

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date December 15, 1936

To Chairman Eccles

Subject: Gold and silver transactions

From Mr. Gardner *W.R.G.*

between United States and foreign countries

A transfer of foreign gold to the United States as a result of purchases of American goods or securities may take the form of:

- 1) Gold imported to the United States;
- 2) Gold released from earmark for foreign account in the United States;
- 3) Gold earmarked for account of the United States abroad.

Except for private purchases in the bullion market, gold operations today are largely handled by the Stabilization Fund. The Fund is likely to earmark gold abroad (the third method indicated above). Later it may bring the gold home, in which case the gold gets recorded as an import. But the import is then of no significance because the gold was bought some time before. In short the import figures no longer mean what they used to mean, and much of the story of gold movements today lies in the undisclosed figures of the Stabilization Fund. It cannot be too strongly emphasized that these figures should be made available by the Treasury to the Board of Governors of the Federal Reserve System. Without them the Board is not in position to discuss gold movements accurately or to know to what extent those movements are affecting member bank reserves.

Some of the basic information as to the Fund's operations is, however, available to the Board in the form of the highly confidential custody accounts of the Federal Reserve Bank of New York. On the basis of these accounts, supplemented by other confidential information as to the portion of gold

imports that does not go into reported monetary gold stock, it is possible to estimate roughly the changes in gold held abroad by the Fund. The estimates are time-consuming and full of pitfalls; but they are the best we have until direct reports are made available by the Treasury.

The attached tables show the estimated transfers between the United States and foreign countries of gold and of silver, which is also affected by Stabilization Fund operations.

Strictly Confidential

GOLD AND SILVER BOUGHT FROM FOREIGNERS  
BY UNITED STATES - NET

(In millions of dollars)

<u>Date</u>	<u>Total</u>	<u>Gold</u>	<u>Silver</u>
1935 - Dec.	231.2	191.7	39.5
1936 - Jan.	70.5	42.6	27.9
Feb.	*30.1	*26.1	*4.0
Mar.	6.2	6.4	*0.2
Apr.	29.5	29.1	0.4
May	171.1	167.7	3.4
June	277.6	259.3	18.3
July	22.1	18.2	3.9
Aug.	76.1	59.5	16.6
Sept.	154.2	143.1	11.1
Oct.	266.9	235.0	31.9
Nov.	165.9	158.2	7.7
Week ending			
Nov. 6	52.6	47.5	5.1
13	54.4	53.5	0.9
20	18.6	18.1	0.5
27	<u>1/35.8</u>	34.9	0.9
Dec. 4	16.6	12.4	4.2
11	<u>2/20.6</u>	20.6	<u>2/</u>

\* Net sale of gold or silver to foreigners.

1/ Largely represents transfer of Argentine funds from London to New York for redemption of Argentine dollar bonds.

2/ Silver figures not yet available.

## GOLD TRANSACTIONS BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES

(In millions of dollars)

Date	Net gold purchases by U. S.	Gold bought from foreigners				Gold sold to foreigners			
		Total	Imports	Released from earmark for foreign account in U. S.	Earmarked for U. S. Fund abroad (estimated)	Total	Exports	Earmarked for foreign account in U. S.	Released from earmark for U. S. Fund abroad (estimated)
1935 - Dec.	191.7	192.3	190.2	1.7	0.4	0.7	0.2	0.5	---
1936 - Jan.	42.6	46.4	46.0	0.4	---	3.8	0.3	2.2	1.3
Feb.	-26.1	7.9	7.0	0.9	---	34.0	23.6	10.4	---
Mar.	6.4	8.9	7.8	1.1	---	2.4	2.3	0.1	---
Apr.	29.1	31.7	28.1	2.4	1.2	2.6	---	2.5	---
May	167.7	173.3	170.0	2.4	1.0	5.6	---	5.6	---
June	259.3	289.4	277.9	5.2	6.3	30.1	0.1	30.0	---
July	18.2	21.1	16.1	4.4	0.6	2.8	0.7	2.1	---
Aug.	59.5	74.0	67.5	2.6	3.9	14.6	---	14.5	---
Sept.	143.1	175.5	171.9	3.5	0.1	32.4	---	32.4	---
Oct.	235.0	252.0	218.9	5.6	27.5	17.0	0.1	16.9	---
Nov.	158.2	159.1	75.8	3.7	79.6	0.9	0.1	0.8	---
Week ending									
Nov. 6	47.5	47.5	20.0	---	27.5	---	---	---	---
13	53.5	53.9	26.6	1.5	25.8	0.4	---	0.4	---
20	18.1	18.4	15.2	2.3	1.0	0.4	---	0.4	---
27	34.9	1/34.9	14.1	---	20.8	---	---	---	---
Dec. 4	12.4	12.5	6.7	1.3	4.5	---	---	---	---
11	20.6	22.5	21.4	1.1	---	1.9	---	---	1.9

1/ Largely represents transfer of Argentine funds from London to New York for redemption of Argentine dollar bonds.

Note: What sometimes appear in the table as two operations are really two aspects of a single operation. For instance, when a foreign central bank ships gold to this country to be earmarked, the operation gets reported as (1) an import of gold to the United States, and (2) an earmark of gold for foreign account in the United States, although in this case no transaction between the United States and foreign countries has in fact occurred. The net figures report this fact correctly.

SILVER TRANSACTIONS BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES

(In millions of dollars)

Date	Net silver purchases by U. S.	Silver bought from foreigners				Silver sold to foreigners			
		Total	Imports	Released from earmark for foreign account in U. S. <u>1/</u>	Earmarked for U. S. Fund abroad (estimated)	Total	Exports	Earmarked for foreign account in U. S. <u>1/</u>	Released from earmark for U. S. Fund abroad (estimated)
1935 - Dec.	39.5	47.6	47.6	---	---	8.2	0.8	---	7.4
1936 - Jan.	27.9	62.7	58.5	4.2	---	34.8	0.3	---	34.5
Feb.	-4.0	17.5	17.5	---	---	21.5	0.1	---	21.4
Mar.	-0.2	8.1	8.1	---	---	8.3	0.2	---	8.0
Apr.	0.4	4.5	4.5	---	---	4.0	0.5	---	3.5
May	3.4	5.0	5.0	---	---	1.6	0.2	0.5	0.8
June	18.3	24.0	24.0	---	---	5.6	0.2	2.3	3.2
July	3.9	6.6	6.6	---	---	2.7	0.1	---	2.5
Aug.	16.6	16.8	16.6	---	0.2	0.2	0.1	---	---
Sept.	11.1	11.3	8.4	---	2.9	0.2	0.2	---	---
Oct.	31.9	32.2	26.9	---	5.3	0.3	0.3	---	---
Nov.	7.7	8.2	4.6	---	3.5	0.4	0.4	---	---
Week ending									
Nov. 6	5.1	5.1	1.5	---	3.6	0.1	0.1	---	---
13	0.9	1.4	1.4	---	---	0.5	0.2	---	0.4
20	0.5	0.9	0.9	---	---	0.4	0.1	---	0.3
27	0.9	1.0	0.6	---	0.4	---	---	---	---
Dec. 4	4.2	4.3	0.4	---	3.9	0.1	0.1	---	---

1/ Releases and earmarks at Federal Reserve Bank of New York only.

Note: What sometimes appear in the table as two operations are really two aspects of a single operation. For instance, when the Fund brings home silver previously earmarked abroad, the operation gets reported as (1) a release of silver from earmark for account of the United States abroad and (2) an import of silver to the United States, although in this case no transaction with foreigners has in fact occurred. The net figures report this fact correctly.