

DECLASSIFIED

Authority NND 978024By _____ NARA Date 6/1/02RG 56Entry 69A7584File GOLD: MISCELLANEOUSBox 5

Attention: Mr. B. W. Ungo,
Manager Foreign Dept.

Gentlemen:

This is in reply to your letter of October 30, 1950, in which you request answers to the following questions:

1. Whether it is possible for a national bank to purchase gold from a foreign source and offer it for sale to the Federal Reserve, or to the United States Treasury; and
2. Whether a national bank is authorized to receive, establish or assign letters of credit in connection with purchases or sales of gold abroad by foreign clients and to receive or pay out funds for their account covering transactions under such letters of credit.

There is enclosed for your information a pamphlet containing the Gold Regulations issued under the Gold Reserve Act of 1934, as amended. Under Section 54.14 gold in any form situated outside the United States may be acquired, transported, melted or treated, or earmarked or held, in custody for foreign or domestic account without the necessity of holding a license.

Under Section 54.40 of the Regulations, gold may be imported for sale to a United States mint or assay office without the necessity of obtaining a Treasury gold license, provided the requirements of that section are complied with and the gold remains continuously in customs custody until its delivery to the mint or assay office. The mints, however, purchase only gold which meets the deposit requirements set forth in Section 54.36 of the Gold Regulations, and is otherwise suitable for mint operations. Thus, in answer to your first question, you are authorized under the Gold Regulations to purchase gold situated abroad and, in compliance with Section 54.40, to import such gold for sale to the United States.

It should be noted that gold may be imported into the United States for purposes other than for sale to the United States only by the holder of a license authorizing such importation. Such licenses are issued only to persons requiring gold for legitimate and customary use in industry, profession or art.

With respect to your second question, you are advised that there are no statutes or regulations prohibiting the specified financial

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DECLASSIFIED	RG <u>56</u>
Authority <u>NND 978024</u>	Entry <u>69A7584</u>
By _____ NARA Date <u>6/16</u>	File <u>GOLD: MISCELLANEOUS</u>
	Box <u>5</u>

- 4 -

gold beyond the limits of the continental United States as, or in lieu of, money, or for the value of its gold content". Thus we don't license the exportation of gold for hoarding or monetary uses (except to foreign Governments and central banks). Under Section 54.34 of the Regulations the Secretary of the Treasury, with the approval of the President, is also authorized to issue licenses for the acquisition, etc., of gold for purposes "which, in the judgment of the Secretary, are not inconsistent with the purposes of the Act". Although the purposes of the Act are not carefully spelled out I think the foregoing provisions of the Regulations indicate an intention that within the continental United States gold shall be acquired and held only for industrial, etc., uses and not for hoarding or monetary uses, and to the extent that the Regulations are operative outside of the continental United States, i.e., with respect to persons in the possessions who are domiciled in, or residents of, the United States, that gold shall not be held for hoarding or monetary purposes. It is therefore concluded that it is doubtful whether authority exists to license the branch of the National City Bank in Puerto Rico to hold gold for account of its customers. It is also concluded, that whether or not such authority exists, it would be contrary to our licensing policy and to the policy expressed in the Regulations for us to license such operations.

for JPD

other than for industrial, professional or artistic

One further question deserves mention. In the event that some authority were found to authorize the operations which the branch of National City Bank desires to perform in Puerto Rico, it would still be authorized to hold gold only for the account of non-residents of the United States, because Section 54.15 specifically says that gold may be acquired, held, etc., "for the account of persons other than residents of the continental United States". The term "residents" as applied to corporations would probably exclude all corporations incorporated in the United States.

uses. JPD

or licenses JPD

as amended. JPD

12/ JBSmith

Fred B. Smith

I concur.

*E.A. } initialed
L.H. }*

FBSmith:rs 2/23/50

229667

DECLASSIFIED

Authority NND 978026By NARA Data 6/16

RG

56

Entry

69A7584

File

GOLD: MISCELLANEOUS

Box

5

- 3 -

In 1934 the very question here being considered was raised and the decision made was in accord with the foregoing conclusion. The Superintendent of the San Francisco mint in a telegram asked the following question:

"Do mining companies located in the Philippines and other possessions of the United States beyond continental limitations (sic) of United States have to be licensed to melt their product stop See Section 15 of Regulations possible exemption stop"

In reply a telegram was sent on May 31, 1934, over the signature of the General Counsel as follows:

"Retel May twenty one to Director of Mint stop Under section fifteen Provisional Regulations gold may be melted and treated in the Philippines and other places subject to the jurisdiction of the United States but beyond the limits of the continental United States without a license by individuals who are not domiciled in the continental United States comma and by partnerships and associations provided none of their members are domiciled in the continental United States comma and by corporations other than those which are incorporated under the laws of the United States and which also have their principal place of business in the continental United States comma and those which are incorporated under the laws of any State of the United States comma the District of Columbia or the Territory of Alaska."

It can be seen that at that time United States corporations operating in the possessions were considered to be domiciled in the United States, with the possible exception of corporations incorporated under the laws of the United States, but which had their principal place of business in the possession. Since the National City Bank is incorporated in the United States and its principal place of business is also in the United States, it is believed that its branch could not be considered as domiciled in Puerto Rico under the test applied in 1934.

For the foregoing reasons, it is concluded that the branch of the National City Bank in Puerto Rico may not hold gold for the account of its customers without a license issued by the Treasury Department.

This raises the question as to whether there is authority for the issuance of a license to perform this function and whether as a matter of policy we ought to do so. The standards for the issuance of licenses for the acquisition and holding of gold are set down in Section 54.25 of the Gold Regulations. In general, this section indicates that licenses will be issued to facilitate "legitimate and customary industrial, professional, or artistic uses" but will not be issued "for the purpose of using or hoarding or disposing of ***

229668

DECLASSIFIED	RG	56
Authority <u>NND 978024</u>	Entry	<u>69A7584</u>
By _____ NARA Date <u>6/16</u>	File	<u>GOLD: MISCELLANEOUS</u>
	Box	<u>5</u>

- 2 -

a corporation cannot change its domicile at will, and although it may be permitted to transact business where its charter does not operate, it does not on that account acquire a residence or domicile there." 1/

Justice Holmes expressed this view while a member of the Supreme Court of Massachusetts, as follows:

"There are even greater objections to a double domicile than there are to double citizenship. Under the law as it has been, a man might find himself owing a double allegiance without any choice of his own. But domicile, at least for any given purpose, is single by its essence. *** A corporation does not differ from a natural person in this respect. If any person, natural or artificial, as a result of choice, or on technical grounds of birth or creation, has a domicile in one place, it cannot have one elsewhere, because what the law means by domicile is the one technically pre-eminent headquarters, which, as a result either of fact or fiction, every person is compelled to have in order that by aid of it certain rights and duties which have been attached to it by the law may be determined. It is settled that a corporation has its domicile in the jurisdiction of the state which created it, and as a consequence, that it has not a domicile anywhere else." 2/

It is felt that the common law rule as to the domicile of corporations probably is the rule which should be applied to the question here being considered with the effect that the branch of National City Bank in Puerto Rico must be considered as a person domiciled in the continental United States and therefore not authorized to hold gold for the account of its customers without a Treasury license.

Use of the common law rule, it is felt, probably would be carrying out the intent of the drafters of the Gold Regulations, since it is believed that the terms "domiciled" and "residents" were used therein in their popular sense, and not in any narrow technical sense. The common law rule as stated above is, it is believed, in accord with the popular understanding as to the domicile and residence of corporations.

1/ Fletcher, Encyclopaedia Corporations, Volume 17, Section 8300.

2/ Bergner & Engel Brewing Co., v. Dreyfus, 172 Mass. 154.

DECLASSIFIED

Authority NND 978024By _____ NARA Date 6/16

RG

56

Entry

69A7584

File

GOLD: MISCELLANEOUS

Box

5

February 23, 1950

MEMORANDUM

Re: Authority of a Branch of a United States Commercial Bank to Hold Gold for Account of its Customers in a Possession of the United States.

The National City Bank of New York City has made inquiry through the Federal Reserve Bank of New York as to whether its branch in Puerto Rico is authorized under the Gold Regulations to hold gold for account of its customers. Section 54.15 of the Gold Regulations deals with gold situated in the possessions of the United States. It provides in part:

"Gold in any form (other than United States gold coin) situated in places subject to the jurisdiction of the United States beyond the limits of the continental United States may be acquired, transported, melted or treated, imported, exported, or earmarked or held in custody for the account of persons other than residents of the continental United States, by persons not domiciled in the continental United States." (underscoring supplied)

The decision therefore hinges on whether the branch of National City Bank in Puerto Rico can be considered a person not domiciled in the continental United States, within the meaning of Section 54.15.

An examination of case decisions and textbook discussions reveals that the law as to the domicile and residence of corporations is very confused and that there are many conflicting and irreconcilable decisions and opinions on this question. It appears, however, that most of the confusion and conflict arises out of attempts by courts to carry out the intent of legislative bodies which have included in statutes rather loose references to domicile or residence. For this reason, most of the decisions arising in connection with questions concerning the jurisdiction of courts, taxing authorities, etc., are not considered to be particularly relevant to the question here considered. It appears, however, that at common law there was general agreement concerning the principles governing the determination of the domicile and residence of corporations. The rule is stated as follows:

"It is the settled general rule that, in so far as a corporation can be regarded as a citizen, resident or inhabitant of any state or country, it is a citizen, resident or inhabitant of the state or country by or under the laws of which it was created, and primarily, of that state or country only. It is equally well settled and fundamental that a corporation has its legal domicile in the country or state by or under whose laws it was created, and in that country or state only, even though it may be engaged in business and have an office in another country or state, and that, unlike a natural person,

229670

DECLASSIFIED	RG	56
Authority <u>NND 978024</u>	Entry	<u>69A7584</u>
By _____ NARA Date <u>6/14</u>	File	<u>GOLD: MISCELLANEOUS</u>
	Box	<u>5</u>

February 24, 1950

MEMORANDUM FOR THE FILES

Re: Authority of National City's branch in Puerto Rico to Hold Gold for Account of its Customers.

On February 24, 1950, I called Norman Davis at the Federal Reserve Bank of New York and advised him:

1. That National City's branch in Puerto Rico is not authorized under the Regulations to hold gold for the account of its customers without a Treasury license; and
2. That Treasury would not be disposed to grant it a license for this purpose, except possibly to hold industrial gold for licensees.

Mr. Davis told me that he was pretty sure that this gold was not for industrial purposes. He was informed that certain Swiss interests desired to send the gold over to Puerto Rico for security reasons in view of the unsettled political conditions in Europe.

Fred B. Smith

FBSmith:rs 2/24/50

229671

DECLASSIFIED	RG <u>56</u>
Authority <u>NND 978024</u>	Entry <u>69A7584</u>
By _____ NARA Date <u>6/16</u>	File <u>GOLD: MISCELLANEOUS</u>
	Box <u>5</u>

- 2 -

transactions. However, in June 1947, the International Monetary Fund issued a statement to all of its members stating that the Fund "strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with nationals of other countries". The International Monetary Fund has recently reaffirmed this statement of policy. In response to the request from the International Monetary Fund, the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System issued a joint statement on July 14, 1947 requesting "American individuals, banks and business enterprises to refrain from encouraging and facilitating this traffic (international transactions in gold at premium prices) and in particular to refrain from extending the use of their facilities and funds for the carrying out of such transactions". It is suggested therefore that you will want to examine financial transactions involving gold to insure that they are not premium price transactions contrary to the policy of the United States Government as set forth in the above-quoted joint statement.

Very truly yours,



General Counsel

City National Bank & Trust Co.
Kansas City 10, Missouri

enclosure

FBSmith:rs 11/16/50

229672

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 Authority None
 By [Signature] NARA Date 4/1

 RG 56
 Entry 69A7584
 File EXPORTATIONS OF GOLD
 Box 4

APR 23 1945

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires
 TO: Secretary of State, Washington
 DATED: April 19, 1945
 NUMBER: 767

R | File
 Argentine gold
 exportation

SECRET

US URGENT

McClintock makes request that no action toward the unfreezing of blocked gold of Argentine banks should be taken; prior to Warren Mission's departure such action was contemplated. The Argentine authorities, there is reason for believing, will very soon take action to remove from the boards of directors of two of the banks in question, certain persons who are suspected of being Axis sympathizers. No action should be taken to unfreeze the balances presently blocked, however, until it is sure that along these lines effective measures have been taken.

REED

DC/L:LCW:CVT

4-20-45

cc: 4/26/45 For Information - Messrs. Feig, Gilbert, Parke,
 Richards, Robinson, Delaney (4), Arnold, McNeill,
 Blake (2), Ny Fed.

EOB/m

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 Authority NND 978024
 By [Signature] NARA Date 6/16

 RG 56
 Entry 69A7584
 File EXPORTATIONS OF GOLD
 Box 4

Mr. Foley

August 14, 1946

Acting Director of the Mint

Exportations of Gold

Evidence has been received that some of the recent exportations of gold for allegedly commercial purposes have been illegitimate. Although still small in comparison to the possible world demand for gold for industrial purposes, exportations of gold for commercial purposes have been accelerating rapidly. If the present volume of exportations were to continue, more than 325,000 ounces of gold would be exported this calendar year as compared to a total of 2,600 ounces exported in 1943. This memorandum reviews the development of the situation, comes to the conclusion that more strict control of gold exportations is necessary, and makes certain recommendations for such action.

Under the Gold Reserve Act of 1934 and the Provisional Regulations issued thereunder, the Treasury is authorized, with the approval of the Secretary, to grant licenses for the exportation of gold when satisfied that the export is for a specific and customary industrial, professional or artistic use and not for the purpose of using or holding or disposing of such gold beyond the limits of the continental United States as, or in lieu of, money, or for the value of its gold content. Such licenses are granted upon the basis of an application of the exporter in which he sets forth under oath information relative to the proposed exportation, including the use for which the gold is to be exported.

Prior to 1942 export licenses had been granted only if the gold were in a semi-fabricated form. Application for the exportation of gold in bar form or for large amounts in sheet or other partially processed form were either discouraged or refused. In recent years it has been felt that rigidly restrictive enforcement of the gold regulations is no longer necessary and that, whenever possible, all legitimate business activity not inconsistent with the Gold Reserve Act of 1934 should be permitted. Consistent with this position, exportations of gold in bar form have been licensed since 1942.

In 1944 gold exportations began to increase. In that year 19,000 fine troy ounces were exported. Most of this gold was consigned to South America, particularly Brazil. At the request of the Bureau, the State Department conducted an investigation in Brazil and reported that importations were licensed by Banco do Brasil and that the consignees were engaged in a legitimate business requiring the use of gold. Spot checks in other South American countries failed to disclose any unauthorized use of gold.

Thereafter gold exportations continued to increase. 97,500 ounces were exported in 1945. At the end of hostilities added impetus was given to gold exportations by the opening of new markets. Because of this constant increase, applications in excess of fifty ounces of gold, in addition to being processed against the Proclaimed List and the Special List of Blocked Nationals, were

229674

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 Authority 11/11/75
 By [Signature] NARA Date 4/11

 RG 56
 Entry 6947584
 File EXPORTATIONS OF GOLD
 Box 4

As approved by Mr. Foley.
 Minor changes were made
 before transmitting to
 State Dept.

Dear Sir:

The amount of gold exported in the last year and the rate at which current applications are being received has forced the Bureau of the Mint to the conclusion that all gold exported is not being used for legitimate and customary industrial, professional or artistic purposes. Moreover, this Bureau has been advised of specific exportations to consignees who have no occasion to use gold for industrial purposes and of other gold shipments in violation of the laws of the country of importation.

As a result, it has been determined that applications to export bar gold or substantial quantities of gold in partially processed form will hereafter be considered only if accompanied by a statement from the consignee, sworn to before the nearest United States consular official.

The statement of the consignee should include the following:

1. The business of the consignee.
2. The total amount of gold used by the consignee in the last year.
3. The amount of gold used by the consignee in each of the three months immediately preceding the date of the statement and a detailed accounting of the use of that amount of gold.
4. The specific use to be made of the gold for which application is being filed.
5. A detailed accounting of the use and disposition of the last previous shipment of gold from the United States.
6. A statement that the proposed importation and payment therefor is authorized or licensed under the local gold and exchange control laws and regulations. (Specifying the applicable laws, regulations or licenses.)

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Authority 100-973226By [Signature] NARA Date 1/11RG 56Entry 69A7584File EXPORTATIONS OFBox 4 GOLD

- 2 -

7. If the consignee re-sells gold for industrial, commercial or artistic use, the names and addresses of those to whom it is re-sold should be given and items 1 to 5 answered about each of such purchasers.

It should be understood that general answers to any of these inquiries will not be acceptable to the Bureau of the Mint. For example, a statement that gold has been or will be used for jewelry or dental purposes will not be sufficient. The specific types and karat of jewelry or dental gold must be included.

In view of the above, you are advised that your pending applications to export gold are denied. These applications will be reconsidered upon re-submission in accordance with the above procedure.

By direction of the Secretary:

Very truly yours,

Director of the Mint

CRMcNeill:sk 8/7/46

229676

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 Authority 100-978226
 By [Signature] NARA Date 4/11

 RG 56
 Entry 69A7584
 File VI (b) GENERAL
 Box 6

SECRET

CLASSIFICATION

CENTRAL INTELLIGENCE AGENCY

REPORT NO. 38375*

CR

INFORMATION REPORT

DATE DISTR. 7 April 1950

COUNTRY Switzerland/USSR/China

SUBJECT Attempt to Dispose of Gold in Switzerland;
Gold Sales from Formosa

PLACE ACQUIRED France, Paris

DATE OF INFO. November 1949 - March 1950

Gold Policy

THIS IS UNEVALUATED INFORMATION

SOURCE Paragraph 1: Member of Zurich banking firm.
Paragraph 2 and 3: Swiss banker residing in Paris.

- 6.6
- In November 1949, a member of a prominent Zurich banking firm was approached to act as agent for the disposal of gold to the equivalent of 225,000,000 Swiss francs. The approach was made by an obscure Swiss lawyer, Dr. Georg Steinerder, of Ureniastrasse 35, Zurich. On 6 March 1950, the banking firm received a similar offer from another little-known Swiss lawyer, Boehniger, fmu, of Ostermundigen. The metal was reported to be in Amsterdam, Holland, and the papers of ownership to be in Switzerland. Source had the impression that the prospective sellers were Russians.
 - In December 1949, another Swiss banker received a similar offer for 225,000,000 francs worth of gold from Dr. G.S. Abt, of Bahnhofstrasse 24, Zurich. The London banker, Montague Norman, flew to Zurich to form a syndicate with this Swiss banker to negotiate with Abt. Although the syndicate made a firm bid to Abt for the gold, no deal resulted. Apparently the negotiations were on the basis of \$42 per ounce. Source inferred that the prospective seller was Russian, and that the Russians had large holdings in gold which they desired to sell in Switzerland to a single buyer.
 - During March 1950, French and English bankers, mainly Lazard Freres and Montague Norman, purchased 4,000 ounces of gold at approximately \$39 per ounce from the Chinese. The gold was sold from Formosa via Macao, and is stored at Tangier.

cc: 4/24/50 Messrs. Willis, Arnold, Pollack, Schaffner, Stuart, Schwartz, Eddy, Bittermann, F. Smith, McNeill, Ming

229677

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Authority 11/19/82By [Signature] NARA Date 1/11RG 56
Entry 69A7584
File VI (b) GENERAL
Box 6CLASSIFICATION SECRET/CONTROL - U.S. OFFICIALS ONLY
CENTRAL INTELLIGENCE AGENCY*Smith*

INFORMATION REPORT

REPORT NO. SO DB-23689

DATE DISTR. 28 March 1950

COUNTRY Belgium

SUBJECT Gold Shipments

PLACE

ACQUIRED Belgium, Antwerp

DATE OF

INFO. 4 - 28 February 1950

Gold Policy P

THIS IS UNEVALUATED INFORMATION

SOURCE Belgian businessmen.

1. The following amounts of gold were imported or exported by Belgian firms in the latter half of February 1950:
 - a. On 15 February, Freyman and Van Loo of Brussels received a shipment of 200 kgs. of refined gold, assaying at 999.9, on order of Bracht and Co., Antwerp for the account of the Societe Cooperative des Producteurs d'Or "Conger", Brussels.
 - b. On 21 February, a shipment of 300 kgs. of refined gold, assaying at 999.9, was delivered to Freyman and Van Loo under the same conditions.
 - c. On 22 February, 50 kgs. of refined gold, assaying at 999.9, were sent to Ezra J. Safra, Beirut in transit to Saigon. This shipment was on the order and for the account of the Saudi Arabian Mining Syndicate, New York and was shipped through Roger Hecht, Brussels.
 - d. On 28 February, 58 kgs. of gold, assaying at 999.9, were shipped by SABENA (Belgian Airline) to William H. Muller and Co., Amsterdam on the order and for the account of the Saudi Arabian Mining Syndicate. This gold was also shipped through Roger Hecht.
2. On 4 February, six kilograms of refined gold and 45 kgs. of refined silver were shipped by Blauwvriesveen, Brussels to Metalimex, Prague. The gold and silver were refined from a shipment of copper ore which Metalimex had sent to Antwerp via the SS INGER MARIE.

cc: 4/24/50 Messrs. Willis, Arnold, Maloney, Schwartz, Eddy, Bittermann, F. Smith, Mint, Sommerfield

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Authority NND 978026
By SP NARA Date 6/16RG 56
Entry 69A7584
File 1 (D) GENERAL
Box 6

THE PRIVATE DEMAND FOR GOLD, 1931-53

vertible) sterling; they may purchase gold only with a special license from the Bank of England. Residents of all other countries may buy or sell gold freely, provided payment is made in American account or Canadian account sterling, or in registered sterling. The latter category of sterling was established when the gold market was reopened and may be held only by residents outside the dollar and sterling areas. Registered sterling accounts may be acquired by selling gold or dollars in London.

South African gold production remains the most important source of supply for gold markets. With the reopening of the London market, past arrangements whereby South African gold producers were permitted to sell part of their production in free

markets were discontinued. Sales of gold are now handled by the South African Reserve Bank which is committed to sell a minimum of 4 million ounces (140 million dollars) a year to the United Kingdom and as a rule effects any additional gold sales through the London market.

Private demand for gold is the smallest in many years. According to press reports, some gold has moved out of private holdings in France, as the Exchange Stabilization Fund has made net purchases in the market. Reports from India indicate that activity in the local bullion market continues at a low ebb. There appears to be some return flow of gold from Tangier to Europe. These trends reflect the abatement of private interest in gold in most markets of the world.

cases the United Kingdom was the country to which gold was consigned. Gold imported into the United Kingdom for refining and processing can be held there by banks and dealers for the account of nonresidents or exported, subject to license, to any country outside the Sterling Area, provided the country permits the import. Although there are no figures available, it would appear that the amount of gold located in London vaults for the account of foreigners may be considerable.

A free gold market has existed in France since early 1948, but legally the market is restricted to domestic transactions; the import and export of gold require permission of the Bank of France. A considerable amount of gold and gold alloys moved through France in recent years, including reported imports and exports under license as well as unreported movements between France and neighboring countries.

Italy has a free internal gold market. The import of gold coins into Italy is free but the import of gold in other forms and the export of any type of gold are subject to license. According to Italian statistics, a considerable quantity of gold coins was imported into Italy from the Netherlands, France, and Belgium in the years 1950-52. According to statistics of other countries, semi-processed gold has also moved into Italy. It is impossible to trace the movement of gold from Italy.

The gold market in Switzerland has been completely free since mid-1952 when the last of the wartime controls on gold transactions and the import and export of gold was removed. Switzerland has been one of the principal transit centers in the movement of gold in all forms. Statistics indicate that Switzerland imported gold in semi-processed

forms, and exported it to the other Western European countries.

The Tangier market is closely related to Europe. The exchange and gold markets in Tangier have remained completely free for local and foreign residents alike. During the postwar years an active gold market developed with facilities for storage, international transfer, and settlement of gold transactions. From 1948 to 1953, according to Tangier statistics, net imports for storage were about 53,000 kilograms (60 million dollars). Gold came almost entirely from European countries.

Movements to Middle and Far East. Since early 1949 Beirut has become a primary transit center in the movement of gold from West to East. At that time the Government of Lebanon liberalized the transit of gold, permitting traders to keep gold for a period up to four months, and to export the gold to any destination. In 1952 the period was extended to six months to aid Beirut gold traders who were having difficulty in moving their stocks, owing to falling Indian demand. According to Lebanese statistics, an average of 75,000 kilograms of gold (84 million dollars) has passed through that country each year since 1950. The principal countries of origin have been the Netherlands, France, United Kingdom, and Switzerland, and it is indicated that most of the exports have been destined for Kuwait.

In the Far East, Macao has served as a distribution center and a point at which gold coming from Europe and the Western Hemisphere is converted into bars and shapes acceptable to local traders. Closely associated with the Macao market, Hong Kong has traditionally provided the facilities for arranging and financing international gold transactions. Gold can be shipped to and from Macao with little restriction. Until

recently imports of gold into, and exports from, Hong Kong were restricted, but gold may now be imported into this colony for re-export to any destination in the world with the exception of Kuwait.

Prior to the middle of 1949, China was a principal market for gold passing through Hong Kong and Macao. With the exodus of refugees, following the establishment of Communist control in China, this flow was reversed for a time and there was less activity in these two markets. At the middle of 1950, however, with the outbreak of hostilities in Korea, gold trading in these markets began to flourish again, reflecting a renewed demand in the area. According to estimates of local bullion dealers published in Hong Kong, gold imports into Macao during the period 1948-51 totaled almost 300,000 kilograms (338 million dollars) of which about one-third were imported in 1951. Imports declined somewhat in 1952, and in 1953 were said to be only about 30,000 kilograms (34 million dollars), but recently this flow has again shown signs of increasing. The same sources indicate that Hong Kong imported gold from Macao and the Philippines, and exported it, until November 1952 principally to Bangkok and Singapore and since then to Singapore, Burma, Indonesia, Indochina, and Japan.

Bangkok serves as a transit point in the movement of gold and also as a center for gold redirected to India. Until 1952 the import and export of gold were illegal. In October of that year, a syndicate of Thai banks was granted permission to import a limited amount of gold each month; this gold apparently originated in Europe. Imports by private merchants continued to be officially forbidden.

In March 1947 the Reserve Bank of India suspended the issuance of gold import li-

censes, but an internal free market continued. Since then this market has been supplied by newly mined domestic output (around 8 million dollars annually) and by clandestine imports. From all indications, it appears that sizable amounts of gold reached India illegally by two principal routes—through Beirut and Kuwait from the West, and through Hong Kong and Bangkok from the East. However, this gold traffic apparently began to decrease in March 1952. At that time a slump in commodity prices was accompanied by a decline of around 15 per cent in the rupee price of gold, leading to a settlement crisis in the local bullion exchange. Forward trading was suspended for two months, and after the reopening of the exchange the price continued to decline through December. In early 1953 the price recovered somewhat and remained relatively constant. This development coincided with the tapering off of inflationary pressures since 1952.

DEVELOPMENTS IN 1954

In the first half of 1954 the price of gold in the various markets remained around \$35 per ounce. Only a small amount of gold appears to have moved into private channels, probably only that required to meet the normal demand for industrial uses.

The most important development in this period was the reopening of the London gold market on March 22. The market had been closed since 1939, but authorized gold dealers had been permitted for some time to act as agents in arranging transactions between nonresidents. The London bullion market consists of the same six firms as before the war, and banks in the United Kingdom are also authorized to deal in gold. Residents of the Sterling Area may freely sell gold only for resident (that is, incon-

ency to fall. The supply of gold was augmented as a result of the decision in early 1949 by the Union of South Africa to permit the export of fabricated and semi-processed gold for private sale. At about the same time Chinese sources ceased to be net buyers of gold. For several years China had absorbed large quantities of gold but in mid-1949, following the establishment of Communist control, the Chinese liquidated part of their holdings.

The world-wide currency adjustments of September 1949 took place at the time when prices of gold in most markets had declined to below \$50 per ounce. These adjustments contributed further to the diminishing private interest in gold, accentuating sharply the decline in prices which by May 1950 reached a level between \$36.50 and \$39.50 per ounce.

With the outbreak of hostilities in Korea in mid-1950, there was an immediate and widespread renewal of private demand for gold. The amount of gold flowing into private hands in the second half of 1950 reached an estimated 275 million dollars, compared with around 75 million in the first half. Correspondingly, prices in the various markets rose until January 1951, when they were at or above \$42 per ounce.

