

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date December 3, 1947

To Chairman Eccles

From Mr. Knapp

MESSAGE:

Attached is the proposed  
National Advisory Council action with  
regard to the communication to the  
Canadian Government .

Attachment

The National Advisory Council requests the Department of State to communicate the sense of the following to the Canadian Ambassador for the immediate information of his Government:

The United States Government is opposed to the granting of subsidies or other artificial inducements for the purpose of stimulating gold production. It opposes such measures partly because of their irrational and unpredictable effects upon the use of gold as a regulator of monetary systems, and partly because of the heavy burden continuing to fall on the United States through foreign countries' offerings of gold.

In particular, this Government considers that subsidies of the type currently being proposed for introduction by the Canadian Government are not permissible under the Articles of Agreement of the International Monetary Fund, because they are tantamount to the payment of a higher price for part of new gold production.

Accordingly, the United States Government has instructed its Executive Director on the International Monetary Fund to use his best efforts to persuade the Monetary Fund to declare that gold subsidies tantamount to the payment of higher prices for gold by member governments are contrary to the Articles of Agreement.

This Government is giving further consideration to the measures most appropriate to deal with the problem of other forms of artificial stimulants to gold production. Among other things, this Government is contemplating the desirability of shortly issuing a public statement of policy along the above lines.

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