

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 3, 1948

To Chairman Eccles
From Mr. Knapp

Subject: Letter from Secretary Snyder to Senator Vandenberg re dealing with hidden European assets in the United States.

AKK

In a letter dated yesterday, Secretary Snyder informed Senator Vandenberg, as Chairman of the Senate Foreign Relations Committee, of the program approved by the National Advisory Council for dealing with hidden European assets in the United States, emphasizing at the same time the Council's view that it would not be wise to force European countries to liquidate the private holdings of their nationals as a prior condition to the receipt of aid under the European Recovery Program.

In his letter, Mr. Snyder estimates the amount of readily mobilizable and "directly held" blocked assets of European countries at 400 million dollars (France—100 to 150 million); and the "indirectly held" assets (mainly those held through Switzerland by residents of other Western European countries) at 300 million dollars (France—200 to 250 million). The total amount of readily mobilizable assets affected by the program is therefore estimated at 700 million dollars, about half of which would be French.

The following paragraphs from Secretary Snyder's letter describe the factors taken into consideration by the Council in arriving at its endorsement of the Treasury-Justice Department program:

"The policy we should adopt with respect to assisting the recipient countries in obtaining control of the private dollar assets which are hidden in this country by their citizens has been a subject of much discussion in recent months. Representatives of financial institutions have urged that it is fundamental to our free private enterprise system and, in particular to our capital market, to respect private property whether or not it is held by foreign nationals. Some felt that the United States Government should not adopt the policy of cooperating with foreign countries in the enforcement of their exchange control laws. Finally, it was argued that to adopt measures having the effect of forcing the disclosure to foreign governments of private property held by their citizens in the United States would put this Government in the position of supporting partial confiscation of private property. This last point relates to those cases where foreign countries require the surrender of dollar assets, against reimbursement in local currency at unrealistic rates of exchange.

"The National Advisory Council gave serious consideration to these views. The Council doubted that under ordinary conditions

To: Chairman Eccles

-2-

this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times. Some European countries are in dire need of dollars to permit their survival as free nations. American taxpayers are being called upon to make substantial contributions to European recovery. Moreover, most of the foreign governments have repeatedly asked our assistance in obtaining control of the holdings of their citizens, who have concealed them contrary to the laws and national interest of their countries. It is these circumstances, I am sure, which have inspired marked public interest in the problem and have produced various legislative proposals for action, such as the Kunkel Bill (H.R. 4576) and the Norblad Resolution (H.J. Res. 268).

"The Council studied in detail many alternative proposals for dealing with this problem in an effort to arrive at a solution which would assist recipient countries to obtain the use of concealed private assets in the United States without doing violence to the traditional status of private property. None of these alternatives promised at the same time actually to protect the private interests of foreign nationals, to assist the recipient countries to mobilize the concealed dollar assets of their resident citizens, and to prevent the escape of concealed enemy assets."