than $20 million.

There follows an estimate of changes in British gold reserves over the past three months, according to availability and location:

1. British Authorities' Gold Assets 1/
(According to Availability)

	June 1	June 30	July 31	August 30
	(In millions of dollars)			
Readily available	$127.5	$163.0	$202.5	$246.0
Not readily available . . .	21.0	20.0	23.0	20.0
Total	$148.5	$183.0	$225.5	$266.0

1/ Against these assets, the British have a post-war liability of $105 million, representing gold borrowed from the Belgian reserves in Canada.

2. British Authorities' Gold Assets - Location

	June 1	June 30	July 31	August 30
	(In millions of dollars)			
In No. America	$ 18.2	$ 18.2	$ 18.2	$ 18.2
In So. Africa	79.8	115.3	154.8	198.3
In London and scattered	11.0	10.0	13.0	10.0
Windfall rec'd in March - location unknown	39.5	39.5	39.5	39.5
Total	$148.5	$183.0	$225.5	$266.0

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The following table indicates that the recent rise in British acquisition of gold from Africa's output was due more to a declining offtake by the South African Reserve Bank than to an absolute increase in South African production:

	South African Output	Change in Gold Stocks of So. Afr. Reserve Bank
	(in millions of dollars)	
Last quarter - 1940	$ 125	+ $53
First quarter - 1941	124	+ 34
Second quarter - 1941	125	+ 26

2. France.

French gold reserves may now amount to $1,900 million.

Last October, such reserves are believed to have totaled $1,915 million (based on British estimates). Since then, the following reports have been received which suggest that French stocks may have declined by $15 million:

(1) According to British "Notes on Portugal" dated April 24, 1941, about $10 million in French gold was sent from Dakar to Lisbon and sold to the Bank of Portugal between October 1 and the end of 1940.

(2) An American Legation despatch sent from Bern on June 26 stated the French had already shipped about $12 million of their gold to Switzerland to liquidate French public indebtedness. Examination of this gold led the Swiss National Bank to conclude that part came from overseas (by elimination, this must mean Africa) and part from Southern France. A further $12 million would be sent later, the report stated, and this would complete the debt liquidation. A Bern report of August 21 stated that the Bank of France just offered the Swiss National Bank about 250,000 gold sovereigns ($2 million). So far, then, $14 million has been sent to Switzerland, of which perhaps $5 million may have come from West Africa (arbitrary estimate).

(3) According to Mr. Cochran's memorandum of July 17 to the Secretary, the British learned in June that Darlan had agreed to gold payments to the Germans for occupation costs, and that two small payments in gold had been made.

Taken together, these reports indicate that perhaps $25 million in gold had been paid out by the French. It is assumed, however, that only about $15 million of this may have come from the French holdings in French West Africa--the balance may have been purchased in Tangier or Lisbon, or obtained from stocks

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not included in the British estimate. A Military Attache Report (No. 19) of July 31 from Tangier cites the following local explanation for the recent heavy expansion in gold trading: gold is reportedly being bought in both Tangier and Lisbon for German account, and for French account to be delivered to Germany. As for unreported stocks, a July, 1941 Bank of France statement places gold holdings at $2,000 million, unchanged from July, 1940; this is $80 million above the British estimate for mid-July, 1940.

The following table shows estimated changes in French gold holdings since October 1, 1940:

Location	October 1, 1940 1/	April 1, 1941 2/	At Present 3/
	(In millions of dollars)		
In the United States	$ 502	$ 502	$ 502
In Canada: in French name	370	370	370
" : in Bk. of Engl. name	280	107	212
In South Africa	--	120	15
In Sydney, B.A., Bombay and Singapore	--	53	53
In Martinique	245	245	245
In French West Africa	518	508	503
Total	$1,915	$1,905	$1,900

1/ Our estimates have been based on British estimates that the French gold reserves totaled $1,920 million as of mid-July, 1940. By October 1, they had dropped to $1,915 million, due to transfers from French gold at the New York Federal Reserve Bank to the gold accounts of the Bank of Poland and Swiss National Bank.

2/ Changes in location of French gold as a result of British switch operations: in December, January and February, the British obtained $120 million from France's Canadian gold, and gave the French a like amount in South Africa. In March, the British took $53 million from France's Canadian gold in exchange for gold given the French in Sydney, etc.

3/ During April, the British effected a "reverse switch" with $105 million gold borrowed from Belgium's Canadian stocks. They added this $105 million to French gold in Canada, thus acquiring a like amount from French gold in South Africa.

Up to the end of April, the Germans had not formally requested that the French hand over their own gold in French West Africa, according to a statement of Couve de Murville reported in Vichy cable No. 467 sent

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April 21. We have heard nothing on this point since then, although last month's developments concerning French-German collaboration may have been accompanied by some gold transfer arrangement.

Included in this report's sections on Belgium and Poland are short histories of the Belgian and Polish litigation to recover damages from the Bank of France for gold entrusted to the latter and sent to Dakar.

3. Belgium.

From a late 1940 estimate of $760 million, Belgian gold reserves may have since declined to $427 million. By this time, the French may have delivered to the Germans all of the $225 million Belgian gold that was in French West Africa; National Bank of Belgium representatives from London have filed suit to recover this amount from Bank of France funds here. Around the end of March, the British borrowed $105 million from Belgian stocks in Canada; this constitutes a post-war liability for the British.

Comparison of the late 1940 and present estimates follows (in millions of dollars):

	Late 1940	Present
Belgian National Bank Gold		
In United States	$167	$167
In Canada 1/	351	246
In other Brit. Empire 2/	14	14
In West Africa 3/	202	--
Belg. Treasury ($17) and other gold ($9), probably in West Africa 4/	26	--
Total Belgian Gold	$760	$427

1/ Late 1940 figure given by British; since reduced by British borrowing.

2/ A Belgian Embassy document of April 18 revealed that $365 million in Nat'l Bank gold was in British Empire, from which is deducted the $351 million British figure of gold in Canada. Mr. Ansiaux told Mr. Cochran on July 26 that the National Bank had some small gold stocks with the South African Reserve Bank, representing Belgian Congo production; this may explain the $14 million difference.

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3/ Late 1940 figure according to Belgian document; withdrawals discussed below.

4/ In contrast to Belg. Embassy document figure of $202 million for Nat'l Bank gold in West Africa, records of the Belgian lawsuit reveal that $228 million in Belgian gold was sent to Dakar. The $26 million difference may be explained by the Belgian Embassy's statement that the National Bank also held gold abroad belonging to the Belgian Treasury, Postal Checks and Belg. Congo Bank. Federal Reserve Bulletin placed Belgian Treasury gold at $19 million in June and December of 1940.

Withdrawal of Belgian gold from French West Africa:

My report of June 19 expressed the belief that about all of the $228 million Belgian gold sent to West Africa in mid-1940 had been removed by the French, for ultimate delivery to the Germans. Between November, 1940 and last April, cable advices indicated that perhaps $85 million in gold had been withdrawn, none of which was Polish or French. At the end of May, we heard that nearly $140 million in Belgian or Polish gold was to be shipped down the Niger and overland to North Africa.

Two cables received during July confirmed the above belief. On July 12, Vichy reported a Belgian National Bank official's statement that all the Belgian gold still left in West Africa (two-thirds) was now en route to North Africa. The official added that this gold would be in Berlin within three months, barring hold-ups. On July 17, Algiers reported that all the Belgian gold formerly at Dakar had now been sent to France.

All cables relating to gold withdrawals from French West Africa are summarized in the final section of this report.

Summary of Belgian litigation against the Bank of France.

Last April 24, National Bank of Belgium representatives from London instituted a suit in the New York State Supreme Court against the Bank of France, in an attempt to recover $228 million (plus interest) from Bank of France funds in this country. Around the same time, a writ of attachment against such funds was served on the New York Federal Reserve Bank. The Belgians claimed that this was the value of Belgian gold entrusted to the Bank of France in the seven months ending May, 1941. According to Ansiaux' affidavit, the Bank of France orally agreed to re-deliver this gold upon demand to the National Bank, a demand which was made on June 17-18, 1940 after the National Bank had arranged with the British for an English naval vessel to transport the gold to England, Canada or the United States. The Bank of France, however, violated its agreement by refusing to hand over the National Bank's gold; instead, it was shipped to Dakar by the Bank of

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France. The Belgian Government in London, it was further stated, learned from reliable sources that, on December 11, 1940, the Bank of France agreed to deliver the Belgian gold at Dakar to the Reichsbank. (Our records indicate that the Germans decreed last December that the German Commissar at the National Bank of Belgium in Brussels was empowered to act in that Bank's behalf if his orders were countersigned by German military authorities in Belgium. This decree followed the National Bank's refusal to surrender their Dakar gold. The German decree, however, was apparently an unwielded sword, for Rueff stated last February that Bouthillier, despite determined resistance by Janssen, had ordered the French to surrender the Belgian gold.) It was finally claimed that the Bank of France made several large deliveries to the Reichsbank prior to March 11, 1941.

On July 10 and July 23, attempts were reportedly made by representatives of the Bank of France to have the New York State Supreme Court dismiss the Belgian suit on the grounds that the transaction had no relationship with that Court. Mr. Ansiaux, Belgian representative, informed Mr. Cochran on July 28 that the New York Court was still considering the question of its competence to hear the case; he expected that the case would be tried on its merits in November. According to press reports of August 28, Ansiaux stated that the case was now before the U.S. Supreme Court for review.

4. Poland.

Mr. Zoltowski informed Mr. Cochran on September 11 that Poland's present gold reserves came to no more than $75 million; the only part of this that can be considered "available" is the $2 million now on earmark at the Federal Reserve Bank of New York. The $75 million was distributed as follows:

In New York.....	$ 2 million	
In Canada and England.....about	6 "	1/
In Rumania (tied up).....	3 "	2/
Sent to Dakar.....	64 "	3/
Total	$75 million	

1/ Apparently, something more than $6 million was originally sent to Canada and England, but this has since been reduced to $6 million or less. Zoltowski stated that the portion in Canada was being used exclusively for Army expenditures, while the portion in England provided the Polish Government in London with funds to carry on Government operations, including expenditures of Polish representatives here.

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2/ Zeltowski stated that the gold in Rumania had been tied up by the National Bank of Rumania. (According to Bucharest cable No. 137 of February 12, 1941, the National Bank's Governor executed an affidavit at the American Legation in Bucharest, declaring that both the Government and National Bank of Rumania understood that the $3 million gold deposited by the Bank of Poland constituted a "safer guarantee" for the redemption of the National Bank's credits to the Polish Bank.) Zeltowski said that litigation had been instituted in New York to recover damages from Rumanian funds here; our records indicate the plaintiff in this case to be the Commission for Polish Relief, Ltd. Zeltowski will provide us with the relevant documents.

3/ A summary of the Dakar gold story follows.

On September 3, Bank of Poland representatives began litigation in the New York State Supreme Court against the Bank of France to recover $64 million (plus interest) from the latter. The relevant documents, furnished us by Zeltowski, reveal that the Bank of France had been entrusted, around May 31, 1940, with this amount of Polish gold, and had transferred it to Dakar in violation of a May 30, 1940 agreement with the Bank Polski stipulating that, upon the latter's request, the Bank of France would ship the gold to the United States or Canada. (The Bank Polski alleged that it made repeated requests that the Bank of France move the gold as per agreement, and objected to shipment to Dakar.)

The Polish gold story is related principally by Mr. Karpinski, of the Bank of Poland. In his statement, Karpinski referred to one of the Bank's officials, Mr. Michalski, as having followed the Polish gold to Dakar. Karpinski stated that Michalski, according to latest information, is still at Dakar and thus has been unable to file an affidavit.

The following differences were noted between the stories contained in the Belgian suit and Polish suit documents:

(1) The French-Belgian agreement (an oral agreement) called for the Bank of France's re-delivery of gold to the National Bank of Belgium, and the latter was to be the shipper of gold from France. The French-Polish agreement (not stated whether oral or written) provided that the Bank of France itself would move the gold abroad.

(2) One of the points in the Belgian documents was that the Belgian Government was reliably informed that the Bank of France, around December 11, 1940, agreed with the Reichsbank to hand over the Belgian gold, and that large amounts were so surrendered prior to March 14, 1941. No similar charge is contained in the Polish record.

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On September 5, Zoltowski informed the press that a writ of attachment on Bank of France funds with the Federal Reserve Bank of New York had been obtained by the Bank of Poland representatives and served on the Federal.

5. Netherlands.

Based on revised estimates and subject to confirmation, the latest figure for Dutch gold reserves is $594 million. Included therein are $573 million in Netherlands Bank gold reserves as of June 30, and $21 million of Dutch Government gold as of September 16.

Our past reports have considered, as total Dutch gold reserves, the Federal Reserve Bulletin's figure for that country. This figure, however, represents simply the Netherlands Bank's own gold stock, as given in that Bank's statements, converted at 56¢ per guilder. It now appears that there should be added to the Bank's reserves an amount not less than $21 million, representing the current gold balance earmarked at the Federal Reserve Bank for account of the Royal Netherlands Government. Our records indicate that gold in this account was originally (that is, prior to the German invasion of the Netherlands on May 10, 1940) Dutch Equalization Fund gold, and therefore not included in the Netherlands Bank statement item for gold reserves. For background, it might be mentioned that around invasion time, there was $32.4 million Dutch Fund gold under earmark in New York, and $11.4 million such gold on route here that was earmarked upon arrival. The total, $43.8 million, has since been reduced by $22.4 million to the present level of $21.4 million, as a result of sales to the U. S. Fund.

The Dutch Government also controls gold held in Canada, but it is quite possible that such gold represents bullion obtained from Netherlands Bank holdings, gold which the Bank still regards as its own property and which it therefore includes in its stated reserves. The British should be able to enlighten us on this subject. In informing us last November that there were $89 millions worth of Dutch gold in Canada, the British stated that they had vested this gold in their Custodian of Enemy Property and later released it to "the Dutch" (in all probability, to the Dutch Government-in-exile in recognition of the latter's decree taking over all Dutch foreign assets). In connection with the possibility that the Netherlands Bank in Amsterdam had an interest in the gold in Canada, it may be worth noting that (1) $21 million of Dutch gold was shipped here from Canada at the end of last February and sold for account of the Dutch Government-in-exile, and (2) five weeks later, the gold reserve item of the Netherlands Bank's statement began to decline--by the end of April, it had fallen by $42 million to $572 million. Part of this decline may have been a belated recognition of the $21 million sale.

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The Dutch gold reserves are therefore believed to be as follows (in millions of dollars):

Netherlands Bank Gold at end of June		$573
of which: In New York	$339	
In Canada	68 1/	
Location unknown	166 2/	
Netherlands Government Gold in U.S. (Sept. 16)		21
Total		$594

1/ From the British figure of $89 million as of last November, there is deducted the $21 million shipped here and sold for account of the Dutch Government-in-exile on February 28, 1941.

2/ Perhaps $14 million of this is in South Africa. The British stated last November that some $378 million Dutch gold was in U.S. or South Africa--our records show that total Dutch Bank and Government gold on earmark here at that time came to $364 million.

6. Other Countries.

(a) Norway held $52 million worth of gold in Canada, and $34 million in this country around the end of last October; the total of $86 million probably comprised Norway's full reserve. There has been no change in Norwegian earmarkings here since October.

(b) Denmark's gold reserves now total an estimated $45 million, as compared with the Federal Reserve Bulletin's figure of $47 million for the end of June. The reduction of $2 million results from two gold transfers from the Danish National Bank account in New York to the B. I. S. account (this gold being subsequently transferred to the Swiss National Bank's account at the Federal). Of the current estimate of $45 million, $13.4 million is on earmark at the Federal; location of the $31.6 million remainder is unknown.

(c) Czechoslovakian gold totaled $59 million at the end of April, as against $58 million at the end of last October. On the latter date, there was $30 million in Czech gold held with the Bank of England, according to Mr. Pinsent's figures of November 4, 1940.

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Summary of Cables and Other Data
Relating to Gold in French West Africa

Around the beginning of last November, we heard that gold was being removed from Dakar. It was later learned that the Germans had demanded surrender of Belgian and Polish gold. During November and December, about $56 million was reportedly shipped to Casablanca and transferred by rail to Oran, for subsequent shipment to France. There were also three plane flights from Dakar, carrying perhaps $14 million in gold.