In 1951 the amount of gold entering private channels reached a new high and gold prices fell, the sharpest drop taking place after September. At that time the International Monetary Fund announced that it would leave to member countries decisions pertaining to the regulation of gold transactions. Following this announcement, the gold producers of Canada, Australia, Southern Rhodesia, and West Africa were given permission by their respective governments to sell gold in processed form on free markets. No limit was placed on the amount

of sales by Canadian and Australian producers. In Southern Rhodesia and West Africa, free market sales were limited to 40 per cent of output, but this restriction was removed in 1952. Furthermore, the provision that gold had to be in processed form was removed in Australia, Southern Rhodesia, and West Africa in 1952 and in South Africa and Canada in 1953, thus leaving producers free to sell gold in fine bar form.

The amount of gold entering private channels in 1952 was substantially less than in the preceding year. Demand declined throughout the East, particularly in India. Apparently there was also less demand for gold in France until the latter part of the year. In fact, net sales of 34 tons (38 million dollars) from private holdings occurred in the latter country in connection with the Pinay gold loan. Reflecting the decreased demand, prices of gold in various markets declined to about pre-Korean levels.

In 1953 the flow of gold into private hands appears to have been about the same as in the preceding year. In 1952, however, the rate of absorption was about the same throughout the year, while in 1953 it was higher in the first than in the second half. As demand contracted, the dollar price of gold in Zurich and Tangier fell in November below the official parity of \$35 per ounce, and prices in other markets fell to close to parity. At this point South Africa producers ceased selling in free markets, and by the end of the year prices showed again a tendency to rise slightly in most markets.

GEOGRAPHIC PATTERN OF GOLD FLOWS

From available information it appears that private demand for gold in the West was largely concentrated in a few countries. In Western Europe, the greatest demand for gold apparently originated in France, and

there was evidence of persistent demand from Italy. For some years, there was an active demand for gold coin by the Greek public. In London, gold has been customarily held for the account of nonresidents. Zurich and Tangier have been important international gold centers. There is no statistical evidence of any significant demand for gold in other Western European or in Latin American countries.

Private holdings in Middle and Far Eastern countries have been subject to few effective restrictions and appear to be more widespread than elsewhere. Until the imposition of restrictions in 1952, Egypt appeared as an importer of gold. In Saudi Arabia and a few other countries in the Middle East, gold coins were used as a medium of exchange. Until mid-1949 most of the gold entering Asia reportedly was destined for China and India; afterward the main flow was directed toward India.

Gold entering private channels either for use in industry and arts or as addition to holdings comes from two sources—new production or sales by monetary authorities from official reserves. Between 1950 and 1953, the Union of South Africa reportedly was selling in gold markets about 40 per cent of its annual production of more than 400 million dollars. More than half of the gold produced in other sterling area countries (estimated at around 100 million dollars a year) also went into private uses or holdings. In 1952 Canadian producers sold approximately 30 per cent of their current gold output (157 million dollars) through foreign private channels, but such sales appear to have declined in 1953. Newly mined gold from Latin America and Asia, after being refined in the United States and Europe, was also sold in gold markets, largely in the Middle and Far East; over the past years

these sales accounted for more than half of the combined production in these areas, totaling some 100 million dollars a year.

There were reports of intervention in local gold markets by monetary authorities. In France the Exchange Stabilization Fund intervened from time to time in the market, principally as a buyer of bars and a seller of coins in view of the higher demand and prices for gold pieces. The Bank of Greece sold gold sovereigns to the public for a number of years, such sales amounting to around 65 million dollars in the period 1946-52. Some 350 million dollars of gold, mainly in coins, was sold before 1948 by the Swiss National Bank and until 1950 the Bank of Mexico also sold gold coins. Between 1948 and 1950 the Government of Saudi Arabia acquired about 80 million dollars of gold sovereigns in payment for oil royalties and in later years it issued Saudi Arabian gold coins; most of these gold pieces were exported for sale at a premium, while some became part of the local currency in circulation.

The flow of gold from producing countries to the various markets of the world and its distribution between major areas can be analyzed broadly, despite the limitations of underlying data described on page 3.

Movement of gold to Western Europe. During the past decade Western Europe was the final destination for part of the gold received from producing countries and a transit area for gold shipped to Middle and Far Eastern markets.

Semi-processed gold from South Africa, the principal source of supply for gold markets, moved largely to a few European gold-processing countries. It appears that France, Switzerland, and the Netherlands were the immediate recipients and principal transit countries, from which processed gold was moved to other countries and areas. In some

THE PRIVATE DEMAND FOR GOLD, 1931-53

ESTIMATES OF SUPPLIES AND USES OF GOLD, 1931-53
[In millions of dollars at \$35 per fine ounce]

Year	Supplies of gold			Uses of gold						
	New production (excluding U.S.S.R.) ¹	Reported receipts from U.S.S.R. ²	Total	Changes in official gold reserves (excluding U.S.S.R.)	Flow into private channels			Residual: Changes in private holdings outside United States and U.S.S.R., etc. ³		
					Total	United States industry and arts (net) ⁴	Other areas	Total	Eastern countries	Other areas
1931	720	100	820	510	310	10	300	-200	500	
1932	775	80	855	1,150	-795	-10	-285	-475	190	
1933	795	70	865	460	405	-110	515	-300	815	
1934	825	85	910	1,465	-555	-110	-445	-250	-195	
1935	885	25	910	975	-65	-35	-30	-200	170	
1936	970	10	980	1,595	-615	-5	-610	-125	-485	
1937	1,040	210	1,250	1,715	-465	5	-470	-75	-395	
1938	1,140	-400	740	295	445	...	445	-75	520	
1939	1,220	55	1,275	1,925	-650	10	-660	-175	-485	
1940	1,310	55	1,365	1,710	-345	15	-360	-50	-310	
1941	1,265	45	1,310	1,210	100	35	65	25	40	
1942	1,125	30	1,155	980	175	45	130	25	105	
1943	870	...	870	905	-35	85	-120	150	-270	
Total, 1931-43	12,940	365	13,305	14,895	-1,590	-65	-1,525	-1,725	200	
1944	775	...	775	385	390	95	295	175	120	
1945	740	...	740	390	350	110	240	125	115	
1946	755	45	800	350	450	155	295	125	170	
1947	765	30	795	420	375	50	325	50	275	
1948	805	...	805	385	420	45	375	225	150	
1949	840	...	840	475	365	110	255	175	80	
1950	865	...	865	410	455	100	355	150	205	
1951	840	...	840	150	690	70	620	200	420	
1952	865	...	865	310	555	95	460	150	310	
1953	860	75	935	430	505	75	430	125	305	
Total, 1944-53	8,110	150	8,260	3,705	4,555	905	3,650	1,500	2,150	
Grand total, 1931-53	21,050	515	21,565	18,600	2,965	840	2,125	-225	2,350	

¹1931-37, estimates of U. S. Bureau of the Mint; 1938-52, estimates of U. S. Bureau of Mines; 1953, estimate of Board of Governors of the Federal Reserve System.
²Incomplete data. Includes imports by the United States and other countries until 1939 and since then receipts by monetary authorities. Does not include any other sales by U.S.S.R. in gold markets. Data for 1938 have been adjusted to include outflow to U.S.S.R. of \$20 million dollars of gold stated by Bank of Spain to have been sent to the U.S.S.R.
³Estimates of U. S. Bureau of the Mint for net amount of gold issued for use in industry and the arts; i. e., gold issued by United States mints and assay offices and private refiners and dealers less return of old jewelry and scrap. In addition, includes return of gold coin as follows: 1933, 100 million dollars; and 1934, 50 million.
⁴Includes also gold used in industry and arts and errors and omissions in over-all set of estimates.

ance, for the 23-year period as a whole there appears to have occurred a moderate decline in private Eastern holdings, and the net flow of gold into private channels presumably related to a few countries of Western Europe. The net liquidation of gold during the first phase went through three stages. In the years 1931-35, the decline in world prices affected especially raw material-producing countries and depreciation of sterling provided a profitable opportunity to holders in India and other countries to shift from gold

to different types of investments. Under such conditions Eastern holders may have liquidated during these years about 1.5 billion dollars of gold, while private holders in other areas may have acquired nearly the same amount. Subsequently, during the period 1936-40, liquidation of private gold holdings became important in Western countries—exceeding 1 billion dollars—while such liquidation in the East was perhaps only .5 billion dollars. Many private holders in Europe ap-

THE PRIVATE DEMAND FOR GOLD, 1931-53

parently preferred to dispose of their gold in order to shift into overseas assets that seemed to afford greater security from governmental controls and from the effects of war. In addition, in the later years various governments required the surrender of gold held by their nationals, and the German forces requisitioned gold in occupied countries.

In the years 1941-43, which mark the transition between the two phases, there was revival of private demand in the East and some further liquidation in the West. The Allied and Japanese Governments sold gold during these years in the Middle Eastern, Indian, and Chinese markets as a means for raising local currency to finance military operations.

The second phase, 1944-53, was characterized by a succession of political disturbances. Strong inflationary pressures prevailed in the early postwar years and it was not until 1952 that most countries made decisive progress toward financial stability. During this period an estimated 3.7 billion dollars of gold went into private uses outside the United States, representing about half of foreign gold production of the period. The peak of private demand abroad appears to have been reached in 1951, when the equivalent of 80 per cent of that year's foreign production went into industrial uses or private holdings, or was otherwise unaccounted for.

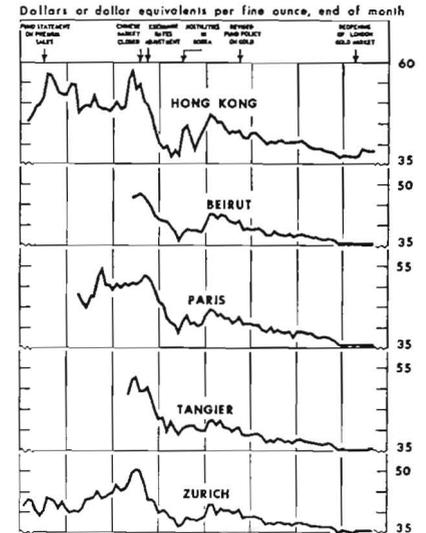
FACTORS INFLUENCING POSTWAR DEMAND AND SUPPLY

A number of specific developments have affected the supply and demand in gold markets in the postwar years. In a statement of June 1947 regarding transactions in gold at premium prices, the International Monetary Fund recommended that all its members take effective action to prevent international transactions in gold at premium

prices with other countries or with the nationals of other countries. In compliance with the Fund's recommendations, member as well as certain nonmember countries generally tightened their controls over private gold transactions.

Despite these measures, the amount of gold flowing into private channels in 1948 was the largest in many years, and in the first half of 1949 the flow continued at about the same level. Increased demand was reflected in a rising price until mid-1949, when prices in most markets, as indicated in the chart, were at or above \$50 per ounce.

A decline in these prices followed, as supplies increased and demand showed a tendency to slacken.



NOTE.—International Monetary Fund data. The quotations for gold bars have been expressed directly in dollars in Tangier (since 1950) and in Zurich (since 1951). The Zurich quotation prior to 1951 reflected the price at which gold was traded for dollars in various markets. In other markets (such as Hong Kong, Beirut, and Paris) the quotations for gold, expressed in local currency, have been converted into dollar equivalents at "free" market exchange rates. Latest figures shown are for August 1954.

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between such markets in different countries were generally restricted, their activities involved varying degrees of evasion of governmental regulations, particularly with respect to import and export of gold and related foreign exchange operations.

Prices of gold varied greatly among these markets and they fluctuated widely from time to time. The prevalence until recently of premium prices—that is, prices higher than the official dollar value of gold—was a phenomenon that arose from attempts of governments to insulate their respective gold markets through the imposition of direct controls. Premium prices seem to have resulted mainly from effective depreciation of the various currencies involved, but such prices also reflected, in varying degrees, both the risks involved in the illegal nature of many transactions and a speculative preference for gold.

Abatement of private demand and decline in prices for gold in most markets to official valuations over the past year have accompanied achievement of financial stability and relaxation of exchange and trade restrictions in Western Europe and the Sterling Area. In any system of general currency convertibility and free gold movements, such as prevailed before the war, changes in private demand for gold would be reflected in fluctuations in exchange rates and would result in compensatory gold movements. Under such conditions, there would be no room for wide disparities between the price of gold and the corresponding foreign exchange rates.

MEASUREMENT OF GOLD FLOWS

In general terms, estimates of the flow of gold into or out of private channels for any time period may be derived by taking the difference between the amount of gold produced and the accretion to official gold re-

serves during the period; this difference represents the gold used for industrial or artistic purposes as well as changes in private gold holdings irrespective of their forms.

This article is based in part on regularly reported figures and in part on incomplete data and estimates. Statistics on gold production and official gold reserves are believed to be reasonably reliable. All major producing countries, except the U.S.S.R., provide information on gold production. Thus, the annual supply of gold may be measured by the world production outside the U.S.S.R. plus any reported transfers from the U.S.S.R. to other countries. Apart from these reported transfers, it may be noted, there have been indications of recent sales of Russian gold in free markets but the volume of these cannot be accurately gauged.

The figures for the changes in gold held in official reserves are based on reported gold holdings of central banks and governments and international institutions, unpublished data on holdings of various central banks and governments, and estimated official holdings of certain countries from which no current reports are made available—again with the exception of the U.S.S.R.

The difference between gold supplies, as defined above, and changes in official gold reserves (outside the U.S.S.R.) represents industrial or artistic uses of gold, changes in private gold holdings, and errors and omissions. From this difference may be deducted the net use of gold in industry and the arts in the United States since estimates of such uses and of the return of gold coin and scrap are available for the United States for the entire period covered by the article.

Residual figures derived on this basis represent the net flow of gold into and out of private hands in the rest of the world, that is, outside the United States and the U.S.S.R.



While prewar estimates indicated that approximately the same amount of gold was normally used in the arts and industry in the rest of the world as in the United States, there is no basis for distinguishing the various forms of private use of gold during the postwar years. In view of the limitless interchangeability between artistic and other forms in which gold may be privately held, the aggregate residual for the rest of the world appears to be the only reliable yardstick of the private demand outside the United States and the U.S.S.R.

A distribution of this residual between changes in Eastern countries and in other areas has been estimated on the basis of available information on local gold production and sales by monetary authorities within individual countries, as well as on movements of gold to and from countries and areas. A number of countries publish figures on gold movements, but their value is limited by the incompleteness of the statistics and the variety of definitions of the items covered. Furthermore, government restrictions in most countries on the import and export of gold have given rise to illegal movements. Any analysis of the statistics, therefore, depends largely on supplementary information which may be available from official or unofficial sources. Owing to the inadequacy of the reported data and information, it is impossible to estimate the quantity of gold moving from one country to another. An estimated distribution between broad geographic areas, which is used for some of the analysis in this article, is subject to a much wider margin of error than the over-all residual estimate of changes in private holdings.

FLUCTUATIONS IN PRIVATE GOLD HOLDINGS

The table on the following page indicates that the aggregate supply of gold for the 23-

year period 1931-53 may be estimated at 21.6 billion dollars, of which 21.1 billion was obtained from new production and the rest from the U.S.S.R. Monetary reserves increased an estimated 18.6 billion dollars (from 18.1 billion at the end of 1930 to 36.7 billion at the end of 1953). The difference of 3 billion dollars between supplies of gold and additions to official reserves may be taken to represent the amount absorbed by private uses throughout the world.

The gross demand from industry and the arts in the United States during the entire period took 1.8 billion dollars. About half of it was covered by the return of coin and scrap, which was particularly large in the thirties. The net private requirements of this country (840 million dollars) were covered by domestic production which for 1931-53 totaled 2.4 billion dollars.

After deducting the net private use in the United States, there is left 2.1 billion dollars, representing gold used in arts and industries or added to private holdings in the rest of the world (outside the U.S.S.R.), as well as errors and omissions. This residual may understate the absorption of gold into private channels to the extent of any gold sales by the U.S.S.R. in free markets, which may perhaps have reached a few hundred million dollars over recent years.

The period under discussion may be divided into two phases. The first phase, 1931-43, was characterized by large sales from private holdings in Middle and Far Eastern countries, moderate accretions to private holdings in other areas, and, on balance, a net liquidation of some 1.5 billion dollars from private holdings. In the second phase, 1944-53, substantial growth of private demand in both the East and the West resulted in the addition of around 3.7 billion dollars of gold to private holdings. On bal-

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Gold Policy - Premium prices

The Private Demand For Gold, 1931-53

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CONTENTS

Banco Nacional de Nicaragua - - - - - 1

Banco Central de Bolivia - - - - - 2

Letter dated Nov. 8, 1946 from Federal Reserve Bank of
New York to Secretary Snyder re five proposals
for foreign loans on gold - - - - - 3

Bank of Brazil - - - - - 4

Bank Polski - - - - - 5

General (Memoranda) - - - - - 6

The Netherlands - - - - - 7

Banque de France - - - - - 8

El Instituto Espanol de Moneda Extranjera - - - - - 9

Banco de Guatemala - - - - - 10

Banque Centrale de la Republique de Turquie - - - - - 11

Banco Central de Venezuela, S.A. (amendment to) NY-18-19 12
" " " " " (amendment to) NY-18-21 12

Memo to Mr. Carlock from Elting Arnold re Proposed Bill
Amending and Revising the Statutes Governing Financial In-
stitutions and Credit - dated Feb. 15, 1957

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Brazilian loan

1 July 1947

MEMORANDUM FOR THE FILE:

Burke Knapp telephoned this morning to advise me of the outcome of the meeting yesterday at the Board of Governors. Their conclusions may be summarized as follows:

- 1/ The policy group is unsympathetic to the idea of the New York Federal Reserve Bank making a commitment over any period of time to extend one year gold collateral loans on a fairly automatic basis;
- 2/ On the other hand there was complete readiness to recommend that the New York Federal Reserve Bank take over on the terms and conditions customarily used by the New York Federal Reserve Bank (namely at one percent such loan to be for three months with automatic renewal up to one year) any amount presently loaned to the Brazilian Government. If the loan were transferred to the New York Federal Reserve Bank the year would begin to run at that time so that the Brazilians would not have to repay until July 1948 rather than a year from the time of drawing as they would under the Stabilization Agreement.
- 3/ Apparently the policy group also considered an alternative arrangement whereby the New York Federal Reserve Bank would take over \$50 million of the gold collateral loan to the Brazilians on the expectation that the Treasury make a \$50 million Mexican-type Stabilization Agreement. Their deliberations concerning this matter appears to involve no departure from their decision on the preceding two points.

Burke said that he wanted to state for the record that this policy group was an informal advisory board and that any decision concerning a gold loan would have to be taken by the Board of Directors of the New York Federal Reserve Bank subject to approval by the Board of Governors.

Signed) ORVIS A. SCHMIDT

 Orvis A. Schmidt
 Acting Director
 Division of Monetary Research

cc: Messrs. Overby, Glasser, Kamarck, Friedman, May, Eddy, McNeill

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- 7 -

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

VI. Conclusion

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

- (1) Loans secured by gold collateral do not involve any serious conflict with the purposes of the Gold Reserve Act.
- (2) Loans made by the International Bank or other banking channels, subject to their appropriate limitations, probably are preferable from the standpoint of the borrowing country, except in the matter of interest rates.
- (3) Gold licensing policy should be used as part of monetary regulations of the United States, rather than as a device for policing loans. Where there are objections of a serious sort to a proposed loan other methods should be used to stop the loan.
- (4) It is generally undesirable for commercial banks to make long-term loans, but such loans are objectionable only when they constitute a large part of the total.
- (5) The use of gold collateral for short-term lending operations by the Federal Reserve Banks is unobjectionable. Federal Reserve Banks, however, should not make long-term loans for reconstruction purposes, nor should they renew short-term loans for indefinite periods.
- (6) At the present time, in view of the small amount of these loans, there appears to be little real objection to them. The matter might become more serious if they increased to larger amounts and if, as is possible, banks insist upon getting gold as collateral for loans to foreign countries. This practice would impair the usefulness of gold reserves, and therefore ought to be discouraged.

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56

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- 6 -

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

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

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

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

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Entry 09A7584
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- 5 -

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

V. Other Policy Considerations

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

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

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

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- 4 -

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

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

IV. Gold License Policy and Gold Collateral Loans

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

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

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 RG 56
 Entry 09A7584
 File GOLD, LOANS TO FOREIGN GOVTS.
 Box 0 SECURED BY [Signature]

- 3 -

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

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

III. U.S. Gold Licensing Policy

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

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

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RG 56
 Entry 09A7584
 File GOLD, LOANS TO FOREIGN COUNTRIES
 Box 0 SECURED BY [Signature]

- 2 -

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

II. Reasons for Loans

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

- (1) By using gold as collateral, the rate of interest is lower than on loans otherwise secured from commercial banks or from the International Bank. The cost might also be less than drawing on the International Monetary Fund for the same period of time, depending upon the amount of the loan, and the period of time for which it is held. Of course, the cost involved in selling the gold now and repurchasing it later is much less than the interest paid on a loan secured by the pledge of the gold or the purchase of currency from the International Bank. It is reported, however, that the Bank of America proposes to charge 3.5 percent on the \$4 million loan to Nicaragua, even when secured by gold to the extent of \$2 million. The Bank also will require Nicaragua to maintain a balance of \$1.5 million with the Bank, so that in practice only a half million dollars of the loan is unsecured.
- (2) The use of gold collateral makes possible a loan to a country which would otherwise be considered too great a risk. Thus Bolivia is in default on earlier bond issues. The Nicaraguan political situation is not entirely stable, while repayment prospects might be too uncertain for private capital. Czechoslovakia has recently had its difficulties with U.S. Government agencies in matters involving surplus property disposal and loans.
- (3) The central banking systems of most foreign countries permit gold held under earmark to be regarded as part of the monetary reserves of the country. By pledging this gold it is possible that the monetary reserves would not appear to be reduced, unless subsequently the borrowers were unable to meet payments. In the case of Bolivia total gold reserves amount to only \$22 million.

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RG 56
 Entry 09A7584
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November 20, 1946.

Mr. Glasser

Mr. Rittenham

Subject: Loans secured by earmarked gold.

I. Loan Requests and Licenses

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

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

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

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

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

229693

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RG 56
 Entry 09A7584
 File GOLD LOANS TO FOREIGN GOVTS
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Mr. Roe

October 27, 1955

Miss Wanamaker

(i) RW

Gold Collateral Loans - Turkey

I have set forth below the information you requested with respect to all of the gold collateral loans licensed by the Treasury and now outstanding to which the Central Bank of Turkey is a party. In two of these loan agreements, the gold value of the security is computed on the basis of the buying price for gold at the United States Mint which is \$35 per fine troy ounce of gold less $\frac{1}{4}$ of 1% handling charge or, in round figures, \$34.91. In the third, Chase Manhattan, it is valued at \$34.20 per fine troy ounce. Accordingly, I have figured the gold value at both the flat \$35 price and the values assigned by the parties. I also want to point out that the amounts, in ounces, of gold pledged, as given below, are those used in the licenses, which are drafted so as to allow some leeway. However, any discrepancies which exist do not amount to more than two or three ounces.

The outstanding loan agreements are as follows:

1. Guaranty Trust

Amount of credit - \$35,000,000
 Maturity - December 11, 1955
 Amount of gold pledged - 1,022,967 fine troy ounces
 Value of gold pledged
 at \$35 per fine troy ounce - \$35,803,845
 at \$34.91 per fine troy ounce - \$35,711,777.75
 Interest - $2\frac{1}{2}$ percent per annum

2. Bank of America

Amount of credit - \$20,000,000
 Maturity - December 4, 1956
 Amount of gold pledged - 577,446 fine troy ounces
 Value of gold pledged
 at \$35 per fine troy ounce - \$20,210,610
 at \$34.91 per fine troy ounce - \$20,168,639.86
 Interest - 2.9% per annum and a commitment fee of $\frac{1}{4}$ of 1% per annum

3. Chase Manhattan

Amount of credit - \$33,000,000
 Maturity - September 30, 1956 - Advances may be made thereafter within a period of six months in connection with unused commitments under outstanding letters of credit, which advances are to be repaid forthwith when made.

229694

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By [Signature] NARA Date 6/16

RG 56
Entry 09A7584
File GOLD, LOANS TO FOREIGN COUNTRIES
Box 6 SECURED BY [Signature]

Amount of gold pledged - 966,500 fine troy ounces
Value of gold pledged -
at \$35 per fine troy ounce - \$33,827,500
at \$34.20 per fine troy ounce - \$33,054,300
Interest - 1% above current discount rate at New York
Federal or 3/4%

[Faint, mostly illegible typed text, likely a memorandum or report body]

The accompanying [illegible] [illegible] [illegible]

Amount of gold pledged - 966,500 fine troy ounces
Value of gold pledged -
at \$35 per fine troy ounce - \$33,827,500
at \$34.20 per fine troy ounce - \$33,054,300
Interest - 1% above current discount rate at New York
Federal or 3/4%

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 RG 56
 Entry 69A7584
 File IX PURCHASES & SALES
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Mr. Clessor

June 11, 1947

Mr. Eddy

Polish Sale of Gold to the United States

This is in regard to the inquiry whether Poland can sell to the United States \$28 million of gold which was obtained from Russia.

The United States is still purchasing gold--at \$35.00 per fine ounce, minus 1/4 of 1% and other mint charges--in accordance with public statements issued by the Secretary of the Treasury on January 31 and February 1, 1934, subject to compliance with the regulations issued under the Gold Reserve Act of 1934.

Purchases are subject also to the terms of the gold declaration of February 22, 1944.

Acceptance of gold, of course, requires adequate evidence that the seller has proper title to the gold.

Provided that the title to the gold to be offered by Poland is clear, such gold would now be purchasable by the United States under the regulations and considerations mentioned above. The Secretary's statements of January 31 and February 1, 1934 and the Regulations issued under the Gold Reserve Act of 1934, however, are subject to amendment at any time.

This answer to this inquiry has been cleared with Messrs. McNeill, Fred Smith, Richards and Schwartz.

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Division of Monetary Research

Date.....194.....

June 11, 1947

To: Mr Fred Smith, LegalFrom: J. A. Eddy

United States

An inquiry whether Poland can sell
gold which was obtained fromfour copy

The United States is still purchasing gold--at \$35.00 per fine ounce, minus 1/4 of 1% and other mint charges--in accordance with public statements issued by the Secretary of the Treasury on January 31 and February 1, 1934, subject to compliance with the regulations issued under the Gold Reserve Act of 1934.

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This answer to this inquiry has been cleared with Messrs. McNeill, Fred Smith, Richards and Schwarts.

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Authority 100-100000
By CE NARA Date 11/11RG 56
Entry 69A7584
File IX PURCHASES & SALES
Box 6

AUGUST, 1954

erties, etc.) why has it suddenly become an international money-changer, buying one day, selling the next?

3—Is the rental of the Federal Reserve vaults storing papal ingots included in the "handling fee"?; to what extent is the American government, i.e. John Taxpayer, responsible for the safe delivery of this gold to the Holy See?

4—Since Article 1, Section 8, clause 3, of the United States Constitution, provides that Congress shall have the power to negotiate commerce with foreign countries, can't we have a public full-dress review of the entire transaction, starting with the initial exploratory correspondence or conversation with the Vatican?

5—When asked as to how he was so well informed on the deal, Bishop McShea admitted *he had represented the*

Vatican at the time of the papal purchase as he was on the apostolic delegate staff. Now, the tenor of the treasury correspondence indicated it placed the Holy See in the status of a sovereign (i.e. political) state for the purpose of the business and the bishop, himself, said the Vatican role was that of a sovereign state. Does it not follow, then, that Bishop McShea, a native American citizen, was representing a foreign power in a transaction far from spiritual?

We rest our case. We are not anxious to cavil over some of the minor clinks. We merely repeat the statement in the first paragraph: the Vatican's purchase of gold from the United States may involve "one of the most flagrant violations of the separation of the church and state tenet" in modern times.

tions of human experience and human feeling, touches God.

Every great work of art is an emblem of the mind of God. And now I come to my central thought: the real power, the authority, the majesty of all art is its synthesis of human experience. In this synthesis it presents the proof of God made manifest in man. I think I can illustrate what I mean by a simple analogy. One of the most beautiful aspects of nature is the phenomenon of interrelationship among natural forms in a small setting, closely studied.

WHEN, in the processes of the mind of art, the human creator invents a form to synthesize, to bring together, to compel into oneness a number of tokens from the realm of human feeling, he is creating the ultimate synthesis of which the human mind is capable; and in so doing he is performing an act which is God-born. For at the base of all synthesis in art is the poignant question of man's existence: how does the human being bring reality out of an existence which tends endlessly to fall apart in fragments. We are not—no, not one of us—today what we were last year; and has not each one of us felt the frustration of trying to interrelate the areas of feeling, of sympathetic reaction, of thought through which we constantly pass? We want to be all our separate ages at once. Only art grasps all these states of being; only art, acting for God, makes us really able to lay hold on life. Form in art is order; and art compels order through its syntheses of these areas (as in the work of a great lyric poet or a great musician) and its demonstration of interrelationships among objects and ideas which seemed totally irreconcilable in the real world (as in the work of a great painter or a great dramatist). Man's power of synthesis reflects the great order which is in the mind of God.

