

GOLD STOCK VERGES ON \$18,000,000,000

Treasury Holdings, Record in World History, Due to Pass New Milestone This Week

DEVALUATION 6 YEARS OLD

Possibilities of the Situation, Especially When War Ends, Becomes Rising Topic

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WASHINGTON, Feb. 4—The Treasury's great gold stock, more than two-thirds of the world's monetary supply of the metal, should, at the rate of recent acquisitions, reach a new high total of \$18,000,000,000 early this week. It stood at \$17,940,000,000 Thursday.

By coincidence the attainment of the \$18,000,000,000 mark will be within a few days of the sixth anniversary of the devalued 59.06-cent dollar and the establishment of the \$35 per ounce price for gold.

On Oct. 26 the gold board reached the \$17,000,000,000 mark. In about three months gold worth \$1,000,000,000 on the basis of \$35 an ounce has been added to a supply which has strained the capacity of the Treasury's depositories. In the year ended Oct. 29 the Treasury acquired \$3,000,000,000 of gold.

Secretary Morgenthau has become the world's greatest gold purchaser and one of gold's staunchest defenders. His denunciations of those who are critical of the gold acquisitions are understood by those close to the Treasury to result from his sense of trusteeship of the greatest stack of pure gold ever accumulated in history.

Nervousness on Various Sides

It is pointed out that if he is a bit nervous of his charge so, likewise, are those who urge a return to a free gold market, the remonetization of gold, and other revisions of a situation which is unique.

Not only has the Administration's gold buying policy stripped other nations of bullion, resulting in maldistribution of the metal and intense stimulation of gold production throughout the world, but it has swelled the excess reserves of the domestic banking system to such proportions that the Federal Reserve Board's control over reserves is no longer effective.

"The potential lending power derived by banks from receipt of this gold," said a recent Reserve Board brochure, "creates an unprecedented problem of control, because the unused reserves of the banks are much greater than can be absorbed by the Federal Reserve authorities under present powers."

It is apparent, however, from statements of Treasury officials that they regard the gold stock as a "safety valve" of incalculable value in a world economy increasingly controlled by totalitarian economic policies.

The problem of putting excess gold to use is constantly receiving attention from Treasury experts. One plan now to the fore is its possible use for credit purposes in Latin America. Other schemes constantly pass through the office of Harry White, the Treasury's principal monetary expert.

Ponders Post-War Situation

The implications for the future of the tremendous gold stock is what seems to bother experts most. Experts in and out of the government seem preoccupied by the question of what is going to happen after the present hostilities, when even a greater percentage of the world's

gold may be in the Treasury's vaults and other nations stripped of the metal which has been the traditional standard unit of payment for international balances.

The possibility that gold may be reduced to a commodity status does not seem to bother Treasury officials. They ridicule the attempts of Germany to substitute barter and other methods of payment for the traditional bullion standard.

Soviet Russia is the big question mark in this picture, as the debate last week between Secretary Morgenthau and Senator Townsend of Delaware demonstrated. The Senator implied that the Treasury had been aiding Russia by buying all of its gold, either directly or indirectly.

Secretary Morgenthau replied that the Treasury had bought no gold directly from Russia since the first of 1939 and had bought indirectly only \$10,500,000 worth. This was determined, he said, by scrutiny of imported gold bars, a few of which bore the Soviet imprint. These were valued at \$10,500,000.

The Secretary answered "ridiculous" to the Senator's intimation that the Treasury had bought all of Russia's gold production and that Soviet output amounted to \$175,000,000, to which Senator Townsend replied at length in a speech on the Senate floor.

The debate was largely confined to the question of whether there are available accurate estimates of Russia's gold output, but the underlying issue was a fundamental difference of opinion between the Senator and the Secretary over the wisdom of continued purchasing of foreign gold.

Secretary Morgenthau insisted he had never been able to find out how much gold Russia was producing, although he had tried persistently.

Estimate Offered by Mint

The Senator replied that the annual report of the Director of the Mint estimated Soviet gold production in the calendar year 1938 at \$183,256,815, but the Treasury officials pointed out this was qualified by a note to the effect that the estimate was based upon unpublished data, principally interrogatory replies.

The Mint's estimate of Soviet 1938 gold output was 5,235,909 ounces. The Bank for International Settlements, in its recent annual report, estimated Soviet production in that year at 5,000,000 ounces and offered this footnote:

"No official statistics for U.S.S.R. are available, but percentage changes are given irregularly. Present figures are estimates."

The Federal Reserve Board publishes in its monthly Bulletin detailed statistics on "Gold Production Outside U.S.S.R." A footnote published monthly states:

"Gold production in U.S.S.R.: No regular government statistics on gold production in U.S.S.R. are available, but data of percentage changes irregularly given out by officials of the gold mining industry, together with certain direct figures for past years, afford a basis for estimating annual production."

For 1938, the latest year for which estimates are included in the footnote, production was estimated on a dollar basis at \$184,000,000, which is fairly close to the Mint's estimate of \$183,256,815.

"Is gold marked with the hammer and sickle perfectly all right for the Treasury?" Secretary Morgenthau was asked.

"Sure," he replied, "after we've tested it."

The Secretary insists that there has been no discrimination between countries in buying gold, and adds that there is likely to be none.

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