In January, 1941, no further removals from Dakar were reported, and the French were using successful slow-down tactics in moving gold to the European Continent. The Dakar gold was transferred inland to Kayes.

In February, French commercial planes were removing gold twice weekly from French West Africa, in varying amounts. French military planes (according to a French document dated February 5 and submitted by the British on April 14)carried about $13 million in Belgian gold from Africa to Marseille early in February, following which there was a temporary suspension in flights over the Mediterranean. The French were reportedly still using transport difficulties (both real and imaginary) to delay transport to France, and also used this argument in answer to a German inquiry about the French gold in West Africa.

In March, Vichy and Dakar cables reported continuing use of successful slow-down tactics, but a small flow of gold from West Africa by French commercial plane. The Bank of France gold was still in West Africa. A British telegram of March 10 stated that the Polish Government in London was informed by the Polish representative in French West Africa that all the Polish gold was still there.

In April, Vichy reported Couve de Murville's statement that not much Belgian gold was being sent to France by plane, although other transport means were being used (this may confirm a "usually reliable" report, given in a February cable from Berlin, that submarines were being used between Oran and France). Couve said the French had refused surrender of Polish gold, while the Germans had made no formal request for French gold.

In May and June, Vichy reported Cariguel's statement that not more than a third of the Belgian gold had been delivered to the Germans. Dakar reported that French planes were carrying gold to France, but the Germans were protesting at the slowness. Consequently, about $140 million in gold had been prepared for transport down the Niger, for subsequent trucking overland to North Africa. A U.P. news item stated that $37 million in Belgian gold had been flown from Algiers to Marseille and delivered to the Germans, who were believed to want the gold to pay Russia for wheat and oil.

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In July, Vichy reported a Belgian National Bank official's statement that all that remained of the Belgian gold at Kayes--namely, two-thirds (about $150 million, or not far from the estimated value of the Niger shipment)--was somewhere en route between Bamako, near Kayes, and Colomb-Bechar in North Africa. The official added that this gold would be in Berlin within three months, barring hold-ups. It was reported from Algiers that all the Belgian gold formerly at Dakar had been sent to France. A transporter in Algiers said that, late in June, some $84 million arrived in Algiers by truck, and was shipped to France.

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July 30, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of June:

	Purchased from	Sold to
Chile	$ 548,000	
Guatemala		$1,610,000
Netherlands	3,503,000	
Peru	502,000	
Total	$4,553,000	$1,610,000

In order to increase our cash balance with the Federal Reserve Bank of New York, we sold $10,000,000 of our gold holdings to the U.S. Assay Office during the period under review.

Estimated Gold Holdings of Certain Countries

Note: For all countries other than Great Britain, reference is made to the report of June 19. Summarized below are a few additional items of information received since that date.

1. Great Britain.

Mr. Bewley gave us figures on July 28 showing that British gold reserves amounted to $183 million at the end of June, an increase of $34.5 million during the month. Apparently, the British acquired $35.5 million in gold from African production, against which "scattered gold" fell $1 million. Regarding the gain from production, it will be recalled that the British "Cash Position" statement of April 18 forecast an average monthly net gain of $33.3 million from African output during the April-August period.

There follows an estimate of British gold reserves, according to availability and location, at the beginning and end of June. For back figures, reference is made to the report of June 19.

Monthly Gold Trans.

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1. British Authorities' Gold Assets, 1/ According to Availability

	June 1	June 30
	(In millions of dollars)	
Readily available	$127.5	$163.0
Not readily available	21.0	20.0
Total	$148.5	$183.0

1/ Against these assets, the British have a post-war liability of $105 million, representing gold borrowed from the Belgian gold stocks in Canada.

2. British Authorities' Gold Assets - Location

	June 1	June 30
	(In millions of dollars)	
In No. America	$ 18.2	$ 18.2
In So. Africa	79.8	115.3
In London and scattered	11.0	10.0
Windfall - Location unknown	39.5	39.5
Total	$148.5	$183.0

Around the middle of June, about $2 million worth of British gold arrived at the Mare Island Navy Yard in San Francisco. The origin of this gold will probably be learned when we receive a consular invoice from the British. Most of the boxes containing the gold, incidentally, bore "Singapore" marks.

2. France.

Confirming the American Legation (Bern) despatch No. 1660 of March 25 (described in the June 19 report), an unnumbered despatch sent by the Legation on June 26 stated that the French had already shipped about $12 million of their gold to Switzerland for liquidation of French public indebtedness to the Swiss. The Swiss National Bank, upon examination of the bars, concluded that part of it came from overseas (by elimination, this must mean Africa), and part from Southern France. A further shipment of nearly $12 million is to be sent later, which will reportedly terminate the debt liquidation arrangement.

Reference is made to Mr. Cochran's memorandum of July 17 to the Secretary, reporting that the British learned, at the end of June, of the termination of French-German negotiations for repaying occupation expenses in gold instead of French francs. Darlan was reported to have agreed to gold payments, two of which had already been made, one of 5 million gold francs (at 1940 value, about $118,000) and a second in a still higher amount. In connection with

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occupation costs, the Financial Times (London) of June 26 reports that, according to well-accredited reports from Vichy, French-German negotiations to reduce the daily charge from 400 to 300 million francs have failed. This report, however, cites as one of the reasons for failure the German demand that future payments should be made either in gold or foreign currencies, a proposal to which the Vichy Finance Minister refused to listen.

Press reports stated that Jean Martial, special representative of the Bank of France, moved, in the New York State Supreme Court on July 10, for dismissal of the $228 million Belgian gold suit. Another move for dismissal was reported to have been made on July 23 by attorneys for the Bank of France.

3. Belgium.

My report of June 19 expressed the belief that about all of the $228 million Belgian gold sent to French West Africa in mid-1940 had been removed from that point by the French, for ultimate delivery to the Germans. We have since received two cables confirming this belief; they are summarized in the final section of this report.

4. Poland.

No changes to report.

5. Netherlands.

Latest estimate of Dutch reserves is $594 million.

The report of June 19 placed Dutch gold at $607 million, on the assumption that the $21 million in Dutch Government gold on earmark in New York was formerly Dutch Equalization Fund gold, and was therefore to be added to the Netherlands Bank's stated gold stock. The latter amounted to $586 million as of April 21, having fallen by $28 million in the first three weeks of April.

The B.I.S. press reviews have since revealed that the Netherlands Bank gold reserves declined another $13 million in the week of April 28 to the level of $573 million; they then held steady until June 3 (latest available date).

Following all the assumptions developed in the report of June 19, changes in Dutch gold reserves since last February are estimated to be as follows (in millions of dollars):

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	Feb. 28	Latest 1/	Remarks
Neth. Bk. Gold:			
In U.S.	$339	$339	- Neth. Bk. ordinary account.
In Canada	89	68	- Ownership assumed to be disputed by Govt. and Bank.
Location unknown	186	166	- Decline of 20 represents difference between 41 reduction in Bank's stated reserves and Canadian decline of 21.
Total Neth. Bk.	$614	$573	
Govt. gold in U.S.	25	21	- About 4 sold to U.S.
Total	$639	$594	

1/ Latest for Neth. Bk.: June 3: Latest Govt. gold: July 30.

6. Other Countries.

(a) Norway - No changes to report.

(b) Denmark - Placed at $47 million in the report of June 19. Danish gold reserves are now believed to be $46 million. Early in July, there was another transfer of $1 million from the Danish National Bank's gold account at the Federal to the B.I.S. account, for ultimate delivery to the Swiss National Bank account. Of the $46 million, $14.5 million is earmarked in New York; location of the balance is unknown.

(c) Czechoslovakia - No changes to report.

Summary of Cables and Other Data
Relating to Gold in French West Africa.

Since June 19, two cables have been received on the subject of gold in French West Africa:

Vichy cable No. 870, sent July 12, reported a Belgian National Bank official's statement that all that remained of the Belgian gold at Kayes--namely, two-thirds--was somewhere en route between Bamako (about 275 miles southeast of Kayes) and Colomb-Bechar (a rail-head in French Morocco). Official added that this gold would be in Berlin in three months, barring hold-ups.

Note: "Two-thirds" amounts to about $150 million, or not far above the amount ($140 million) reported in Dakar cable No. 209 sent May 30, for a summary of which see the report of June 19.

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Algiers cable No. 324, sent July 17, reported Belgian sources as stating that all the Belgian gold formerly at Dakar has now been sent to France. A transporter said that "several weeks ago" trucks were used to haul 75 tons ($84 million) of the gold to Algiers, from which point it was flown to France.

It should be noted that the $140 million Niger shipment accounts for the balance of the Belgian gold sent to Dakar, both according to cables received from separate sources and to our records. The latter indicated that some $70 million was removed from West Africa last November and December, followed by a number of commercial plane removals in the January-May period which must have totaled at least $18 million. Taken together, the foregoing figures come to $228 million, equalling the value of Belgian gold.

The question therefore arises whether the $84 million reported in the Algiers cable was part of the $140 million Niger lot, or whether it was French or Polish gold. The $140 million was reported around the end of May as in the vicinity of Bamako, while the $84 million left Algiers for France not later than July 17. If there was duplication, the distance between Bamako and Algiers must have been covered in less than seven weeks. These points lie about 1,750 miles apart, of which the first 550 miles had to be covered by barge, the rest by truck.

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June 19, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of May:

	Purchased from	Sold to
Finland	$1,123,000	
Peru	505,000	
Uruguay		$3,192,000
Total	$1,628,000	$3,192,000

In order to increase our cash balance with the Federal Reserve Bank of New York, we sold $25,000,000 of our gold holdings to the U. S. Assay Office during the period under review.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

According to British figures submitted on June 7, the British authorities' gold assets totaled $148.5 million on June 1, or $31.5 million higher than their May 1 assets. African new production is believed to have accounted for all of the increase. There were no gold sales to us in the period; in fact, there have been none since April 4.

Against assets of $148.5 million, the British have a post-war liability of $105.0 million, representing the gold borrowed from Belgium at the end of March. We have not yet learned of the origin of the "windfall" received in March, estimated at about $39.5 million; this also may have been borrowed.

Comparison of the British assets statement submitted June 7 and our records of British gold and dollar balances indicates that the British now show the full value of gold sold, whether or not 100% payment has been received from the United States. Correspondingly, the British now appear to be including in their official dollar balances not only dollars on hand but also final payments due on gold sales.

Below is a picture of British gold reserves, based on the British' latest figures (in millions of dollars):

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(2) In April, there was a net loss of $108.0 million. The British sold us $132.2 and scattered reserves fell $9.0. There was a gain (estimated) of $33.2 from African output.

(3) In May, there was a net increase of $31.5. If we assume that the rise in scattered holdings resulted from a transfer, it follows that the advance of $31.5 represents gain from newly-mined African gold.

In last month's report, it was stated that the South African Reserve Bank appears to be absorbing a sizable part of that area's output. As shown in the following table, increases in the Bank's gold stock constituted nearly 28% of the full South African production in the first four months of 1941 (millions of dollars):

	Jan.	Feb.	March	April	Total
South African gold production	42	40	42	41	165
Increase in Reserve Bank gold	9	12	13	12	46

As for the gold produced in Australia, Oceania and India (over which the British feel they exercise little authority), it appears that these countries, taken together, have been acquiring about $2-3 million a month on balance. Against an estimated monthly output of $7-8 million, there have been Australian shipments to this country averaging $5 a month since March.

2. France.

Around June 1, French gold may have totaled $1,892 million, as compared with $1,905 million on April 1 (a revised estimate) and $1,915 million last October 1. Changes in location are tabulated below:

Location:	October 1, 1940 1/	April 1, 1941 2/	June 1, 1941 3/
	(In millions of dollars)		
In the United States	$ 502	$ 502	$ 502
In Canada: in French name	370	370	370
" : in Bk. of Engl. name	280	107	212
In South Africa	--	120	15
In Sydney, B.A., Bombay and Singapore	--	53	53
In Martinique	245	245	245
In French West Africa	518	508	495
Total	$1,915	$1,905	$1,892

1/ Our estimates have been based on British estimates that the French gold reserves totaled $1,920 million as of mid-July, 1940. By October 1, they had dropped to $1,915 million, due to transfers from French gold at the New York Federal Reserve Bank to the gold accounts of the Bank of Poland and Swiss National Bank.

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2/ The April 1 figure has been revised as a result of British advices that some $10 million in French gold was sent from Dakar to Lisbon and sold to the Bank of Portugal between October 1 and the end of 1940. (The British added there may have been other earlier transactions.) Changes in location of French gold as a result of British switch operations: in December, January and February, the British obtained $120 million from France's Canadian gold, and gave the French a like amount in South Africa. In March, the British took $53 million from France's Canadian gold in exchange for gold given the French in Sydney, etc.

3/ Around the middle of April, the French were reported to be sellers of about $13 million gold to the Swiss National Bank. According to despatch No. 1660 of March 25 from the American Legation in Bern, Switzerland, this sale was to liquidate French public indebtedness to the Swiss. The gold was most likely shipped from French West Africa, since other French reserves were located in the Western Hemisphere or British Empire countries. During April, too, the British effected a "reverse switch" with the $105 million in gold borrowed from Belgium's Canadian gold stocks. They added this $105 million to France's Canadian gold, thus acquiring a like amount from France's gold in South Africa.

Transfer of the French gold in French West Africa has not yet been formally requested by the Germans, according to Couve de Murville. His statement was reported in Vichy cable No. 467 sent April 21.

The Belgian writ of attachment against Bank of France funds at the New York Federal Reserve Bank was served on the latter on April 24. The value of the Belgian gold sent by the French to Dakar was $228 million, and the Belgians demanded reimbursement for this value, plus at least $11 million in interest.

Polish Financial Counselor Zeltowski informed us on May 28 that the groundwork was being laid for an attachment against French gold in this country. The amount involved probably exceeds $81 million, which represents a British estimate of the Polish gold sent by the French to West Africa. The difficulties involved in Polish attachment proceedings are described under "Poland."

3. Belgium.

Belgian gold reserves late in 1940 totaled an estimated $775 million:

(1) The National Bank of Belgium owned $734 million, according to a Belgian Embassy document of April 18. This gold was distributed as follows:

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In the United States	$167 million
In the British Empire	365 million*
In the Bank of France	202 million**
Total	$734 million

* This is $14 million higher than the British figure for Belgian gold in Canada. Perhaps the Belgians or the British can explain where the other $14 million of National Bank gold is located.

** This is $26 million lower than the Belgian writ of attachment figure for gold sent to Dakar. The Belgian Embassy explained that the National Bank also held gold in foreign countries belonging to the Belgian Treasury, Postal Checks, and the Belgian Congo Bank. These holdings probably account for the $26 million difference. The Belgian Embassy might be able to confirm this.

(2) The National Bank, in all its statements between mid-1940 and last March 6 (latest available), listed not only the above $734 million, but also $15 million with the Bank of France. This last probably represents the unused part of the gold deposited by the National Bank with the Bank of France to cover the latter's conversions of Belgian banknotes. The Belgian Embassy may have omitted this from its statement in the belief that it may not have been returned by the Bank of France in the form of gold.

(3) The Belgian Treasury was shown by the Federal Reserve Bulletin to hold $17 million in both June and December, 1940.

(4) There may be an undisclosed $9 million, representing the difference between the $228 million sent to Dakar (according to the attachment documents) and $219 million, which is the sum of National Bank gold with the Bank of France ($202) and Belgian Treasury gold ($17). The $9 difference probably represents the Belgian "postal checks" gold and/or part of the Belgian Congo Bank's reserve.

Since late 1940, Belgian gold may have dropped to $442 million. The British borrowed $105 million at the end of March, and it is possible that all of the $228 million in Belgian gold sent to Dakar by the Bank of France has by now been removed from there, destined for delivery to Germany. This $228 million is considered here as out of Belgian hands, although perhaps no more than half has actually been handed over to the Germans.