W. Somerset Maugham's recent lament on his eightieth birthday that he would like to believe in God but found he couldn't amazes me. For what on earth has Mr. Maugham been doing all these years other than revealing God? He is a theologian in spite of himself. I will leave it to you whether he is a great novelist. I would contend, anyway, that he is a very masterly artist at synthesis, and I suggest that some of his synthesis, especially in his tales from the South Seas, is superior.

Recently, I have been reading a book called *Art and Faith*. It is an exchange of letters between Jean Cocteau and Jacques Maritain. Here Maritain, particularly, says some beautiful things, and I should like to give you three to think of. They seem to me statements

God, Synthesis and Art

A College Chapel Talk

By James R. Baird

THE AUTHOR is professor of English in Connecticut College, New London.

MAN IN A STATE of civilization chooses always and inevitably, I think, between two great basic concepts for his explanations of his existence. Before I state these, let me dispense with the hedonist, the voluptuary, the man who lives for the satisfaction of the senses. We all know him. He is seen more and more in this world. He lives by the words, *Get for Me*. He is the parasite of life; and he merely exists.

Now to return to the concepts. The first is expressed in the Buddhist's law of *karma*, the essential doctrine of all Oriental metaphysics and religions. By *karma* the Buddhist passes through four states of knowledge: 1) grief is the condition of human life; 2) grief arises from the desire of the *ego*, the love of self; 3) the self is false; 4) the annihilation of the world of the self is the way to reality.

The second concept is expressed in the great Hellenic, Judaic, and Christian traditions of seeking out ways to confirm the self as the manifestation of God on earth. For the Buddhist, this world is only an illusion, and the ideal end of man is to pass from knowledge of the world into nothingness. Buddhism negates the world in all its forms and conditions. The traditions of Occidental man to which we belong affirm the world—or shall we admit the truth and say that they ought to do so? For we live in an age of very timid affirma-

tion. We are slaves to our fears of our own science; and in the realm of affirmation we are afraid to insist upon an art which would represent again, and for our time, the clash of man's will upon the barriers set against his aspiring knowledge. Our artists, with very few exceptions, are afraid of great themes. We have forgotten how to affirm what we profess to believe. Most of the time we are simply playing at being alive in the world, we who possess a tradition of God made manifest in man, we who say that we believe in the self.

It is no news to any thinking person that we need new and great and daring theologians. But it may not have occurred to some of us that, even though we cannot all be men of holy orders or ministers of our traditional faiths, we may all be theologians in the creation and the practice of art. We need a new theology of art, as much as we need a revitalized theology of Hebraism and Christianity. If we believe in the spiritual importance of man in this world, then let us in God's name make more and more of it.

The truth which I propose as the foundation of a theology of art is very simple: whoever dedicates himself to art, dedicates himself to God, for the practice and the study of genuine art is the study of the manifestation of God in the world and is thus a valid theology. Whoever touches poetry, painting, sculpture, architecture, music, or the dramatic arts, wherever the forms of these arts are genuine abstrac-

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56

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File

IX PURCHASES & SALES

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4

THE CHURCHMAN

The Strange Case of Vatican Gold

Those Purchases from the U. S. Government

By Paul J. Clarke

ONE of the most flagrant violations of the separation of the church and state tenet in this country may have been uncovered as certain details of the "hush-hush" sale of gold ingots, engineered between the U. S. Treasury and the Vatican, became known.

The first news of the gold sale "leaked" through a story in the *United Nations World* magazine of December, 1952. Strange to say a careful check fails to reveal that the story was ever released to Washington newsmen through the usual government information channels. It was forwarded to the *UN World* through its Italian sources.

The *UN World* article (which, incidentally, was reprinted in *THE CHURCHMAN*) asserted the Vatican had purchased many millions in gold ingot from the great United States gold supply over a period of the past several years. European rumors had it, according to the story, the pope's business was given preferential treatment and he was allowed to buy the precious metal at \$34 per ounce, one dollar below the pegged rate of \$35 per ounce.

The magazine further declared the firm of J. P. Morgan handled the Vatican's investments in this country and that the Holy See was "heavy" with stocks in leading American industries. Returns on these investments, it was reported, yielded a profit large enough for the Holy See to pay off its operating expenses and have a surplus to "plow back" as capital investment.

Space limitations did not permit the *UN World* to give details, but the article carried enough information to stimulate the curiosity of all thinking persons who read it. It raised many questions the curious believed should be answered.

To those of us who wanted the answers there was, obviously, only one course to follow. The Treasury Department and the apostolic delegate, his excellency, the Most Rev. Amleto Giovanni Cicognani, the Vatican's official representative to Washington, would be asked for details of the transactions.

A letter was addressed to Archbishop Cicognani outlining the charge. Was the Vatican buying American gold at a mark-down and if so, how come? A second letter was directed to the Secretary of Treasury in the same terms, but with the added question: What fed-

eral agency authorized the sale and who represented (a) the United States and (b) the Vatican in the deal?

His grace, the archbishop, did not deign to reply, or even acknowledge, the correspondence. He delegated the matter to a trusted lieutenant, an auxiliary bishop in Philadelphia, 150 miles away! But, more of that anon.

It took the Treasury Department exactly five weeks to reply. Then it was both a disclaimer and a partial answer. Over the signature of A. N. Orarly, Assistant Secretary of Treasury, the U. S. Government officially said it had sold \$26.8 millions in gold ingot to the Vatican in a series of transactions. It categorically denied giving the pontiff a rate or discount on his purchase. He paid \$35 an ounce, the letter said firmly, and added, a trifle waspishly for an impartial federal agency, that the Vatican was also tagged "plus one-quarter of one per cent for handling." The Vatican was treated the same as other gold clients was the firm note struck and the secretary refused to be drawn into a discussion of the personnel involved.

MEANWHILE, the Most Rev. Joseph Mark McShea, bishop of Mina and auxiliary bishop of the Philadelphia diocese, came on the scene. This prelate, it should be inserted here, is considered one of the outstanding clerical personalities in the Roman church. A native of Lattimer, Pennsylvania, he attended Catholic high school in Philadelphia, St. Charles Seminary (one of the foremost clerical trade schools) and was ordained in Rome. Comparatively young (he was 45 when consecrated bishop in 1952), he served the Oriental Congregation in Rome and was secretary to the apostolic delegate for 12 years before his current assignment moved him from Washington back to the Quaker City.

We learned that the letter of inquiry addressed to the apostolic delegate had been forwarded to Bishop McShea for action. We received a phone call suggesting an interview at the episcopal residence, St. Francis De Sales rectory, at a mutually agreeable time.

Our interview with his grace was both enlightening and frustrating. However, the enlightenment was cast, not on the business at hand, but to what lengths the Roman church in America

was anxious to becloud the details of the transaction. And, of course, from this knowledge, grew our frustration.

Bishop McShea admitted the purchase of gold from the U. S. by the Vatican to the degree of "Oh, say, \$17 or \$18 millions." He denied any favoritism in price, said the Vatican was charged "as much as any other sovereign state buying American gold." He took pains to explain the purchase of gold by a sovereign state is not unusual (this was inferred in the treasury letter) and told us a large number of papal ingots were held in the Federal Reserve vaults in New York. This, the bishop said, was a common practice, too. What with the changing political tides in Europe, all state heads believe a certain portion of their national treasure is safer here. The bishop also revealed the Vatican had, over a given period, sold back about \$5 millions, making a total net sale of \$21.8 millions. (His figures, incidentally, were more accurate than the Treasury Department's.)

Bishop McShea denied the reports we had received from reliable sources that the Vatican had invested heavily in American industries (also carried by the *UN World*) and that these investments repaid heavily during the production-sales boom in the war years. He refused to even generalize as to what type stock holdings the Vatican had in America.

In finalizing the interview, Bishop McShea frankly urged that we forgo any further investigation into the matter since *United Nations World* had "assured the apostolic delegate it would print a retraction of its article, admitting the story was without basis in fact." Here, the bishop was in error. *United Nations World* has never printed a retraction. Its only public correspondence on the matter was a letter in the April, 1953 issue, from the very same Secretary of Treasury, claiming "error" in the reduced price clause of the yarn. Otherwise the *UN World* stood pat on the report.

AS A result of our informal inquiry, we find most of the original questions unanswered, with many new, perhaps more pertinent ones, arising. We will attempt to summarize these in what we feel is the ascending order of their importance:

1—Why wasn't the story, or stories, of the gold purchases released to the Washington newsmen as a normal, routine publicity handout covering a Federal agency action?: why did it have to "leak" from Rome?

2—In view of the vast Vatican state treasure (cash on hand, investments all over the world: art treasures, prop-

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Entry 69A7584
File IX PURCHASES & SALES
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Mr. Friedman

July 22, 1946.

G. A. Eddy

Justification for United States Gold Sales

9

I believe that Harold Glasser passed on to you a memorandum which I wrote you asking if we could make the grounds on which the United States sells gold to foreign central banks more realistic. I should be glad to have your opinion.

The following verbiage invariably used by the Central Bank of Uruguay is an example of the kind of statement which our policy forces foreign central banks into making:

"This operation corresponds to the policy adopted by this bank of converting into gold the foreign exchange reserves which are not used at the moment, originate from the interchange with your and other countries, and will be acquired as they are needed by the sale of a corresponding amount of gold. We give this declaration so that you may be in a position to submit it to the Treasury Department of your country in requesting the authorization for our account and under our responsibility. We refer in this respect to our letter of December 18, 1939, in which we stated that all our future buying and selling orders will be given only for the purpose mentioned."

Cabling this every time they buy a million dollars of gold seems wasteful and time-consuming for cables and undignified. We, in effect, force the foreign agency into a hollow, meaningless rigamarole.

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- 2 -

(b) by the Federal Reserve Banks for the purpose of settling international balances; and, (c) for such other purposes as in his judgment are not inconsistent with the purposes of this Act."

It can be seen that the language above requires that this statement of purpose be included in the regulations. It can also be seen that the Secretary of the Treasury and/or the Federal Reserve Bank is not required to sell gold in every case for the settlement of an international balance.

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6

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Reference is made to memorandum of July 3, from G. A. Eddy to J. B. Friedman in which it is suggested that the Treasury Department discontinue the practice of asking foreign governments and central banks the purpose for which gold is being purchased. Mr. Eddy points out that in the past we had required a statement either that the gold is being acquired to "settle an international balance" or to "increase gold reserve". His thesis is that any purchase of gold by a foreign government or central bank is, temporarily at least, a settlement of an international balance and/or an increase in its gold reserves. Since we have no control over the gold once it has been purchased, Mr. Eddy thinks that it is ridiculous to ask them to state the purpose.

In the beginning it should be said that the Treasury Department has in the past frequently refused to license the sale of gold for the settlement of international balances. Since the passage of the Gold Reserve Act of 1934 the traditional sale of gold to foreign governments and central banks has been for the purpose of increasing their gold reserves held in earmark at the New York Federal Reserve Bank. There have been few, if any, cases in which we have licensed the sale of gold for export.

The provision of Section 28 of the Gold regulations that gold may be exported to the extent "necessary to settle international balances" is derived from Section 3 of the Gold Reserve Act of 1934 which authorizes the Secretary of the Treasury "by regulations issued hereunder", to prescribe the conditions under which gold may be "acquired and held, transported, melted or treated, imported, exported, or earmarked".

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Authority NND 978024By [Signature] NARA Date 6/16RG 56Entry 69A7584File IX PURCHASES & SALESBox 6

Mr. Howard

May 7, 1951

G. A. Eddy

Sale of coin bars

This is to record the agreement reached on Friday, May 4, between Messrs. Failor, Russell, and myself regarding the New York Assay Office's future sales of coin bars (900 or 917 fine) rather than the fine bars which have uniformly been sold for a number of years. I have already telephoned the substance of this agreement to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York, and he assures me of their cooperation.

The change in practice is being made in response to the wishes of the Mint. The Stabilization Fund and the New York Reserve Bank have no objection to the change but neither have they any independent wish to sell coin rather than fine bars other than the wishes of the Mint on behalf of the general interests of the United States. It is recognized that the refining costs on \$40,000,000 of coin bars would be in the vicinity of \$60,000, and it is to the general interest of the United States to avoid getting saddled with all or most of the coin bars of the world and have to refine them for its own account in order to dispose of them.

Messrs. Failor, Russell, and I agreed to-day that beginning Monday May 7, 1951, the Assay Office will sell only coin bars to the Reserve Bank (as Fiscal Agent of the United States) in normal circumstances, until further notice, at the pleasure of the U.S. However, if a country wishes to buy gold to pay its subscription (but not other gold payments) to the International Monetary Fund, or if a country has some other valid reason for preferring fine bars, every reasonable effort will be made to accommodate them. In such exceptional cases the Federal Reserve Bank will so notify the Assay Office at the time the order is placed.

It is also understood that the Assay Office does not now receive regularly the information it desires concerning the countries to which gold purchased from it by the Stabilization Fund is to be resold. All such information is always available to the Mint Service from my office, and I am assured that the Federal Reserve Bank will be glad to indicate any countries for which gold is being bought, in so far as such facts exist and are known to the Federal.

cc: Mr. Failor
Mr. Russell
Mr. McNeill ✓
Mr. Sanford
2 extra to Mr. Howard (for New York Assay Office)

GAEddy:yb:5/7/51

229703

DECLASSIFIED

Authority NND 978024
By _____ NARA Date 6/16RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5*Gold - Emerald*

COUNTRY: Spain
 SUBJECT: Smuggling of Gold
 Place Acquired: Spain, Bilbao
 Date of Info: 15 April 1948
 Report No. SO db 9839

SOURCE: Fairly reliable source in Bilbao from a well-placed informant.

Martin PAGONABARRAGA and Victor ESTEBAN, first and second machinists of the Ibarra y Cia. ship "Cabo Espartel" were engaged as of mid-April 1948 in smuggling gold between America and the Iberian Peninsula. The "Cabo Espartel" visits New York, Philadelphia, Lisbon and Bilbao. The smuggled gold is delivered in the port of Lisbon.

6-2-48 cc to: Gunter, Arnold, Shurtz 2, Wood-Water, Willis, Schwartz, Eddy, Bittermann, Secret Service, Mint and F. Smith.

pol

229704

DECLASSIFIED

Authority NND 978024

By _____ NARA Date 6/16

RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5

Misc.

Smith

INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

2-M

RESTRICTED

A

Action: DCI

Info:

SS

UE

C

EUR

OCD

CIA

ITP

OPD

FC

DCR

Control 2104

Rec'd December 7, 1947
3:46 a.m.

FROM: Paris

TO: Secretary of State

NO: 5245, December 6, 2 p.m.

FOR STATE AND TREASURY

Embassy has obtained additional comments of French gold hoard question from Leon Schick (gold specialist connected with well-known firm), supplementing his 1944 estimates given in enclosure 2 to Embassy report 530, November 28. In view of Schick's long experience as practical arbitragist, his estimates and opinions may have background value for ERP gold studies. (Over period of years Reagan has found him careful and reliable in views on economic questions).

One. Gold hoards at time of liberation.

Schick still considers his estimate of about 7.6 billion gold francs (2200 fine tons) in France and about 2 billion abroad belonging to Frenchmen at that time to have been substantially correct. However, he has revised breakdown of latter figure (page 9 of article) to read:

In London 400 million gold francs in 1944 of which at least 200 million still held there undeclared;

In Switzerland 1500 million gold francs, most of which has since been smuggled directly or indirectly into France;

In Argentina possibly 50 million gold francs.

Two. Gold hoards in France at present:

Schick believes as much

RESTRICTED

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Authority NND 978024By _____ NARA Date 6/16

RG

56Entry 69A7584File GOLD: MISCELLANEOUS

Box

5

RESTRICTED

-2- #5245, December 6, 2 p.m., from Paris

Schick believes as much as 600 tons of gold may have been smuggled into France since liberation bringing total within France to about 2800 fine tons (about dollars 3.1 billion). These 600 tons composed approximately as follows:

(A) Gold already held abroad by Frenchmen, 300 tons. This has been imported indirectly by arbitrage operations (via Swiss and French francs) and usually not imported by original holder. Such imports are largely from Switzerland because of long period during which gold operations in that country were anonymous. In England, however, gold deposits are only utilizable if unblocked through Office des Changes and therefore large proportion still held in London by original holders.

(B) Gold imports financed by liquidation of undeclared foreign securities and liquid assets abroad other than gold 150 tons.

(C) Gold imports financed by tourist black-market trade and proceeds of under-invoicing of French exports. Schick believes that from liberation until mid-1946 most small French exporting firms under-invoiced by about 10 percent. Since then rising French prices have so altered competitive position that possibility of under-invoicing reduced to 5 percent or less. (French policy of permitting 10 percent of proceeds of certain exports to be used for equipment imports has also reduced under-invoicing).

Note that increase in gold hoards within France since liberation is considered by Schick to be offset largely by decrease in undeclared French gold and other assets abroad (A and B above). This source has now largely dried up. Gold smuggling at present very small, probably not more than ton a month.

Three. Destination of Swiss gold.

Schick guesses that, of gold released to public by Swiss National Bank or dishoarded in Switzerland in 1945 and 1946, about 40-50 percent went to France, 20-25 percent to Italy, and remainder to Near East and other countries.

Since then about 55

RESTRICTED

229706

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Authority NND 978024By _____ NARA Date 6/16

RG

56

Entry

69A7584

File

GOLD: MISCELLANEOUS

Box

5

RESTRICTED

-3- #5245, December 6, 2 p.m., from Paris

Since then about 55 percent goes to France, 10 percent to Italy, 25 percent to Near East, etc., and about 10 percent is hoarded in Switzerland.

Swiss coins constitute overwhelming proportion of gold smuggled into France in recent months but flow has appreciably diminished following suspension Swiss gold sales. Most French Napoleons outstanding had already been absorbed into France, where they are quoted at 3525 francs as compared to quotation of only 3175 for corresponding Swiss "vreneli" coin. Napoleons preferred because of (A) habit, (B) fact that possession of Swiss coins, being of recognizable recent coinage, is more risky.

Four. Prospects of French dishoarding.

Schick believes that, despite "metal-mindedness" of French savers, greater part of French private gold hoards would be released if budget were balanced and reasonably convincing monetary stabilization accomplished. He even feels Finance Ministry should study means of stabilizing inflationary effect of such eventual dishoarding, possibly by forcing use of gold for equipment imports.

Sent Department 5245; repeated Bern 78.

CAFFERY

MRM:FAE

229707

RESTRICTED

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Authority NND978024

By _____ NARA Date 6/16

RG 56

Entry 69A7584

File GOLD: MISCELLANEOUS

Box 5

Smith

INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

PLAIN

R

8

Control 6341

Action: DCL
Info :
UE
EUR
OCD
CIA
ITP
OPD
DCR

Rec'd October 21, 1947
12:36 p.m.

FROM: London
TO: Secretary of State
NO: 5637, Twenty-first

FOR TREASURY AND OTHER INTERESTED AGENCIES

In connection public announcement that further pounds 30 million in gold sold since September 15, British Treasury states information on gold shipments will not be published but monthly statement gross gold sales will be made.

GALLMAN

ME:ME

229708

*File - Gold:
Miscellaneous*

PLAIN

INFORMATION COPY

DECLASSIFIED

Authority MINI 9733-24

By _____ NARA Date 6/16

RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5

GOLD: Misc.

SEP 4 1946

My dear Mr. White:

Reference is made to our recent conversation regarding the applications by Turkey, Italy, Syria and Lebanon for membership in the International Monetary Fund. You have asked to be advised as to the problems which might arise under the Gold Declaration of the Secretary of the Treasury of February 22, 1944, in connection with the admission of these and other countries to the International Monetary Fund.

Our records indicate that the 36 countries on the enclosed list have either adopted the Gold Declaration of February 22, 1944, or have adhered to its principles. It should be noted that although Portugal and Spain are included on this list, they did not adhere to the Gold Declaration until after the surrender of Germany. At the present time the Department considers that purchases of gold from these two countries are subject to the Declaration.

The admission of new countries to the International Monetary Fund appears to raise two problems in connection with the Gold Declaration. First, if one of the neutrals or other countries which acquired gold directly or indirectly from the Axis were admitted to the International Monetary Fund before making a settlement with the Allies for looted gold, such a country could use its gold in transactions with the International Monetary Fund and thereby obtain dollars, although the United States would not purchase gold from that country under the Gold Declaration. Secondly, if any country were to become a member of the Fund before it had adopted the Gold Declaration or adhered to its principles, such a country could act as a conduit for the disposal to the Monetary Fund of looted gold held by other countries.

I am sending a copy of this letter to the Secretary of the National Advisory Council so that the Council may consider these questions, particularly in regard to the pending applications for membership in the International Monetary Fund.

Sincerely yours,

Mr. Harry D. White
Executive Director
International Monetary Fund
Room 937
1818 H Street, N.W.

Enclosure

CEMcNeill:cr - 9/12/46

229709

DECLASSIFIED

Authority NND 77-122
By NARA Data 6/11

RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5

GOLD: Misc.

SEP 4 1946

My dear Mr. White:

Reference is made to our recent conversation regarding the applications by Turkey, Italy, Syria and Lebanon for membership in the International Monetary Fund. You have asked to be advised as to the problems which might arise under the Gold Declaration of the Secretary of the Treasury of February 22, 1944, in connection with the admission of these and other countries to the International Monetary Fund.

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I am sending a copy of this letter to the Secretary of the National Advisory Council so that the Council may consider these questions, particularly in regard to the pending applications for membership in the International Monetary Fund.

Sincerely yours,

Mr. Harry D. White
Executive Director
International Monetary Fund
Room 227
1818 H Street, N.W.

Enclosure

CHMcNeill:er - 9/12/46

229710

DECLASSIFIED

Authority 100-775026

By _____ NARA Date 6/16

RG 56
 Entry 69A7584
 File GOLD: MISCELLANEOUS
 Box 5

COUNTRIES WHICH HAVE ADOPTED OR ADHERED TO THE GOLD DECLARATION
 OF FEBRUARY 22, 1946

- | | |
|-----------------------|---------------------------|
| 1. Belgium | 19. Iceland |
| 2. Brazil | 20. India |
| 3. Canada | 21. Iran |
| 4. Chile | 22. Luxembourg |
| 5. China | 23. New Zealand |
| 6. Colombia | 24. Nicaragua |
| 7. Costa Rica | 25. Norway |
| 8. Czechoslovakia | 26. Panama |
| 9. Dominican Republic | 27. Peru |
| 10. El Salvador | 28. Poland |
| 11. Ethiopia | 29. Russia |
| 12. France | 30. Union of South Africa |
| 13. Great Britain | 31. United States |
| 14. Greece | 32. Uruguay |
| 15. Guatemala | 33. Venezuela |
| 16. Haiti | 34. Yugoslavia |
| 17. Holland | 35. Spain |
| 18. Honduras | 36. Portugal |

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Authority AIML 77X-20By _____ NARA Date 6/11

RG	<u>56</u>
Entry	<u>69A7584</u>
File	<u>GOLD: MISCELLANEOUS</u>
Box	<u>5</u>

GOLD: Misc.

AUG 9 1946

Dear Sir:

I have your letter of July 30, 1946, inquiring as to the application of the Gold Declaration of February 22, 1944, to sales of gold to the United States by the International Bank for Reconstruction and Development.

You state that as you interpret the Declaration it does not affect in any way sales to the United States Treasury of any gold tendered to you by the present members of the Bank, pursuant to Article II, sections 7(1) and 8. However, you recognize that this interpretation does not cover gold tendered to you when you are on notice at the time of its acceptance that the United States Treasury would not accept it under paragraph 4 of the Gold Declaration of February 22, 1944.

I am pleased to advise you that the Treasury Department agrees with this interpretation of the Gold Declaration of February 22, 1944.

Very truly yours,

[Signature]

Secretary of the Treasury

Mr. Harold Smith
Vice President
International Bank for Reconstruction and
Development
Washington, D. C.

229712

DECLASSIFIED

Authority NND 978024
By [Signature] NARA Date 6/16RG 56
Entry 69A7584
File XII-GENERAL
Box 4

CONFIDENTIAL

Attachment to Encl. No. 1 to des. No. 438, June 11, 1948, from Bern.

Translation of report from Geneva published by
(La Tribune Economique, Paris, May 14, 1948)How gold crosses frontiers

The attention of financial circles has been drawn to the transactions in gold in free port which have been conducted for some time now in this country. Rather modest when they began, they now exceed a figure of 25 million to 30 million Swiss francs per month and it seems that they may be expected to increase, since the means at the disposal of certain addicts of this new type of "parallel" transactions would appear to be very appreciable.

Repatriations of Swiss gold, which had been blocked in Great Britain because of the war and is now authorized by the Bank of England to be exported, have been the source for a good part of these free-port operations at Geneva. Export from Switzerland being prohibited now, this gold had been deposited there like ordinary merchandise with a view to its reexport at the rates quoted on the free market.

Thus, overnight, there has been established a quotation for gold in free port. It fluctuates at present between \$44 and \$46 per ounce, while the official rate is \$35. Such a premium tempted, not only individuals who find more convenience operating in this fiscal and monetary "no man's land", but also the official agencies of certain countries which, not being bound by the Bretton Woods agreements, do not neglect to operate on a truly free market. It is thus that planes taking off from countries satellite to the U.S.S.R., who are themselves gold producers, deposit their cargoes at the Geneva airdrome from where they then go the free-port way without anyone being able to prevent the reshipment and the subsequent transactions which result from it. By this means, these countries -- despite the nonconvertibility of their currencies -- can thus procure on better terms the dollars with which to obtain the raw materials which the Marshall Plan has not been able to offer them as a result of the Soviet veto. There have also been several shipments of gold from the Cape, undoubtedly originating from mines which succeed in hiding from control a small part of their production, as well as private shipments from Tangier or even from the Western countries. However, the bulk of these operations is made up by the deliveries originating from Eastern Europe, excluding Russia. The Soviets -- for reasons which will be understood -- appear, indeed, much more interested by the similar markets of the Far East with which they are in direct contact across Siberia.

The gold sold in the Swiss free ports goes freely to the Near East and then to the Far East where the operations are much greater and the rates perceptibly higher. Being quoted in Beyrouth for example at \$48, gold sells in Bagdad and Amman in the neighborhood of \$50; at Macao and Hong-Kong up to \$65 and even \$75 an ounce. The rates go up with the transport risks and

229713

DECLASSIFIED

Authority NND 978024By DE NARA Date 6/16RG 56Entry 69A7584File XII - GENERALBox 6

Attachment to encl. No. 1 to des. No. 438, June 11, 1948, from Bern.

and especially because of the demands of the secret suppliers of protection, who do not deliver their "merchandise" in these strategic and troubled regions except for payment in gold!

Would a revision of the international agreements regulating free ports be able to prevent or reduce this sort of traffic which is destined to disturb the official monetary markets? Up to now, the representations made to the countries which countenance these semi-official exports have been too circumspect. If more energetic and less confidential, these same representations would undoubtedly produce more positive results. In any case, it is much easier to act at the source, if one may say so, than against the purchasers themselves.

.....

229714

DECLASSIFIED

 Authority ANND 978036
 By [Signature] NARA Date 6/11

 RG 56
 Entry 69A7584
 File XII - GENERAL
 Box 6

Encl. No. 1 to des. No. 438, June 11, 1948, from Bern. *Don G. Eady*

No. 159 Bern, May 19, 1948 CONFIDENTIAL *✓ How do you wish it*

Dear Mr. Southard:

Attached is a translation of a story recently published in Paris about the gold traffic carried on through the Swiss free ports, which was called to my attention by a prominent Swiss banker and may be of interest in connection with the Legation's telegram No. 595 of May 5, 1948, to the State Department.

It will be noted that the volume of this traffic is estimated to exceed 25-30 million Swiss francs per month and is expected to increase, and that prices for "gold in free port" -- currently fluctuating between \$44 and \$46 per ounce -- are regularly quoted. It will further be noted that Swiss, South-African, and other gold is reportedly also involved in this traffic, though in lesser quantities than that from the satellite countries.

In discussing the subject, this banker stated that the reason given in this story for the gold shipments by the satellite countries was the true one; the Swiss free ports are used as a convenient base of operations for selling this gold against hard currencies at the best rates which can be obtained in the free markets throughout the world.

This banker also indicated that the Soviets (and presumably the satellites) are currently seeking Swiss francs rather than dollars, for fear that the United States might take some action designed to destroy the value of their dollar holdings or restrict their freedom to utilize them. On the other hand, he said there was no indication that the Soviets or the satellites were actually "unloading" dollars in Switzerland, and it was his view that their current preference for Swiss francs was not a significant factor in the current decline of the dollar on the Swiss market.

