14. GOLD

The statistics in this Section relate to the U. S. gold stock; U. S. foreign gold transactions; the distribution of gold reserves of central banks and governments of the free world; and the volume of the gold and short-term dollar assets and U. S. Government bonds and notes owned by these countries and by international organizations.

U. S. GOLD STOCK

Before January 30, 1934, the gold stock of the United States consisted of gold coin in circulation in the United States and gold held by the Treasury and the Federal Reserve Banks. On that date, title to all gold owned by Federal Reserve Banks was transferred to the U. S. Government, while by a series of Executive orders in 1933 gold coin was retired from circulation. Since January 30, 1934, the U. S. gold holdings have included the Treasury gold stock and gold in the Exchange Stabilization Fund of the Secretary of the Treasury.

Most of the Treasury gold stock, shown in Table 1, is held as security against a corresponding amount of gold certificates or gold certificate credits issued to the Federal Reserve Banks, for which the Treasury receives credit in its deposit account. This gold constitutes the monetary gold reserves behind the Federal Reserve note and deposit liabilities. [1] A small amount of gold ($156 million) is held as a reserve against United States notes, and the remainder ($121 million on June 30, 1962) is described as "balance of gold" in the "Daily Statement of the U. S. Treasury."

The Exchange Stabilization Fund was established under the Gold Reserve Act of 1934 with a capital of $2 billion appropriated from the increment resulting from the reduction in the gold content of the dollar. This total was divided into two portions: one, amounting to $1.8 billion, was considered inactive; the remainder was held as a working balance.

From 1934 until February 1947 the assets (entirely in gold) of the inactive portion of the Fund were included as a separate part of the Treasury gold stock; no gold certificates or gold certificate credits were issued against this gold.

In February 1947 the United States used the inactive portion ($1.8 billion) of the Fund to pay a part of its subscription to the International Monetary Fund, in accordance with the Bretton Woods Agreement Act. However, only 25 per cent of the subscription ($687.5 million) was required to be paid in gold; the remainder was paid in U. S. dollar funds and nonnegotiable, non-interest-bearing special U. S. notes, and the Treasury was reimbursed by transfer of the remaining $1.1 billion of gold from the Exchange Stabilization Fund.

The Treasury conducts most of its gold transactions with foreign monetary authorities through the Exchange Stabilization Fund. The Federal Reserve Bank of New York acts as the Fund's fiscal agent in these transactions. There are shifts of gold back and forth between the Fund and the Treasury gold stock to carry out these transactions. The assets of the Fund, including accumulated net earnings, were $340

[1] For a discussion of the relation of reserve banking to gold see *The Federal Reserve System: Purposes and Functions* (Washington, D. C., 1961), pp. 165-76; "Member Bank Reserves and Related Items," Section 10 of *Supplement to Banking and Monetary Statistics* (1962); and *Annual Report* of the Board of Governors of the Federal Reserve System for 1958, pp. 11-17.