Withdrawals from West Africa. Last month, it was guessed that perhaps $85 million in gold was removed between last November and the end of April. Some of this was Polish or French gold, according to reports sent as late as April 21. At the end of May, we heard that 3,000 cases of gold (around $135-140 million, estimated) were about to be shipped down the Niger and overland to

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North Africa. This is assumed to be Belgian gold, in the absence of reports from France that the French have decided to release their own or Polish reserves to the Germans. If this assumption is correct, about all of the Belgian gold has been withdrawn.

Deliveries to the Germans. So far as reports indicate, only about half of the $228 million may have actually been surrendered, thanks to French "slow-down" tactics as well as real transport difficulties. Cariguel asserted, at the end of May, that not more than a third of the Belgian gold sent to Dakar (say about $75 million) had been handed over to Germany. A few days ago, a United Press item from New York reported that about $37 million had been carried from North Africa by French military planes to Marseille, there to be delivered to the Germans. Germany wants this gold, according to the news item, to pay for Russian wheat and oil, Russia demanding gold due to the Germans' being far behind in trade agreement settlements.

Comparison of the late 1940 and present Belgian gold reserves is summarized below (in millions of dollars):

	Late 1940	Present
Belgian National Bank Gold:		
In United States	$167	$167
In the British Empire	365	260
In West Africa	202	—
In France	15	15
Belgian Treasury ($17) and other gold ($9), probably in West Africa	26	--
Total Belgian gold	$775	$442*

* The British feel that they have a post-war liability to Belgium amounting to the $105 million borrowed, and the Belgians are seeking to recover, through attachments of French funds here, the $228 million sent to Dakar in violation of Belgian orders.

4. Poland.

Polish gold reserves, according to our sources, total $86 million, distributed as follows:

In French West Africa	$81 million 1/ (British estimate - Nov. 4)
In the United States	2 million
In Rumania	3 million 2/

1/ According to a British Treasury telegram of March 10 to the Embassy here, the Polish Government in London was informed by the Polish representative in French West Africa that all of this gold was still there. The fact that the French refused to deliver the Polish gold to the Germans was confirmed by Couve de Murville, according to Vichy cable No. 467, sent April 21. No change in the French attitude has since been reported.

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2/ Bucharest cable No. 137 dated February 12 stated that this was held by the Rumanian National Bank, which considered it a guarantee against a Polish debt to the Bank.

In describing Polish preparations for attachment proceedings against French gold here, Mr. Zeltowski stated on May 28 that there was a question as to whether the Bank of France or the French Government was responsible for safekeeping of the Polish gold and failure to keep this trust. Solution of this difficulty, which is evidently holding up attachment measures, appears to wait upon the arrival of a Bank of Poland manager, Mr. Michalski, from Dakar. Michalski had followed the Polish gold to West Africa, but was having trouble obtaining French permission to depart from that point. It was hoped that he will be able to leave through assistance of the American Consul in Dakar. Mr. Knoke reported on May 27 that another manager, Mr. Karpinski, is shortly to visit the United States to discuss, among other things, the situation resulting from the shipment of Polish gold to Dakar by the Bank of France. Karpinski, then, may also be able to clarify the above-mentioned difficulty.

5. Netherlands.

Based on revised estimates and subject to confirmation, the latest figure for Dutch gold reserves is $607 million. Included therein are $586 million in Netherlands Bank gold reserves as of April 21, and $21 million of Dutch Government gold as of June 19.

Our past reports have considered, as total Dutch gold reserves, the Federal Reserve Bulletin's figure for that country. This figure, however, represents simply the Netherlands Bank's own gold stock, as given in that Bank's statements, converted at 56¢ per guilder. It now appears that there should be added to the Bank's reserves an amount not less than $21 million, representing the current gold balance earmarked at the Federal Reserve Bank for account of the Royal Netherlands Government. Our records indicate that gold in this account was originally (that is, prior to the German invasion of the Netherlands on May 10, 1940) Dutch Equalization Fund gold, and therefore not included in the Netherlands Bank statement item for gold reserves. For background, it might be mentioned that around invasion time, there was $32.4 million Dutch Fund gold under earmark in New York, and $11.4 million such gold en route here that was earmarked upon arrival. The total, $43.8 million, has since been reduced by $22.4 million to the present level of $21.4 million, as a result of sales to the U. S. Fund.

The Dutch Government also controls gold held in Canada, but it is quite possible that such gold represents bullion obtained from Netherlands Bank holdings, gold which the Bank still regards as its own property and which it therefore includes in its stated reserves. Supporting evidence: On February 28, 1941, about $21 million of the $89 million Dutch gold in Canada (the latter being a British figure) was shipped to New York and sold to the New York Assay Office for Dutch Government account. During the first ~~ensuing three weeks,~~ three weeks of April (and following no change in March), the Netherlands Bank lowered its gold reserves item

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by $28 million to $586 million. In contrast to previous reductions in the Bank reserves, the decline in the period April 1-21 was not accompanied by corresponding movements in "Foreign bills" (German Treasury bills) or "various accounts." It is possible that part of the April reduction, which was reported in the B. I. S. press reviews of April 23 and May 5, represented a belated recognition of the loss of the $21 million gold here by the Dutch Government-in-exile. The history of ownership of the Dutch gold in Canada may perhaps be obtained from the British.

Pending confirmation, it is assumed that the only Dutch gold holdings, outside of the Netherlands Bank reserve, consist of the $21 million Dutch Government gold earmarked in New York. Changes in Dutch gold since last February would then appear to be as follows (in millions of dollars):

	Feb. 28	Latest 1/	Remarks
Neth. Bk. Gold:			
In U. S.	$339	$339	- Neth. Bk. ordinary a/c B.
In Canada	89	68	- Ownership assumed to be disputed.
Location unknown	186	179	- Decline of $7 represents difference between $28 reduction in Neth. Bk. stated reserve and Canadian drop of $21.
Total Neth. Bk.	$614	$586	
Gov't. gold in U. S.	25	21	- About $4 sold to U. S. Fund.
Total Dutch Gold	$639	$607	

1/ Latest for Neth. Bk: April 21, 1941; latest Government gold: June 19, 1941.

6. Other Countries.

(a) Norway held $52 million worth of gold in Canada, and $34 million in this country around the end of last October; the total of $86 million probably comprised Norway's full reserve. There has been no change in Norwegian earmarkings here since October.

(b) Denmark's gold reserves now total an estimated $47 million, as compared with the Federal Reserve Bulletin's figure of $48 million for the end of March. The reduction of $1 million represents a gold transfer from the Danish National Bank account in New York to the B. I. S. account (this amount being subsequently transferred to the Bank of Portugal's account at the Federal). Of the current estimate of $47 million, $15.6 million is on earmark at the Federal; location of the $31.4 million remainder is unknown.

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(c) Czechoslovakian gold totaled $59 million at the end of January, as against $58 million at the end of last October. On the latter date, there was $30 million in Czech gold held with the Bank of England, according to Mr. Pinsent's figures of November 4, 1940.

Summary of Cables and Other Data Relating to Gold in French West Africa.

Cables sent in November, December and January. At the beginning of last November, we began receiving word from Dakar that gold was being removed from that point. My monthly reports of January 2 and February 10 listed cables received from Africa and Europe in the period November through January. These revealed that the Germans had ordered the French to hand over the Belgian and Polish gold in French West Africa, and that some $70 million in gold had been removed from there in November and December, a large part being sent to Oran in North Africa. It was reported that the French were successfully using "slow-down" tactics in moving gold to the Continent.

In February, our cables stated that French commercial planes were removing gold twice weekly, in varying amounts. Actual delivery to the Germans was slowed down by transport difficulties both real and deliberate. The French also used successfully the argument of transport hazards in answer to a German inquiry about the French gold at West Africa.

In March, Vichy and Dakar cables reported continuing use of successful "slow-down" tactics, but a small flow of gold from West Africa by French commercial plane. The Bank of France gold was still in West Africa. A British Treasury telegram of March 10 to the Embassy in Washington stated that the Polish Government in London was informed by the Polish representative in French West Africa that all the Polish gold was still there.

In April, we learned, from a French document dated February 6 and handed to us by Stopford on April 14, that about $13 million in Belgian gold was flown by French military planes from Africa to Marseille in February, after which a temporary suspension of flights from Africa took place. Couve de Murville stated, around April 21, that not much Belgian gold was being sent to France by plane, although other transport means were being used (perhaps this means submarines). He said the French refused to surrender Polish gold and that no formal request for French gold had been received from Germans.

In May and so far in June, this information was received:

Vichy cable No. 594, sent May 24, reported Gariguel's statement that not more than one-third of the Belgian gold had been delivered to the Germans.

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Dakar cable No. 209, sent May 30, reported that French planes were carrying gold to France, but that the Germans protested at the slowness. Consequently, about 3,000 cases (say about $135-140 million) had been prepared for shipment down the Niger, for subsequent transfer overland to North Africa.

A United Press despatch of June 14 reported that about $37 million in Belgian gold had been flown from Algiers to Marseilles and delivered to the Germans. Germans reportedly want the gold to pay Russia for wheat and oil.

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May 17, 1941

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of April:

	Purchased from	Sold to
Argentina		$ 9,975,000
Chile	$ 275,000	
England	132,204,000	
Java	5,000,000	
Uruguay		4,449,000
Total	$137,479,000	$14,424,000

In order to replenish our cash balances with the Federal Reserve Bank of New York, we sold $88,800,000 of our gold holdings to the U.S. Assay Office during the period under review.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

On May 1, the British authorities' gold assets totaled an estimated $126.1 million. Against this, the British have a post-war liability of $105.0 million in gold borrowed from Belgium. They may also owe $39.5 million to some non-British country, for we were informed by the British that a "windfall" had been received in March.

Owing to the reported windfall, as well as new British data on Africa's net gold production, it has been necessary to revise our estimates of British gold reserves for dates following March 1. The tables that follow are based on (1) British figures for actual gold holdings on March 1 and April 1, (2) our records of British gold sales to us, (3) their data on African net production, and various statements of British Treasury representatives here. The following documents relating to Britain's cash position were studied: Phillip's letter of April 18 to Dr. White, Miss Kistler's memorandum of April 23 to Dr. White, and Dr. White's memorandum of April 25 to the Secretary, with enclosure. For the purpose of determining location, the assumption is made that the "windfall", which I have worked out at $39.5 million, was received in Canada, and was not used in a "switch" operation to make gold available in South Africa.

Monthly Gold

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in Sydney, etc.) Net gain from African gold production was placed at $33.3. There was a further gain of $105.0 borrowed from Belgian gold in Canada. (This the British added to French gold in Canada, receiving a like amount from the French gold in South Africa.) Finally, there was a "windfall" gain, which may have amounted to $39.5, if we accept the British' figures for their March 1 and April 1 gold reserves. We assume the "windfall" was gained in Canada.

(2) In April, there was a net loss of $98.9 million. The British sold us $132.2 and gained $33.3 from Africa's net production.

The foregoing figures refer only to gold over which the British authorities feel they exercise control, and African gold production alone is taken into account. (Probably included is a small gain from Belgian Congo's net output.) The only other British areas (excluding Canada) which produce appreciable amounts of gold are Australia and Oceania, and India. Since the beginning of February, Australia has been exporting to this country an average of $5 million in gold each month, or between $1 and $2 million less than the estimated monthly output of Australia and Oceania together. (The British, in discussing the cash position, include Australian gold exports in their figures for other Empire foreign trade.) As for India, the average monthly production of gold is less than $1 million and there have been no gold exports to this country in 1941. In the last few months then, Australia, Oceania, and India may have been adding to their own gold reserves at the rate of $2-3 million per month, assuming that this gold has not been sold to countries other than the United States.

2. France.

Around May 1, French gold may have totaled $1,892 million, as compared with $1,905 million on April 1 (a revised estimate) and $1,915 million last October 1. Changes in location are tabulated below:

Location:	October 1, 1940 1/	April 1, 1941 2/	May 1, 1941 3/
	(in millions of dollars)		
In the United States	$ 502	$ 502	$ 502
In Canada: in French name	370	370	370
" : in Bk. of Engl. name	280	107	212
In South Africa	—	120	15
In Sydney, B.A., Bombay and Singapore	—	53	53
In Martinique	245	245	245
In French West Africa	518	508	495
Total	$1,915	$1,905	$1,892

1/ Our estimates have been based on British estimates that the French gold reserves totaled $1,920 million as of mid-July, 1940. By October 1, they had dropped to $1,915 million, due to transfers from French gold at the New York Federal Reserve Bank to the gold accounts of the Bank of Poland and Swiss National Bank.

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2/ The April 1 figure has been revised as a result of British advices that some $10 million in French gold was sent from Dakar to Lisbon and sold to the Bank of Portugal between October 1 and the end of 1940. (The British added there may have been other earlier transactions.) Changes in location of French gold as a result of British switch operations: in December, January and February, the British obtained $120 million from France's Canadian gold, and gave the French a like amount in South Africa. In March, the British took $53 million from France's Canadian gold in exchange for gold given the French in Sydney, etc.

3/ Around the middle of April, the French were reported to be sellers of about $13 million gold to the Swiss National Bank. According to despatch No. 1660 of March 25 from the American Legation in Bern, Switzerland, this sale was to liquidate French public indebtedness to the Swiss. The gold was most likely shipped from French West Africa, since other French reserves were located in the Western Hemisphere or British Empire countries. During April, too, the British effected a "reverse switch" with the $105 million in gold borrowed from Belgium's Canadian gold stocks. They added this $105 million to France's Canadian gold, thus acquiring a like amount from France's gold in South Africa.

Transfer of the French gold in French West Africa has not yet been formally requested by the Germans, according to Couve de Murville. His statement was reported in Vichy cable No. 467 sent April 21.

The Belgian writ of attachment against Bank of France funds at the New York Federal Reserve Bank was served on the latter on April 24. The value of the Belgian gold sent by the French to Dakar was $228 millions and the Belgians demanded reimbursement for this value, plus at least $11 million in interest.

3. Belgium.

Belgian gold reserves on May 1 totaled less than $662 million. Belgium, however, has a post-war claim on the British for the $105 million borrowed from Belgian gold in Canada. No deduction has been made for the Belgian gold which the French withdrew from French West Africa, at least part of which has no doubt been delivered to the Germans.

At the end of last year, Belgian gold reserves amounted to $767 million (also not adjusted for French West Africa withdrawals). About $17 million of this, according to the Federal Reserve Bulletin, was owned by the Belgian Treasury. The other $750 million was distributed as follows in the National Bank of Belgium's statement for December 25 (in millions of dollars):

Gold stock abroad	$715
Gold stock with Bank of France	19
Domestic gold stock	1
Belgian gold with Bank of France	15
Total	$750

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The last two items are not shown in the Federal Reserve Bulletin's estimate for Belgian gold reserves. "Belgian gold with the Bank of France" represents an unused part of the gold deposited to cover the French Bank's conversion of Belgian banknotes into French francs during the spring campaign of 1940. It cannot yet be determined whether the Bank of France has paid back this gold, or whether payment, if made, was fully in gold or partly in gold and partly in French notes. We do have reports, however, that a Franco-Belgian Gold Agreement was signed last October 29, and its terms probably included a procedure for liquidation of the unused gold deposit. (It will be recalled that, early in October, Mr. Janssen of the Belgian National Bank made some observations of the most equitable form of liquidation; Janssen's remarks were reported in one of the French documents handed us by Mr. Stopford on April 14.)

The estimated distribution of Belgium's gold as of May 1 is shown below, and comparison is made with last November 1, a date just prior to the beginning of withdrawals of Belgian gold from French West Africa:

	Nov. 1, 1940 1/	May 1, 1941	Change:
	(In millions of dollars)		
In the United States	$167	$167	None
In Canada	351	246	-$105 2/
In French West Africa	228 3/	143	- 85 4/
In French North Africa, France, or surrendered to the Germans	—	85	+ 85 4/
Location unknown	21	21	None
Total	$767	$662	

1/ On both June 25 and Dec. 25 of last year, the Belgian National Bank statements listed gold at approximately $750 million. For the same dates, Belgian Treasury gold was placed at $17 million by the Federal Reserve Bulletin. It can be assumed, then, that no change was recorded during the second half of 1940.