Very truly yours

(sgd.) Donald W. Curtis,
U. S. Treasury Representative.

Mr. Frank A. Southard, Director,
Office of International Finance,
U.S. Treasury Department,

Enclosure:

Translation of report published by
La Tribune Economique, dated May 14, 1948

229715

DECLASSIFIED

Authority AMNS 73-26By [Signature] NARA Date 4/11

RG

56

Entry

69A7584

File

XII - GENERAL

Box

4

- 3 -

Oceania:Australia

An amendment to the Commonwealth Act (December 17, 1929) authorized the Commonwealth Bank to "require persons to exchange for Australian notes any gold coin or bullion held by them." Shortly after Great Britain went off the gold standard and the Australian Government prevented all citizens from holding gold or gold currency.

229716

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Authority AMNS 73256
By Q NARA Date 6/16RG 56
Entry 69A7584
File XII - GENERAL
Box 4

- 2 -

Mexico There exists a legal market for gold coins.Uruguay There exists a legal market for gold coins.Africa:Egypt There exists a legal market for gold coins.Asia:India The foreign exchange control regulations mention specifically that there are no restrictions on domestic dealings in gold.Iran There is a free market in operation.II. PRIVATE GOLD HOLDING ILLEGALEurope:Denmark Under a Law of March 14, 1948 the Minister of Trade has been authorized to require all gold to be delivered to the national bank. Whether this authority has been actually used is not known.Netherlands Gold coin and bullion held by Dutch residents was vested in March 1947.Norway? According to information available from Norwegian sources in New York, holding of gold by private individuals is illegal.United Kingdom Gold deposits held by nonresidents and dating back to the prewar years are legal.America:Colombia? Newly-mined gold is sold exclusively to the central bank.Africa:Union of South Africa Under the South African Emergency Finance Regulations (September 9, 1939), residents are not entitled to hold gold; non-residents, however, may hold gold which they acquired before September 6, 1939.Asia:China? There is a text available in our files under which the central bank of China ordered on February 17, 1947 that all gold be turned over to it at a fixed buying rate. However, according to the information available from Chinese sources in New York, this text is not interpreted as making gold sales to the central bank compulsory, nor as prohibiting gold holdings. On February 11, 1948 goldsmiths were permitted to resume the sale of gold ornaments.

229717

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Authority AMNS 973.22
By [Signature] NARA Date 6/11RG 56
Entry 69A7584
File XII - GENERAL
Box 6

- 1 -

SYNOPSIS SHOWING THE LEGALITY OF
PRIVATE GOLD HOLDINGI. PRIVATE GOLD HOLDING LEGALEurope:Belgium

A Law of October 6, 1944 provided for a compulsory declaration of private gold holdings; but no subsequent legislation has been passed to requisition such gold.

France

Holding and trading in gold in French territory which was prohibited in September 1939 became legal on February 3, 1948.

Italy

A decree of February 28, 1948 made legal again holding and internal trading in gold.

Sweden

According to information from Swedish sources in New York, holding of gold by private individuals is legal. There is a thin market in gold. Newly-mined gold is sold obligatorily to the Riksbank.

Switzerland

The right to hold gold is unrestricted. Trading in gold in Switzerland continues to be subject to the regulations enacted in 1942.

America:Canada

There are no regulations prohibiting the holding of gold by residents. Under the Bank of Canada Act, the Governor-in-Council was authorized to require chartered banks and other persons to transfer gold to the Bank of Canada, but this power has been used only with respect to the chartered banks. The Foreign Exchange Acquisition Order (April 30, 1940) does not require residents to surrender gold; in fact, gold is not mentioned in the order. In practice, all gold mined in Canada is sold to the Mint.

Argentina

There exists a legal market for gold coin.

Brazil

Private sales to the public by producers, and up to 300 million cruzeiros from Treasury reserves, were authorized in July 1945. In June 1948 the government decided to mint gold coins for a total of 250 million cruzeiros.

Chile

Chilean gold producers exchange their gold (after it has been refined) at the central bank for old gold coins which they sell to the market.

229718

DECLASSIFIED	RG <u>56</u>
Authority <u>NND 978024</u>	Entry <u>69A7584</u>
By <u>[Signature]</u> NARA Date <u>6/16</u>	File <u>XII-GENERAL</u>
	Box <u>6</u>

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date June 22, 1948

To Mr. McNeil

From Mr. Tamagna

MESSAGE:

Your comments will be appreciated.

*cc sent to Eddy, Bittermann,
Smith, & Lancia
6/23/48*

*additional
copies are in
"Jul 1948" file*

Message delivered by _____

DECLASSIFIED

 Authority NND 978024
 By [Signature] NARA Date 6/16

 RG 56
 Entry 69A7584
 File INTERNATIONAL MONETARY FUND
 Box 5

FOR OFFICIAL USE ONLY

IMF

JUN 28 1954

Mr. George H. Willis

Re:

Alternative Method for Maintaining Secrecy on Proposed International Monetary Fund Special Operating Fund.

It is also true that at times this arrangement could tie up as Fred B. Smith and Ruth Hansmaker of the Stabilization Fund as that they would not be available for other uses. It would probably be necessary for it to conduct other stabilization operations, e.g., large drawings by the Mexicans under the Stabilization Agreement with the IMF. Because of some difficulties with the legal justification for the proposal to have the International Monetary Fund Special Operating Fund deposited with the United States Exchange Stabilization Fund, we have examined other possibilities for maintaining secrecy. The matter has been discussed with William Haffelfinger and we have come up with the following alternative solution which would seem to have all of the advantages of the other proposal;

1. The Special Operating Fund would be initially established through the sale by the IMF of \$200 million in gold;
2. At the time the proceeds are deposited in the IMF's account at the New York Federal, there would be a simultaneous transaction whereby \$200 million would be withdrawn from the Stabilization Fund's account at the New York Federal and "loaned" to the General Fund in the same manner as has been done on occasion in the past;
3. Since the IMF account and the Stabilization Fund account are lumped together in the weekly Federal Reserve Bank Statement and monthly Federal Reserve Bulletin on the liability side under "Other", this item would not reflect the operation described in 1 and 2 above;
4. At any time that a member country made a drawing from the Special Operating Fund, there would be a simultaneous transaction whereby an equivalent amount would be redeposited in the Stabilization Fund's account at the New York Federal so that again the item in the Federal Statement and Bulletin on the liability side entitled "Other" would reflect no change as a result of the operation;
5. If and when the Special Operating Fund were exhausted by drawings it could be replenished through the cancellation of \$200 million in non interest-bearing notes, and the whole operation could be commenced again as outlined above; and
6. The cancellation of the non interest-bearing notes would show up in the Treasury Daily Statement but this would usually be a considerable period of time after the drawing had been made by the member or members.

Depending upon the size and frequency of drawings, this proposal might, to a certain degree, hamper the activities of the Treasury fiscal people. However, Mr. Haffelfinger seems to feel that such an operation could be worked out without too much difficulty, and if they knew in advance that this system would be adopted they might make other arrangements to afford greater flexibility, such as carrying somewhat larger balances than customary.

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229720

DECLASSIFIED

Authority NND 978024By [Signature] NARA Date 6/16RG 56Entry 69A7584File OPERATING FUNDBox 5

FOR OFFICIAL USE ONLY

- 2 -

It is also true that at times this arrangement could tie up as much as \$200 million of the assets of the Stabilization Fund so that they would not be available for other uses. It would probably be necessary therefore to have an understanding with all concerned that the Stabilization Fund's participation would be qualified to the extent necessary for it to conduct other stabilization operations, e.g., large drawings by the Mexicans under the Stabilization Agreement with them. It would seem clear that, at a maximum, the most that the Stabilization Fund would ever have to use for other purposes would be \$100 million (in addition to a cash balance of approximately \$90 million which it would always have), so that under any circumstances we could always withhold from immediate public disclosure \$100 million in drawings.

With these exceptions, however, it seems that the alternative proposal above has substantially all of the advantages of other proposals which have been made. For one thing, during the period before any drawings are made the Treasury would, in effect, be holding the cash and saving the financing costs on that amount of money. Secondly, the Stabilization Fund would be participating in the operation as fully as it would under other proposals which have been made. Finally, this alternative operation would avoid some of the legal difficulties inherent in others, particularly the provisions of the Bretton Woods Agreements Act and Articles of Agreement of the IMF having to do with authorized depositories. It is believed therefore that if it is decided to follow through on the idea of maintaining secrecy on IMF drawings, the alternative solution outlined above be given serious consideration.

should

Orig. to Willis - 28

cc: Messrs. Arnold, Glendinning,
 Hebbard and Brons
 Heffelfinger
 Southard

FOR OFFICIAL USE ONLY

F. Smith:Wanamaker:rs 6/20/54

W 7/25 RW

229721

DECLASSIFIED

Authority NND 978024By SP NARA Date 6/16RG 56Entry 69A7584File OPERATING FUNDBox 5

Mr. George H. Willis

Fred S. Smith

I have my doubts about the desirability of keeping the proposed International Monetary Fund operating fund in the Treasury. Moreover, if held in the treasury, I see little advantage in holding it in the Stabilization Fund, and considerable disadvantage. I think it would be better to have it a special deposit with the Treasury. My reasons are outlined below:

Advantages:(a) Keeping in Treasury

- (1) More secrecy;
- (2) Easy to follow transactions;
- (3) Treasury has use of money until drawn; and
- (4) Already precedents for similar accounts.

(b) In Stabilization Fund

- (1), (2), and (3) same as above.
- (4) Stabilization Fund "participates" in most important stabilization operation to date.

Disadvantages:(a) Keeping in Treasury

- (1) Dubious wisdom of trying to keep transactions secret and possible public criticism;
- (2) Since possibility that experiment will fail or at least that sterling rate will slip badly, doubtful that Treasury should be too closely identified with operation; and
- (3) Legal authority not absolutely clear.

(b) In Stabilization Fund

- (1), (2) and (3) same as above. As to (2) could jeopardize Stabilization Fund's existence. As to (3) slightly more legal difficulty than if held in treasury.
- (4) No precedents for holding in Stabilization Fund.

FBSmith:rs 6/25/54

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20 Perry 6/29

Mr. A. H. Overby
 E. P. Tuttle

Re: Secrecy in International Monetary Fund Transactions.

It is understood that the United States has approved the principle of maintaining secrecy for a limited period with respect to International Monetary Fund drawings and that in order to accomplish this, consideration is being given to the International Monetary Fund establishing a small cash operating fund of perhaps \$200 million. This operating fund would be derived either from the sale of gold to the United States by the International Monetary Fund, or the redemption of non interest-bearing notes of the Treasury now held by the International Monetary Fund.

It has been suggested that in order to have the maximum amount of secrecy concerning the use of the operating fund, it should be held in the Treasury Department as a deposit with the U. S. Exchange Stabilization Fund. This method would have the added advantage to the Treasury of saving some financing costs during the period the funds are held until it became necessary to use them for stabilization operations.

The question has been raised as to the legal authority for holding this operating fund in the Exchange Stabilization Fund. The texts of Section 10 of the Gold Reserve Act of 1934, as amended; Section 6 of the Bretton Woods Agreements Act of July 31, 1945; and Article XIII, Section 2(a) of the International Monetary Fund Articles of Agreement, all of which have a bearing on this question, are attached.

One legal question arises by reason of the specification of authorized depositories in the Bretton Woods Agreements Act and the Articles of Agreement of the Monetary Fund. Article XIII, Section 2(a) of the Fund Articles indicates the central bank as the depository for all the Fund's holdings of the currency of a member country and in the absence of a central bank some other institution designated by the member which is acceptable to the Monetary Fund. Pursuant to this provision, since we do not have a central bank in the true sense of the word, the Congress in the Bretton Woods Agreements Act authorized any Federal Reserve bank to act as a depository for the Fund. It will be noted that the Congressional action was merely an authorization and not an exclusive specification. There is nothing in the legislative history of the Bretton Woods Agreements Act to indicate an intention by Congress that the Federal Reserve banks and no other institution should act as depositories. The language of Section 2(a) of the Articles of Agreement suggests that only one institution in each member country should be named as a depository, but apparently this

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- 2 -

language was not considered to be mandatory because Congress authorized all of the Federal Reserve banks to act as depositories and the Treasury Department notified the Fund in a letter dated October 24, 1946, that this Congressional authorization constituted the designation mentioned in the Fund Articles. In view of the foregoing, there seems to be no reason why other appropriate institutions such as the Exchange Stabilization Fund could not be designated as depositories for the Fund's holdings of dollars.

It is believed that a reasonable legal justification for using the Exchange Stabilization Fund as a depository for this operating fund can be made on the grounds that acceptance of such a deposit would be incidental to, and reasonably related to, the effectuation of the purposes for which the Exchange Stabilization Fund was created as set forth in Section 10 of the Gold Reserve Act, namely, stabilizing the exchange value of the dollar. It should be noted, however, that express authorization is difficult to find in Section 10 mainly because that section deals with the uses which can be made of the Exchange Stabilization Fund itself and not with the uses to be made of other funds. Accordingly, no conclusive legal opinion on this question can be given, but since it is primarily a matter of administration rather than substantive law, it would appear that the general powers of the Secretary of the Treasury, both in the operation of the Department and in the operation of the Exchange Stabilization Fund, should be broad enough to include such action.

This is borne out by the fact that on numerous occasions the Secretary of the Treasury has received and held special deposits without the existence of any express statutory authorization for doing so. Among a number of special accounts which have been so held are: an account in dollars containing funds appropriated by the United States for assistance to the European Payments Union and another account in dollars to be drawn upon for expenses of the United Nations Relief Works Agency for Palestine Refugees in the Middle East. The latter account is not composed exclusively of funds appropriated by the United States, but includes also contributions made to the international organization by other countries. It is, therefore, very similar to the type of account which is contemplated for the special operating fund of the International Monetary Fund.

In many cases the reason for establishing these accounts with the Treasury has been to save financing costs for the Treasury. Until drawn upon, these funds are available for use in the normal day-to-day operations of the Treasury, and therefore save the Treasury interest costs on money which otherwise would have to be raised by public debt financing. It can be said, therefore, to be a matter of prudent management to hold accounts of this type in the Treasury when possible. This same reasoning would apply in the case of a special operating fund to be established by the International Monetary Fund and deposited with the Exchange Stabilization Fund. It would appear that, if the funds are not drawn upon for a considerable time, a substantial saving in interest charges would derive to the Treasury from this operation.

In conclusion, it may be stated that although it is not possible to give a conclusive legal opinion that the type of operation described above is expressly authorized, it can be said that a reasonable legal justification for the proposed action can be made. It is assumed that this will be taken into account in the consideration of the policy question of whether such use should be made of the Stabilization Fund.

Attachments

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AUTHORITY*State Dept Chron
File**IMF operating fund*Secrecy in IMF Drawings

1. The U.S. has agreed with the British on the principle of maintaining secrecy on IMF drawings for a 90-day period.
2. Drawings would be revealed by the Treasury Daily Statement, which publishes redemption of IMF notes. A working balance of perhaps \$200 million would permit greater secrecy. Secrecy could be maintained by keeping this working balance in the Federal Reserve Bank, but a more effective device would be to hold it in the Exchange Stabilization Fund.
3. The most practical method of establishing the working balance without adding to the interest-bearing debt of the U.S. Government is to have the IMF establish a deposit with the Exchange Stabilization Fund rather than in the Federal Reserve Bank of New York. If this is done, the Treasury saves interest because the dollars held by the Stabilization Fund are made available to the Treasury's General Fund at need without payment of interest, and this can not be done with an IMF deposit in the Federal Reserve Bank.
 - a. If the IMF sells gold to raise dollars and holds dollars in the Federal Reserve, there is no interest cost to the Treasury. If the dollars are held with the Stabilization Fund, there can be a positive saving in interest cost to the extent that the dollars are used by the General Fund without interest.
 - b. If the IMF cashes non-interest-bearing notes and holds the dollars in the Federal Reserve Bank, there is an interest cost to the Treasury. If the dollars are held with the Stabilization Fund, however, the interest cost can be reduced to the extent that these dollars are made available to the General Fund.
4. The legality of the Exchange Stabilization Fund holding a deposit for the IMF is being checked by the Legal Division. While the check is not complete, there does not seem to be a legal problem.

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K.M.F. OPERATING FUND

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5

New file - EMT operating fund

BALANCES IN DEPOSIT FUND ACCOUNTS ADMINISTERED BY BUREAU OF ACCOUNTS,
DIVISION OF DEPOSITS AND INVESTMENTS

January 31, 1954

D.O. Symbol	Account Number	Secretary of the Treasury	Balance
65-851	20X6042	Unemployment Trust Fund	✓ \$21,859,219.05
65-852	20X6770	Suspense, Office of the Secretary of the Treasury	12,739,464.81
65-852	20X6771	Bonds and Securities Lost in Transit	1,199.18
65-852	20X6764	Reimbursement, Distinctive Paper, Misaid or Lost	9,120.73
65-852	20X6870	Offers in Compromise, Office of the Secretary of the Treasury	69,191.54
65-852	20X6048	Proceeds of Withheld Foreign Checks	4,364,910.68
65-852	20X6049	Unclaimed Partial Payments on United States Savings Bonds	686,765.90
65-852	20X6769	Unrefined Silver Purchased from Reconstruction Finance Corporation	1,662,482.63
65-852	20X6721	Alien Property Cash Account, World War I	1,646,557.84
65-852	20X6722	Alien Property Funds, 20% Withheld, World War I	3,206.99
65-852	20X6055	Proceeds of Adjusted Compensation Payment Checks	7,665.47
65-852	20X6051	Proceeds of Cancelled Checks	10,368.39
65-853	20X6716	Austrian Deposit Fund Account	42,372.54
65-853	20X6717	Hungarian Deposit Fund Account	7,257.35
65-853	20X6715	German Deposit Fund Account	234,649.18
65-854	✓ 20X6043	Advances by the Republic of China, for Payment of Other Obligations.	116,978.61
65-855	✓ 20X6043	Advances by the Republic of China, for Payment of Charter Hire, etc.	4,247,892.63
65-856	20X8738	Payment of Pre-1934 Bonds, the Government of the Philippines	2/ 21,236.86
65-857	20X6084	Organization for European Economic Cooperation, European Productivity Agency	2,250,000.00

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Entry 69A7584
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- 1 -

Label	Account Number	Secretary of the Treasury	Balance
300	20-1918805	Settlement of Claims - Special Mexican Commission United States and Mexico	516,608.46
300	2016066	Funds Transferred from Deposit Fund Account 2016044, for Payment of Uncurrent and State Checks	542,933.44
300	2016874	Defense Aid, Treasury Department	907,549.17
891-689	2016045	Payment of Uncurrent and State Checks	✓ 24,510,849.09
891-690	2016047	Uncurrent Military Payment Orders	2,748,183.71
891-696	2016097	Organization for European Economic Cooperation	123,538,000.00
891-697	2016093	United Nations Relief Works Agency for Palestine Refugees in the Near East	19,000,000.00
891-803	2016774	Interest Collections on Deferred Subscriptions for Public Debt Securities	605,192.45
8 894	2016069	Proceeds of Substitute Checks - All Others	1,641.14
891-899	2016068	Proceeds of Substitute Checks - Public Debt Transactions	750.00
		Total	8223,872,251.64
	2017610	Philippine Pass Reclamation Suspense Account	✓ 864,712.24

✓ Exclusive of \$9,395,004,944.55 invested.

✓ Exclusive of \$7,475,850.00 invested.

✓ December 31, 1953.

Statement No. 14
Treasury Department
Statements Branch

Miscellaneous 2-23-54

229727

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US GOLD SALES, 1944

NET GOLD TRANSACTIONS
CALENDAR YEARS

	JAN	FEB	MAR	FIRST QTR	APRIL	MAY	TOTAL JAN-MAY	JUNE 10	1957	1956	1955	1954
UK	-	-100.0	-200.0	-300.0	-300.0	-100.0	-700.0	-	-	100.3	-	-50.0
Belgium	-	-	-14.2	-14.2	-34.3	-72.6	-121.1	-12	3.4	3.4	-	-
Switz.	-	-	-5.0	-5.0	-50.1	-65.1	-120.1	-	-	-8.0	-	-15.5
Nethlds	-	-24.9	-17.0	-41.9	-24.9	-14.0	-80.8	-	25.0	-	-	-
B.I.S.	-	-1.1	-14.0	-15.1	-29.3	-41.6	-86.0	-3.5	-	-	-	-80.0
Italy	-	-	-	-	-	-56.3	-56.3	-	-	-	-	-
Portgl	-	-	-	-	-	-20.0	-20.0	-	-	-	-5.0	-54.9
IMP-IRAN	-	-	-	-	-7.1	-	-7.1	-	-	-	-	-
Vatican	-	-	-	-	-1.5	-	-1.5	-	1.0	3.0	4.0	8.8
Other	-.3	-.1	-.7	-1.2	*	-.6	-1.8	-	742.2	181.5	-67.5	-195.0
TOTAL	-.3	-126.1	-250.9	-377.4	-447.1	-370.1	-1,194.6	-15.5	771.6	280.2	-68.5	-326.6

D. T. S. :
-1,188

* Less than \$50,000

Note: We purchased no gold in 1944.

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June 6,

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U. S. GOLD

NET GOLD PURCHASES BY THE UNITED STATES, BY COUNTRIES

[In millions of dollars at \$35 per fine troy ounce. Negative figures indicate net sales by the United States.]

Area and country	Annual totals								Quarterly totals				
									1956		1957		
	1949	1950	1951	1952	1953	1954	1955	1956	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.
Continental Western Europe:													
Belgium	1-43.0	1-58.0	1-18.3	1-5.8	1-94.8			3.4		3.4	3.4		
France		-84.8	-20.0					-67.5	-33.8				
Germany (Fed. Rep. of)				-10.0	-130.0	-225.6	-10.0						
Netherlands	-23.5	-79.8	-4.5	-100.0	-65.0						20.0	5.0	
Portugal	14.0	-15.0	-34.9	-5.0	-59.9	-54.9	-5.0						
Sweden		-22.9	-32.0		-20.0	-15.0		15.2		15.2			
Switzerland	-40.0	-38.0	-15.0	22.5	-65.0	-15.5		-8.0	-8.0				
Bank for Intl. Settlements	-34.3	-65.3	-30.4	(2)	-94.3	-20.0							
Other	-123.4	-16.4	-29.7	-17.3	-17.5	2.6	5.0	4.0	3.0		7.0	1.0	
Total	-250.2	-380.2	-184.8	-115.6	-546.4	-328.3	-77.5	-19.2	-5.0	18.6	30.4	6.0	
Sterling Area:													
United Kingdom	446.3	-1,020.0	469.9	440.0	-480.0	-50.0		100.3		100.3			
Union of South Africa	195.7	13.1	52.1	11.5									
Other	3.2	3.5	3.6	-3	-5	-5	-1						
Total	645.2	-1,003.4	525.6	451.2	-480.5	-50.5	-1	100.3		100.3			
Canada	3.4	-100.0	-10.0	7.2				14.6		14.6	5.2		
Latin America:													
Argentina	-49.9		-49.9	-20.0	-84.8			115.3	55.1	40.1	10.0	10.1	15.0
Colombia	7.0	-10.0	17.5	-22.8	-3.5			28.1	28.1				
Cuba	-10.0	28.2	-20.0										
Mexico	-16.1	-118.2	-60.2	87.7	-28.1	80.3							
Uruguay	-14.4	-64.8	22.2	14.9	-15.0	-5.0	11.0	29.1	2.0	27.1			
Venezuela	-50.0		-9			-30.0		-200.0		-200.0			
Other	-10.5	-7.2	-34.7	-2.4	-3	17.2	3.0	-7	-2	-2	-3.6	2.8	
Total	-143.9	-172.0	-126.0	57.5	-131.8	62.5	14.0	-28.3	85.0	-133.0	6.5	12.9	15.0
Asia	4-55.4	5-38.9	5-53.7	-6.7	-5.7	-9.9	-4.9	-2		-2	-4	-5	4.0
Eastern Europe	-6.2	13.7						13.1					
All other	4	6-44.2	6-76.0		(2)	-4		7200.0	775.0	725.0	7300.0	7300.0	-1
Grand total	193.3	-1,725.2	75.2	393.6	-1,164.3	-326.6	-68.5	280.2	155.0	25.2	341.5	318.4	18.9

¹ Includes sales of gold to Belgium Congo as follows (in millions): 1949, \$2.0; 1950, \$3.0; 1951, \$8.0; 1952, \$2.0; and 1953, \$9.9.
² Less than \$50,000.
³ Includes sale of \$114.3 million of gold to Italy.
⁴ Includes sale of \$43.1 million of gold to Thailand.

⁵ Includes sales of gold to Indonesia as follows: 1950, \$29.9 million; and 1951, \$45.0 million.
⁶ Includes sales of gold to Egypt as follows: 1950, \$44.8 million; and 1951, \$76.0 million.
⁷ Represents purchase of gold from International Monetary Fund.

ANALYSIS OF CHANGES IN GOLD STOCK OF THE UNITED STATES

[In millions of dollars]

Year	Gold stock (end of year)		Increase in total gold stock	Net gold import, or export (-)	Ear-marked gold: decrease, or increase (-)	Domestic gold production	Month	Gold stock (end of month)		Increase in total gold stock	Net gold import, or export (-)	Ear-marked gold: decrease, or increase (-)	Domestic gold production
	Treasury	Total ¹						Treasury	Total ¹				
1944	20,619	20,631	-1,349.8	-845.4	-459.8	35.8	1956-Dec	21,949	22,058	-47.7	2.7	51.2	4.6
1945	20,065	20,083	-547.8	-106.3	-356.7	32.0	1957-Jan	22,252	22,377	319.0	-53.9	295.9	5.0
1946	20,529	20,706	623.1	311.5	465.4	51.2	Feb	22,304	22,396	18.6	-29.8	28.0	4.4
1947	22,754	22,868	22,162.1	1,866.3	210.0	75.8	Mar	22,306	22,406	10.2	-8.8	16.0	5.1
1948	24,244	24,399	1,530.4	1,680.4	-139.2	70.9	Apr	22,318	22,424	17.4	20.8	-5.8	4.7
1949	24,427	24,563	164.6	686.5	-495.7	67.3	May	22,620	22,726	302.6	20.0	285.4	5.0
1950	22,706	22,820	-1,743.3	-371.3	-1,352.4	80.1	June	22,623	22,732	5.5	10.0	-6.0	4.9
1951	22,695	22,873	52.7	-549.0	617.6	66.3	July	22,627	22,735	3.8	2.7	-8	5.8
1952	23,187	23,232	379.8	684.1	-304.8	67.4	Aug	22,626	22,735	-5	28.6	-11.4	5.8
1953	22,030	22,091	-1,161.9	2.0	-1,170.8	69.0	Sept	22,635	22,799	24.1	18.9	-9.0	5.7
1954	21,713	21,793	-297.2	16.1	-325.2	65.1	Oct	22,691	22,835	75.4	42.8	36.9	6.5
1955	21,690	21,753	-40.9	97.3	-132.4	65.7	Nov	22,763	22,837	2.4	26.7	-31.2	5.1
1956	21,949	22,058	305.9	106.1	318.5	65.3	Dec	22,781	22,857	19.9	(3)	42.0	(3)

¹ Preliminary.
² See note 2 on following page.
³ Net after payment of \$687.5 million in gold as United States gold subscription to the International Monetary Fund.

⁴ Not yet available.
⁵ Gold held under earmark at the Federal Reserve Banks for foreign and international accounts amounted to \$6,022.6 million on Dec. 31, 1957. Gold under earmark is not included in the gold stock of the United States.

