

Volume III

After the Gold Standard, 1931-1999

1933 April 19

Report of A. P. L. Gordon, with Moy, Davies, Smith, Vandervell & Co., 20 Copthall Avenue, London EC2, concerning the revival of the American export embargo on gold, entitled 'Gold, Dollars and Markets', marked 'For Clients and Correspondents only'. This provides the view from abroad of the American actions regarding the export of gold.

This evening the news came through that America has revived the embargo on the export of gold; and, in the light of recent exchange movements, this means that the United States are virtually off the gold standard. The announcement has had two effects: first, the exchange-rate has moved very sharply against dollars; secondly, the New York stock market has advanced very rapidly - anything up to \$10 per share in the leading American common stocks. [...]

The Gold Standard and Kaffirs.

In the whole course of events, nothing has been more significant than President Roosevelt's statement, that re-valuation of the dollar had been abandoned "until other nations returned to gold". Such a statement, with the Prime Minister of England almost in sight of New York, can only indicate a trading-devaluation based in the attempt to regain stability in the world's currencies. It is doubtful whether there was, prior to the recent currency movements, a serious volume of "bad" money in the United States; the new conditions may, therefore, take the shape of a bargaining-instrument rather than of an enforced insolvency.

President Roosevelt's announcement indicates that the present circumstances are a step towards, and not a step away from, a reconstructed gold standard. The necessity for bargaining, with War debts, tariffs and trade under discussion, was clear before Mr McDonald left London. The gold-export embargo has given the United States the initiative.

From this standpoint, it is possible that agreement on War debts may be less favourable to the debtors than at one time seemed probable. But, whatever agreement may be reached, immediately or at the World Economic Conference, a gold basis for currency is clearly held to be a necessity.

Present developments are unlikely to have taken the British Treasury, and the Bank of England, by surprise. The Bank has, during 1933, been a heavy purchaser of gold, at and above 120s. per ounce. It is unlikely that these purchases have been made

Volume III

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with a view to their immediate conversion into a loss. And, since a high price for gold will stimulate gold-production, and induce for some years a steady rise in the level of commodity-prices, it is unlikely that sterling will be stabilised below the present price for gold. Gold at 120s. per ounce or over may therefore be expected to be a permanent price. [...]

Source: *Bank of England Archives*, C43/139, 1945/1, no. 79.