2/ Borrowed by the British; this constitutes a Belgian post-war claim.

3/ Placed at this figure in the Belgian documents connected with the writ of attachment served on the Federal Reserve Bank on April 24.

4/ This is just a rough guess. We learned that $70 millions was transferred from Dakar in the November-January period, and perhaps as much as $15 million was flown from Dakar since then on regular French commercial planes. It appears that less than half of this gold has actually arrived on the Continent and been delivered to the Germans. We have received several cables reporting the successful use of "slow down" tactics by the French. According to a French document handed us by Stopford on April 14, about $13 million was flown on French military planes from Africa to Marseille early in February, but the loss of two of these planes led to a suspension of such flights. Transfers of gold by regular commercial planes were also temporarily suspended.

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4. Poland.

Polish gold reserves, according to our sources, total $86 million, distributed as follows:

In French West Africa	$81 million 1/	(British estimate - Nov. 4)
In the United States	2 million	
In Rumania	3 million 2/	

1/ According to a British Treasury telegram of March 10 to the Embassy here, the Polish Government in London was informed by the Polish representative in French West Africa that all of this gold was still there. The fact that the French refused to deliver the Polish gold to the Germans was confirmed by Couve de Murville, according to Vichy cable No. 467, sent April 21.

2/ Bucharest cable No. 137 dated February 12 stated that this was held by the Rumanian National Bank, which considered it a guarantee against a Polish debt to the Bank.

5. Netherlands.

The latest Federal Reserve Bulletin estimate for Dutch gold reserves is $616 million at the end of January. Since $21 million in Dutch Government gold was imported from Canada and sold to the Treasury on February 28, it is probable that Dutch gold reserves at present are no higher than $595 million. The distribution is as follows (in millions of dollars):

In the United States	$364
In Canada	68
Location unknown	163
Total	$595

6. Other Countries.

(a) Norway held $52 million worth of gold in Canada, and $34 million in this country around the end of last October; the total of $86 million probably comprised Norway's full reserve. There has been no change in Norwegian earmarkings here since October.

(b) Denmark's gold reserves totaled $51 million at the end of January, according to the Federal Reserve Bulletin. By the end of February, they may have declined to $47.4 million, since Danish gold balances in New York dropped $3.6 million during February (from $20.3 to $16.7 million). The reduction resulted from sales of Danish gold to the B.I.S., the latter in turn selling the gold to the central banks of Yugoslavia, Portugal and Switzerland. At the end of February, then, Danish gold stocks may have amounted to $47.4 million, of which $16.7 million was earmarked in New York; location of the balance is unknown.

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(c) Czechoslovakian gold totaled $59 million at the end of January, as against $58 million at the end of last October. On the latter date, there was $30 million in Czech gold held with the Bank of England, according to Mr. Pinsent's figures of November 4, 1940.

Summary of Cables and Other Data Relating to Gold in French West Africa.

At the beginning of last November, we began receiving word from Dakar that gold was being removed from that point. My monthly reports of January 8 and February 10 listed cables received from Africa and Europe in the period November through January. These revealed that the Germans had ordered the French to hand over the Belgian and Polish gold in French West Africa, and that some $70 million in gold had been removed from there in November and December, a large part being sent to Oran in North Africa.

Our January cables reported no move of further shipments, and revealed the French were successfully using "slow down" tactics.

In February, our cables stated that French commercial planes were removing gold twice weekly, in varying amounts. Actual delivery to the Germans was slowed down by transport difficulties both real and deliberate. The French also used successfully the argument of transport hazards in answer to a German inquiry about the French gold at West Africa.

In March, Vichy and Dakar cables reported continuing use of successful "slow down" tactics, but a small flow of gold from West Africa by French commercial plane. The Bank of France gold was still in West Africa. A British Treasury telegram of March 10 to the Embassy in Washington stated that the Polish Government in London was informed by the Polish representative in French West Africa that all the Polish gold was still there.

During April, this information came to us:

A French document dated February 8 and handed us by Stopford on April 14, bore information that about $13 million in Belgian gold was flown by French military planes from Africa to Marseille early in February. Due to the loss of two planes, there was at least a temporary suspension of gold withdrawals by military and commercial planes.

Vichy cable No. 467, sent April 21, carried remarks by Couve de Murville. He said much of the Belgian gold was still in West Africa, and implied that not much was being sent to France by plane, although other means of transportation were being used. (This may refer to transport by submarine, as first reported in Vichy cable No. 609 of February 18.) Couve claimed the French refused to hand over the Polish gold, thus confirming the British Treasury telegram. As to French gold in West Africa, he claimed Germany had never made formal request for its repatriation.

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Gold

April 8, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of March:

	Purchased from	Sold to
Afghanistan		$ 1,890,000
Brazil		11,970,000
Chile	$ 350,000	
Portugal		3,990,000
Uruguay		2,993,000
Yugoslavia	22,508,000	
Total	$22,858,000	$20,843,000

We sold $5,000,000 of our gold holdings to the U. S. Assay Office during the month under review.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

According to British data made available to us about a month ago, British gold holdings as of March 1 were valued at $123.5 million. This corresponds roughly to the March 1 figure contained in the British preliminary estimates of their gold and dollar exchange assets, submitted to us on March 28. However, examination of the method of calculation used in the latter estimates reveals that the British considered only dollars actually received in gold sales to the United States as the value of the gold sold, and final payments were not included in such sales unless such payments were received prior to the date of reference. Since $1.3 million in final payments were still pending on March 1, it is obvious that British holdings on that date were $122.2 million, rather than $123.5 million.

Using our own records of British gold sales to the U. S., the picture of changes since January 1 in the gold resources at the disposal of the British authorities appears to be as follows (according first to availability, then location):

Gold
England
France

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2. France.

French gold resources were placed at $1,915 million by the British last October: no changes in volume have come to our attention since then. Changes in location between that date and the end of March are shown below:

	End of March	Change since October
In the United States	$ 502 million	None
In Canada: in French name	370 million	None
" " : in Bk. of Eng. name	107 million	- 173 million 1/
In French West Africa	518 million	None
In Martinique	245 million	None
In South Africa	120 million	+ 120 million 1/
In Sydney (40.5), Buenos Aires (7.7), Bombay (2.8) and Singapore (1.5)	53 million	+ 53 million 1/
Total	$1,915 million	

1/ Last year, $280 million in French gold was sent from London to Canada by the British and earmarked in the name of the Bank of England. The subsequent reduction of $173 million resulted from British switches; for this $173 million obtained from the French stock in Canada, the British gave the French $120 million in South Africa during December, January and February, and nearly $53 million in various other places (shown above) during March.

Early in March, another cable was sent here from French West Africa, which stated that French gold was still at Kayes.

According to the newspapers of March 23, Belgian Finance Minister Gutt stated in London that 7 billion francs, or $233 million, was the amount of Belgian gold entrusted to the Bank of France. Nevertheless, the Belgian writ of attachment reportedly calls for the recovery of up to $260 million. (See Belgium.)

My report last month mentioned a possible Polish move to tie up French funds here. As in the case of Belgium, this represented an act of recourse on the French due to reports that the latter had delivered Polish gold (previously at Dakar) to the Germans. Via the British, we now understand that the Polish gold is still at Kayes, which lessens the likelihood of a Polish attachment move.

3. Belgium.

According to revised estimates in the Federal Reserve Bulletin, Belgium's total gold reserves stood at $751 million as of mid-1940. The Bulletin divides this into $734 million, constituting the reserves of the National Bank of Belgium, and $17 million, representing "Government gold".

There is some question as to the amount of Belgian gold that was entrusted to the Bank of France and sent to Dakar in the spring of 1940. The British had supplied us

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with the estimate of $185 million, but representatives of the Belgian Government-in-exile revealed, first on February 5 and again on April 7, that they had obtained a writ of attachment against Bank of France funds at the Federal Reserve Bank of New York for recovery of up to $260 million in connection with the Belgian gold sent to Dakar. A third figure came to light in Minister Gutt's press statement, made in London on March 22, that the actual value of such gold was some 7 billion francs, or about $233 million. (The press did not make clear whether the conversion to dollars was Mr. Gutt's or their's, but apparently the last pre-invasion exchange rate for Belgian currency was used.)

The figure of $233 million appears to be the most acceptable, not only because it came from an authoritative source, but also because it is exactly the difference between the Federal Reserve Bulletin's estimate of total Belgian gold reserves and that part which we know to be earmarked in the United States and Canada. (Perhaps Mr. Gutt will explain the $27 million discrepancy between the stated value of the Dakar gold and the dollar amount named in connection with the writ of attachment.)

If we accept the British report that the Polish gold sent to French West Africa is still there, then all of the gold which our cable advices show to have been removed from that point for ultimate surrender to the Germans is presumably Belgian. Since the reported outflow began, we have been advised of specific shipments amounting to $70 million during the period, November through January. In February, French planes were reported to be flying gold from Dakar to France twice weekly, in varying amounts. A Dakar cable sent early in March stated that each commercial plane carried 50 kilograms ($55,000) and upwards. At this rate, it appears improbable that more than $10-15 million has been removed since January. Furthermore, much of the $70 million previously reported apparently went to North Africa, and according to our cables, the French were successfully employing "slow down" tactics in transporting it to the Continent.

On the basis of the above data, the picture of changes in the location of Belgian gold reserves since last October appears to be (in millions of dollars):

	End of March	End of Oct. 1940
In the United States	$167	$167
In Canada	351 1/	351 1/
In French West Africa	148	233
In French North Africa, France, or surrendered to the Germans	85	--
Total	$751	$751

1/ Transferred from England. As mentioned in Mr. Cochran's memorandum to the Secretary dated March 6, the British have obtained an option to borrow some of this gold.

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4. Poland.

Polish gold reserves, according to our sources, total $86 million, distributed as follows:

In French West Africa	$81 million 1/	(British estimate - Nov. 4)
In the United States	2 million	
In Rumania	3 million 2/	

1/ According to a British Treasury telegram of March 10 to the Embassy here, the Polish Government in London was informed by the Polish representative in French West Africa that all of this gold was still there.

2/ Bucharest cable No. 137 dated February 12 stated that this was held by the Rumanian National Bank, which considered it a guarantee against a Polish debt to the Bank.

5. Netherlands.

Owing to the sale to the United States of $21.0 million worth of Netherlands Government gold which arrived here from Canada on February 25, Dutch gold holdings as of the end of February may have been reduced to $606 million. (The Federal Reserve Bulletin placed their end-of-November reserve at $627 million.) The distribution, so far as our records show, is as follows:

In the United States	$364 million
In Canada	68 million
Location unknown	174 million
Total	$606 million

6. Other Countries.

(a) Norway held $52 million worth of gold in Canada, and $34 million in this country around the end of last October; the total of $86 million probably comprised Norway's full reserve. There has been no change in Norwegian earmarkings here since October.

(b) Denmark's gold stocks totaled $53 million at the end of last September, according to the Federal Reserve Bulletin. By the end of February, this may have declined to $48 million, for there has been a reduction of $5 million in the $22 million held under earmark in New York at the end of September. The reduction represents sales of Danish gold to the B.I.S. -- it will be recalled that the B.I.S. in turn sold the gold to the central banks of Yugoslavia, Portugal and Switzerland. We have no information regarding the location of the $31 million difference between the Bulletin's total reserve figure and the Danish earmarked balance in New York as of the end of September.

(c) According to Mr. Pinsent's figures of November 4, 1940, Czechoslovakia held $30 million in gold in the custody of the Bank of England. The Federal Reserve Bulletin, however, placed Czech gold at $58 million as of the end of October.

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Summary of Cables Relating to Gold in French West Africa

At the beginning of last November, we began receiving word from Dakar that gold was being removed from that point. My monthly reports to you dated January 2 and February 10 contain lists of cables received from Africa and Europe during the period, November through January. These revealed that the Germans had ordered the French to hand over the Belgian and Polish gold in French West Africa, and that some $70 million worth of gold had been removed from that point in November and December, part of which had been transferred to Oran in North Africa. During January, no further shipments were reported, and it was disclosed that the French were employing "slow down" tactics. The February cables revealed that regular Air France planes were removing gold twice weekly. Actual delivery to the Germans was slowed down by transport difficulties both real and deliberate. The French also used successfully the argument of transport difficulties in answer to a German inquiry about the French gold in French West Africa.

The following two cables were sent during March:

Vichy cable No. 276 sent March 6 - Couve de Murville said French "slow down" tactics were still being used with success.

Dakar cable No. 95 sent March 6 - On each commercial plane leaving for France, there is placed 50 kilograms and upwards of Belgian and/or Polish gold. Bank of France gold is still at Kayes.

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March 12, 1941.

Mr. Cochran

Mr. Hawley

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of February:

	Purchased from	Sold to
Argentina		$ 19,950,000
Chile	$ 517,000	
Java		13,500,000
Uruguay		1,996,000
Yugoslavia		5,004,000
Total	$ 517,000	$ 40,451,000

In contrast to previous months, we sold none of our gold holdings to the U. S. Assay Office during February. Our cash balances with the Federal Reserve Bank of New York increased as a result of both our net sales of gold and the receipt of about $5,000,000 from Brazil, arising from their February 13 repurchase of 100,000,000 milreis.

Estimated Gold Holdings of Certain Countries

1. British Empire (excluding Canada).

The British placed their March 1 gold holdings at $123 million, representing a decline of $31 million during the month of February. On the basis of the figures contained in the British balance-sheet handed to us by Mr. Pinsent on March 7, as well as the data in Mr. Cochran's memorandum to the Secretary dated March 6, the location of British gold was estimated to be:

In North America 1/ or enroute thereto	$42.0 million
In South Africa 2/	18.0 million
In London and scattered localities 2/	11.0 million
In Sydney, Australia 1/	40.5 million
In Buenos Aires, Argentina 1/	7.7 million
In Bombay, India 1/	2.6 million
In Singapore, Straits Settlements 1/	1.5 million
Total	123.3 million

1/ Probably Canada; no British gold held under earmark in New York since last December 12.

Gold
England
France
Belgium
Holland
Poland

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2/ $10 million of the South African stock and the $11 million in London and scattered localities is considered by British as needed for reserve against payment agreement liabilities or unavailable for shipment during March.

3/ All of this gold, totaling $52.5 million, was given to the French during the first week in March, in exchange for an equal amount obtained from the French gold in Canada.

There were two sales of gold to the New York Assay Office for account of His Britannic Majesty's Government in February. The $45.1 million gold in these two lots represented French gold earmarked in Canada and acquired by the British in exchange for a similar amount of South African gold which the British placed in French name. (We also learned recently that the British had effected similar switches before: about $50 million was exchanged in the last week of December and $25 million during the first week of January.) It should be observed that such switches do not affect the volume of French-owned gold, but simply its location.

As mentioned above, the records submitted by the British show a decline of $31 million in their gold stock during February. These records, incidentally, appear to take account only of gold sold for account of the British themselves and only of South African production. The estimates that I have been compiling from month to month, on the other hand, consider sales of gold by both the British and the Australians, as well as gold production of the full sterling area (mainly South Africa and Australia) as estimated by the Federal Reserve Bulletin. It may be interesting to note that my estimates actually show a net gain to the British of $1.7 million during February, resulting from $51.7 million worth of sales to the United States, offset by an estimated $53.4 million worth of sterling area production (Bulletin figure for November). The discrepancy of nearly $33 million between my calculation and the British records may possibly be explained, at least in part, by the British' own statement that "Latest intelligence is that the newly mined gold being sold to us in South Africa is running at a rather low rate at the moment. We hope that this tendency may soon be reversed." Sales of British gold to Canada are not a factor, since the British have mentioned that no such sales have been effected this year.

2. France

French gold holdings apparently have not changed in volume since last October, when they were placed by the British at $1.915 million. Changes in location are shown below:

	End of February	Change since October
In the United States	$ 502 million	None
In Canada	530 million	- $120 million 1/
In French West Africa	518 million	None
In Martinique	245 million	None
In South Africa	120 million	+ $120 million 1/
Total	$1.915 million	

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1/ Last year, $280 million in French gold was sent from London to Canada by the British and earmarked in the name of the Bank of England. By the end of February, this particular gold had been reduced to $160 million as a result of British switches; the French received $120 million worth of gold in South Africa in exchange. (In the first week of March, another switch amounting to $52.5 million was effected; this time, the French received gold in Sydney, Buenos Aires, Bombay and Singapore.)