Federal Reserve Bulletin Jan 1958

229729

Foreign Dollar Holdings, 1945-March 1958
(In millions of dollars)

End of Period	(1) Total Foreign Dollar Holdings			(2) Short-Term Dollar Holdings						(3) U.S. Gov't. Bonds & Notes ^{1/}		
	Total (4)+(10)	Foreign Coun- tries (6)+(11)	Inter- national Institu- tions (9)+(12)	Total (6)+(9)	Total Official (incl. Inter- national Institu- tions) (7)+(9)	Foreign Countries			Inter- national Institu- tions (Official)	Total (11)+(12)	Foreign Coun- tries	Inter- national Institu- tions
						Total (7)+(8)	Official	Private				
1945.....	6,883	6,883	-	6,883	4,179	6,883	4,179	2,704	-	2/	2/	2/
1946.....	6,480	6,007	474	6,480	3,518	6,007	3,044	2,963	474	2/	2/	2/
1947.....	7,116	4,854	2,262	7,116	4,094	4,854	1,832	3,022	2,262	2/	2/	2/
1948.....	7,718	5,854	1,864	7,718	4,701	5,854	2,837	3,017	1,864	2/	2/	2/
1949.....	8,226	6,409	1,817	7,618	4,566	5,960	2,908	3,052	1,658	608	449	159
1950.....	10,197	8,393	1,804	8,645	5,148	7,117	3,620	3,497	1,528	1,552	1,276	276
1951.....	10,173	8,271	1,902	9,302	5,189	7,661	3,548	4,113	1,641	871	610	261
1952.....	11,719	9,864	1,855	10,546	6,239	8,961	4,654	4,307	1,585	1,173	903	270
1953.....	12,739	10,825	1,914	11,648	7,296	10,019	5,667	4,352	1,629	1,091	806	285
1954.....	14,019	11,595	2,124	12,919	8,540	11,149	6,770	4,379	1,770	1,100	746	354
1955.....	15,230	13,028	2,202	13,601	8,834	11,720	6,953	4,767	1,881	1,629	1,308	321
1956.....	16,433	14,590	1,843	14,939	9,497	13,487	8,045	5,442	1,452	1,494	1,103	391
1957.....	16,576	14,836	1,740	15,134	9,422	13,616	7,905	5,711	1,518	1,442	1,220	222
1958												
Jan....	16,739	14,898	1,841	15,303	9,617	13,684	7,999	5,685	1,619	1,436	1,214	222
Feb....	16,784	14,962	1,822	15,230	9,540	13,763	8,073	5,690	1,467	1,554	1,199	355
Mar....	16,688	14,955	1,733	15,142	9,355	13,765	7,978	5,787	1,377	1,546	1,190	356

Note: Detail may not add to totals because of rounding.
^{1/} Estimated.
^{2/} Not available.

June 2, 1958

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Entry 67-17584

File GOLD MEETINGS

Box

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- 2 -

	Liabilities to Foreign "Official" Accounts	Liabilities to Other Foreign Accounts	Total Liabilities to Foreign Accounts	Claims on Foreign Accounts	Earmarked Gold
<u>Latin America (contd.)</u>					
Panama, Republic of...	1.9	112.0	113.8	24.2	-
Peru.....	9.1	53.1	62.2	38.3	-
El Salvador.....	10.6	20.8	31.4	6.4	26.4
Uruguay.....	17.8	67.8	85.6	47.4	16.5
Venezuela.....	506.5	202.4	708.9	161.0	257.5
Other Latin America...	61.8	90.2	152.0	51.4	19.4
TOTAL LATIN AMERICA.	1,113.2	1,354.7	2,467.9	997.9	950.3
<u>ASIA</u>					
China Mainland.....	5.9	30.3	36.2	2.5	-
Hong Kong.....	.1	67.6	67.8	7.9	-
India.....	53.0	26.1	79.1	7.5	-
Indonesia.....	82.3	7.1	89.4	.2	6.0
Iran.....	47.9	4.3	52.2	28.1	72.9
Israel.....	34.1	14.3	48.5	21.3	-
Japan.....	563.2	134.3	697.5	138.8	-
Korea, Rep. of.....	112.8	8.5	121.3	5.0	-
Philippines.....	88.2	99.7	187.9	53.2	5.8 ^{2/}
Taiwan.....	83.8	8.1	91.9	5.7	-
Thailand.....	148.9	7.7	156.6	12.5	83.1
Other Asia.....	177.4	182.2	359.6	100.1	31.8
TOTAL ASIA.....	1,397.7	590.1	1,987.9	382.8	199.5
<u>Other Countries</u>					
Australia.....	58.4	24.0	82.4	12.7	18.8
Belgian Congo.....	38.3	7.5	45.8	6.1	31.1
Egypt ^{3/}	33.6	8.7	42.2	1.4	-
Union of South Africa,	29.7	8.8	38.5	11.9	29.0
All Other.....	75.2	80.7	155.8	12.3	-
TOTAL OTHER COUNTRIES	235.1	129.7	364.8	44.4	78.9
INTERNATIONAL.....	1,376.6	.1	1,376.7	-	536.9
GRAND TOTAL.....	9,352.9	5,786.8	15,139.7	2,284.3	6,479.5

* Less than \$50 thousand.

^{1/} Includes gold which is held for domestic banks as collateral under arrangements with:

Spain..... \$31.7 million

Turkey..... 81.7

Brazil..... \$204.6 million

Guatemala..... 4.0

^{2/} Included in Philippine account is \$5.6 million of earmarked gold which is held by the Federal Reserve Bank of San Francisco as agent for the Federal Reserve Bank of New York.^{3/} Part of United Arab Republic (including Egypt and Syria) since February 1958. Data on Syria are included in "Other Asia." Liabilities to Syria as of December 31, 1957, as reported by banks in the Second (N.Y.) Federal Reserve District only, were \$1,539 thousand.

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 Authority
 By NARA Date

 RG 56
 Entry 6-1-1958
 File GOLD MEETINGS
 Box

THIS INFORMATION IS NOT TO BE DIVULGED OUTSIDE THE U.S. GOVERNMENT

Short-Term Liabilities to Foreigners, Short-Term Claims on Foreigners,
and Earmarked Gold Balances as of March 31, 1958 (preliminary)

(In millions of dollars)

	Liabilities to Foreign "Official" Accounts	Liabilities to Other Foreign Accounts	Total Liabilities to Foreign Accounts	Claims on Foreign Accounts	Earmarked Gold
<u>Europe</u>					
Austria.....	344.9	10.4	355.3	9.4	18.2
Belgium.....	11.7	98.1	109.8	33.1	499.5
Czechoslovakia.....	.2	.3	.5	.3	-
Denmark.....	103.3	27.4	130.7	7.9	14.1
Finland.....	56.5	4.7	61.3	5.7	15.7
France.....	27.9	273.6	301.4	104.1	173.5
Germany, Fed. Rep. of...	1,338.2	170.1	1,508.3	129.8	841.2
Greece.....	131.3	22.8	154.1	7.1	.1
Italy.....	935.6	130.5	1,066.1	53.3	225.7
Netherlands.....	248.2	74.9	323.1	33.6	615.6
Norway.....	29.9	77.4	107.3	26.1	17.1
Poland.....	1.7	2.8	4.4	6.5	-
Portugal.....	65.9	89.2	155.1	1.7	366.7
Rumania.....	.3	.5	.8	-	-
Spain.....	4.7	23.7	28.5	38.5	31.7
Sweden.....	205.0	53.5	258.4	13.4	75.6
Switzerland.....	177.9	740.5	918.5	27.3	943.8
Turkey.....	5.5	7.3	12.8	74.6	85.6
U.S.S.R.....	.5	.3	.8	-	-
United Kingdom.....	577.2	682.9	1,260.1	94.8	658.8
Yugoslavia.....	4.1	3.3	7.4	.4	*
Other Europe.....	515.3	37.1	552.4	5.1	114.7
TOTAL EUROPE.....	4,786.0	2,531.2	7,317.2	672.8	4,697.8
<u>Canada.....</u>	<u>446.2</u>	<u>1,181.0</u>	<u>1,627.1</u>	<u>186.5</u>	<u>16.0</u>
<u>Latin America</u>					
Argentina.....	32.0	112.3	144.3	25.8	46.8
Bolivia.....	5.3	17.7	23.0	3.1	*
Brazil.....	20.9	95.3	116.2	168.1	259.6
Chile.....	13.0	64.0	76.9	39.7	20.4
Colombia.....	52.1	83.3	135.4	89.0	11.0
Cuba.....	105.2	138.8	244.0	100.8	134.2
Dominican Republic.....	18.3	29.8	48.1	11.7	10.8
Guatemala.....	42.7	23.1	65.8	8.9	23.0
Mexico.....	194.3	169.8	364.1	219.2	109.2
Netherlands West Indies & Surinam.....	21.9	44.2	66.1	2.8	15.4

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229732

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Authority NNL 978026
By Q NARA Date 6/16RG 56
Entry 69A7584
File GOLD MEETINGS
Box 5United States gold stock, monetary gold reserve
requirements, and foreign dollar holdings
1934-1958

(millions of dollars)

End of period	United States gold stock	United States monetary gold reserve requirement	Total foreign dollar holdings ^{1/}	Foreign official short-term dollar holdings ^{1/}
1934	8,259	3,116	670	2/
1935	10,125	3,984	1,301	2/
1936	11,422	4,453	1,623	2/
1937	12,790	4,604	1,893	2/
1938	14,591	5,543	2,158	2/
1939	17,800	6,738	3,221	2/
1940	22,042	8,238	3,938	2/
1941	22,761	8,631	3,679	2/
1942	22,739	10,409	4,205	2,244
1943	21,981	12,287	5,375	3,320
1944	20,631	14,645	5,597	3,335
1945	20,083	10,919 ^{3/}	6,883	4,179
1946	20,706	10,780	6,480	3,518
1947	22,868	11,341	7,116	4,094
1948	24,399	11,938	7,718	4,701
1949	24,563	10,795	8,226 ^{4/}	4,566
1950	22,820	11,045	10,197	5,148
1951	22,873	11,758	10,173	5,189
1952	23,252	12,092	11,719	6,239
1953	22,091	12,167	12,739	7,296
1954	21,793	11,847	14,019	8,540
1955	21,753	12,009	15,230	8,834
1956	22,058	12,120	16,433	9,497
1957	22,857	12,101	16,576	9,422
1958				
Jan.	22,860	11,855	16,739	9,617
Feb.	22,736	11,774	16,784	9,540
Mar.	22,487	11,735	16,688	9,355

^{1/} Includes holdings of international institutions.^{2/} Not available.^{3/} Reflects the lowering of reserve requirements against Federal Reserve notes and deposits to 25 percent from previous requirements of 40 percent against notes and 35 percent against deposits.^{4/} Includes for the first time, estimated holdings of U. S. Government bonds and notes.

June 2, 1958

229733

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 Authority 100-978226
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 RG 56
 Entry 69A7584
 File GOLD MEETINGS
 Box 5

 United States gold stock and foreign short-term dollar holdings, end-year,
 1945-57 and Mar. 31, 1958

(In millions of dollars)

End-period	United States gold stock	Required gold reserves ^{1/}	Foreign short-term dollar holdings ^{2/}			
			Foreign countries			International institutions (official)
			Official	Private ^{3/}	Total	
1945.....	\$20,083	\$10,919	\$4,179	\$2,704	\$6,883	-
1946.....	20,706	10,780	3,044	2,963	6,007	\$474
1947.....	22,868	11,341	1,832	3,022	4,854	2,262
1948.....	24,399	11,938	2,837	3,017	5,854	1,864
1949.....	24,563	10,795	2,908	3,052	5,960	1,658
1950.....	22,820	11,045	3,620	3,497	7,117	1,528
1951.....	22,873	11,758	3,548	4,113	7,661	1,641
1952.....	23,252	12,092	4,654	4,307	8,961	1,585
1953.....	22,091	12,187	5,667	4,352	10,019	1,629
1954.....	21,793	11,847	6,770	4,379	11,149	1,770
1955.....	21,753	12,009	6,953	4,767	11,720	1,881
1956.....	22,058	12,120	8,045	5,442	13,487	1,452
1957.....	22,857	12,101	7,905	5,711	13,616	1,518
1958 March.....	22,487	11,735	7,978	5,787	13,765	1,377

- ^{1/} Required gold reserves are fixed by law at 25 percent of notes and deposit liabilities of the Federal Reserve System. These figures also include small amounts of statutory gold reserves against certain other types of currency.
- ^{2/} Foreigners also held U.S. Government bonds and notes amounting to \$1,546 million on March 31, 1958.
- ^{3/} The Treasury Department does not engage in gold transactions with foreign individuals or private institutions, but only enters into such transactions for monetary purposes with foreign governments, central banks, and certain international institutions.

June 2, 1958

229734

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 By [Signature] NARA Date 6/16
 RG 56
 Entry 69A7584
 File GOLD MEETINGS
 Box 5

Treasury Gold Stocks, December 31, 1934 - May 31, 1958

(In millions of dollars)

<u>End of Calendar Year</u>	<u>Treasury Gold Stock</u>	<u>Net Change</u>
1934	0,239	--
1935	10,123	1,884
1936	11,250	1,125
1937	12,760	1,502
1938	14,511	1,751
1939	17,343	3,132
1940	21,995	4,352
1941	22,736	741
1942	22,726	-10
1943	21,930	-796
1944	20,519	-1,319
1945	20,065	-554
1946	20,529	464
1947	22,754	2,225
1948	24,244	1,490
1949	24,427	183
1950	22,706	-1,721
1951	22,395	-11
1952	23,187	492
1953	22,030	-1,157
1954	21,713	-317
1955	21,690	-23
1956	21,949	259
1957	22,781	832
NET CHANGE (1934 - 1957)		14,542
<u>End of Month 1958</u>		
January	22,783	2
February	22,686	-97
March	22,394	-292
April	21,995	-399
May 31	21,593	-403
Net Change 1958		-1,188
NET CHANGE (1934 - May 31, 1958)		13,354

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RG 56
Entry 69A7584
File GOLD: MAJORE
CORRESPONDENCE
Box 5

6/29/55

Mr. Elting Arnold

Fred B. Smith

Norman Davis will be in the Treasury Thursday morning and hopes to discuss with you, Bittermann, and Willis a new gold pool scheme which I have discussed with him. His proposal is designed to eliminate unnecessary dollar transactions in connection with small payments that members have to make periodically to the I.M.F. Frequently the amount of these payments is such that whole bars can not be transferred and this necessitates rather complicated dollar credits and debits.

containing about 5,000 ounces

His original proposal was for the establishment of a joint I.M.F.-Stabilization Fund gold account in which the two institutions would not own any particular bars. As members had to make gold payments to the I.M.F., they would pay dollars in the exact amount to the Stabilization Fund and this same amount would be credited to the I.M.F. in the joint gold account. When the Stabilization Fund's interest in the joint gold account became low, the Stabilization Fund would transfer more gold to it and at the same time bars would be transferred out of the joint gold account and placed under earmark for the I.M.F.

I told Norman Davis that offhand I thought the idea might have some merit but I did not see why the joint gold account would have to be so large. It seemed to me that you could have a joint account containing just a few bars to be used to take care of the fractions involved in any gold paid to the I.M.F. Thus, if a member had a payment to make to the I.M.F., as much of it as possible would be made directly through the purchase of whole bars. The small balance of the payment involving a fraction of a bar could then be handled through the small joint account. This suggested modification seemed acceptable to Norman Davis.

You will recall that our main objection to the Federal's original gold pool plan was that public relations wise it might look bad to have the Treasury's gold mixed up with other countries' gold. I suppose this same objection would apply to the latest proposal but only in a very small way, and if my suggestion were adopted it would involve joint ownership of only 4 or 5 bars of gold. Offhand, I think that Norman Davis' proposal has merit, would save expense, and that we should not be too negative about it. However, I think he should reduce it to writing and spell out in detail just how it would operate, after which careful consideration might be given to the plan. }

cc: Messrs. Willis and
Bittermann
FBSmthrs 6/29/55

* I agree
E. A. 7-1

229736

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Footnote to Treasury Daily Statement for February 26,
1947 describing the payment of the subscription to
the International Monetary Fund

"c Pursuant to Gold Reserve Act of 1934, as amended by the Bretton Woods Agreements Act, approved July 31, 1945, there was paid on Feb. 26, 1947, \$1,794,725,000 to the International Monetary Fund from the Exchange Stabilization Fund, thereby bringing the amount of such payments to date up to \$1,800,000,000. The payment was made as follows: in gold amounting to \$687,500,000.11, in currency amounting to \$275,224,999.89, and in non-negotiable, non-interest-bearing demand notes of the United States amounting to \$832,000,000, in place of a like amount of currency. There was also paid at the same time to the International Monetary Fund from the general fund of the Treasury the amount of \$950,000,000, in place of which the International Monetary Fund accepted a like face amount of non-negotiable, non-interest-bearing demand notes of the United States. This completes the payment of the United States quota of \$2,750,000,000 in the International Monetary Fund. (The payments previously made in the amount of \$275,000 on Dec. 27, 1945, and \$5,000,000 on Nov. 21, 1946, were made in dollars out of the working funds of the Exchange Stabilization Fund.)"

attachment

229737

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RG 56
 Entry 69A7584
 File GOLD: MAJOR CORRESPONDENCE
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TRANSACTIONS WITH REGARD TO PAYMENT OF U. S. SUBSCRIPTION
TO INTERNATIONAL MONETARY FUND
 (In month of February, 1947, except as indicated)

EXCHANGE STABILIZATION FUND

Paid dollars to Monetary Fund out of checking account of Stabilization Fund maintained with U. S. Treasurer (December 1945)	\$275,000.00
Paid dollars to Monetary Fund out of checking account of Stabilization Fund maintained with Federal Reserve Bank of New York. (November 1946)	5,000,000.00
Turned gold over to U. S. Treasury	1,800,000,000.00
Was repaid dollars by U.S. Treasury for credit to Stabilization Fund's checking account with U.S. Treasurer	5,275,000.00

U. S. TREASURY

Received gold from Stabilization Fund	1,800,000,000.00
Turned gold over to the Monetary Fund	687,500,000.11
Paid back dollars to Stabilization Fund (see counter part of this transaction, below)	5,275,000.00
Turned gold over to Federal Reserve Bank of New York (gold certificate fund) in exchange for dollars	275,000,000.00
Paid dollars to Monetary Fund	275,224,999.89
demand	
Gave Monetary/ Fund notes (special public debt obligations)	1,782,000,000.00
Received dollars from Stabilization Fund for credit to it's checking account with U.S. Treasurer (see counter part of this transactions, above)	5,275,000.00

INTERNATIONAL MONETARY FUND

Received dollars from Stabilization Fund (during 1945 and 1946)	5,275,000.00
Received gold from U.S. Treasury	687,500,000.11
Received dollars from U.S. Treasury	275,224,999.89
Received demand notes from U.S. Treasury	1,782,000,000.00

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 By 008 NARA Date 6/16

RG 56
 Entry 69A7584
 File GOLD: MAJOR CORRESPONDENCE
 Box 5

TRANSACTIONS WITH REGARD TO PAYMENT OF U. S. SUBSCRIPTION
TO INTERNATIONAL MONETARY FUND
 (continued)

EFFECT ON EXCHANGE STABILIZATION FUND

Paid out:

Dollars.....	\$5,275,000.00	
Gold.....	<u>1,800,000,000.00</u>	\$1,805,275,000.00

Received:

Dollars.....		<u>5,275,000.00</u>
<u>Payment on U. S. subscription to Monetary Fund....</u>		<u>1,800,000,000.00</u>

EFFECT ON U. S. TREASURY

Paid out:

<u>Dollars:</u>		
To Stabilization Fund (represented by credit to its checking account with U. S. Treasurer)...	\$5,275,000.00	
To Monetary Fund.....	<u>275,224,999.89</u>	
	<u>280,499,999.89</u>	
Gold.....	962,500,000.11	
Demand notes.....	<u>1,782,000,000.00</u>	
		3,025,000,000.00

Received

<u>Dollars:</u>		
From FRB in exchange for gold.....	275,000,000.00	
Gold from Stabiliza- tion Fund.....	<u>1,800,000,000.00</u>	
		<u>2,075,000,000.00</u>
<u>Payment on U. S. subscription to Monetary Fund....</u>		<u>950,000,000.00</u>

EFFECT ON MONETARY FUND

Received:

Dollars.....		280,499,999.89
Gold.....		687,500,000.11
Demand Notes.....		<u>1,782,000,000.00</u>
<u>Total U. S. subscription (as above).....</u>		<u>2,750,000,000.00</u>

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RG 56
 Entry 69A7584
 File GOLD: MAJOR CORRESPONDENCE
 Box 5

TRANSACTIONS WITH REGARD TO PAYMENT OF U. S. SUBSCRIPTION
TO INTERNATIONAL MONETARY FUND
 (continued)

ANALYSIS OF TRANSACTIONS WITH RESPECT TO GOLD
ACCOUNT OF EXCHANGE STABILIZATION FUND

The gold account of the Stabilization Fund was cleared out by the following charges:

Dollars representing repayment to Stabilization Fund with corresponding credit to its checking account with U. S. Treasurer.....	5,275,000.00
Gold transferred by U. S. Treasury to Monetary Fund.....	687,500,000.11
Dollars transferred by U. S. Treasury to Monetary Fund.....	275,224,999.89
Balance of account representing part of gold taken up in General Fund of U. S. Treasury.....	<u>832,000,000.00</u>
Total charges.....	<u><u>1,800,000,000.00</u></u>

EFFECT ON GENERAL FUND OF U. S. TREASURY

The part of the \$1,800,000,000 of gold taken up in General Fund of U. S. Treasury consists of:

Dollars credited to Stabilization Fund's checking account with U. S. Treasurer in exchange for gold.....	5,275,000.00
Portion of dollar payment to Monetary Fund which was not taken care of by exchanging gold (with New York FRB) for dollars.....	224,999.89
Balance of gold account as above.....	<u>832,000,000.00</u>
Gold taken up in General Fund of U. S. Treasury.....	<u><u>837,499,999.89</u></u>

PROOF:

Gold turned over by Stabilization Fund to U. S. Treasury.....		1,800,000,000.00
Less - Gold exchanged with FRB for dollars	275,000,000.00	
Gold turned over to Monetary Fund	<u>687,500,000.11</u>	<u>962,500,000.11</u>
Gold acquired by General Fund of U. S. Treasury, as above		<u><u>837,499,999.89</u></u>

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RG 56
 Entry 69A7584
 File GOLD: MAJOR CORRESPONDENCE
 Box 5

- 4 -

TRANSACTIONS WITH REGARD TO PAYMENT OF U. S. SUBSCRIPTION
 TO INTERNATIONAL MONETARY FUND
 (continued)

EFFECT ON DAILY TREASURY STATEMENT OF 2/26/47

PAGE 1

Gold

Assets:

Gold..... - \$ 687,500,000.11

Liabilities:

Gold Certificate Fund - Board of Governors,
 Federal Reserve System + 275,000,000.00
 Exchange Stabilization Fund - 1,800,000,000.00
 Gold in general fund + 837,499,999.89

General Fund

Assets:

Gold + 837,499,999.89

Liabilities:

Balance + 837,499,999.89

PAGE 2

Expenditures

I General:

Bretton Woods Agreement Act;
 International Monetary Fund + 950,000,000.00

PAGE 3

Expenditures

Special Deposits (net) + 5,275,000.00

PAGE 4

Receipts

Non-Marketable obligations:

Special Notes of the United States
 International Monetary Fund Series..... + 1,782,000,000.00

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Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5Where Federal Reserve Bank gold came from.

Under the Federal Reserve Act there are six primary ways in which the Federal reserve banks have acquired the gold they now have:

(a) Section 15 of the Federal Reserve Act allows the Secretary of the Treasury to deposit moneys held in the general funds of the Treasury, with the exception of funds held for the redemption of National bank notes. Under this authority the Government has placed large amounts of gold in the Federal reserve banks.

(b) The recent Executive Orders requiring all other persons and firms to surrender gold and gold certificates directed that this gold and these certificates be delivered to the Federal reserve banks. A very substantial amount of gold and gold certificates has been acquired in this manner.

(c) Section 14 of the Federal Reserve Act gives the Federal reserve banks broad powers to acquire and otherwise deal in gold coin and bullion at home and abroad. The Federal reserve banks at the present time own no gold abroad.

(d) Gold and gold certificates were acquired by the payment of subscription to the capital stock of the Federal reserve banks. Subscriptions by both National banks and State banks had to be paid in gold or gold certificates and this accordingly furnished the Federal reserve banks with a certain amount of gold. (Federal Reserve Act, Sections 2-9). Banks hereafter becoming members of the Federal Reserve System can continue to acquire gold certificates to pay their subscription.

(e) Before the enactment of the Federal Reserve Act, National banks had to maintain a certain percentage of funds as reserves against their deposits. The reserve required did not have to consist entirely of gold,

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 Authority NND 978024
 By _____ NARA Date 6/16
 RG 56
 Entry 69A7584
 File GOLD: MISCELLANEOUS
 Box 5

- 2 -

but gold was very largely held as a reserve. The United States, shortly after the Federal Reserve Act went into effect, found itself attracting a large amount of gold from abroad as a result of the European war, and the Federal reserve authorities felt that not enough of this gold was finding its way into the Federal reserve banks. Under the Federal Reserve Act as originally passed, a large portion of the reserves of member banks was permitted to be kept in their vaults and accordingly the supply of monetary gold was scattered throughout the country. For this reason the Act of June 21, 1917, amended the Federal Reserve Act to require all member bank reserves to consist of credits on the books of the Federal Reserve Bank.

(f) Under the original Federal Reserve Act, Federal reserve notes could not be issued dollar for dollar against deposits of gold. The amendment of June 21, 1917 permitted this. In consequence large amounts of gold certificates and gold currency were retired from circulation to be used as the basis for the issuance of Federal reserve notes. (Federal Reserve Act, Sections 16-19).

Present value of gold held by Federal Reserve Banks. -- All of the gold now owned by the Federal reserve banks is carried on their books at \$20.67. This is the value fixed by law and is what the Federal reserve banks paid for it. After March 6, 1933, banks could pay out gold for export only under license, and, after April 20, nobody could export gold except with a license. As a result the dollar declined in the foreign

229743

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By _____ NARA Date 6/16
RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5

- 3 -

exchange market, and, because of this decline, anybody purchasing gold outside of the United States had to use more dollars to get the currency with which to purchase the gold.

This does not mean that gold in the United States increased in value in terms of dollars. Such gold is not worth the world price because it does not have the privilege of being exported. This applies to gold owned by Federal reserve banks as well as by other persons. A substantial amount of the gold now owned by Federal reserve banks was acquired after the export embargo. The Federal reserve banks paid \$20.67 for this gold because the gold did not have the privilege of export.

From April to the end of August, the Federal reserve banks sold millions of dollars of gold for use in industry, the professions, and arts. They sold this gold for \$20.67 and did not complain that they were not receiving just compensation. The Federal reserve banks are still selling gold at \$20.67 to persons licensed to acquire gold under the August 28 Executive Order.

Effect of Devaluation on Value of Gold.-- If the value of gold in the United States increases because of devaluation, it will not be the result of action by the Federal reserve banks but of the action of the Government in regulating the value of the money of the United States. After the gold of the Federal reserve banks is taken over by the Government, it will continue to be worth only \$20.67 so long as the Government

229744

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RG

56Entry 69A7584File Gold: MISCELLANEOUS

Box

5

- 4 -

does not devalue. If the President should lift the embargo on gold, gold could be purchased abroad with Federal reserve notes or any other currency at \$20.67. The money the Federal reserve banks receive for their gold will always be worth as many dollars as the gold they own is now worth to them.

Payment for the Gold.

Because the Federal reserve banks are by Act of Government banks of issue they will be paid in money (gold certificates) which will always be secured 100 per cent with gold. -- The Federal Reserve Act now provides that the reserve for Federal reserve notes and for Federal reserve deposits may be in gold certificates; approximately \$900,000,000 of these reserves is now in gold certificates. The Federal Reserve Act now provides that the collateral deposited with the Federal reserve agents may be eligible paper, gold, or gold certificates and that the Federal reserve banks may at any time exchange gold certificates for the gold with the Federal reserve agents. The proposed bill continues this provision that gold certificates may be held as a reserve for Federal reserve notes and deposits and may be deposited as collateral. The proposed bill eliminates the provision that gold may be held as a reserve for Federal reserve notes and deposits and may be deposited as collateral. The proposed bill eliminates the provision that gold may be held as a part of the reserve or deposited as collateral with Federal reserve notes, but provides that the Secretary of the Treasury shall redeem gold certificates owned by the

229745

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RG

56

Entry

69A7584

File

GOLD: MISCELLANEOUS

Box

5

- 5 -

Federal reserve banks to the extent necessary to enable Federal reserve banks to maintain their Federal reserve notes along with other kinds of currency of the United States at a parity with one another. In other words, the Federal reserve banks shall have a right to obtain as many dollars worth of gold as they now have to the extent needed for the purposes for which they now have gold.

Gold certificates will be redeemed ^{in gold} for the Federal reserve banks in all cases where there is any legitimate reason for redemption. The bill expressly provides for redemption for such purposes and for the holding of gold for the settlement of international balances, for industry and the arts and if necessary to maintain parity of purchasing power of all forms of currency including, of course, Federal reserve notes and Federal reserve bank notes.

The gold certificates which the Federal reserve banks now hold and will receive for their gold are, like other kinds of currency of the United States, legal tender. True, because of the Executive Orders issued under the Act of March 9, 1933, for the purpose of protecting the reserves of the Federal reserve banks, they may not now circulate except among the Federal reserve banks, the Federal reserve agents and the Treasury. Should these orders be lifted, gold certificates may again circulate like all other kinds of currency. Federal reserve banks may be expected, however, to hold these certificates for use as a reserve or collateral for Federal reserve notes.

