

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date June 5, 1947

To Chairman Eccles

**Subject:** International Fund action on  
international traffic in gold at premium  
prices.

From Mr. Knapp

You may desire to show Mr. Sproul the attached memorandum concerning the International Fund action on international traffic in gold at premium prices, especially since item 3(b) on the agenda for the Presidents' Conference is "Recent developments re gold problems".

You may also desire to raise with Mr. Sproul the three points relating to the Policy Group's memorandum to the Secretary of the Treasury concerning gold problems on which I requested your judgment in my memorandum of May 22. My recommendations on these points remain as stated in that memorandum.

Attachment

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# Office Correspondence

Date June 5, 1947

To Chairman Eccles  
From Mr. Knapp

Subject: Letter from Fund deploring  
the international traffic in gold at  
premium prices

In connection with the discussions on gold problems which have been held by the Policy Group, you may be interested to know that the Board of Directors of the International Fund has agreed in principle upon the issuance of a letter to member countries deploring the international traffic in gold at premium prices as a factor contributing to international monetary instability, and requesting members to take appropriate measures to check this traffic.

At a meeting of the Staff Committee some ten days ago, Mr. Luthringer informed us that the Fund Board of Directors was being urged to take some such action by Mr. Bolton, the British Director, who felt that these international gold transactions were casting very serious doubt upon the values which had been established by the Fund for member currencies. While the Staff Committee felt that Mr. Bolton's presentation of the case was quite exaggerated, we nonetheless encouraged Mr. Luthringer to join in seeking some action by the Fund. Mr. Luthringer passed on to me yesterday the information contained in the first paragraph, emphasizing that so far there was only agreement in principle and that the actual terms of the proposed letter to member countries had not yet crystallized.

In response to my inquiry, Mr. Luthringer said that probably the letter to member countries would not be made public. I expressed the view that publication would be highly desirable (a) for the sake of the prestige of the Fund as an arbiter in these matters, and (b) in order to strengthen member countries in their attempts to discipline their nationals who are engaging in the objectionable transactions. However, Mr. Luthringer said that it had been difficult enough to get agreement on the sending of the letter (apparently the Latin Americans have been quite unhappy about it since it is principally they who have been benefiting from the sale of gold at premium prices), and that it would be very difficult to get agreement on publication. At the same time he added that member countries would presumably be free to use the letter from the Fund in making representations to their nationals (this seems to me tantamount to publication).