According to a cable sent from Vichy on February 12, M. Rueff said that the French had been asked by the Germans to return to France their gold now in French West Africa, and that the French used successfully the argument of serious transport difficulties. A cable from Dakar dated February 10 stated that the French gold there (Kayes) remained intact.

Belgian Ambassador Theunis revealed, on February 5, that the National Bank of Belgium had obtained a writ of attachment against Bank of France funds located here, with a view to compelling France to make good, with its own gold, for all Belgian gold delivered to the Germans by the French. To date, however, this writ has not been served on the Federal Reserve Bank of New York. Discussion of the amount involved, $260 million, is contained in my section on Belgium.

On February 11, the Polish Financial Counselor here approached the Treasury to ascertain our attitude toward a Polish move to attach French funds in the Federal Reserve Bank of New York.

Unofficial reports appeared in the Wall Street Journal and Washington Post of March 7 to the effect that French gold in French West Africa had been, or would be, shipped to the United States or Martinique, but we have received no verification at all from other sources.

3. Belgium.

According to revised estimates in the Federal Reserve Bulletin, Belgium's total gold reserves stood at $751 million as of mid-1940. The Bulletin divides this into $734 million, constituting the reserves of the National Bank of Belgium, and $17 million, representing "Government gold".

Last month, I attempted to estimate, on the basis of cabled information, how much of the Belgian gold in French West Africa had been removed by the French for delivery into German hands. I guessed that as much as $62 million may have been removed, although it appeared that only a part of this had been surrendered to the Germans, owing to the reportedly successful "slow down" tactics of the French. During February, according to a cable from Dakar, further amounts of Belgian and Polish gold were transported from Dakar to France by French planes. Considering the continued French policy of delay, however, it seems doubtful that more than an additional $20-25 million worth of Belgian gold was so removed from Dakar in February. Using this rough assumption, a tentative picture of the end-of-February location of Belgian gold would be:

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In the United States	$167 million
In Canada	351 million 1/
In French West Africa	100 million
In French North Africa, France, or surrendered	85 million 2/
Location unknown	48 million
Total	$751 million

1/ Transferred from England. (We understand that the British have obtained an option to borrow some of this gold; further details are contained in Mr. Cochran's memorandum to the Secretary dated March 6.)

2/ A reliable German source, according to a Berlin cable dated February 18, stated that the Belgian gold in French North Africa was being or would be transported across the Mediterranean in submarines.

Do the figures shown above constitute Belgium's full gold reserves, and was the British figure of $155 million as the amount of Belgian gold sent to Dakar by the Bank of France correct? Ambassador Theunis, when he issued his statement to the press on the writ of attachment against French funds here, said in part, "When Germany invaded Belgium, the National Bank of Belgium entrusted a large part of its gold (about $260,000,000 worth) to the Bank of France .... The Bank of France shipped the gold to Bordeaux." Following the fall of France in June, a British cruiser was sent to Bordeaux to receive the gold, but "contrary to the instructions of Governor Jamison, reinforced by Minister Gutt, the Bank of France refused to deliver the gold to the British cruiser, but put it on a French vessel, which took it to Dakar, Africa." If we find (perhaps in our coming discussions with Minister Gutt) that the amount of Belgian gold sent to Dakar actually was as much as $260 million, it will then be obvious that the Federal Reserve Bulletin's estimate of total Belgian stock was too low. Belgium's minimum reserves would be, instead, about $775 million (of which $167 million in New York, $351 million in Canada and $260 in Africa or partly in German hands).

4. Poland.

The British figure (submitted November 4) on Polish gold holdings in French West Africa was $81 millions. In addition, there is $2 million under earmark in New York, and about $3 million on deposit with the National Bank of Rumania. We learned of the latter amount through cable No. 137 sent from Bucharest on February 12, which transmits a deposition of the Rumanian National Bank to the effect that the Bank of Poland was indebted to them to the extent of about 240 million lei (at the rate of 0.7¢ prevailing a year ago, about $1.7 million) and that the $3 million in Polish gold held by them was understood to be a redemption guarantee.

The Financial Counselor of the Polish Embassy approached our Treasury on February 11 with a view to discovering what our attitude would be regarding a Polish attempt to attach French funds now at the Federal Reserve Bank of New York. Further information on the subject is contained in Mr. Cochran's memorandum to the Secretary dated February 11, and his memorandum to the Files dated February 14.

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Last month, I made a rough guess that perhaps $8 million of the $61 million Polish gold at Dakar had been removed by the French for delivery to the Germans. By now, as much as $10-15 million may have been removed.

5. Netherlands.

Owing to the sale to the United States of $71.0 million worth of Netherlands Government gold which arrived here from Canada on February 28, Dutch gold holdings as of the end of February may have been reduced to $606 million. (The Federal Reserve Bulletin placed their end-of-November reserve at $627 million.) The distribution, so far as our records show, is as follows:

In the United States	$364 million
In Canada	68 million
Location unknown	174 million
Total	$606 million

6. Other Countries.

(a) Norway held $52 million worth of gold in Canada, and $34 million in this country around the end of last October; the total of $86 million probably comprised Norway's full reserve. There has been no change in Norwegian earmarkings here since October.

(b) Denmark's gold stocks totaled $53 million at the end of last September, according to the Federal Reserve Bulletin. By the end of February, this may have declined to $48 million, for there has been a reduction of $5 million in the $22 million held under earmark in New York at the end of September. The reduction represents sales of Danish gold to the B.I.S. -- it will be recalled that the B.I.S. in turn sold the gold to the central banks of Yugoslavia, Portugal and Switzerland. We have no information regarding the location of the $31 million difference between the Bulletin's total reserve figure and the Danish earmarked balance in New York as of the end of September.

(c) According to Mr. Vincent's figures of November 4, 1940, Czechoslovakia held $30 million in gold in the custody of the Bank of England. The Federal Reserve Bulletin, however, placed Czech gold at $58 million as of the end of October.

Summary of Cables Relating to Gold in French West Africa

At the beginning of last November, we began receiving word from Dakar that gold was being removed from that point. My monthly reports to you dated January 2 and February 10 contain lists of cables received from Africa and Europe during the period, November through January. Those revealed that the Germans had ordered the French to hand over the Belgian and Polish gold in French West Africa, and that some $70 million worth of gold had been removed from that point in November and December, part of which

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had been transferred to Oran in North Africa. During January, no further shipments were reported, and it was disclosed that the French were employing "slow down" tactics.

Here is a summary of the cables sent to us in February:

Dakar cable No. 63 sent February 10 - Regular Air France planes twice weekly taking Belgian and Polish gold to France. The amounts vary according to available space. French gold at Kayes -- 1250 metric tons (about $1,406 million, or nearly three times as high as the British figure) -- remains intact.

Vichy cable No. 169 sent February 12 - Ruaff said Janssen had behaved magnificently in refusing to yield on the German request for the Belgian gold, and that Bouthillier had ordered the French to hand it over. Ruaff understands French deliveries were quite slow due to transport difficulties both real and deliberate. He stated that Germans had asked the French (but had not yet insisted) to bring back their gold now at Kayes. The French were able to use successfully the argument of serious transport difficulties.

Berlin cable No. 609 sent February 15 - A usually reliable source said the Germans successfully pressed the French Government and National Bank of Belgium to turn over to the Reichsbank a part of the Belgian gold reserve equivalent to 500 million gold marks (about $200 million, as against the British figure of $185 million) which had been sent to Dakar. Source said this gold had been taken to Oran for transport in submarines across the Mediterranean. Reichsbank had not verified this report.

(There was also a Vichy cable sent March 6 mentioning continued "slow down" tactics of the French.)

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February 10, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of January:

	Purchased from	Sold to
England	$ 149,634,000	
Java		$ 24,499,000
Peru	1,047,000	
Portugal		3,989,000
Rumania	13,955,000	
Switzerland		22,500,000
Uruguay		4,987,000
Total	$164,636,000	$ 55,975,000

In order to replenish our cash balances with the Federal Reserve Bank of New York, we sold $25,000,000 of our gold holdings to the U. S. Assay Office during the period under review.

Estimated Gold Holdings of Certain Countries

1. British Empire (excluding Canada).

The British placed their January 31 gold holdings at $154 million, divided as follows:

	January 31*	Change from Dec. 31
Available gold	$125 million	- $137 million
Scattered gold - not available	29 million	- 1 million

* According to a letter from Mr. Allen of the British Treasury to Mr. Cochran, dated February 5.

Our own estimates of January changes in British gold include a loss of $186 million in British and Australian sales to the United States, and a gain of $53 million from new production. On this basis, Britain's available gold would have declined by

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only $133 million. It may be that 1) the British estimate of production is lower than the Federal Reserve Board's, and/or 2) the British have continued to sell gold to Canada.

There has been no British gold under earmark in the United States since December 12, 1940.

2. France.

French gold holdings were placed at $1.915 million on October 19, 1940, and may still remain at that level. The location of this gold was as follows:

In the United States	$ 502 million
In Canada	650 million 1/
In Martinique	245 million
In French West Africa	518 million 2/
Total	$1,915 million

1/ Of which $250 million was transferred from London.

2/ Now at Kayes.

Various cables received from Vichy have noted French officials' insistence that the German authorities, while demanding Belgian and Polish gold at Dakar, have not made similar demands for the French gold there.

Other cables bearing on gold in which the French have an interest are #38 of January 16 and #45 of January 22, sent from Rio de Janeiro, and #15 of January 27 from Berne. All of these refer to the deposit of about $560,000 worth of gold made by the French Embassy at Rio de Janeiro with the Bank of Brazil in the name of the B.I.S. The Brazilian cables state that this deposit was made on behalf of the Bank of France. According to the Berne cable, the B.I.S., which is holding the gold subject to instructions from the Bank of France, is unaware of the gold's origin. We have learned from the British that this gold was sent from Casablanca, arriving in Brazil during the second week of December. It will be used to pay for the shipment of Venezuelan oil to Dakar.

3. Belgium.

In my November 27 memorandum to you, Belgian gold holdings were estimated at $747 million as of the end of October. Since that time, part of the Belgian and Polish gold at Dakar has been removed by the French for delivery to the Germans. In Vichy cable #115 of January 28, a French Finance Ministry official is quoted as saying that about two-thirds of the 8 billion French francs worth of Belgian gold sent to Dakar in the spring of 1940 is still there, and the other third has been delivered or is en route to the German authorities. (When converted at .0230 per French franc, 8 billion francs is almost identical with the British estimate of $185 million.) On the basis of the French official's statements, distribution of the Belgian holdings may now be:

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In the United States	$167 million
In Canada	351 million 1/
In Fr. West Africa, to be surrendered	123 million
In Fr. North Africa, or already surrendered	62 million
Location unknown	44 million
Total	$747 million

1/ Transferred from England, according to Mr. Playfair.

4. Poland.

According to a November 4 memorandum handed us by Mr. Pinsent, Poland's gold holdings in French West Africa amounted to $81 million, to which should be added the $2 million under earmark at New York. As mentioned in the final section of this memorandum, which summarizes our cable advices, all of the Polish gold in French West Africa is due to be turned over to the German authorities. To date, we have learned of specific gold shipments from that point totaling $70 million; if we assume that $62 million of such shipments consisted of Belgian gold, then perhaps $8 million worth of Polish gold has also been removed to Europe.

A general history of the transfer of Polish gold from France to French West Africa in the spring of 1940, and its subsequent tie-up, is contained in the series of documents received by us from the Polish Embassy in New York on January 29.

5. Netherlands.

The Federal Reserve Bulletin for January gives a preliminary figure of $627 million for Dutch gold holdings at the end of November, 1940. Considering the Dutch earmarked accounts at the Federal Reserve Bank of New York, and the British estimate of Dutch gold in Canada, we derive the following geographical breakdown:

In the United States	$364 million
In Canada	89 million
Location unknown	174 million
Total	$627 million

6. Other Countries.

Of Norway's gold reserve, about $52 million was in Canada (according to Mr. Pinsent) and $34 million was earmarked in this country around the end of October. We may assume that the total of $86 million comprises Norway's full stock, for the Federal Reserve Bulletin gives a Norwegian reserve figure of only $84 million as of the end of March, 1940 and, during April, more than $6 million of this was sold to the United States Fund.

Denmark, according to the January Federal Reserve Bulletin, had a gold reserve of $53 million at the end of September, 1940, and at that time, $22 million was on earmark in New York. (The latter has since declined by nearly $2 million as a result of sales to the Yugoslavian National Bank via the B.I.S.). We have no information as

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to the location of the other $31 million, although the B.I.S. Press Review of September 12, 1940 quotes a Swiss newspaper item from Stockholm to the effect that the Danish Bank's gold stock was no longer in the country, but probably in London or the United States.

According to Mr. Pinsent's figures of November 4, 1940, Czechoslovakia held $30 million in gold, which was in the custody of the Bank of England. The Federal Reserve Bulletin, however, placed Czechoslovakian gold at $56 million as of the end of August, 1940, based on the weekly balance sheet of the National Bank of Bohemia and Moravia.

Summary of Cables Relating to French West African Gold.

My January 2 memorandum to you contained a list of the cables sent to us during November and December relating to the gold in French West Africa. These cables supplied the following information:

(1) Four shipments of gold, three by plane and one by boat, were sent from Dakar, bound for France. The shipments had a combined value of about $70 million. The one sent by boat (about $56 million worth) apparently went to Casablanca, where the gold was transferred by rail to Oran, there to be sent by boat to France.

(2) Germans had demanded the surrender of Belgian and Polish, but not French, gold in French West Africa. The French gold at Dakar was removed to Kayes. The Germans arranged with the French to get the Belgian gold without the National Bank of Belgium's consent. By December 28, they had already received part of the Belgian gold, and the balance was due to be handed over at Marseille during the first half of January.

Cables sent to us during January disclose no further gold shipments from French West Africa, despite the statement made above that the rest of the Belgian gold was to be surrendered in the first half of January. The explanation may lie in the declaration, given in two of our January cables, that the French are employing "slow down" tactics in gold deliveries.

Here is a summary of the cable advices sent to us in January:

Vichy cable No. 9 sent January 2 - Couve de Murville admitted Germans demanded and were receiving Belgian Dakar gold, which he placed at 6 billion French francs. He noted French tactics of delay being developed.

Dakar cable No. 25 sent January 16 - Bank of France's gold still at Kayes. Regular "Air France" planes used to send Belgian and Polish gold to France. Return of Belgian and Polish gold reportedly demanded by Germans.

Lisbon cable No. 17 sent January 16 - Director Valin of Banque de l'Afrique Occidental told Murphy that French authorities at Kayes held about $1,406 million

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French gold, $225 million Belgian gold and $60 million Polish gold (the first two estimates are much higher than figures supplied by other sources). Belgian and Polish gold being handed over to Germans; French would never hand over their own gold, said Valin.

Vichy cable No. 82 sent January 20 - Bueff said as yet Germans had not requested the French to turn over their own gold.

Berne cable No. 16 sent January 28 - Reference to decree issued by German authorities on December 19 whereby the German Commissar at the National Bank of Belgium empowered to take any action on that Bank's behalf which would be binding on the Bank if his orders countersigned by German military authorities in Belgium. This decree followed the Bank's refusal of a German request for the surrender of the Belgian gold at Dakar.

Vichy cable No. 115 sent January 28 - French Finance Ministry official placed Belgian gold sent to Dakar in spring of 1940 at 6 billion French francs. About 2/3 of this gold still in French West Africa, and the other 1/3 has been delivered or is en route to the German authorities. The French are employing "slow down" tactics.

Vichy cable No. 136 sent January 31 - French pilot, who has flown Belgian gold from Oran to France, said Germans received $3.5 million in Belgian gold from French at Marseille, and estimated about $150.5 million still left in French North and West Africa. (His estimates were in French francs, which I converted at .0230.)

EM:aln 2-10-41

216615

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RG 56
Entry 56-69A4707
File Stab Fund Loan
Box 123

Gold
Stab Fund Loan

England
France
Belgium
Poland
Holland

January 2, 1941.