229746

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Authority NND 978024By _____ NARA Date 6/16

RG

56Entry 69A7584File GOLD: MISCELLANEOUS

Box

5

- 6 -

Ownership of Gold of Federal Reserve Banks.

The Federal reserve banks are corporations; and the corporations, not the stockholders, have title to the gold. Indeed the member banks as stockholders of the Federal reserve banks have a more limited interest than do stockholders in most corporations. The Federal Reserve Act provides that, after payment of a 6% dividend and the establishment of a specified surplus, the profits should go to the United States (as an excise tax) and that likewise on dissolution, all surplus after paying stockholders and creditors should go to the national government. Congress did away with the excise tax last year, but the dissolution provision remains. Nor do the member banks have a property interest in the gold by reason of their deposits. The Federal Reserve Act has, since its enactment, provided that the 35% reserve for deposits may be in gold, gold certificates, or lawful money.

The Federal Reserve Act provides that Federal Reserve Notes "shall be obligations of the United States". This is the locus of the ultimate responsibility for maintaining Federal Reserve Notes at a parity with other kinds of currency of the United States; and it is appropriate that the gold should be held by the Treasury.

229747

DECLASSIFIED
 Authority NND978024
 By _____ NARA Date 6/16
 RG 56
 Entry 69A7584
 File GOLD: MISCELLANEOUS
 Box 5

Gold: Emerald

COUNTRY: Spain
SUBJECT: Smuggling of Gold
Place Acquired: Spain, Bilbao
Date of Info: 15 April 1948
Report No. SO JB 9839

SOURCE: Fairly reliable source in Bilbao from a well-placed informant.

Martin PAGONABARRAGA and Victor ESTERAN, first and second machinists of the Ibarra y Cia. ship "Cabo Espartel" were engaged as of mid-April 1948 in smuggling gold between America and the Iberian Peninsula. The "Cabo Espartel" visits New York, Philadelphia, Lisbon and Bilbao. The smuggled gold is delivered in the port of Lisbon.

6-2-48 cc to: Gunter, Arnold, Shurtz 2, Wood-Meter, Willis, Schwartz, Eddy, Bittermann, Secret Service, Mint and F. Smith.

pel

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Authority NND 978024

By _____ NARA Date 6/16

RG 56

Entry 69A7584

File GOLD: MISCELLANEOUS

Box 5

Misc.

Smith

INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

2-M

RESTRICTED

Action: DCL

Info:

SS

UE

C

EUR

OCD

CIA

ITP

OPD

FC

DCR

Control 2104

Rec'd December 7, 1947
3:46 a.m.

FROM: Paris

TO: Secretary of State

NO: 5245, December 6, 2 p.m.

FOR STATE AND TREASURY

Embassy has obtained additional comments of French gold hoard question from Leon Schick (gold specialist connected with well-known firm), supplementing his 1944 estimates given in enclosure 2 to Embassy report 530, November 28. In view of Schick's long experience as practical arbitragist, his estimates and opinions may have background value for ERP gold studies. (Over period of years Reagan has found him careful and reliable in views on economic questions).

One. Gold hoards at time of liberation.

Schick still considers his estimate of about 7.6 billion gold francs (2200 fine tons) in France and about 2 billion abroad belonging to Frenchmen at that time to have been substantially correct. However, he has revised breakdown of latter figure (page 9 of article) to read:

In London 400 million gold francs in 1944 of which at least 200 million still held there undeclared;

In Switzerland 1500 million gold francs, most of which has since been smuggled directly or indirectly into France;

In Argentina possibly 50 million gold francs.

Two. Gold hoards in France at present:

Schick believes as much

RESTRICTED

INFORMATION COPY

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DECLASSIFIED
 Authority NND 978024
 By _____ NARA Date 6/16
 RG 56
 Entry 69A7584
 File GOLD: MISCELLANEOUS
 Box 5

RESTRICTED

-2- #5245, December 6, 2 p.m., from Paris

Schick believes as much as 600 tons of gold may have been smuggled into France since liberation bringing total within France to about 2800 fine tons (about dollars 3.1 billion). These 600 tons composed approximately as follows:

(A) Gold already held abroad by Frenchmen, 300 tons. This has been imported indirectly by arbitrage operations (via Swiss and French francs) and usually not imported by original holder. Such imports are largely from Switzerland because of long period during which gold operations in that country were anonymous. In England, however, gold deposits are only utilizable if unblocked through Office des Changes and therefore large proportion still held in London by original holders.

(B) Gold imports financed by liquidation of undeclared foreign securities and liquid assets abroad other than gold 150 tons.

(C) Gold imports financed by tourist black-market trade and proceeds of under-invoicing of French exports. Schick believes that from liberation until mid-1946 most small French exporting firms under-invoiced by about 10 percent. Since then rising French prices have so altered competitive position that possibility of under-invoicing reduced to 5 percent or less. (French policy of permitting 10 percent of proceeds of certain exports to be used for equipment imports has also reduced under-invoicing).

Note that increase in gold hoards within France since liberation is considered by Schick to be offset largely by decrease in undeclared French gold and other assets abroad (A and B above). This source has now largely dried up. Gold smuggling at present very small, probably not more than ton a month.

Three. Destination of Swiss gold.

Schick guesses that, of gold released to public by Swiss National Bank or dishoarded in Switzerland in 1945 and 1946, about 40-50 percent went to France, 20-25 percent to Italy, and remainder to Near East and other countries.

Since then about 55

RESTRICTED

229750

DECLASSIFIED	RG	56
Authority <u>NND 978024</u>	Entry	<u>69A7584</u>
By _____ NARA Date <u>6/16</u>	File	<u>GOLD: MISCELLANEOUS</u>
	Box	<u>5</u>

RESTRICTED

-3- #5245, December 6, 2 p.m., from Paris

Since then about 55 percent goes to France, 10 percent to Italy, 25 percent to Near East, etc., and about 10 percent is hoarded in Switzerland.

Swiss coins constitute overwhelming proportion of gold smuggled into France in recent months but flow has appreciably diminished following suspension Swiss gold sales. Most French napoleons outstanding had already been absorbed into France, where they are quoted at 3525 francs as compared to quotation of only 3175 for corresponding Swiss "vreneli" coin. Napoleons preferred because of (A) habit, (B) fact that possession of Swiss coins, being of recognizable recent coinage, is more risky.

Four. Prospects of French dishoarding.

Schick believes that, despite "metal-mindedness" of French savers, greater part of French private gold hoards would be released if budget were balanced and reasonably convincing monetary stabilization accomplished. He even feels Finance Ministry should study means of stabilizing inflationary effect of such eventual dishoarding, possibly by forcing use of gold for equipment imports.

Sent Department 5245; repeated Bern 78.

CAFFERY

MRM:FAE

RESTRICTED

229751

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Authority NND 978024By _____ NARA Date 6/16

RG

56

Entry

69A7584

File

GOLD: MISCELLANEOUS

Box

5**INCOMING TELEGRAM**

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

Smith

PLAIN

8

Control 6341

Action: DCL

Info :

UE

EUR

OCD

CIA

ITP

OFD

DCR

FROM: London

TO: Secretary of State

NO: 5637, Twenty-first

Rec'd October 21, 1947
12:36 p.m.*R*

FOR TREASURY AND OTHER INTERESTED AGENCIES

In connection public announcement that further pounds 30 million in gold sold since September 15, British treasury states information on gold shipments will not be published but monthly statement gross gold sales will be made.

GALLMAN

ME:ME

*File - Gold:**Miscellaneous*

PLAIN

INFORMATION COPY

229752

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Authority NND 978024By _____ NARA Date 6/1/62

RG	<u>56</u>
Entry	<u>69A7584</u>
File	<u>GOLD: MISCELLANEOUS</u>
Box	<u>5</u>

GOLD: Misc

SEP 16 1946

My dear Mr. White:

Reference is made to our recent conversation regarding the applications by Turkey, Italy, Syria and Lebanon for membership in the International Monetary Fund. You have asked to be advised as to the problems which might arise under the Gold Declaration of the Secretary of the Treasury of February 22, 1944, in connection with the admission of these and other countries to the International Monetary Fund.

Our records indicate that the 36 countries on the enclosed list have either adopted the Gold Declaration of February 22, 1944, or have adhered to its principles. It should be noted that although Portugal and Spain are included on this list, they did not adhere to the Gold Declaration until after the surrender of Germany. At the present time the Department considers that purchases of gold from these two countries are subject to the Declaration.

The admission of new countries to the International Monetary Fund appears to raise two problems in connection with the Gold Declaration. First, if one of the neutrals or other countries which acquired gold directly or indirectly from the Axis were admitted to the International Monetary Fund before making a settlement with the Allies for looted gold, such a country could use its gold in transactions with the International Monetary Fund and thereby obtain dollars, although the United States would not purchase gold from that country under the Gold Declaration. Secondly, if any country were to become a member of the Fund before it had adopted the Gold Declaration or adhered to its principles, such a country could act as a conduit for the disposal to the Monetary Fund of looted gold held by other countries.

I am sending a copy of this letter to the Secretary of the National Advisory Council so that the Council may consider these questions, particularly in regard to the pending applications for membership in the International Monetary Fund.

Sincerely yours,

Mr. Harry D. White
Executive Director
International Monetary Fund
Room 927
1818 H Street, N.W.

(Signed Joseph P. Cornell, Jr.)

Enclosure

CRM:McIllicor - 9/12/46

229753

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Authority NND 978026

By _____ NARA Date 6/16

RG 56
Entry 69A7584
File GOLD: MISCELLANEOUS
Box 5

**COUNTRIES WHICH HAVE ADOPTED OR ADHERED TO THE GOLD DECLARATION
OF FEBRUARY 22, 1944**

- | | |
|-----------------------|---------------------------|
| 1. Belgium | 19. Iceland |
| 2. Brazil | 20. India |
| 3. Canada | 21. Iran |
| 4. Chile | 22. Luxembourg |
| 5. China | 23. New Zealand |
| 6. Colombia | 24. Nicaragua |
| 7. Costa Rica | 25. Norway |
| 8. Czechoslovakia | 26. Panama |
| 9. Dominican Republic | 27. Peru |
| 10. El Salvador | 28. Poland |
| 11. Ethiopia | 29. Russia |
| 12. France | 30. Union of South Africa |
| 13. Great Britain | 31. United States |
| 14. Greece | 32. Uruguay |
| 15. Guatemala | 33. Venezuela |
| 16. Haiti | 34. Yugoslavia |
| 17. Holland | 35. Spain |
| 18. Honduras | 36. Portugal |

DECLASSIFIED
 Authority NND 978026
 By _____ NARA Date 6/16
 RG 56
 Entry 69A7584
 File GOLD; MISCELLANEOUS
 Box 5

GOLD: Misc.

AUG 3 1946

Dear Sir:

I have your letter of July 30, 1946, inquiring as to the application of the Gold Declaration of February 22, 1944, to sales of gold to the United States by the International Bank for Reconstruction and Development.

You state that as you interpret the Declaration it does not affect in any way sales to the United States Treasury of any gold tendered to you by the present members of the Bank, pursuant to Article II, sections 7(1) and 8. However, you recognize that this interpretation does not cover gold tendered to you when you are on notice at the time of its acceptance that the United States Treasury would not accept it under paragraph 4 of the Gold Declaration of February 22, 1944.

I am pleased to advise you that the Treasury Department agrees with this interpretation of the Gold Declaration of February 22, 1944.

Very truly yours,

(signed) E. A. Tamm

Secretary of the Treasury

Mr. Harold Smith
 Vice President
 International Bank for Reconstruction and
 Development
 Washington, D. C.

CFMcNeill:er - 8/5/46

229755

DECLASSIFIED
 Authority NND 765008
 By WDP NARA Date 6/13/00

RG NON-RECORD
 Entry REF. MATERIALS
 File FED. RESV. BANK NY
NAZI ASSETS
 Box 2 / BINDER 5

April 6, 1939.

Dear Chairman Eccles:

I telephoned you yesterday to advise you about further developments concerning Czechoslovak deposits held in New York. You mentioned that, while I have kept you posted from time to time about this situation, you would like to have me write you a brief summary so that it might be available as a matter of record for the Board.

The German army entered Czechoslovakia on Wednesday, March 15. The next afternoon, March 16, Secretary Morgenthau telephoned to me to say that, after consultation between the Treasury and the State Department, it had been decided to ask me to telephone the principal banks in New York to request that until Monday, March 20, they voluntarily refrain from making any important or unusual transactions in Czechoslovak bank accounts originating on or after March 15. The Secretary mentioned that he thought it was important to take this position for a few days until the confused situation in Czechoslovakia might become clearer. I told the Secretary that in substance that was the position which we had taken, for the time being, here in the bank with respect to the deposit of the Czechoslovak National Bank and that I would comply with his request so far as the other principal banks in New York were concerned. Accordingly, I got in touch with the senior officers of seven of the banks and most of them

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 Authority NND 765008
 By WDP NARA Date 6/13/00

RG NON-RECORD
 Entry REF. MATERIALS
 File FED. RESV. BANK NY
NAZI ASSETS
 Box 2 / BINDER 5

2. Hon. W. S. Eccles, April 6, 1939.

said that that was the position which they would normally take in any event and that they would be glad to cooperate. They understood, however, that the request was not a formal one and that their cooperation was voluntary. One bank, while agreeing to cooperate so far as they could, raised some question as to their legal right to refuse to honor withdrawals even for a temporary period.

On Tuesday, March 21, having heard nothing further from the Secretary of the Treasury, I telephoned to him to say that I assumed that the banks were now free to handle Czechoslovak accounts in whatever way they deemed best. After consulting with the State Department he telephoned me about lunch time on Tuesday, March 21, saying that he "did not want to suggest to the banks what they should do from now on, that it was up to them and to their lawyers."

On Thursday, March 30, Undersecretary Hanes telephoned to me to ask that we try to obtain "voluntarily" from the banks in New York the amount of deposits which they held for the Czechoslovak National Bank. He explained that the information was to be made available to the State Department which was considering giving it to the Czechoslovak Minister in Washington. I told Mr. Hanes that I would get in touch with him about this on Saturday, April 1. Accordingly, I called him on the telephone that morning, saying that, in our opinion, if the Treasury wants this information they should demand it of the banks as a matter of law rather than to ask them to surrender it voluntarily. I mentioned, however, that the total amount was so small that, in my opinion, the

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Authority <u>NND 765008</u>	Entry <u>REF. MATERIALS</u>
By <u>WDP</u> NARA Date <u>6/13/00</u>	File <u>FED. RESV. BANK NY</u>
	Rev 2 <u>NAZI ASSETS</u>

3

Hon. M. S. Eccles,

April 6, 1939.

risks of demanding the information for the Czechoslovak Minister outweighed any possible benefit to the Czechs themselves - such risks, for instance, as resentment and possible retaliation in Germany against American property there. Furthermore, I explained, that if the Czechoslovak Minister wanted to do something about these deposits, he could find a list of the banks which are correspondents of the Czechoslovak National Bank set forth as a matter of public record in Skinner's Bankers Almanac. Mr. Hanes agreed with me, saying that we should not ask the banks voluntarily to give up the information and that so far as he was concerned, he would not demand it.

On April 1, shortly after this conversation with Mr. Hanes, we received a cable order to transfer \$35,000 from the Czechoslovak National Bank account with us to the Bank for International Settlements on Monday, April 3. I telephoned you on April 1 advising you of this message which was properly tested in every way, and said that we could see no reason, regardless of the possible motive for the transfer, for refusing to honor it. I mentioned that, in my opinion, there might be greater liability on us for refusing to make the transfer than in honoring the order. As you will remember, you agreed with me and said that you did not see how we could decline to make the payment.

On Tuesday, April 4, the Federal Reserve Bank of New York received a letter, dated April 3, from Mr. Hurban, the Minister of Czechoslovakia to the United States. A copy of this letter is attached. I tried, unsuccessfully, to reach you on April 4 to advise you of this letter but you were not available.

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DELETED
 Authority NND 765008
 By WDP NARA Date 6/13/00

Entry REF. MATERIALS
 File FED. RESV. BANK NY
NAZI ASSETS
 Box 2 / Bindon 5

4

Hon. M. S. Eccles,

April 6, 1939

Accordingly, I telephoned you yesterday, April 5, and told you that we had decided, with advice of counsel, that the best position for us to take, even in face of the letter of the Czechoslovak Minister, was to honor drafts against the account of the Czechoslovak National Bank with us, provided they were properly drawn and tested. It is our opinion that there is less risk to the bank in following this procedure than in refusing to honor a draft merely because, as the Czechoslovak Minister says, it might or might not have been drawn "under duress." Indeed, were we not to do so, the risk of embarrassing Czech nationals themselves by refusing to make their balances here available for necessary or normal payments might be great. But apart from that, we see no appropriate alternative.

As I mentioned to you on the telephone we are now considering whether, in all the circumstances, it might not be wise to ask the National Bank of Czechoslovakia not to make any more deposits with us so long as present conditions persist. In view of possible political implications in this act, however, I shall consult with you further before we take any definite steps.

Faithfully yours,

GEORGE L. HARRISON

George L. Harrison,
 President.

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

Enc.

GLH:AB

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Authority <u>NND 765008</u>	Entry <u>REF. MATERIALS</u>
By <u>WDP</u> NARA Date <u>6/13/00</u>	File <u>FED. RESV. BANK NY</u>
	<u>NAZI ASSETS</u>
	Box 2 / BINDER 5

C 252.4
 copy C 252.5
 X C 262.4

July 18, 1947.

Barker -

MEMORANDUM TO THE FILES

Subject: Investigation of Source of Gold Bars Purchased

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

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

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

G. A. Eddy

CC: Messrs. McNeill, Dietrich, Bittermann, Pricher (NY Federal)

229760

GAE:dmh
 7/18/47

(el)

AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND 765008
By WDP NARA Date 6/13/00

RG NON-RECORD
Entry REF. MATERIALS
File FED. RESV. BANK NY
NAZI ASSETS
Box 2 / BINDER 5

Q 253.4

FEDERAL RESERVE BANK
OF NEW YORK

CORRESPONDENCE

DATE February 20, 1941.

Cameron
P. Lang

SUBJECT Purchases and sales of gold
by the Stabilization Fund since the
outbreak of the war.

↓

The attached schedule has been prepared for transmission to Mr. Dietrich in Washington. It brings up to date the figures reported to Mr. Dietrich sometime last year.

All of the gold purchased and sold by the Stabilization Fund from September 5, 1939 to February 15, 1941 was done in New York with the exception of the amounts shown in the footnote appearing on the schedule. The outstanding figure, of course, is the amount of \$1,700,000,000 purchased from England of which over \$100,000,000 passed through our vaults. It is also interesting to note that the South American countries Argentina, Brazil and Canada have bought on balance over \$71,000,000 gold from the Fund.

The absence of Canada and other British Empire countries from the attached list is due to the fact that their gold shipments are made in for direct sale to the New York Assay Office and the San Francisco Mint.

229761

GOLD PURCHASES AND SALES BY THE FEDERAL RESERVE BANK OF NEW YORK
AS FISCAL AGENT OF THE U.S. FOR ACCOUNT OF THE STABILIZATION FUND
DURING PERIOD FROM SEPTEMBER 5, 1939 TO FEBRUARY 15, 1941 INCLUSIVE
(000's Omitted)

COUNTRY	PURCHASES	SALES	NET PURCHASES	NET SA
	From Foreign Banks and Governments	To Foreign Banks and Governments	From Foreign Banks and Governments	To Foreign and Gover.
Afghanistan	-	\$ 2,548	-	\$ 2,548
Argentina	\$63,079	97,346	-	34,267
Bank for International Settlements	19,706	-	\$19,706	-
Belgium	65,950	10,645	55,305	-
Brazil	-	12,508	-	12,508
Chile	4,429	-	4,429	-
Colombia	18,463	-	18,463	-
England	1,715,099*	-	1,715,099	-
Finland	4,451	-	4,451	-
France	903,211**	86	903,125	-
Guatemala	-	1,396	-	1,396
Java	7,015	69,488	-	62,473
Lithuania	-	2,240	-	2,240
Mexico	29,022	11,970	17,052	-
Netherlands	196,037	-	196,037	-
Nicaragua	517	-	517	-
Norway	17,482	-	17,482	-
Peru	2,584	997	1,587	-
Portugal	1,552	22,941	-	21,389
Roumania	19,591	26,480	-	6,889
Russia	2,250	2,250	-	-
Sweden	238,260	-	238,260	-
Switzerland	165,035	22,500	142,535	-
Thailand	-	9,000	-	9,000
Turkey	4,552	1,426	3,126	-
Uruguay	5,212	29,623	-	24,411
Venezuela	5,976	-	5,976	-
Yugoslavia	565	-	565	-
TOTAL	\$3,490,038	\$323,444	\$3,343,715	\$177,121

* Of this total \$149,634,000 represents gold which arrived aboard U.S.S. Louisville

** Of this total \$241,576,000 represents gold which arrived aboard U.S.S. Vincennes and \$85,000 which the Fund purchased in Paris.

Foreign Exchange Division
February 18, 1941

000001649

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DECLASSIFIED
Authority NND 765008
By WDP NARA Date 6/13/00
RG NON-RETURN
Entry REF. MATRICES
File REF. RES. BANK NY
WEL ASSETS
Box & / Brown 5

296022

229763

CONFIDENTIAL

TO Mr. Long
FROM D. J. Cameron

September 25, 1939
3 P. M.

In addition to today's previous memorandum, we have been advised of the following incoming gold shipments to be sold to the United States Assay Office at New York except as otherwise indicated.

(Thousands of Dollars)

<u>CARRIER</u>	<u>APPROXIMATE ARRIVAL DATE</u>	<u>CONSIGNEE</u>	<u>ENGLAND</u>	<u>JAPAN</u>	<u>TOTAL</u>
S.S. American Banker	October 2	National City Bank	70		70
S.S. Arima Maru	9	Yokohama Specie Bank		4,700	4,700*
			<u>70</u>	<u>4,700</u>	<u>4,770</u>

*For sale to the U.S. Mint at San Francisco

RG NON-RECORD
Entry REF. MATERIALS
File Feb. RESV. BANK NY
NATL ASSETS
BOX 2 / BINDER 5

DECLASSIFIED
Authority NND 765008
By WDP, NARA Date 6/13/00

REPRODUCED AT THE NATIONAL ARCHIVES

000001654

229764

CONFIDENTIAL

TO ~~Mr. Lagg~~

September 23, 1939

FROM D. J. Cameron

12 Noon

In addition to today's previous memorandum, we have been advised of the following incoming gold shipments to be sold to the United States Assay Office at New York except as otherwise indicated.

(Thousands of Dollars)

<u>CARRIER</u>	<u>APPROXIMATE ARRIVAL DATE</u>	<u>CONSIGNEE</u>	<u>CANADA</u>	<u>ENGLAND</u>	<u>INDIA</u>	<u>TOTAL</u>
S.S. Amer. Farmer	September 25	Guaranty Tr. Co.		70		70*
R.R. Express	26	Federal Res. Bk	2,863			2,863**
S.S. Manhattan	28	Bankus Belge		49		49
S.S. Amer. Banker	October 2	Guaranty Tr. Co.		99		99
S.S. Pres. Harrison	24	Chase Nat'l Bank			575	575
			<u>2,863</u>	<u>218</u>	<u>575</u>	<u>3,656</u>

RG NON-RECORD
Entry REF. MATERIALS
File FED. RES. BANK NY
ANZL ASSETS
BOX 2 / BINDER 5

DECLASSIFIED
Authority NND 765008
6/13/00
By WDP NARA Date

REPRODUCED AT THE NATIONAL ARCHIVES

*Previously engaged
**Shipped by Bank of Canada

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RG NON-RECORD
 Entry REF. MATERIALS
 File FED. RESV. BANK NY
 NY 121 ASSETS
 BOX 2 / BINDER 5

DECLASSIFIED
 Authority NND 765008
 6/13/00
 By WDP NARA Date

REPRODUCED AT THE NATIONAL ARCHIVES

CURRENT GOLD MOVEMENTS
 (In Millions of Dollars)

September 25, 1939

Country	Period Covered	Cumulative Total Engaged	Consigned to F. R. B.	Figures for the Press	
				Consigned to Others	Today's Engagements
England	7/26/38 to date	2,805.6	1,320.8	984.8	.2
Japan	3/8/37 to 12/11/37	245.1	-0-	245.1	-0-
Japan	2/28/38 to date	381.4	68.1	233.3	4.7
Canada	8/2/38 to date	288.1	284.5	3.6	-0-
Holland	9/7/38 to date	466.3	363.9	102.4	-0-
Total					4.8

NET OF FOREIGN TRANSACTIONS AFFECTING GOLD STOCK
 (In Millions of Dollars)

Period Covered	Amount
2/8/34 to 12/31/34	1.034
1/1/35 to 12/31/35	1.724
1/1/36 to 12/31/36	981
1/1/37 to 12/31/37	1,388
1/1/38 to 12/31/38	1,552
1/1/39 to 7/23/39	2,205
GRAND TOTAL	8,884

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Authority	EO 10501
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RG 260
 Entry FINANCE
 File 920.401 FED
SPACE LIQUIDATION
 Box 401

File No. 920.401
 (B)

11 August 1948

SUBJECT: FED Vault Space Requirements

TO : Mr. Jack Bennett, Finance Adviser
 Office of Military Government for Germany (US)
 APO 742, U S Army

1. Remaining valuables held by FED are now all stored in Main Vault, except:

(a) In Strong Room #1

Contains 2278 boxes of used AM mark notes.

(b) In Air Raid Shelter

Contains:

- 1) French francs - 123 cans, about 7 tons. Worthless.
- 2) Printing plates - 95 boxes, weighing about 8½ tons.
- 3) German silver coin - 259 boxes, weighing about 15 tons.
- 4) Yugoslav dinar silver coin - 162 boxes, weight 9½ tons.
- 5) Roumanian lei silver coin - 176 boxes, weight 9 tons.
- 6) AM mark unused currency - 1745 boxes, weight 75 tons.
- 7) Silver bars, shot, papers, et cetera - weight about 71 tons. Shipment 56 (Degussa claim).
- 8) Silver shot - weight about 17 tons. Shipment 34 D.

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2. (a) Plans for the disposition of AM mark notes by maceration and pulping are now in process; the actual disposal when started will require about three weeks. We understand also that the printing plates are soon to be released to OMSTEG.

(b) The items now in Air Raid Shelter are bulky and heavy and it is inadvisable to move them into the Main Vault.

(c) When the used AM mark notes in Strong Room #1 are destroyed, this room will be released to the Bank Deutscher Laender.

(d) All of the items in Air Raid Shelter (Para 1 /b/) are in condition to turn over to the Bank Deutscher Laender as custodian, should it be decided to do so.

3. This is submitted for information.

cc: Mr. J. F. Freeman

FRANK C. GABELL
Chief, Foreign Exchange Depository

Telephone:
Frankfurt 21191
or Red Line 32.

FILE NO. CID-114929

TRANSPORTATION TO
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CALL NO.
330.9497
AY 36255

*Economic report
on Yugoslavia*

220769

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R6 226
Recs of OSS
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*Box
430
Yugoslavia*

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Law and Institutions in
Austria Before and After the
Annexation: Their Coordination with
the corresponding sections
112 pages 10/7/44

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CALL NO.
334.4369
A7791R

*Report on Mary
and Bucky
Hunzay.*

*PG 226
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Civil Affairs Handbook -
Yugoslavia - Section 5 -
Maryael Bakhy.

CALL IN
B 332
R 7062

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VEA REPORT EIS-686.1

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*German
Penetration of
Corporate Holdings
in
Australia*

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229773

Mylan

O.SS FILE NO. 84672

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AY 2582C

Report on how to handle
the problem of restoring to
rightful owners property that
has been confiscated during the
Nazi regime in Germany + Austria.
Problem + various solutions are
described. 16 pages 6/44

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FEA REPORT E15-68.1

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*German Penetration
Corporate Holdings
Serbia*

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*Notes on
Energy Economics,
#44*

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Notes to Yugoslavia + Greece

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E 39
B 2

CONFIDENTIAL

Military Government Guides For Germany

Prepared for
CIVIL AFFAIRS DIVISION, U. S. WAR DEPARTMENT
by
FOREIGN ECONOMIC ADMINISTRATION
and
OFFICE OF STRATEGIC SERVICES

October 1944

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TABLE OF CONTENTS

	PAGE
A. GUIDES ON THE ABROGATION OF NAZI LAWS	1
Nazi Laws — Courts — Police — Criminal Justice — Civil Law — Hereditary Estates	
B. GUIDES ON THE ELIMINATION OF NAZIS AND PRO-NAZIS FROM POSITIONS OF POWER	1
Nazi Party — Banking	
C. GUIDES ON THE ELIMINATION OF NAZI POLITICAL, CULTURAL, AND QUASI-GOVERNMENTAL INSTITUTIONS	2
Civil Service — Public Agencies — Regional Administra- tion — Local Administration — Territorial Units — Political Parties — Propaganda — Elementary Schools — Higher Education — Churches — Jewish Problem — Monuments — Youth — Nazi Laws in Austria	
D. GUIDES ON THE OWNERSHIP AND CONTROL OF PROPERTY	3
Key Records — Nazi Party Property — Public Property — Transferred Property — Foreign Property — International Combines — French Industry — Southeastern Europe	
E. ECONOMIC PLANNING GUIDES	4
Cartels — Food Administration — Food Program — Tex- tiles — Rubber — Leather — Housing	
F. TRANSPORTATION, COMMUNICATIONS AND PUBLIC UTILITIES	5
Railroads — Waterways — Roads — Airlines — Merchant Marine — Telecommunications — Electric Power — Coal — Oil — Gas — Iron and Steel	

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TABLE OF CONTENTS

	PAGE
G. GUIDES ON TRADE AND FINANCIAL INSTITUTIONS	6
Price Control — Rationing of Non-Consumers' Goods — Foreign Trade — Banking Control — Reichsbank Control — Control of Banking in Austria	
H. GUIDES ON MANPOWER AND LABOR RELATIONS INSTITUTIONS	6
Labor Relations — Working Conditions — Labor Supply — Welfare — Foreign Workers — Manpower Estimates	
I. SOCIAL SECURITY	7
Unemployment — Sickness — Old Age and Invalidity — War Pensions	

* * * *

NOTE: The Elimination of Nazis and Nazi Institutions has been dealt with in a number of the Guides. The most important of these are listed in Sections B and C, but see also:

- "Gas Industry of Germany"
- "Food Administration for Germany during the Period of Occupation"
- "Administration of German Railroads"
- "German Inland Waterways under Military Government"
- "Administration of German Roads and Motor Transport"
- "Courts and Judicial Administration in Germany"
- "Labor Relations and Military Government"
- "Foreign Trade Control in Germany"
- "Public and Private Welfare Organizations in Germany"

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MILITARY GOVERNMENT GUIDES
 FOR GERMANY

Series
500
Technical

War Department
 Pamphlet
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A. GUIDES ON THE ABROGATION OF
 NAZI LAWS

2	31-105	B	Elimination of Fundamental Nazi Laws	FEA	EIS-2.1
	31-106	B	Courts and Judicial Administration in Germany	FEA	EIS-3.1
3	31-107	P	Police and Public Safety in Germany	OSS	R&A-1655.2
2	31-108	P	Administration of German Criminal Justice under Military Government	FEA OSS	R&A-1655.8
	31-109	B	Civil, Commercial and Family Law and Procedure in Germany	FEA	EIS-6.1
2	31-170	P	Agricultural Holdings and the Law of Hereditary Estates in Germany	OSS	R&A-1655.10

B. GUIDES ON THE ELIMINATION OF
 NAZIS AND PRO-NAZIS
 FROM POSITIONS OF POWER

3	31-110	P	Dissolution of the Nazi Party and its Affiliated Organizations	OSS	R&A-1655.5
	31-111	P	Elimination of Nazis from the German Banking Structure	FEA	EIS-63.1

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	31-127	P	German Economic Penetration and Exploitation of Southeastern Europe	FEA	EIS-68.1
	31-128	P	German Penetration of Corporate Holdings in Serbia	FEA	EIS-68-B
	31-129	P	German Penetration of Corporate Holdings in Croatia	FEA	EIS-68-A

E.

ECONOMIC PLANNING GUIDES

<i>3</i>	<i>150</i> 31-136	<i>M</i>	German Cartels and Cartel-Like Organizations	OSS	R&A-1904
<i>2</i>	31-137	P	Food Administration for Germany during the Period of Occupation	FEA OSS	EIS-16 R&A-1936.2
<i>3</i>	31-138	B	Agriculture and Food Program for Germany during the Period of Occupation	OFAD FEA OSS	R&A-1936.1
	31-139	—	Textile Production and Distribution in Germany	OSS FEA	EIS-17
<i>3</i>	<i>150</i> 31-140	<i>M</i>	The Rubber Industry in Germany	OSS	R&A—
<i>2</i>	31-141	P	Leather Production and Footwear in Germany; Program and Administration	OSS	R&A-1948.1 R&A-1948.2
<i>2</i>	31-142	P	Housing and Building Materials in Germany; Program and Administration	OSS FEA NHA	R&A-1949
<i>150</i>	—(b)—		Production, Planning and Allocation of Industrial Raw Materials in Germany	OSS	R&A-2306

(b) Information guide.

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2
2
2
3
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F.

**TRANSPORTATION, COMMUNICATIONS
 AND PUBLIC UTILITIES**

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31-143	P	Administration of Transportation in Germany	FEA OSS	EIS-19 (1783.1)
31-144	P	Administration of German Railroads	OSS	R&A-1758.2
31-145	P	Administration of German Roads and Motor Transport	OSS	R&A-1759.1
31-146	P	German Inland Waterways under Military Government	OSS	R&A-1760.1
31-147	M	Airports and Commercial Airlines of Pre-War Europe	OSS	R&A-1761
31-148	M	German Merchant Marine; Program and Administration	OSS	R&A-1783.1 R&A-1783.2
31-149	M	Telecommunications and Postal Services of Germany; Program and Administration	OSS	R&A-1765.1 R&A-1765.2
31-150	P	Electric Power Systems of Germany Planning Guide	OSS FEA	R&A-1763.1 EIS-20
31-151	M	Coal Production and Distribution in Germany	FEA	EIS-21
31-152	P	Gas Industry of Germany	FEA	EIS-20-A
31-153	-	Oil Production and Distribution in Germany	FEA	EIS-22
31-174	-	Administration of German Iron and Steel Industry	FEA	EIS-72

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		H.	(Continued)			
<i>2</i>	31-163	<i>P</i>	Public and Private Welfare Organizations in Germany	OSS		R&A-1655.27
	<i>3</i>		Repatriation and Care of Foreign Civilian Workers	OSS		R&A-1655.25
<i>2</i>	31-176(b)	<i>B</i>	Population and Manpower Estimates for Germany — January 1, 1944	OSS FEA		EIS-42.1
		L	SOCIAL SECURITY			
<i>2</i>	31-165	<i>P</i>	Unemployment Compensation in Germany	OSS		R&A-1655.6(g)
	<i>3</i>		Sickness Insurance in Germany	OSS		R&A-1655.6(c)
	31-166	<i>B</i>	Old Age and Invalidity Insurance in Germany	FEA		EIS-40
<i>2</i>	31-168	<i>P</i>	War Pensions, Service Men's Dependents' Allowances, Children's Allowances and Similar Programs of Public Aid	OSS		R&A-1655.6(a)

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R&A. No.	Country	Title	Date	Written by
✓ 1202	Albania	Albanian Gauleiters, Quislings, Traitors.	Received 23 Sept 143	
✓ 1702 -	Austria	United Nations Military Government for Austria.	24 Dec. '43	
✓ 1683 -	Balkans	A Comparison of the Balkan Situation 1918 and 1943	10 Dec. '43	
✓ 1564	"	The New German Policy in the Balkans	8 Feb. '44	
✓ 1905	Baltic	Military and Political Mobilization in the German Occupied East.	25 Feb. '44	
✓ 1860	Belgium	Notes on Recent Health Developments in Belgium.	5 Feb. '44	
✓ 1088	"	Population Displacement of Belgium.	31 Oct. '43	
✓ 1742	Bulgaria	The Anti-German Opposition in Bulgaria.	29 Feb. '44	
1034, out of date - don't send - PD		Biographical Handbook of Bulgaria.	27 July, '43	
✓ July 22 1943	Czecho-Slovakia	PW by the Czech Government in Exile.	Received 7 August '43	
✓		Personalities & Organizations - Slovakia.	Received 23 Oct. '43	
Fisher ✓ 1315 own # 142		Personalities & Organizations Protectorate of Bohemia-Moravia	Received 23 Oct. '43	
✓ own # 14	France	Living Conditions of the Working Classes in Occupied France. 3 June, '43		X
✓ 1114		The Gendarmerie in France prior to 1940 with emphasis on its Military Police Functions.	25 Aug. '43	
✓ own # 88		Relation between the German Soldiers and the French Civil population.	16 July '43	
✓ 1250		The State of Morale in France.	23 Sept. '43	
✓ 1265		French Publishing Firms now doing business in France.	25 Sept. '43	
✓ 1226		Background of certain French Financial Leaders.	25 Sept. '43	

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R&A No.	Country	Title	Date	Written by
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R&A No.	Country	Title	Date	Written by
✓ 1164	France	The French General Councils and the Occupation Administration of France.	4 Nov. '43	
✓ 1227. (original report)				
✓ 1227.2 (Supplement 1)		Supplementary Report on French Underground Forces.	Received 30 Nov. 1943	
✓ 1227.3 (Supplement 3)				
also ✓ 1697 (Feb. 10, '44)				
1046		Brief Memoranda on the leaders, Organization and Membership of certain French Parties and Political Formations.	9 Sept. '43	
1106		Population Displacement of France.	19 Oct. '43	
	Europe	The Underground Movement in Germany, Poland, Czechoslovakia, Austria & Hungary.	Received 14 April '43	
9 992				
1201		Friction between the Axis and/or Axis Controlled Countries.	Received 21 May, '43	
7059				
1201.1				
✓ owi # 16		Hostilities, Frictions, Corruptions (in Europe)	Received 26 June '43	
✓ owi # 16				
		The Use of Civilian Action against the Axis in Europe by the Invading Forces of the United Nations.	Received 22 July, '43	
✓ 1391		New Reports on Interviews with Prisoners of War - their significance for psychological warfare.	Received 22 July, '43	
1320		Morale of the German Troops in France, Belgium, and the Netherlands.	Received 27 Oct. '43	
also owi # 162				
✓ 1437		Details Concerning the Population in the Coastal Areas of France, Belgium & the Netherlands. (Effects of evacuation, deportations, & forced labor upon the static population.	28 Oct. '43	
1009		Gen. The Armed Forces and the Trial of War Criminals.	10 Aug. '43	
1070		Health in Axis Europe.	- nil -	
1085	878.	German Military Government Over Europe, 1939-43. Methods & Organization of Nazi Controls.	- nil -	
1756		Development of German Pattern of Occupation.	27 Jan, '44	
478	Germany	German Patterns of Military Government.	27 March '43	
United States	Europe	Foreign Workers (as an MO) ^{Workers in Germany}	September '43	

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R&A No.	Country	Title	Date	Written by
<i>1704</i>	<i>Europe</i>	Austria & Moscow Declarations. (full Johnson report)	-	Johnson
<i>992</i>		Germany & Austria, Underground Movement in Europe. (latest version of Johnson Report)	-	Johnson
<i>Germany 1545</i>		Anti-Nazi Activities of German Youth. <i>as per PW in H. J. ...</i>	-	
<i>1549</i>		Political Parties in Germany	-	
<i>1550</i>		a. Social Democrats b. Communists c. Center	-	
<i>1546</i>		Effects of Air Raids on German Morale. (Full report)	-	Janowitz
<i>1657</i>		Inflationary Trends in Germany. <i>(being edited)</i>	-	Eisenberg, Neumann,
<i>2020.1</i>		Germany Military Morale (latest report)	-	Stewart
<i>1658</i>		Morale in Germany at the end of 1943.	-	Neumann
<i>1609</i>		Clandestine Radio Transmitters in Central Europe.	Received 14 April '43	
<i>No. 2-309</i>		German Policy on the Destruction of Houses and Other Property in Evacuated Areas.	30 March, '43	?
		Factions in the Nazi Party and their Potential Importance.	1 April, '43	
<i>armstrong</i>		Foreign Workers in Germany and their significance for PW.	June, '43	
<i>Western Europe. PW #104</i>		German Interference with Belgian and French Trade Agreement.	10 Aug. '43	
<i>Haathamer OWI #95</i>		Partial List of German Newspapers and Periodicals whose Publication had to be suspended as a result of Recent Nazi Decrees.	11 May, '43 & 15 July '43.	
<i>Chapman in the Reich Court. - 1130</i>		The Nazi Defeat in Tunisia, the Coming Invasion of Europe and our PW.	May 1943	
<i>1034</i>	United States	Possible Political Changes in Nazi Germany in the Near Future.	10 Aug. '43	
<i>1391</i>		Differential Treatment of Prisoners by Nazi Germany, the Capture of the German army in Tunisia, and the United Nations.	30 May '43	

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R&A No.	Country	Title	Date	Written by
	Germany	Alfred Rosenberg Defines the Meaning of Terms Relating to the East	19 May, '43	
1283?		The Psychological Effects of the Collapse of Italy on Germany.	July 1943	
1243		German Labor Morale. Special PW Report.	July 1943.	
933		German Morale after Tunisia.	25 June, '43	
?		Report on Prisoner of War Interrogations; Opposition to the Nazis.	30 July, '43	
1122		Some Remarks about the Ruling Class in Nazi Germany.	Received 30 July '43 additional notes 24 Aug. '43.	
934		Banks, Industry and the Nazi Party.	July, 1943	
		German Labor Reserves-Women.	31 August '42	
		The Christian Opposition in Germany.	July, 1943	
1214		Morale in Germany.	16 Sept. '43	
		The Upper Age Limit of German Combat Personnel	11 Sept. '43	
1087.3		Age Distribution of Killed in the German Army.	19 Oct. '43	
992		German and Austrian Underground Movements.	29 Nov. '43	
1391		Prisoners of War in Tunisia and Sicily - A Study in German Morale and PW Operations.	11 Nov. '43	
1281		The Significance of Prussian Militarism for Nazi Imperialism - Potential Tensions in United Nations Psychological Warfare.	20 Oct. '43	
1547		German Social Stratification.	26 Nov. '43	
		The Comparative Military Manpower and Military Equipment Position of Russia and Germany, July-December, 1943.	3 Jan. '44	
		Current German Attitudes and the German War Effort.	19 March '42	
		Notes on Corruption of German & Vichy Officials in France	8 June 1942	

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R&A No.	Country	Title	Date	Written by
	Germany	Reserves of Female Labor Power in Germany.	4 June, '42	
		AN Estimate of German Permanent Losses Based on the Study of Obituaries. (Supplement).	-	
1026 ✓		Digest of Application for Foreign Labor from German Industrial Firm.	1 April '43	
1071 ✓		The size, organization & function of German civil defense and post-raid restoration agencies.	15 Dec. '43	
1075 <i>1283?</i>		The effect of the Italian Surrender upon Germany.	1 Oct. '43	
1076 <i>44 combined with 1071</i>		The German War Economy 1918-1943.	5 Oct. '43	
1090 ✓		Changes in th changes in the German Plan for the Distribution of Air Raid Evacuees over Greater Germany and their Significance.	27 Nov. '43	
1099 ✓		The German Political Emigration.	3 Dec. '43	
1115 <i>1156</i> <i>some as 2 Toff 1373</i>		Economic controls in Nazi Germany.	December '43.	
1113 <i>376</i>		A Handbook on National Socialist Germany.	-	
1119 ✓		German-English Dictionary of new German Terms.	1943	
1778 ✓		Material for Leaflet Propaganda to German Soldiers on the Italian Front and Civilians in Germany.	21 Jan. '43	
<i>1728 (owi 204)</i>		Location of German Evacuation Reception Areas; Evidence concerning over-crowding of these Areas.	31 Dec. '43	
1788 ✓		Prospective Development of the German Civilian Labour Force during the period of the German Collapse.	-	
1794 ✓		Prisoner of War Information from Italy. Comparison of Age-Distribution.	22 Feb. '44	
1801 ✓		Notes on Air Raid Damage and Health in Germany.	10 March '44	
United States	Netherlands	Psychological Warfare report on Special Phases of the Social & Political Situation in the Netherlands. No 4	23 June '43	

Title: *Swiss, British, Dutch, The State of Police "Stige" (Spookhof)*

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1859 ✓	Netherlands	Notes on Recent Health Developments in the Netherlands.	5 Feb. '44	
1755 ✓	Poland	Who's Who in the Union of Polish Patriots.	22 Jan. '44	
1387 ✓	Hungary	The Means of Influencing Public opinion in Hungary.	27 Nov. '43	
1323 ✓		Civill Affairs Handbooks for all Countries in Europe, including German Military Government.		

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2/3

Gold Sold to Assay Office Taken from F. R. B. Reports and Tentatively Identified

<u>F.R.B. Data</u>		<u>Cochran Letter</u>		<u>Arrival Date</u>	<u>Consignor</u>	<u>For a/c of</u>
<u>Week Ending</u>	<u>Amount</u>	<u>Amount</u>	<u>Date</u>	<u>(Invoice)</u>		
		113		1-24	Banque Federale, Bern	
Jan. 24	636	520	1-15-40	1-24	Swiss Bank. Corp.	
Feb. 7	137	139	1-22-40	2-1	Banque Federale	
Feb. 14	965	1,000	1-25-40	2-8	Swiss Bank. Corp.	
Feb. 28	<u>2,406</u>	2,246	2-9-40	2-21	Swiss Bank. Corp.	
		170	2-9-40	2-21	Banque Federale	
March 6	<u>3,566</u>	112	2-19	2-29	Banque Federale	
		2,254	2-20	2-29	Swiss Bank. Corp.	
		999	2-23	--	Credit Suisse	
		(1,000)			Banque Federale	
		141	2-26	3-4	Banque Federale	a/c same
March 20	<u>9,695</u>	2,987	3-4	3-14	Swiss Bank. Corp.	
		3,362	3-4	3-14	Credit Suisse	
		170	3-6	3-14	Banque Federale	a/c same
		3,113	3-6	3-18	Swiss Bank. Corp.	a/c same
		189	3-11	3-18	Banque Federale	
April 3	<u>13,429</u>	2,181	3-11	3-28	Credit Suisse	
		4,301	3-16	3-28	Swiss Bank. Corp.	
		1,300	3-18	4-1	Credit Suisse	
		113	3-19	3-28	Banque Federale	
		560	3-21	--	Credit Suisse, Zurich	Credit Suisse, London
		4,825*	3-25	--	Swiss Bank. Corp.	
April 17	5,078	3,523	4-1	4-11	Swiss Bank. Corp.	
		564	4-9	4-15	B.I.S.	
		1,043**	--	4-11	Union Bank of Switz.	
April 24	262	266	4-10	4-18	Banque Federale	
May 1	6,300	279	4-17	4-25	Banque Federale	
		6,102	4-22	4-29	Swiss Bank. Corp.	
June 26	135	136	5-31	6-24	Union Bank. of Switz.	

* Actual invoice value; Cochran letter figure is \$4,916,--
 ** Taken from invoice.

DECLASSIFIED
 Authority UNN 978028
 By ACT NARA Date 6-12-01

RG 56
 ENTRY 75101
 FILE GOLD TABLES
 CAPITAL MOVEMENTS 1940-1941
 BOX 39
 3/3

I. F. R. B. Data not Identified with either Cochran Letters or Invoices

A. Earmarked Gold

<u>Amount</u>	<u>Week</u>	<u>Remarks</u>
4,648	2/15-21/40	a/c Rumania
346	4/25 - 5/1/40	a/c B. I. S.
563	1/2 - 8/41	a/c B. I. S.

B. Gold Sold to Assay Office not Identified with either Cochran Letters or Invoices

June 12	--	27
June 19	--	38
September 18	--	28

II. Data taken from Cochran Letters not Identified with F.R.B. Tabulations or Invoices

A. Sold to Assay Office

<u>Cochran Letter Date</u>	<u>Amount</u>	<u>Remarks</u>
3-29-40	2,092	To Guaranty Trust Co. Sold to Assay Office

B. Earmarked

2/3/40	1,680	Shipped by B. I. S. a/c B. I. S.
--------	-------	-------------------------------------

C. Disposition Unknown

4/13	4,484	--	Shipped by Swiss Nat'l. for a/c Swits.
4/19	346	4-29	Shipped by Swiss Nat'l. a/c B.I.S.
10/26	563	11-12-40	Shipped by B. I. S.

III. Invoices not Identified with Either Cochran Letters or F.R.B. Tabulations

<u>Date of Invoice</u>	<u>Amount</u>	<u>Arrived</u>	<u>Remarks</u>
5-28-40	6,443	5-13	Shipped by Swiss Nat'l. Bank a/c Swiss Nat'l. Bank.

229795

RG 239
 Entry 73
 File PRESS
 Box 81

DECLASSIFIED
 Authority ^{NND} 750168
 By TJ NARA Date 10/12/99

MARC
 Jean Karen

U. S. Army Gets Hidden Jewish Treasures

With the Third Army, Germany, April 9 (U.P.).—A huge collection of priceless Jewish manuscripts, paintings and other cultural objects stolen by the Nazis all over Europe was in possession of the Fifth Division today at Hungen, 10 miles southeast of Giessen.

The collection, including objects dating back to the fourteenth century, was the second treasure trove uncovered by the Third Army in three days. Gold bullion worth 100 million dollars, paintings and other treasures were found Saturday in a salt mine at Merkers.

The Jewish collection had served as the basis for the pseudo-scientific attacks made by Dr. Alfred Rosenberg, notorious Nazi propagandist, against world Jewry.

With the collection were seized clippings from foreign newspapers concerning Jewish activities all over the world. Most of the giant collection was found in an ancient castle. There were many handwritten manuscripts by Jewish authors and ancient books about Jews.

Most of these were believed taken from the Oppenheim Museum at Frankfurt, the Jewish Historical Museum at Amsterdam and other museums in Paris.

Rosenberg's researchers were charged with finding facts which could be twisted to prove that Jews always had been a slave race.

Dr. Otto Paul first headed the research staff, but he proved too scientific and later was replaced by Kalus Schickert, who always seemed to find the right answers.

Army to Keep Gold for Present

By the Associated Press

Secretary of State Stettinius said yesterday the Army will hold custody of the gold, currency and art treasures captured in a German salt mine until the Allied control commission for Germany decides on their final disposition.

Large Claims Foreseen

London, April 9 (U.P.).—Financial quarters believed today claims of German-occupied countries for gold stolen from them by the Nazis would total far more than the amount which the U/S. Third Army found in a German mine.

A Zurich dispatch said the Gestapo had arrested six officials of the German state bank and their assistants because the Third Army found the gold. Berlin asserted the gold was only a fraction of the Nazi reserve and that the rest still was safely hidden, the dispatch said.

N.Y. Herald Trib.

April 25, 1945

Americans Find Nazi Archives In Castle Vault

Letter Files of Rosenberg, Race Theorist, May Help Convict Many Party Chiefs

By Marguerite Higgins

By Wireless to the Herald Tribune
 Copyright, 1945, New York Tribune Inc.

LICHTENFELS, Germany, April 23.—The documents, library and correspondence of Dr. Alfred Rosenberg, who formulated the Nazi racial theories and much of the party's political philosophy, have been discovered here in a cellar five stories below the sixteenth-century Lichtenfels Castle.

This evidence, which dates at least to 1922 and may well provide the means to convict not only top Nazis but countless others, was turned over to the Americans by Baron Kurt von Behr, who said he was Rosenberg's right-hand man. The episode had all the elements of the melodrama the Nazi leaders seem to relish.

Baron von Behr first approached Captain Samuel Haber, military government officer and former New York lawyer, on the subject of the documents late last week, and offered to make a deal.

"The baron, for some strange reason, was intent on keeping some space at the castle for himself and his wife," Captain Haber said. "He told me that if I would give him permission for this he would show me the hiding place of the entire literature of Rosenberg's Ministry for Weltanschauliche Erziehung (world political indoctrination). He told me the whereabouts of the documents, and naturally I immediately slapped guards on the place."

Investigation showed that the documents had been secreted in a giant vault in the cellar. The vault was sealed with concrete, but mounds of documents, presumably an overflow, also were found outside.

In the mean time the baron had been granted the right to occupy one of the rooms at the castle, the rest of which is being used as a hospital for German prisoners of war.

The denouement came during the week end when the baron and his wife were found dead in their luxurious room. The pair had committed suicide in a way that seemed almost too storybook to be true—they had taken poison and washed it down with good French champagne of 1918 vintage. When American soldiers found them, the bottle still was standing on the night table.

Prior to the baron's death, the military government had extracted the information that Rosenberg himself had been in this small town north of Bamberg only three weeks ago.

RG 239
Entry 73
File PRESS
Box 81

DECLASSIFIED
Authority NND 750168
By T.J. NARA Date 10/12/89

Part April 8, 1945
**Bullion Pile
Is Estimated
At 100 Tons**

**Women's Talk Tips
Cache; Priceless Art
Treasures, Millions
In Currency Found**

With the Ninetieth Infantry Division at Merkers, Germany, April 7 (U.P.)—American soldiers found a vast treasure trove said to include the entire German gold reserve in a salt mine today. Fritz Vieche, a balding official of the Reichsbank, was on guard. He said the subterranean vaults contained approximately 100 tons of gold bullion; 2 million dollars in United States currency; 100 million francs in French currency; 110,000 British pounds, 4 million Norwegian crowns, and lesser amounts in other currencies. The salt mine also sheltered a priceless art collection. The gold and currency were stored in a room 2100 feet under the ground.

Brought From Berlin
The gold was brought from Berlin by train, starting February 11, and later all the rest of the treasures was brought in," Vieche told this correspondent. "Later when the Berlin printing presses were all destroyed by bombing, we attempted to return the paper currency back to the capital.

"However, because of blown bridges and the fact that American armor moved so swiftly, we were unable to escape with the paper currency and were forced to give up the entire idea."

It was some time before the American doughboys got into the gold vault because the Germans had clamped the doors closed. Capt. James McNamara of Los Angeles, was the first to enter.

"Gee, I never saw so much money in my life as when I walked into the room and saw those bags stacked up against the wall," he said.

Descend by Elevator
The storage vaults were so deep, the trip down in an elevator takes two or three minutes. The statues and paintings were in wooden cases with Vienna, Brussels or Paris stamped on them—suggesting some may contain stolen art, though the German civil servants said it all belonged to Germany before the war.

(At the current 35 dollars a troy ounce, the 100 tons of gold would be worth 84 million dollars, less than a third of the daily cost of the war, estimated at nearly 265 millions every 24 hours.)

The Third Army tonight issued an official statement that there was no verification yet on the captured German gold bullion because no American actually has seen it. However, there is no question whatsoever that paper currency and art

See GOLD, Page 2, Column 5.

...ings which went up to 10.2 per cent during the 22-month period from 124.6 to 143.8, with clothing rising from 127.8 to 143.3. Food prices dropped 2.9 per cent from 140.6 to 136.5; fuel rose 2.3 per cent and the miscellaneous category rose 7.3 per cent. Average straight time hourly earnings "are currently estimated to be 10 per cent above their level of two years ago," the letter said, attributing the rise largely to promotions and "increased production." The wage estimate was projected to this month on the basis of October, 1944, figures, using BLS "urban wage rate" calculations. If the adjusted figures used by the public members of the War Labor Board to justify retention of the little steel formula had been used, See INFLATE, Page 11, Col. 4.

**Suzuki Shifts
Jap Air Force,
Army Heads**
New Premier Lacks
'Optimism for Nation's
Survival,' He Says
Izvestia Ends Silence
SOVIET newspaper Izvestia, breaking press silence on the breaking of neutrality pact.

Wash Post - April 8, 1945

**Nazi's Slaves
Seize Estate,
Set Up Soviet**

Oberliblar, April 7 (INS).—On the broad feudal estate of Count Metternich, Nazi gauleiter of art in the Greater Reich and master of thousands of slaves from conquered Europe, a Russian and a Pole have established the first Communist settlement in Germany.

A few days ago a sturdy blond Soviet officer and his aide-de-camp, Stanislaw, led a revolt which grabbed the castle of Oberliblar from Metternich and liberated 250 slave laborers before the American troops marched in.

After starving slowly on those fertile acres for four years, bent men and women from Russia, Poland and France took over Metternich's four huge, self-supporting estates in a brief, bloodless struggle.

Just Demanded the Keys
The Russian officer said: "My friend, the Pole, and I just rushed the overseer and demanded the keys. Then we slaves began eating for the first time. We didn't let our people get even with the overseer or Metternich, although plenty of them wanted to kill the two.

"It is hard to control people filled with hatred—people who have been abused and tortured.

"I just told Metternich, 'You do not have to be afraid, we are not going to hurt you, but from now on we are boss here. If you want something to eat, ask for it and we will give it to you.'

"Two of the big barns have been converted into living quarters for liberated slaves—one for women, and the other for men. The women do the cooking and the barnyard work while the men do the heavy farming, carrying and fetching. Their number has been increased by the arrival of 43 Russian prisoners who were freed by Allied advance, and 30 Italians from a factory camp."