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of December, 1940:

	Purchased From	Sold to
Chile	$ 462,000	
England	50,118,000	
Java		$ 10,000,000
Mexico		11,970,000
Nicaragua	40,000	
Peru	1,000,000	
Portugal		998,000
Uruguay		2,195,000
Totals	$ 51,620,000	$ 25,163,000

In order to replenish our cash balances with the Federal Reserve Bank of New York, we sold $50,000,000 of our gold holdings to the U. S. Assay office during the period under review.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

Estimated British gold holdings totaled $436.3 million as of the close of business December 31. Changes in such holdings since July 1, 1940 are estimated below (in millions of dollars):

Period 1940	Sold to U. S. by H.B.M.G. & Comm. Bk. of Aust.	Transfers from H.B.M.G. a/c at F.R.B.	Sterling Area Production	Net Loss	Holdings at end of period
(Note: The British placed their own holdings at $1,444.0 as of July 1, 1940)					
July	$271.5	$2.9	$52.2	$222.2	$1,221.8
Aug.	273.4	-	52.5	220.9	1,000.9
Sept.	276.0	-	51.9	224.1	776.8
Oct.	165.8	-	51.9	113.9	662.9
Nov.	213.7	1.5	51.9	163.3	499.6
Dec.	115.2	-	51.9	63.3	436.3

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2. France.

French gold holdings were placed at $1,915.0 million on October 19, and may still remain at that level. This gold was located as follows:

In the United States	$ 502.0 million
In Canada	650.0 million*
In Martinique	245.0 million
In Dakar	518.0 million
Total	$1,915.0 million

* of which $250.0 million was transferred from London.

It will be recalled that cables received from Dakar during November reported the removal of about $13.0 million worth of gold from Dakar by air. Subsequent cables have indicated that these and later shipments consisted of Belgian or Polish gold.

3. Belgium.

Belgium's gold holdings, which were placed at $747.1 million as of the end of October (see my memorandum to you of November 27), may have since been reduced as a result of the probable delivery to the Germans of about $70.4 million worth of non-French gold reportedly removed from Dakar. Although some of this may have been Polish gold, a cable recently received from Vichy (No. 1190 sent December 28) implies that a substantial portion represented Belgian stock. Presented below are the estimated location of Belgium's gold at the end of October, and summary of the cable advices received from various sources relating to the Dakar shipments.

In the United States	$166.8 million (this is still unchanged)
In England	350.6 million
In Dakar	185.4 million (since reduced) 1/
Location unknown	44.3 million
Total	$747.1 million

1/ Dakar cable No. 50 sent November 6 - about $1.7 million gold shipped by air to Marseille on November 4.
Dakar cable No. 54 sent November 10 - about $11.3 million gold shipped by air to France consigned Bank of France.
Vichy cable No. 1012 sent November 23 - Rueff says Germans now demand Belgian gold at Dakar, but no similar request for French gold there.
Cable from British Treasury sent December 1 to British Embassy, handed to us by Pinsent on December 13 - according to Polish National Bank representative in West Africa, one plane leaving there bound north with about $1.1 million gold; representative's informant pretends only Belgian gold being removed.
Dakar cable No. 96 sent December 11 - French cruiser reported to have left port on December 5 with about $56.3 million gold on board.

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Casablanca unnumbered cable sent December 13 - gold bullion from Dakar, arrived Casablanca, thence by 6 railway freight cars to Bank of France agency at Oran. Gold leaves Oran today on "President del Piaz" for Marseille or Port Vendre.

Dakar cable No. 115 sent December 27 - Bank of France inspectors are in French West Africa checking that bank's gold, now at Kayes. Banque de l'Afrique Occidentale states gold recently sent to France belonged to Belgian and Polish central banks, and Germany had demanded its return.

Vichy cable No. 1190 sent December 28 - learned from high Bank of France official that agreement signed at Wiesbaden wherein French consent to deliver Belgian gold at Dakar to Germans without Bank of Belgium's agreement. Germans have already received part of the gold, and during first half of January the rest is to be handed over to them at Marseille.

4. Poland.

Poland's gold holdings were placed at $80.6 million, all of which was located at Dakar, according to Mr. Pinsent's figures submitted on November 25. Some of the recent gold shipments from Dakar may represent Polish holdings.

Dakar cable No. 86 sent December 4 states that the Director of the Polish Central Bank has not received a reply to his letter of October 21 to the Governor General asking for the return to him of the Polish gold at Dakar. The Director fears he will be forced to leave Dakar.

5. Netherlands.

At the end of August, Dutch holdings may have amounted to $624.0 million, the location being as follows:

In the United States	$363.9 million
In Canada	88.7 million
Location unknown	171.4 million
Total	$624.0 million

HDWalm 1-2-41

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RG 56
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Box 123

England
France
Belgium
Holland
Funds

November 27, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the period November 1-27, inclusive:

	Purchased From	Sold to
Chile	$ 446,000	
England	189,270,000	
Java		$15,000,000
Nicaragua		45,000
Uruguay		1,895,000
Venezuela	2,127,000	
Totals	$191,843,000	$16,940,000

In order to replenish our cash balances with the Federal Reserve Bank of New York, we sold $145,000,000 of our gold holdings to the U. S. Assay office during the period under review.

Estimated Gold Holdings of Certain Countries

1. Great Britain.

Estimated British gold holdings totaled $496.2 million as of the close of business November 27. Changes in such holdings since July 1, 1940 are estimated below (in millions of dollars):

Period	Sold to U. S. by E.B.M.G. & Comm. Bk. of Aust.	Transfers from E.B.M.G. a/c at F.R.B.	Sterling Area Production	Net Loss	Holdings at end of period
(Note: The British placed their own holdings at $1,444.0 as of July 1, 1940)					
July	$271.5	$2.9	$52.2	$222.2	$1,221.8
Aug.	273.4	-	52.5	220.9	1,000.9
Sept.	276.0	-	52.5	223.5	777.4
Oct.	165.8	-	52.5	113.3	664.1
Nov. 1-27	213.7	1.5	47.3	167.9	496.2

216619

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By TO NARA Date 9/17/99

RG 56
Entry 56-69A4707
File Man Gold Stab Fund Tran
Box 123

2. France.

French gold holdings were placed at $1,915.0 million on October 19, located as follows:

In the United States	$ 502.0 million
In Canada	650.0 million
In Martinique	245.0 million
In Dakar	518.0 million
Total	$1,915.0 million

There apparently has been no change since October 19 in the first three items listed above. The amount of French gold at Dakar, however, may have been reduced, for two gold shipments by air have been made this month from that center to France, according to cables from the American Consulate at Dakar. On the other hand, these shipments, totaling about $12.9 million, may have been part of the Belgian or Polish gold located at Dakar.

3. Belgium.

Belgium's present gold holdings may amount to $747.1 million, of which $730.1 million is owned by the National Bank of Belgium and $17.0 million is held by the Belgian Treasury. These figures are $3.9 million lower than the Federal Reserve Bulletin estimate for Belgian end-of-June holdings, owing to the sale during July and August of that amount of Central Bank gold to the United States. The present location of Belgium's gold, according to latest available information, is as follows:

In the United States	$166.8 million
In England 1/	350.6 million
In Dakar 1/	185.4 million
Location unknown	44.3 million
Total	$747.1 million

1/ According to figures submitted by Mr. Pinsent on November 25, 1940.

In connection with the Belgian gold at Dakar, it will be recalled that we recently received a cable (No. 1012, sent from Vichy by Mr. Matthews on November 23) wherein M. Jacques Rueff was reported as saying that the Germans have demanded that they be given the Belgian gold now at Dakar. M. Rueff presumed shipments would be made by air, and declared that no similar request for French gold at Dakar has been made. It may be that the $12.9 million in gold which was recently flown from Dakar to France (according to the Dakar cables referred to in the discussion of French gold holdings) represented Belgian stock.

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By TO NARA Date 9/17/99

RG 56
Entry 56-69A4707
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Box 123

Further indication that Germany has attempted to take over part of Belgium's gold holdings is contained in cable No. 227 sent from Bern, Switzerland on November 13. A local Swiss banker stated that title had been acquired by Germany to one-half of the National Bank of Belgium's gold. The banker's figures, however, cannot be reconciled with those of our records: he claimed that the "one-half" amounted to 700 million Belgian gold francs (about $23.7 million) and that this was now at Dakar. Even if he meant "belgas" rather than "francs", his estimate is far too low (only $116.5 million).

4. Netherlands.

The Federal Reserve Bulletin placed Dutch holdings at $624.0 million at the end of August, and this is also the approximate figure which results from subtracting Dutch gold sales of $25.5 million to the United States since May 1, 1940 from Dutch pre-invasion (April 30) holdings of $650.0 million. Location of this country's gold reserves is shown below:

In the United States	$363.9 million
In Canada	88.7 million
Location unknown 1/	171.4 million
Total	$624.0 million

1/ As mentioned in my memorandum to you of July 17, this balance probably remained in Holland.

5. Poland.

Poland has about $80.6 million in gold located at Dakar, according to Mr. Pinsent's figures submitted on November 25. This is believed to represent practically all of that country's holdings. The Federal Reserve Bulletin gives a pre-war (July 31, 1939) figure of $84.0 million as the latest available one for Poland.

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File Gold
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Employee
Finance

November 1, 1940

Mr. Cochran

Mr. Hawkey

1. There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of October:

	Purchased From	Sold to
Afghanistan		$ 798,000
Chile	$ 410,000	
England	151,122,000	
Java		5,000,000
Nicaragua	84,000	
Portugal		5,990,000
Rumania		14,963,000
Uruguay	538,000	
Venezuela	860,000	
Totals	$153,014,000	$26,751,000

In order to replenish our cash balances with the Federal, which were further reduced by $10,000,000 owing to our purchase of milreis from Brazil, we sold $150,000,000 of our gold holdings to the U.S. Assay office during the month under review.

2. Estimated British gold holdings totaled $664.8 million at the end of October.

Revised estimates of changes in British gold holdings were shown in my memorandum of October 19. The following table brings these figures up to date, with one further revision -- transfers from England's gold account at the Federal Reserve Bank of New York are included below.

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Box 123

GREAT BRITAIN -- ESTIMATED CHANGES IN GOLD HOLDINGS
(In millions of dollars)

Month	Sold to U.S. by H.B.M.G. & Comm. Bk. of Aust.	Transfers from H.B.M.G. a/c at F.R.B.	Sterling Area Production	Net Loss	Holdings at end of month
(Note: The British placed their own holdings at $1,444.0 as of July 1, 1940)					
July	$271.5	$2.9	$52.6	$221.8	$1,222.2
Aug.	273.4	-	52.6	220.8	1,001.4
Sept.	276.0	-	52.6	223.4	778.0
Oct.	165.8	-	52.6	113.2	664.8

3. No change in French gold holdings since October 19 has been brought to our attention. On that date, they were placed at $1,915 million, the location of the gold being as follows:

In the United States	$502 million
In Canada	650 million
In Martinique	245 million
In Dakar	518 million
Total	$1,915 million

bfm

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RG 56
Entry 56-69A4707
File Mon. Gold Stabilization Fund
Box 123

Hold
England
France

October 1, 1940

Mr. Cochran

Mr. Hawkey

1. There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries and with the B. I. S. during the month of September:

	Purchased From	Sold to
Afghanistan		$ 1,750,000
Colombia	$ 2,313,000	
England	249,266,000	
Java		5,000,000
Mexico	5,350,000	
Sweden	5,082,000	
Switzerland (B.I.S.)	564,000	
Uruguay	2,015,000	
Total	$263,590,000	$6,750,000

In order to replenish our cash balances with the Federal, we sold $217,589,000 of our gold holdings to the U. S. Assay Office during the month under review.

2. England's gold holdings at the end of September may be estimated at $777.5 million. Since July 1, when the British placed their own holdings at $1,444.0 million, England has been losing gold at the rate of $222.1 million a month. If this continues, she will own only $555.7 million at the end of October.

a) British Estimate as of July 1, 1940 - - - - - - - - - -$1,444.0 million

	Sales to U.S.	So. African Production	Net Loss	
July	$262.0	$40.0	$222.0	)
Aug.	262.9	40.0	222.9	) - 666.2 million
Sept.	261.3	40.0	221.3	)

b) End-of-September Holdings - - - - - - - - - - - - - - - $ 777.5 million

3. France's gold holdings at the end of September may be placed at $1,915.6 million. The British estimated French holdings to be $1,920 million as of mid-July. Since then, the only known changes consisted of a withdrawal of $2 million from French gold at the Federal (this was transferred to the Bank of Poland's gold account on July 25), and a transfer of $2.4 million on September 20 from a French gold account at the Federal to the Swiss National Bank's account.

HM/mg

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Box 123

Gold file

September 3, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries and with the B. I. S. during the month of August:

	Purchased From
Argentina	$ 19,011,000
Belgium	344,000
Chile	500,000
England	258,267,000
Holland	18,844,000
Mexico	4,527,000
Nicaragua	42,000
Sweden	6,130,000
Switzerland (B.I.S.)	5,546,000
Uruguay	1,034,000
Venezuela	329,000
Total	$314,574,000

We made no sales of gold to foreign countries in August.

In order to replenish our cash balances with the Federal, we sold $327,894,00 of our gold holdings to the U. S. Assay Office during the month under review.

England and France have sold $2,192.4 million in gold to the United States (to the U. S. Fund and Treasury) since September 1, 1939, distributed as follows:

	August, 1940	Sept. 1939 -- August 1940
	(In millions of dollars)	
England	$262.9	$1,291.7
France	-0-	900.7
Total	$262.9	$2,192.4

HM:HMS

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August 1, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks and governments of foreign countries during the month of July:

	Purchased From	Sold To
Argentina	$ 13,007,000	
Belgium	3,607,000	
Colombia	2,110,000	
England	220,378,000	
Peru		$997,000
Sweden	28,803,000	
Uruguay	1,579,000	
Total	$269,484,000	$997,000

In order to replenish our cash balances with the Federal, we sold $270,696,000 of our gold holdings to the U. S. Assay Office during the month under review.

England and France have sold $1,929.5 million in gold to the United States (to the U. S. Fund and Treasury) since September 1, 1939, distributed as follows:

	July, 1940	Sept. 1939 -- July, 1940
	(In millions of dollars)	
England	$262.0	$1,028.8
France	-0-	900.7
Total	$262.0	$1,929.5

HDW:dm

Extra

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RG 56
Entry 56-69A4707
File Stab Fund Trans
Box 123

July 1, 1940

Mr. Cochran

Mr. Hadley

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of June:

	Purchased from	Sold to
Argentina	$ 15,000,000	
Belgium	4,416,000	
Chile	185,000	
Colombia	2,800,000	
England	242,785,000	
France	332,913,000*	
Java	4,000,000	
Lithuania		$1,000,000
Nicaragua	210,000	
Portugal		3,000,000
Switzerland	20,000,000	
Uruguay		1,000,000
Venezuela	600,000	
Total	$622,849,000	$5,000,000

In order to replenish our cash balances with the Federal, we sold $656,981,000 of our gold holdings to the U. S. Assay Office during the month under review.

England and France have sold $1,667.5 millions in gold to the United States (to the U. S. Fund and Treasury) since September 1, 1939, distributed as follows:

	June, 1940	Sept. 1939—June, 1940
	(in millions of dollars)	
England	$242.7	$ 766.8
France	332.9	900.7
Total	$575.6	$1,667.5

- -

* Includes a special gold purchase of $241,576,000 on June 19 against which we advanced $229,497,000 to France. We replenished our cash balance by a gold sale of $229,497,000 to the U. S. Assay Office.
HD:ro

Editor

216627

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File Man Gold Stab Fund Trans
Box 123

Gold

Mrs Kahn
original given to HMC
copies to FD + HH

June 1, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of May:

	Purchased From	Sold To
Argentina	$ 5,000,000	$2,000,000
Belgium	2,152,000	4,340,000
Chile	315,000	
Colombia	1,400,000	
England	54,600,000	
France	142,758,000	
Java	3,000,000	
Lithuania		500,000
Netherlands	6,500,000	
Portugal	1,500,000	
Switzerland	40,000,000	
Turkey	1,000,000	
Uruguay		2,000,000
Yugoslavia	560,000	
Total	$258,785,000	$8,840,000

In order to replenish our cash balances with the Federal, we sold $287,654,000 of our gold holdings to the U. S. Assay Office during the month under review.