S O S Sent to Yanks
Count Metternich, dapper in plus fours, a tweed jacket and a clean white muffler, was the curator of the massive art collection stolen from the museums and churches of France, Poland and other countries. His estates were run like "old Southern plantations" and each estate boasted some 250 slaves supervised by an overseer who could call the Gestapo at any time to deal with refractory help.

When he was toppled from his throne a few days ago the United States First Division received an S O S from him, brought by two children to the Americans. It said, "Come at once, the Poles will kill us."

Shortly after this message, the Russian "commissar" of the new communal farm and his Polish aide walked into American headquarters.

The Russian said: "I could not have blamed the Poles if they did kill Metternich. The conditions under which they lived were horrible. They were all piled into one barn with filthy straw for beds. They were beaten and constantly threatened. The women had to work in the fields, even though pregnant. If anyone disobeyed he was taken off by the Gestapo."

Now each member has the semblance of a bed, with clean straw. From the women's quarters comes the scent of frying steaks and the sound of singing and laughter. The commissar said:

"I am going to stay here and take care of these people. In this first communal project in Germany there are the seeds of the solution to the Russian-Polish problem."

so see
reverse side
this clipping

229797

RG 239
 Entry 73
 File PRESS
 Box 81

DECLASSIFIED
 Authority ^{NND} 750168
 By TJ NARA Date 10/12/99

N. y. Herald Tribune, July 30, 1945

Owners to Get Hitler Art Loot
 PARIS, July 29 (AP).—Art treasures have been found in the possession of Karl Haberstock, Adolf Hitler's art agent, and efforts will be made to find the rightful owners. United States 7th Army headquarters said today. The treasures were discovered near Heidenheim, twenty miles north of Ulm. Haberstock, now under arrest, made many command trips in Europe for Hitler and other high Nazis in search of art works.

G. I. Finds Grandmother Dead

Letter Convicts Goering as Thief
 NEUSCHWANSTEIN CASTLE, Germany, May 13 (A. P.).—U. S. Seventh Army authorities have uncovered—over the fat-fisted Reichsmarshal's own signature—sufficient evidence to convict Hermann Goering as one of the biggest thieves the world has ever known.

Here in this gaudy graystone castle, investigators found sheafs of correspondence between Goering and Alfred Rosenberg, Minister of Civil Administration in Eastern Occupied Areas, explaining in minute detail just how his men were to go about looting museums.

229793

DECLASSIFIED
 Authority 604 775042
 By JA NARA Date 6/15/00

RG 260
 Entry E2-57
 File FED
 Box 161

INTERNAL ROUTE SLIP

(Classification)

FOREIGN EXCHANGE DEPOSITORY
 OFFICE MILITARY GOVERNMENT FOR GERMANY U.S. (REAR ECHELON)
 APO 757

FILE NO:
 SUBJECT: Proposed Cable. DATE 9 February 1948.

(Number each memo or minute consecutively. Fill in each column, signed legibly draw a line across the sheet. Use entire width of sheet for long memoranda.)

No.	From	Pass to	Date	HAS THIS PAPER BEEN COORDINATED WITH ALL CONCERNED?
1	Chief FED	Director Finance Div., OMGUS, Berlin.	9 Feb 1948	<p>1. At the present time the Foreign Exchange Depository is engaged in packing all remaining gold covered in the Howard Report with a view to its early shipment. It is packed separately by categories so that categories can be separately shipped to destination desired. When packing is completed a summary packing list will be submitted to Finance Division explaining each category to the extent of our information. Shipping instructions to us should be based on this report.</p> <p>2. This report should be submitted to CSUSA and TGC with a request for instructions as to where they desire this packed gold shipped. We feel that specific instructions on each category should be received, e.g. Italian alloy bars. This position is urged with respect to gold packed and awaiting shipment at F. E. D.</p> <p>3. With respect to proposed cable:</p> <p>a. The definition of "non-monetary gold" is well established, has been practically applied without difficulty, and should form no part of cable.</p> <p>b. Numismatic coins are to be turned over to MFA&A Division, together with all problems concerning their eventual disposition.</p> <p>c. Monetary gold found in Germany is to be disposed of by the T.G.C. - it is to be placed in a "gold pot" - it is to be used to compensate for losses of monetary gold to Germany. Attention is invited to the "general average" theory as compared with the "restitution theory". There can be no restitution of monetary gold to individuals in the face of the "gold pot" theory. Monetary gold consists of gold coin and gold bars and if found in Germany are to form the gold pot. It was our thought that individual claims for loss of such monetary gold were not to be handled as restitution to these individuals, but satisfied out of their country's share of the gold pot.</p> <p><i>Country can't claim individually owned gold. Central can only claim gold held by central reserve etc.</i></p> <p>d. In view of the T.G.C. apparent intention to dispose of our holdings of gold, which is not monetary (e.g. alloy bars, nuggets, Prussian Mint bars, unstamped bars of unknown assay or smelter, and gold strips, plates, cones, etc, all of which are in the Howard Report), the strict monetary gold limitation is not</p>

(Classification)

DECLASSIFIED
 Authority WFO 775042
 By JA NARA Date 6/15/00

RG 260
 Entry E2-57
 File FED
 Box 161

INTERNAL ROUTE SLIP

(Classification)

FOREIGN EXCHANGE DEPOSITORY

OFFICE MILITARY GOVERNMENT FOR GERMANY U.S. (REAR ECHELON)
 APO 757

FILE NO:
 SUBJECT: Proposed Cable (continued)

DATE 9 February 1948

(Number each memo or minute consecutively. Fill in each column, signed legibly draw a line across the sheet. Use entire width of sheet for long memoranda.)

No.	From	Pass to	Date	HAS THIS PAPER BEEN COORDINATED WITH ALL CONCERNED?
				<p>being recognized by T.G.C. State Department apparently concurs (refer decision Italian alloy bars).</p> <p>e. The T.G.C. is believed to have the power to select, from the gold found and now held in Germany, that part which they feel is under their disposition and jurisdiction, and their actions discussed in (d) justified. Hence our suggestion in Paragraph 2.</p> <p>4. There can be no equitable basis for allowing Germany or its nationals to retain any gold in the face of looted losses by Allies or their nationals. The suggested or attempted establishment of a "German Gold Pot" should not prevail against uncompensated losses of the Allies. The cable raises a question of "German economy vs Allied economies" upon which no further comment from this organization is ventured.</p> <p>5. Recommend proposed cable be not sent.</p> <p style="text-align: center;">  WILLIAM G. BREY Colonel, GSC Chief, Foreign Exchange Depository </p>

Frankfurt
 Red Line 61

(Classification)

229800

DECLASSIFIED
 Authority NND 765072
 By JB NARA Date 6-23

RG 260
 Entry FINANCE
 File UNFILED
 Box 530

**PREPARATORY COMMISSION FOR THE
 INTERNATIONAL REFUGEE
 ORGANIZATION**

**COMMISSION PRÉPARATOIRE DE
 L'ORGANISATION INTERNATIONALE
 POUR LES RÉFUGIÉS**

Telephone : 2 80 00
 Telegraphic address : PCIRO GENEVE

Palais des Nations
 GENEVE
 6 February 1948

REF. No.:

SUBJECT: Removal of PCIRO Assets from the Reichsbank.

TO : Colonel William G. Brey,
 Chief, Foreign Exchange Depository,
 A.P.O. 757, U. S. Army.

1. Please give Mr. Nicholas G. Winton, Deputy Reparations Officer, PCIRO, access to the air raid shelter where PCIRO's gold and silver is stored, as described in your Tally*In of 10 December 1947.

2. PCIRO has arranged for the shipment of its gold to London via air from Frankfurt on a British European Airways plane departing from Frankfurt at 7:00 P.M. on Monday, 9 February.

3. Mr. Winton is authorized to arrange the packing of the gold in boxes and to sign any receipts you may require, indicating that the gold has been removed from storage in the Foreign Exchange Depository.

4. All necessary arrangements have been made with the Transportation Office for the movement of the gold from the front of the Reichsbank to the air field. The only assistance which we will require will be in connection with the banding of the boxes and removing them outside the Reichsbank aboard the vehicle which the Transportation Office is furnishing. The vehicle and the military escort will arrive at the Reichsbank at 5:00 P.M. on Monday, February 9th.

5. It would be greatly appreciated if you can assist us in having the gold transported from the vault to the military vehicle, and also lend Mr. Winton assistance in banding the boxes.

6. In the very near future arrangements will be completed by PCIRO for removal of its' silver bars and other property remaining in the air raid shelter after the gold bars are removed on 9 February.

7. Mr. Winton is authorized to arrangement movement of all PCIRO property from the Foreign Exchange Depository and to sign receipts in behalf of PCIRO.

ABBA P. SCHWARTZ
 Reparations Director

229801

DECLASSIFIED
Authority NND 765072
By JB NARA Date 6-23

RG 260
Entry FINANCE
File UNFILED
Box 530

No 5 of five Copies.

Dep Sec

No

SHIPPING TICKET

Date 9 February 1948 Place Frankfurt a.M.

(Received this date from the Foreign Exchange Depository, the following described assets:)

(Reference Tally in shipment 90)

At 1700 hours on Monday 9 February 1948 the following articles were removed from room 5 air raid shelter which contains property of PCIRD not inventoried by Foreign Exchange Depository

- 26 boxes said to contain 3 bars gold each
- 1 box said to contain 4 bars gold
- 1 box said to contain 6 bars silver
- 1 box said to contain 5 bars silver
- 1 box said to contain 1 silver bar and miscellaneous coins

Documents: Copy of letter from Abba P. Schwartz, Reparations Director, Preparatory Commission for the International Refugee Organization dated 6 February 1948

(Note: All Supporting Documents to be Listed above and attached hereto)

Witnessed:

Jacquesman W. Greene

Signature of Authorized Recipient:

N. G. Winton

Nicholas G. WINTON
Deputy Reparations Officer,
Preparatory Commission
for the International
Refugee Organization

Approved:

Depository Section

Edwin D. Keller
Will Story

Security Officer

Chief of Branch

Accounts: Credit:

Classification

Unit

Amount

OMG-W

229802

DECLASSIFIED
Authority NND 765072
By JL NARA Date 6-23

RG 260
Entry FINANCE
File UNFILED
Box 530

No. 3 of five Copies.

No. 3

SHIPPING TICKET

Date 15 October 1946 Place Foreign Exchange Depository, Finance

(Received this date from the Foreign Exchange Depository, the following described assets:) Division
OMGUS (Rear)
APO 757

297 large bars of silver)
645 small bars of silver) Shipment No. 11

as per attached schedules Nos. 1 through 25 and summary thereof
(schedule No. 26)

total weight gross kilograms 23077.149

In accordance with letter from Director, Finance Division,
Office of Military Government for Germany (U.S.) APO 742
dated 2 September 1946 - copy attached.

Photographs of bars

(Note: All Supporting Documents to be Listed above
and attached hereto).

Witnessed:

Signature of Authorized Recipient:

J. J. Roberts

Frank W. Fruitman

Edwin P. Keller

Lt. Col. Ord. C-339842
Off. Mil. Govt. Gross Messe
APO 633

TRUE COPY

Henry N. Irlenborn, Capt. CMP
0-499575

Approved:

Accounts: Credit:

Depository Section *Edwin P. Keller*

Classification Unit Amount

Security Officer Henry N. Irlenborn

Dep/ Chief of Branch Frank C. Cabell

DECLASSIFIED
Authority NND 765072
By JL NARA Date 6-23

RG 260
Entry FINANCE
File UNFILED
Box 530

No 2 of 2 of five Copies.

No 2

SHIPPING TICKET

Foreign Exchange Depository, Finance
Division, OMCUS (Rear) APO 757, U.S. Army

Date 5 August 1946 Place

(Received this date from the Foreign Exchange Depository, the following described assets:)

Gold Bullion and Coin weighing 29875.984 kilograms gross weight. (Detailed list of bar numbers and weights attached).
(Ref. Shipment 20 A received from 3rd U.S. Army)
as per documents attached namely

1. Confirmation of delivery of Gold to Nicholes Nyaradi by Foreign Exchange Depository
2. Letter to Mr. Nyaradi concerning understanding, that 1222 burlap bags will be returned to F.E.D. and first indorsement thereon by Mr. Nyaradi.
3. Receipt for gold signed by Mr. Nyaradi.
4. Authority for release of gold signed by Col. Marsh.
5. Schedules of bar numbers-coin bags and weights.
6. Container and Inventory Tags covering this shipment,

(Note: All Supporting Documents to be Listed above and attached hereto) Three pictures pertaining to the gold are also attached.

Witnessed:

Signature of Authorized Recipient:

/s/ WILLIAM G. BREY

/s/ Nicholas Nyaradi

WILLIAM G. BREY
Colonel GSC
O-6499

Undersecretary of STATE
IN THE MINISTRY FOR FINANCE,
HUNGARY

/s/ LAURENCE P. SANGSTON

LAURENCE P. SANGSTON
Lt. Col. CSC
O-328942

Approved:

Accounts: Credit:

Depository Section /s/ EDWIN P. KELLER
Security Officer /s/ HENRY IRLNBORN
Chief of Branch /s/ WILLIAM G. BREY

Classification	Unit	Amount
.....
.....
.....

DECLASSIFIED
Authority NND 765072
By BTM NARA Date 6/22

RG 260
Entry FINANCE
File 11/442(9) ITALY
Box 484 SET ASIDE

Gold Set Aside Folder

Not Good De
164 Bars ✓ OK

Italy

<u>from folder no</u>	<u>Piles</u>	<u>Count</u>	<u>Remarks</u>
5	67	4	1 bar as indicated
5	72	4	6 bars ~ ~
<u>B</u>	528 53	6	3 ~ ~ ~
6	1-5	5	all
2	16	6	3 bars as indicated

assay cts ✓
pinner ✓

DECLASSIFIED
Authority NND 765072
By JB NARA Date 6-23

RG 59
Entry LOT 62D115
File II-2 LAW #53
Box 59

453

BRITISH EMBASSY,

WASHINGTON 8, D. C.

July 30th, 1947

Ref: 4118/167/47

Dear Dr. Fletcher,

You asked me some time ago how much gold had been recovered in the British Zone of Occupation in Germany.

There were no German bank gold reserves found at the time of occupation, as the Reichsbank holdings were deposited in Frankfurt.

Monetary Gold held by the Reichsbank under Law No.53.

- (a) Bars.....fine weight.....kilos 422,769
- (b) Coins.....fine weight.....kilos 851,176

Information regarding the total volume of monetary gold held in the British Zone is obtained from declarations and deposits under Military Government Law 53 and a proportion may well be returnable to legitimate foreign owners in due course.

The above figures do not include certain gold bars and coins of unknown standards, of which the amount is comparatively small.

Yours sincerely,

A. F. Gadiot

A. F. Gadiot

Dr. Otto Fletcher,
Division of Economic Security
Controls,
209 Premier Bldg.,
718 18th St. N.W.,
Washington, D.C.

DEPARTMENT OF STATE A/CDC/MR--

REVIEWED BY EC DATE 3/27/85

EDC or NCS EXT. DATE _____

IS AM-EL _____ REASON(S) _____

INDEXED EXISTING MARKINGS

DECLASSIFIED RELEASABLE

RELEASE CARRIED

PA of FOI EXEMPTIONS _____

229806

RG 260
 RG 260
 Entry FINANCE
 File FED
 Box 161

DECLASSIFIED
 Authority NND 765038
 By WDP NARA Date 6/29/00

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)
 Office of the Finance Adviser
 Berlin, Germany
 APO 742

19 March 1948

MEMORANDUM

SUBJECT: Gold and Silver delivered pursuant to Military Government Law No. 53

TO: Mr. Theodore H. Ball

1. The gold, other than gold coins, delivered pursuant to Military Government Law No. 53 has been broken down as follows:

a. gold bars	241.949 kg
b. pieces of gold in various shapes	73.338 kg
c. leaf gold	.391 kg
d. dental gold	2.430 kg
e. strip gold	2.899 kg
f. wire gold	.005 kg
g. commercial gold	280.821 kg
h. miscellaneous gold	1.901 kg
total:	<u>603.734 kg</u> C

2. The silver deposited pursuant to Military Government Law No. 53 has not been broken down. An examination of the records shows that the silver delivered falls into the following main classifications: bar silver, leaf silver, dental silver, strip silver, and silver plates.

3. The total amount of silver now held under Law No. 53, except for silver coins is 6,245 kg. A break-down into the above classification, if required, could be accomplished in approximately two days.

6

DECLASSIFIED
 Authority AIND 765027
 By JW NARA Date 6-26

RG 260
 Entry Finance
 File Finance Adviser
 Box 422

Delivery of Monetary Gold

5 August 1948

For. Mr. 5 Aug
 Exch. Jack 1948
 Dep. Bennett
 APO Finance
 757 Adviser
 Office
 of the
 Finance
 Adviser
 OMCUS
 APO 742

1. The delivery by the Foreign Exchange Depository to the Pan American Airways on 3 August 1948 of Flight Shipments 52 and 53 completed the transfer by air to the Bank of England London of all monetary gold held in the Depository.

2. The movement began on 15 June 1948 and was divided into two parts. Part one, consisting of 1,711,525.901 fine ounces of gold coin, was delivered in 22 flights (Nos. 1 through 22) and was completed on 1 July 1948. Part two, consisting of 2,440,240.746 fine ounces of both gold bars and gold coin was delivered in 31 flights (Nos. 23 through 53) starting on 12 July 1948, and completed as mentioned above.

FRANK C. GABELL
 Chief, Foreign Exchange Depository

Tel. Frankfurt 21191

229808

DECLASSIFIED
 Authority NND 765027
 By JW NARA Date 6-26

RG 260
 Entry Finance
 File Finance Advisor
 Box 422

Goldfeld
 ← *Retn. to M*

Packaged Gold

28 June 1.

1 FED OFA 28 Jun
 OMCUS OMCUS 48
 APO APO
 757 742
 Attn:
 Mr Jack
 Bennett

1. All monetary gold held by the FED has now been packaged. For your information we list below monetary packaged gold on which we have not yet received your authorization to release.

	Total Weight fine ounces)
a. First Italian Set Aside (coin and bars)	122,343.712
b. Austrian Set Aside (coin and bars)	689,295.906
c. Second Italian Set Aside (bars)	163,758.731
d. Coin Inventoried by FED	44,777.200
e. Remaining bar gold	<u>1,420,065.197</u>
Total items a thru e: <u>2,440,240.746</u>	

2. Items 4 a, b, c and the majority of item 4 e covered by the Howard Report inventory. Item 4 d (gold coin) and one box No. 1734 in item 4 e containing small gold bars weighing about 162 fine ounces were inventoried by the FED only.

3. Two copies of a revised summary list and description covering item No. 4 e are attached hereto for your information.

4. We suggest that the foregoing information be transmitted by you to the Tripartite Gold Commission, Brussels.

Incl: a/s

WILLIAM G. BERRY
 Colonel GSC
 Chief, Foreign Exchange Repository

DECLASSIFIED
Authority NND 765027
By JW NARA Date 6-26

RG 260
Entry Finance
File Finance Adviser
Box 422

*file - Gold Operations 2
- sent to Mr. Roberts 840.65*

Gold Coin Inventoried by Foreign Exchange Depository 28 May 1948

1. Chief Mr. 28 May
For. Jack 1948
Exch. Bennett
Dep. Finance
APO Adviser
757 Office
of the
Finance
Adviser
APO 742

1. Attached is Schedule "B" consisting of 5 pages, representing gold coin received by the Foreign Exchange Depository after the completion of the Howard Report and therefore not included in that report.

2. The more important sources from which the Depository received this coin are enumerated as follows.

a. Shipment 77 weighing approximately 30000 gross ounces was received on 26 December 1945 from Madrid, Spain and constituted official funds of the former German Government turned over by the Spanish Government.

b. Shipments 2 D and E weighing approximately 8000 gross ounces believed to have been removed from various French banks.

c. Shipments 1 and 16 weighing approximately 2200 gross ounces found in concentration camp loot mainly from Auschwitz and Buchenwald.

d. Shipment 21 A weighing approximately 1800 gross ounces found in a cement factory Eiberg and said to have been removed to Eiberg by Dr. Ernst Kaltenbrunner, Obergruppenfuehrer, Lt.Gen. of Police in Berlin.

e. Shipment 23 A weighing approximately 1300 gross ounces found in Holzminde and believed to have been removed from France.

f. Shipment 23 B weighing approximately 600 gross ounces and said to belong to the Schwerin Gestapo.

g. Shipment 71 weighing approximately 1700 gross ounces said to have belonged to the Reichssicherheitshauptamt.

DECLASSIFIED
Authority NND 765027
By JW NARA Date 6-26

RG 260
Entry Finance
File Finance Advisor
Box 422

h. Shipment 82 weighing approximately 1000 gross ounces originally believed to belong to Hungary and so delivered to them in August 1946 and later returned by the Hungarian Government with the statement that this lot did not belong to them. Possible ownership is therefore unknown.

1. Remaining amounts are small and the shipments from which they are taken are of sources roughly similar to those previously described.

3. This coin has been sorted by Foreign Exchange Depository personnel into two categories only i.e. English coin and mixed (all other coin). An estimated fineness of 900 has been assigned to mixed coin.

4. The weighing of the coin has been done by Foreign Exchange Depository officers and has been packed in 21 boxes which are ready for shipment.

5. The total weight of the coin involved is 1528,004.1 gross grams, equivalent to 49,126.47 gross ounces or 44,777.200 fine ounces.

6. It is believed that differently worded documents will be required for this lot of gold, inasmuch as this coin has been handled entirely by the Depository and there is no previous report to which the weights can be checked.

7. Request that the Foreign Exchange Depository be furnished with proper instructions and your formal authorization for release to Tripartite Gold Commission.

8. Suggest that foregoing information be transmitted to the Tripartite Commission for the Restitution of Monetary Gold, Brussels.

WILLIAM G. BREY
Colonel, GSC
Chief, Foreign Exchange Depository

Incl.: Schedule "B"

WGB/D
Tel. Frankfurt 33225

DECLASSIFIED
Authority: NND968103
By: GP NARA Date: 5/9/00

RG 131
Entry FFC 610
File 'looted gold'
Box 388

Goldblatt

Trunk of loot

E.M. 19.7.45.

72.

CAPTURED ENEMY MAIL-GERMANY.

TERMINAL - SURFACE.

LON/GERM/7261

SS. HSCHA PAULI

SS. UNTERSTURMFUHRER WURT

SS. ARBEITSLAGER

K.L. NATZWEILER

OFFENBURG
POSTAMT OFFENBURG.

SS. ARBEITSLAGER
SCHOMBERG UBER ROTTWEIL

21.3.45.

GERMAN

Da/14

submitted

Original : P.I.D.
Comment & Photostat : M.I.12. D.R.W.
T.E.D.
P.O.R.
SHAEF

*1-10
6-711
3-055
3-F
-S
-E
1-FE*

HOL/TRA
SUBJECT:

8/VII

2687

S.W. 6621

17.7.45.

SS. OFFICERS OF NATZWEILER CONCENTRATION CAMP
CORRESPOND ABOUT GOLD IN THEIR POSSESSION.

The attached letter reads in translation as follows:-

"UNTERSTURMFUHRER!

Please forward at the first opportunity my luggage by car to GUTTENBACH, as promised, which consists of a wooden trunk and an ordinary travelling trunk. Should that be impossible, please notify me accordingly.

These trunks contain, apart from whatever is left over of my own property The ALTGOLD =(old gold, scrap gold?) from BISINGHEM. I have left the trunk labelled with my name, at the GUARD ROOM, next to the case belonging to HSTUF. HOFMANN. Thanking you for your kindness, I remain with HEIL HITL. yours (signed) PAULI."

(14)

229812

DECLASSIFIED
Authority: NND 968103
By: GO. NARA Date: 5/9/00

RG 131
Entry EFC 6en
File looted gold
Box 388

FOR CLEARANCE *Return to Gold*

COPY

The Acting Secretary of State presents his compliments to the Honorable the Italian Ambassador and has the honor to refer to the note verbale of April 23, 1945 from the Italian Ambassador referring to the subject of gold looted from the Bank of Italy. The principles and methods to govern restitution of looted gold and other types of property have not as yet been agreed upon by the Allied Governments. The United States Government will give the views of the Italian Government careful consideration.

Department of State,
Washington,

740.0011 E.W./4-2345

FN:JESchairer:jco 5/23/45
5/25/45 SE ES

After clearance - with Locker and St. Clancy, I advised Perch on 6/4/45 that (1) Treasury had no objection to the note to the Italian Ambassador but (2) with respect to the instruction to raise the issue of gold looted from the Bank of Italy, we would like to see the note as submitted to the Italian Ambassador in the first place. It would be equally to make an approach to the Italians requesting their views on it, and this paragraph would only confuse the Embassy. (3) instruct the Embassy to make inquiries now re the Yugoslavian gold since if it is a valid question it should be raised irrespective of further questioning by the Italians.
J. Schairer 6/4/45.

229813

DECLASSIFIED

Authority KMD775059
By WML/NARA Date 6/11/97RG 260 Box 400
FEDOFFICE OF MILITARY GOVERNMENT FOR GERMANY (US)
Property Division
Restitution Branch
APO 403Karlsruhe, Germany
24 August 1948

SUBJECT: Status of Assets held by the FED as of 30 June 1948

TO : Office of the Finance Adviser
OMGUS
APO 742, U. S. Army

Attn: Mrs. E. J. Kagan

1. Reference is made to the conversation the undersigned had with Mrs. Kagan on 8 July 1948 in Berlin and in the course of which the subject inventory, submitted by FED to Restitution Branch, Karlsruhe, was discussed.
2. We are listing herein above the items of the inventory which are of interest to us from a restitution point of view.
3. Under shipment No. 2 (d)(e) are listed 7 containers out of which the monetary gold was removed and added to a gold pot. The remarks of the FED further state that the "remaining assets are restitutable to France". We would be interested to have your further comments thereon.
4. Shipment No. 3 comprises gold plated table-ware from Poland for which an MFASA restitution claim has been filed by the Polish Restitution Mission. You advised the undersigned that the British authorities in the British Zone had been requested on 27 April 1948 to interrogate a German official formerly connected with the Government General concerning the origin of this table-ware. In order to enable MFASA to dispose of this claim without further delay, please remind the British of this matter. If no information is forthcoming from that side we feel that the known facts would warrant restitution.
5. Shipment No. 22 is claimed by Czechoslovakia in Restitution Claim No. 139-C. We understand that the decision is pending in your office and would appreciate information as to the status of your deliberations.
6. As to Shipment 26 (d), please advise us of status.
7. With respect to the Concordia and Columbia shares (Shipment 34-C) we understand that you are preparing the necessary schedules for release

229814

DECLASSIFIED

Authority KMD775059
By WJL NARA Date 6/1/52RG 260 Box 400
FED

to France according to an agreement reached between the French and Belgians.

8. We noted from your carrier sheet of 10 August 1948 that you are not inclined to permit a Belgian Diamond expert to examine the industrial diamonds forming shipment No. 47. On the basis of recent conversations held in Karlsruhe with the Belgian and French Restitution Missions, Mr. McJunkins intends to re-discuss this matter with the Finance Advisor.

9. Your comments on the items discussed above would be appreciated.

FOR THE CHIEF:

/s/ K. A. de Keyserlingk

K. A. de KEYSERLINGK
Deputy Chief
for Industrial Restitution

Tel: Karlsruhe 617 / 240

229815

DECLASSIFIED

Authority KMD775059
By MLL NARA Data 6/1/52RG 260 Box 400
FED

Status of Assets Held by FED as of 30 June 1948.

3 SEP 1948

1. Property FA
Division OMCUS
Rest. APO 742
Branch US Army
APO 403
US Army

Attention: Mr. E. A. de Keyserlingh

1. Reference is made to your letter, subject as above, dated 24 August 1948.

2. The following paragraphs will set forth our comments on the items discussed in your letter.

3. Your para. 3. Upon receipt by FED of French claim and written statement from your Division that these items should be restituted to France, restitution will be made.

4. Your para. 4. Upon receipt by FED of Polish claim and written statement from your Division that these items should be restituted to Poland, restitution will be made.

5. Your para. 5. Authority for release of diamonds to representatives of Czech government dispatched to FED.

6. Your para. 6. Authority for release of assets to representatives of Czech government in preparation.

7. Your para. 7. Authority for release of Concordia shares to France in preparation; authority for release of Columbia shares to France will be given upon receipt of schedules which are being prepared now.

8. Your para. 8. If your Division is able to state that the visit of a Belgian diamond expert to examine the industrial diamonds contained in shipment No. 47 for the purpose of identifying their restitutability is within OMCUS and Washington policy, this office will not prohibit such a visit.

(Signed) Jo Fisher Freeman

JACK BENNETT
Finance Adviser to
The Military Governor

Tel: 42485

Mrs. E. J. Kagan
Rm 1051, Econ Bldg.

COPY FOR FOREIGN EXCHANGE DEPOSITORY

229816