HWLP

216628

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B15

May 1, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries and the B.I.S. during the month of April.

	PURCHASED FROM	SOLD TO
Argentina	$ 8,500,000	$ 2,000,000
Belgium	4,568,000	1,770,000
Brasil		1,300,000
Chile	352,000	
Colombia	2,623,000	
England	66,461,000	
France	85,000,000	
Guatemala		1,400,000
Java		4,000,000
Lithuania		750,000
Netherlands	47,500,000	
Norway	6,215,000	
Peru	534,000	
Portugal		2,000,000
Switzerland	20,000,000	
" (B.I.S.)	1,100,000	
Uruguay		1,000,000
Total	$242,853,000	$14,220,000

In order to replenish our cash balances with the Federal, we sold $220,000,000 of our gold holdings to the U. S. Assay Office during the month under review.

Most of the unusually large release of gold by the Netherlands Bank was necessitated by the Dutch Control's support of the dollar-guilder exchange rate. Despite its sales of gold, the Netherlands Bank's dollar balances at the Federal Reserve Bank rose only $5,300,000 during April.

RH

RH:kma

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RG 56
Entry 56-69A4707
File Gold Stabilization Fund Trans
Box 123

Gold

C
O
P
Y

April 1, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries and the B.I.S. during the month of March.

	PURCHASED FROM	SOLD TO
Argentina		$ 10,500,000
Belgium		1,970,000
Chile	$ 350,000	
Colombia	2,225,000	
Finland	3,400,000	
France	50,000,000	
Portugal		5,000,000
Rumania	1,180,000	
Sweden	45,000,000	
Switzerland	10,000,000	
" (B.I.S.)	5,700,000	
Turkey	3,500,000	
Uruguay		5,300,000
Venezuela	2,000,000	
Total	$123,355,000	$22,770,000

In order to replenish our cash balances with the Federal, we sold $110,000,000 of our gold holdings to the U. S. Assay Office during the month under review.

(Initialed) HH

216630

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RG 56
Entry 56-69A4707
File Man Gold Stab Fund Tran
Box 123

February 29, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of February.

	PURCHASED FROM	SOLD TO
Argentina		$ 6,000,000
Belgium	$ 3,830,000	400,000
Colombia	1,000,000	
England	50,661,000	
France	55,000,000	
Mexico	6,750,000	
Netherlands	2,500,000	
Rumania	2,487,000	
Sweden	40,000,000	
Switzerland	15,000,000	
Uruguay		5,000,000
Total	$177,228,000	$11,400,000

In order to replenish our cash balances with the Federal, we sold $170,000,000 of our gold holdings to the U. S. Assay Office during the month under review.

RW:MN

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By TJ NARA Date 9/17/99

RG 56
Entry 56-69A4707
File Mon Gold Stab Fund Trans
Box 123

Gold

January 31, 1940

Mr. Cochran

Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of January.

	PURCHASED FROM	SOLD TO
Argentina	$ 2,500,000	$ 2,500,000
Belgium	5,430,000	320,000
Chile	506,000	
Finland	4,912,000 *	
France	70,000,000	
Mexico	5,625,000	
Norway	6,290,000	
Rumania	1,250,000	
Sweden	50,000,000	
Switzerland	10,000,000	
Uruguay		2,500,000
Total	$156,513,000	$ 5,320,000

In order to replenish our cash balances with the Federal, we sold $150,000,000 of our gold holdings to the U. S. Assay Office during the month under review.

* See our daily report of January 31st.
1,012,000 released from Finland's earmarked a/c
3,900,000 " " Sweden's "
4,912,000 proceeds credited to Finland

RH:AMO

RH

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RG 56
Entry 56-69A4707
File Man Gold Stab Fund Trans
Box 123

Monetary - Stabilization Fund
Gold Transactions

September 25, 1939

Mr. Bailie

Mr. Cochran

During the week of September 18 to September 23, inclusive, the Stabilization Fund consummated the following gold transactions:

Country	Purchased	Sold
Argentina		$7,600,000
Belgium	$ 992,000	$ 175,000 (Net Purchases $817,000)
Holland	$ 5,661,000	
Switzerland	$10,000,000	
Uruguay		$1,000,000
Total	$16,653,000	$8,775,000

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Monetary - Stabilization Fund
Gold Transactions

October 23, 1939

Mr. Bailie

Mr. Cochran

During the week of October 16 to October 21, inclusive, the following gold transactions were consummated under the Gold Reserve Act of 1934:

Country	Purchased	Sold
Argentina		$2,500,000
Belgium	$ 1,035,000	
France	10,000,000	
Netherlands	1,500,000	
Switzerland (B.I.S.)	3,500,000	
Total	$16,035,000	$2,500,000

H. M. J.

HMJ:eh

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Monetary - Stabilization Fund - Gold Transactions

October 16, 1939.

Mr. Bailie

Mr. Cochran

During the week of October 9 to October 14, inclusive, the following gold transactions were consummated under the Gold Reserve Act of 1934:

Country	Purchased
Belgium	$ 5,265,000
Netherlands	1,000,000
Total	$ 6,265,000

(Init.) H. M. C.

HM/rmm
10/16/39

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Monetary - Stabilization Fund
Gold Transactions

October 9, 1939

Mr. Bailie (Init.) H. M. C.

Mr. Cochran

During the week of October 2 to October 7, inclusive, the following gold transactions were consummated under the Gold Reserve Act of 1934:

Country	Purchased:	Sold
Argentina		$ 2,500,000
Belgium	$ 8,085,000	
Brazil		3,000,000
France	15,014,000	
Total	$ 23,099,000	$ 5,500,000

FILE COPY

H. M. Cochran

RH/rmm
10/9/30

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Monetary - Stabilization Fund
Gold Transactions

October 2, 1939.

Mr. Bailie

Mr. Cochran

During the week of September 25 to September 30, inclusive, the Stabilization Fund consummated the following gold transactions:

Country	Purchased	Sold
Argentina		$6,500,000
Belgium	$2,507,000	
U.S.S.R.	2,250,000	
Total	$4,757,000	$6,500,000

(Init. H.M.C.)

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February 13, 1941

Mr. Cochran

Mr. Dietrich

The following is a brief outline of the procedure in connection with (1) the purchase and sale of gold by the United States Assay Office in New York and (2) authority of the Stabilization Fund to purchase and sell gold.

1.

Gold Purchased by the Assay Office

On February 1, 1934 the Secretary of the Treasury made public an announcement that he would purchase imported fine gold bars (.999 fine or better) through the Federal Reserve Bank of New York as fiscal agent of the United States. The gold so purchased is at the rate of $35 per fine troy ounce, less the usual Mint charges and less 1/4 of 1 percent for handling charges, all subject to compliance with the Regulations issued under the Gold Reserve Act of 1934. Under the procedure set up when such gold comes to the United States for sale, the consignee delivers to the Federal Reserve Bank of New York a statement showing the consignor, the number of cases, and the fineness of the gold, together with a statement from the Bureau of Customs stating that the gold has been in continuous customs custody since it entered the country and that it has been delivered to the United States Assay Office. The Federal Reserve Bank then writes a letter to the Assay Office referring to the shipment stating that it is satisfied that the shipment meets the conditions mentioned in the Secretary's announcement of February 1, 1934. Other gold which does not come under this classification is delivered to the Assay Office without reference to the Federal Reserve Bank.

Upon receipt of gold deposits, the Assay Office weighs the gold in order to obtain the gross weight. The Assay Office then makes an advance payment usually between 90 and 98 percent, depending upon the fineness and condition of the gold. The gold is then melted and assayed and final payment made on the basis of $35 per fine ounce, less 1/4 of 1 percent, less the usual Mint charges.

Whenever the Assay Office makes either an advance or final payment for gold, the item "Gold" on the Daily Statement of the United States Treasury is increased by the amount of the payment. Payments are made by bullion checks drawn on the Treasurer of the United States. In order to replenish the Treasurer's account, the Treasury deposits with the Federal Reserve Board gold certificates for the value of the gold purchased and the Board telegraphs the Federal Reserve Bank informing it of the deposit. The Federal Reserve Bank then credits the Treasurer's account.

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The Mints and Assay Offices also receive deposits of domestically mined gold and unmelted scrap gold. Deposits of gold containing less than 200 parts of gold to 1,000 by assay are not accepted by the Mints or Assay Offices and are usually sent to commercial refineries for melting and parting and refining.

Gold Purchased by the Assay Office from the Fund

From time to time the Fund has occasion to replenish its cash and it is necessary to sell gold to the Treasury. Such sales of gold, in accordance with the Secretary's previous instructions, are made to the Assay Office, through the Federal Reserve Bank of New York, at the flat price of $35 per fine ounce. If the gold deposited is good United States Assay Office bars which have been held in this country since their original sale by the Assay Office, payment is received for 100 percent of their value. If the gold should be U. S. bars which have been outside the United States or foreign bars or coin, the Assay Office will follow the same procedure as previously mentioned as to advances, melting and final payment. The payment received by the Federal Reserve Bank of New York is credited by that bank to the account on its books entitled "Secretary of the Treasury, Special Account".

In some cases gold is delivered to the Assay Office by the Fund with instructions that an advance be given in good United States bars which are to be held for account of the Federal Reserve Bank of New York "Secretary of the Treasury, Special Account". The Assay Office procedure in this instance is to handle the deposit of gold the same as if it were sold with the exception that payment is made in gold and not in cash.

The Fund often purchases gold released from earmark which is deposited at the Assay Office with the instructions that after melting and refining, the gold is to be held by the Assay Office for the account of the Federal Reserve Bank of New York "Secretary of the Treasury, Special Account".

Gold Sold by the Assay Office

Under the Provisional Regulations issued under the Gold Reserve Act, the Federal Reserve Banks may acquire gold by the redemption of gold certificates for the purpose of settling international balances and for other purposes. Originally some use was made of this provision but since the Stabilization Fund is purchasing from and selling gold to central banks, foreign governments and the B.I.S., there is no need to use this provision at the present time.

The Mints and Assay Offices also sell gold for use in industry, profession, or art, provided the purchasers have licenses to acquire specified amounts of gold. Such sales are made at $35 (plus 1/4 of 1 percent) per troy ounce of fine gold plus the regular Mint charges.

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Gold Sold by the Assay Office to the Fund

From time to time it may be necessary to increase the stock of gold held by the Fund. In such cases the purchase from the Assay Office is effected through the Federal Reserve Bank of New York at the flat price of $35 per fine ounce. Payment is made to the Assay Office by the Federal Reserve Bank of New York and the account on its books entitled "Secretary of the Treasury, Special Account" is debited for the cost of the gold.

2.

Authority of the Fund to Purchase and Sell Gold

On September 27, 1936, the President approved the purchase of gold through the Stabilization Fund, by the use of dollars, foreign exchange, or other obligations, currency or securities, from all or any foreign governments, foreign central banks or the B.I.S. at such times and in such quantities and with respect to such governments or banks as the Secretary deems most advantageous to the public interest.

On September 27, 1936, the President also approved the sale of gold through the Stabilization Fund to all or any foreign governments, foreign central banks, or the B.I.S. at such times and in such quantities and with respect to such governments or banks as the Secretary deems most advantageous to the public interest.

FD/ajs 2-13-41

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August 17, 1940

Extract from Memorandum written to Mr. White from Mr. Eddy and Mr. Gass dated July 6, 1940

Subject: Problems Relating to Foreign Assets Frozen in the U.S.

6. Can the government of France request reciprocal gold arrangements under the existing Tripartite Accord?

(a) Has the Tripartite Accord any remaining validity? For England? Belgium? Netherlands?

(b) Is full exchange control such as now exists in England and France consistent with the spirit of the accord?

(c) Is there any chance that France, guided by Nazi economic principles, will have an overall favorable balance of international payments and receive gold on balance?

(d) Is it likely that adherence to the accord will be used as a flattering term for unloading the remaining French gold in return for American goods?

(e) Is there a chance that all dollar assets will be converted into exports, particularly to tide the continent over the coming winter?

(f) Would this be beneficial to the United States economically, or detrimental?

(g) Is there a chance that dollar funds will be used up fairly quickly and then French debts to United States nationals be let into default, or is the example of the German Government's continued payment of Dawes and Young Loans assurance against this?

(h) In view of the general mystification as to how the accord, after the events of the last few months, can still have any validity except as an undertaking by the United States to buy gold, is not the renewed use of the term as a Treasury policy likely to arouse derision?

(i) Does the rise of the Petain Government constitute an abrogation of the accord?

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1/29/40 - DJ 4:30

MORGENTHAU PRESS CONF.: WASH.: -

Secy. Morgenthau said today that he doubted that the Treas. would depart from its practice of purchasing gold from any country which offers it at the present price of $35 an ounce. Replying to charges that Treas. purchases of Russian gold were aiding to finance the activities of that country, Mr. Morgenthau stated that since the Gold Reserve Act was passed in early 1934 the Treas. had purchased all gold offered to it at the established price and has never discriminated against any country. While consenting that the Treas. has discretionary power as to its gold purchases, Mr. Morgenthau declared he did not think that power was likely to be used. In regard to recent reports that the Treas. was negotiating a refund for settlement of the defaulted Brazilian bond issues outstanding in this country, Secy. Morgenthau declared that the dept. is not participating in whatever conversations may be going on in regard to the Braz. debt. He added that at the moment the Treas. is not conducting negotiations with Brazil on any matters. The department is, however, still working on the matter of reaching a settlement of the defaulted Colombian debt outstanding in this country, he asserted.

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Excerpt From
DEVALUATION OF DOLLAR AND
STABILIZATION FUND

Hearing
Before A
Subcommittee of the
Committee on Banking and Currency
United States Senate
March 2, 1939

"Senator Taft. There is a purely hypothetical question which I should like to ask you: Suppose there is a foreign war and suppose you go out and do what you can to buy $2,000,000,000 worth of pounds: Isn't the effect of that to give England the power to buy $2,000,000,000 worth of goods in this country, under the cash-and-carry provisions?

Secretary Morgenthau. Senators, if there is a war in any foreign country, before we would use the stabilization fund or any money in the Treasury to assist any country in prosecuting that war, I would come up before the proper committee and ask for guidance.

Senator Taft. I have no doubt you would, perhaps. But nevertheless, the authority granted in this extension would give you power to do that, would it not, if you did choose to do so?

Secretary Morgenthau. To do what?

Senator Taft. What I suggested: To buy pounds, and in effect, create an English credit here of $2,000,000,000; and we would wake up, in the end, and find ourselves with $2,000,000,000 worth of pounds that were worth nothing? I am not asking whether you would do it. My question is whether that is not legally possible. Isn't that legally possible?

Secretary Morgenthau. Well, if I lost all sense or reason in the performance of my duty, I might do a lot of things.

Senator Taft. In other words, it is legally possible?

Secretary Morgenthau. Well, a lot of things are legally possible, which you would not do under the rule of common sense."

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CABLE

From: Federal Reserve Bank of N. Y.

To: Banque Nationale Suisse,
Berne, Switzerland

Date: November 5, 1937

#66.

Your cables Nos. 27 and 28. Assuming that your requests for earmarking of gold are made under the Tripartite Agreement we must point out that you should have advised us within 24 hours of their acquisition of the amounts of dollars acquired by you and should have instructed us to credit such dollars to a special dollar account in the name of Swiss National Bank, Zurich as provided in our cables No. 18 of November 24 1936 and No. 23 of December 29 1936 and agreed to in your cables No. 8 of December 7 1936 and No. 3 of January 15 1937. On this basis we have been operating with other members of the Tripartite Agreement ever since its inception. Inasmuch as you did not give us the required notice and did not have the funds placed in the special account provided, it will now be necessary for you to request us to apply to the Secretary of the Treasury for a license to earmark gold in your behalf, because outside of the Tripartite Agreement gold can be obtained here only under license issued by the Secretary of the Treasury with the approval of the President. It will also be necessary for you to advise us of the purpose for which the gold is required and to confirm to us that the gold thus earmarked will be your property and not that of a third party. These requirements imply no unwillingness on the part of the Treasury to make gold available to you, but are simply due to a desire to adhere to the established procedure, and we have reason to assume that the necessary license may be granted on application.

(Sgd.) Federal Reserve Bank of N.Y.

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MED TELEGRAM SENT GRAY

January 27, 1937

6 p.m.

AMEMBASSY

LONDON (ENGLAND)

20.

FROM TREASURY FOR BUTTERWORTH.

For your information. We are today informing Financial Attaches or other representatives of the five cooperating countries that in order to facilitate mechanics of arrangements necessitating earmark and transfer of gold the United States Treasury is prepared, on the basis of reciprocity, to authorize transfers of earmarks of gold between the treasuries, exchange equalization or stabilization funds, or fiscal agencies, referred to in the announcements of the Secretary of the Treasury of October 13 and November 24, 1936, as well as the central banks of such countries.

"This authority would be revocable at any time with respect to any transfer not fully consummated at that time. Both with respect to earmark and to transfers of earmarks, the authority would extend, in accordance with present regulations of the Federal Reserve Bank of New York, only to such gold as is the property of the institution for whose benefit the earmark is created.

The

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MED - 2 - #20, January 27, 6 p.m. to London

The United States Treasury would appreciate being advised as to the attitude of the governments and institutions concerned on the foregoing proposal, and would also like any comments from Treasuries of the five countries regarding transfer of earmarks for countries not subscribing to Tripartite Agreement and also regarding similar facilities for the Bank for International Settlements.

We do not wish you to initiate any conversations with your contacts but for your background information this mechanical detail while of secondary importance may develop significance in general development of new gold reciprocal arrangements and enlargement of cooperating group.

HULL
FL

EA:FL:LWW

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 22, 1936.
12/21/36

Press Service
No. 3 - 20

The Secretary of the Treasury, after conferring with the Board of Governors of the Federal Reserve System, announces that he proposes, whenever it is deemed advisable and in the public interest to do so, to take appropriate action with respect to net additional acquisitions or releases of gold by the Treasury Department.

This will be accomplished by the sale of additional public debt obligations, the proceeds of which will be used for the purchase of gold, and by the purchase or redemption of outstanding obligations in the case of movements in the reverse direction.

--oOo--

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COPY

OUTGOING CABLEGRAM

Dec. 11, 1936

Banque Nationale Suisse

Berne

No. 22

Our No. 21 your No. 9. Regret your last suggestion not suitable. However, if you have urgent need for dollars we as fiscal agent of the United States would be glad to purchase from you refined gold bars actually placed on board steamship sailing for New York, payment to be made upon receipt of cable from you to that effect. We shall be glad to discuss further details and price if you are interested.

Federal Reserve Bank of New York

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COPY OF CABLEGRAM

Dec. 10, 1936

Banque Nationale Suisse

Berne

No. 21 Your No. 9 no special formalities need be observed to ship gold to us for earmark except that bill of lading should show a foreign central bank as shipper and Federal Reserve Bank of New York as consignee Stop As to the further contents of your cable we shall endeavor to reply tomorrow.

FEDERAL RESERVE BANK OF NEW YORK

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C A B L E

To: Federal Reserve Bank of N. Y.

From: Banque National Suisse
Berne

Date: December 10, 1936

No. 9. We have the intention to deposit gold with you to the amount of approximately 300,000,000 Swiss francs in successive consignments, the first of which would be started in the next day. Are there special formalities be (probably mean "to be") observed please cable if you are ready to receive this deposit from us. Would it eventually suit you to place to our disposal with you against payment to you of a premium (the rate of which we are ready to discuss) the whole or part of this gold against deposit by us for your account of an equal amount of gold with another bank of issue of the country complying with the agreement with Morgenthau. If ready to agree with last suggestion please indicate which bank of issue you would foresee.

(Signed) Banque National Suisse

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 8-94

Supplementing the announcement made by him on October 13, 1936, relating to the sale of gold for export, the Secretary of the Treasury states that (hereafter, and until, on twenty-four hours' notice, this statement of intention may be revoked or altered) the United States, in addition to sales of gold to the exchange equalization or stabilization funds of foreign countries, will also sell gold for immediate export to, or earmark for the account of, the treasuries, or any fiscal agencies acting for or whose acts in this connection are guaranteed by the treasuries, of those countries whose treasuries or fiscal agencies so acting or guaranteed are likewise offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold by the United States will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

> Sales of gold will be made at $35 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

The Secretary further announces that his statement of January 31, 1934, relating to the sale of gold for export, is accordingly withdrawn.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 8-93

By authority of the President the Secretary of the Treasury announces that as a further step in the direction of international monetary equilibrium arrangements have been made to give effect to the desire of the Governments of Belgium, The Netherlands and Switzerland to cooperate with the Governments of the United States, Great Britain and France in accordance with the principles of the tripartite declaration of September 25, 1936.

The Belgian Government notified the United States of its adherence to these principles on September 26. Similar declarations of adherence have now been received from the Governments of The Netherlands and Switzerland.

The Governments of the United States, Great Britain, and France welcome the declarations of the Governments of Belgium, Switzerland and The Netherlands expressing their adherence to the principles stated in the tripartite declaration of September 25.

Arrangements have been made by the United States Treasury for gold transactions on a reciprocal basis with these three countries. These arrangements are given effect by public statements of the Secretary of the Treasury which are annexed hereto:

(1) A statement supplementing the statement of the Secretary of the Treasury dated October 13, 1936, with respect to reciprocal transactions in gold with certain countries, and withdrawing the statement of January 31, 1934, relating to the sale of gold for export;

(2) A statement naming the countries of Belgium, The Netherlands and Switzerland as complying with the conditions of the statement of October 13 as supplemented by the above statement.

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In addition to the statements to which reference is made above, copies of communications from the Governments of The Netherlands and Switzerland are made public herewith.

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THE SECRETARY OF THE TREASURY

Washington

November 6, 1936

C
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My dear Mr. President:

In connection with the reciprocal arrangements for the purchase and sale of gold between the United States and the exchange equalization or stabilization funds of foreign countries set up pursuant to the press statement of October 13, 1936 and letters approved by you on September 27, 1936, it may become necessary from time to time for our Stabilization Fund to buy gold from or sell gold to the General Fund.

If you approve I propose to make such purchases and sales at the flat price of $35 an ounce without adding or subtracting the one-fourth of one per cent charge. I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

H. Morgenthau, Jr.,
Secretary of the Treasury.

The President,

The White House.

APPROVED:

FRANKLIN D. ROOSEVELT.

The White House,
November 6, 1936.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 13, 1936.
10-12-36.

Press Service
No. 8-66

Supplementing the announcements made by him on January 31 and February 1, 1934, to the effect that the Treasury would buy gold, and on January 31, 1934, referring to the sale of gold for export, the Secretary of the Treasury states that (hereafter, and until, on twenty-four hours notice, this statement of intention may be revoked or altered) the United States will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

> Sales of gold will be made at $35 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

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C O P Y

The President,

The White House.

My dear Mr. President:

I refer to my letter to you concerning the Stabilization Fund, by your approval of which, dated June 8, 1936, you authorized the sale of gold through the Fund to all or any foreign governments or central banks in such quantities, at such times and with respect to such governments as I might deem most advantageous to the public interest. In my letter I pointed out that on January 31, 1934, with your approval, I announced that I would buy imported gold at $35 (less one-quarter of one percent) per ounce until further notice and sell gold for export to foreign central banks under certain circumstances at $35 (plus one-quarter of one per cent) per ounce; and that Section 10(a) of the Gold Reserve Act of 1934, establishing the Stabilization Fund, authorizes me, subject to your approval, to deal in gold and foreign exchange by the use of that Fund directly or through such agencies as I may designate.

It now appears that in connection with such sales or otherwise the public interest may require the purchase of gold through the Stabilization Fund, by the use of dollars, foreign exchange, or other obligations, currency or securities, from all or any foreign governments, foreign central banks or the Bank for

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International Settlements. The sales and purchases referred to are most likely to be made by the stabilization or equalization funds of foreign governments. If you approve, until further notice from you, such purchases of gold at such times and in such quantities and with respect to such governments or banks as the Secretary of the Treasury deems most advantageous to the public interest, I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

(signed) Henry Morgenthau Jr.
Secretary.

Approved:
Signed - Franklin D. Roosevelt
The White House,
September 27, 1936.

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9-27-36

The President,

The White House.

My dear Mr. President:

On January 31, 1934, with your approval, I issued statements announcing that I would, until further notice, buy imported gold at $35 an ounce (less one-quarter of one per cent) and sell gold for export to foreign central banks under certain circumstances at $35 an ounce (plus one-quarter of one per cent). Section 10(a) of the Gold Reserve Act of 1934 provides, in effect, that I may, with your approval, directly or through such agencies as I may designate, deal in gold and foreign exchange by the use of the Stabilization Fund established by that section.

It is possible that there may be disturbances in the foreign exchange markets such that the public interest will require the sale of gold through the Stabilization Fund to all or any foreign governments, foreign central banks or the Bank for International Settlements at the price of $35 per fine troy ounce (plus one-quarter of one per cent). If you approve, until further notice from you, of such sales at such times and in such quantities and with respect to such governments or banks as the Secretary of the Treasury deems most advantageous to the public interest, I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

/s/ Henry Morgenthau, Jr.,

Secretary.

Approved:
Franklin D. Roosevelt
The White House
September 27, 1936.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, September 25, 1936

Press Service
No. 8-53

By authority of the President, the Secretary of the Treasury makes the following statement:

1. The Government of the United States, after consultation with the British Government and the French Government, joins with them in affirming a common desire to foster those conditions which safeguard peace and will best contribute to the restoration of order in international economic relations and to pursue a policy which will tend to promote prosperity in the world and to improve the standard of living of peoples.

2. The Government of the United States must, of course, in its policy towards international monetary relations take into full account the requirements of internal prosperity, as corresponding considerations will be taken into account by the Governments of France and Great Britain; it welcomes this opportunity to reaffirm its purpose to continue the policy which it has pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by American monetary action. The Government of the United States shares with the Governments of France and Great Britain the conviction that the continuation of this two-fold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs the United States Government that, judging that the desired stability of the principal currencies cannot be insured on a solid basis except after the re-establishment of a lasting equilibrium between the various economic systems, it has decided with this object to

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propose to its Parliament the readjustment of its currency. The Government of the United States, as also the British Government, has welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. The United States Government, as also the British and French Governments, declares its intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment. It will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. The Government of the United States is moreover convincod, as are also the Governments of France and Great Britain, that the success of the policy set forth above is linked with the development of international trade. In particular it attaches the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in the present declaration. It trusts that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three Governments to promote.

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Feb. 7, 1934

Dear Sirs:

Reference is made to the letter to you of January 31, 1934, authorizing you, as fiscal agent of the United States, to purchase imported fine gold bars. With the approval of the President, you are further authorized, as fiscal agent of the United States and subject to the terms and conditions of such letter of January 31, 1934, and the Regulations issued under the Gold Reserve Act of 1934, to purchase, and to make written agreements or contracts to purchase, for the account of the United States, gold held by a Federal reserve bank under earmark for any foreign government, foreign central bank, or the Bank for International Settlements.

The agreements contained in the letter of January 31, 1934, with respect to purchases of imported fine gold bars, are amended so as to include the purchases made by you in accordance with the authorization contained in this letter.

The purchases herein authorized are at the rates and upon the terms and conditions deemed by me most advantageous to the public interest.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Federal Reserve Bank of New York,

New York, New York.

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TREASURY DEPARTMENT
WASHINGTON

MEMORANDUM FOR THE PRESS
For Immediate Release

February 1, 1934.

Amplifying his statement issued yesterday, (Wednesday, January 31) with respect to the purchase of imported gold by the Federal Reserve Bank as fiscal agent of the United States and his regulations of the same date, with respect to purchases of imported gold by the Mints, the Secretary of the Treasury today made public the following announcement:

"Beginning Thursday, February 1, 1934, and until further notice, I will buy imported fine gold bars through the Federal Reserve Bank of New York as fiscal agent of the United States; and other gold, foreign or domestic, through any United States Mint or the United States Assay Offices at New York or Seattle, both at the following rate and upon the following terms and conditions deemed by me most advantageous to the public interest:

"Purchases will be made at the rate of $35.00 per fine troy ounce, less the usual mint charges and less one-quarter of one per cent for handling charges, all subject to compliance with the Regulations issued under the Gold Reserve Act of 1934."

It was explained that the phrase "fine gold bars" means gold bars of a fineness of .899 or finer, such as are ordinarily used in the settlement of international balances, carrying a recognized stamp indicating the weight and degree of fineness. The mints will purchase imported gold in other condition, such as unrefined gold and gold in other forms than in stamped bars, along with the domestic gold specified in Section 35 of the regulations issued yesterday.

Regulations as to hoarded gold are unchanged.

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January 31, 1934

Dear Sirs:

I have today, with the approval of the President, issued the following statements announcing that I will, until further notice, buy imported gold, and sell gold for export to foreign central banks, at the rates and on the terms and conditions indicated in such statements, such purchases and sales to be made by Federal Reserve Bank of New York as fiscal agent of the United States:

> "Beginning Thursday, February 1, 1934, and until further notice, I will buy imported fine gold bars through the Federal Reserve Bank of New York as fiscal agent of the United States; and other gold, foreign or domestic, through any United States Mint or the United States Assay Offices at New York or Seattle, both at the following rate and upon the following terms and conditions deemed by me most advantageous to the public interest:
>
> "Purchases will be made at the rate of $35.00 per fine troy ounce, less the usual mint charges and less one-quarter of one per cent for handling charges, all subject to compliance with the Regulations issued under the Gold Reserve Act of 1934."
>
> "In connection with the announcement today (January 31) that the Treasury will buy gold, the Secretary of the Treasury states that, until further notice, he will also sell gold for export to foreign central banks whenever our exchange rates with gold standard currencies reach gold export point. Like the purchases, all such sales of gold will be made through the Federal Reserve Bank of New York as fiscal agent of the United States upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:
>
> "Sales of gold will be made at $35.00 per fine ounce plus one-quarter per cent handling charge and will be governed by the regulations issued under the Gold Reserve Act of 1934."

I hereby authorize and request Federal Reserve Bank of New York as fiscal agent of the United States, until further notice, to purchase and sell gold for account of the United States at the rates, and on the

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terms and conditions, specified in the foregoing statements, and, as fiscal agent of the United States, to make with such parties and in such maximum amount as I may approve from time to time, written agreements or contracts for the purchase of gold for account of the United States at the rates and upon the terms specified in said statements (or upon such other or different terms as I may approve).

It is understood that no gold may be purchased under this authority which, in the opinion of the Federal Reserve Bank of New York, has been held in noncompliance with the Executive Orders or the Orders of the Secretary of the Treasury issued under Sections 2 and 3 of the Act of March 9, 1933, entitled "An Act to Provide Relief in the Existing National Emergency in Banking, and for Other Purposes", or in noncompliance with any regulations or rulings made thereunder or licenses issued pursuant thereto, or acquired and held, transported, melted or treated, imported, exported, earmarked or held in custody for foreign or domestic account in violation of the Gold Reserve Act of 1934, or regulations issued thereunder, and that no gold will be sold under this authorization to any person not licensed under the Regulations issued under the Gold Reserve Act of 1934 to acquire such gold from you for export to a foreign central bank.

In consideration of Federal Reserve Bank of New York acting in accordance with the foregoing authorization and request, I agree that the United States will reimburse the Federal Reserve Bank of New York for all amounts paid by it for gold purchased under this authorization and for all out-of-pocket expenses actually incurred by it in acting under such authorization, and that the Federal Reserve Bank of New York will incur no liability, except for its own negligence, in connection with any act performed, or agreements or contracts entered into, pursuant to this authorization.

Very truly yours,
(s) Henry Morgenthau, Jr.
Secretary of the Treasury.

JGL/kk
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Federal Reserve Bank of New York,
New York, New York.

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