1968 March 17

Washington Communique. After the closure of the London Gold Market, the governors of the leading Western central banks (with the exception of France) met in Washington to attempt to salvage the system. They reiterated their commitment to the Bretton Woods' parities, announced the end of the Gold Pool, and provided additional financial support for sterling. They also took note of the United States' removal of the gold cover for notes in domestic circulation [see earlier document of 30 January 1968 on US Financial Policy]

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The Governors of the Central Banks of Belgium, Germany, Italy, the Netherlands, Switzerland, the United Kingdom, and the United States met in Washington on March 16 and 17, 1968, to examine operations of the gold pool, to which they are active contributors. The Managing Director of the International Monetary Fund and the General Manager of the Bank for International Settlements also attended the meeting.

The Governors noted that it is the determined policy of the U.S. Government to defend the value of the dollar through appropriate fiscal and monetary measures and that substantial improvement of the U.S. balance of payments is a high-priority objective.

They also noted that legislation approved by Congress makes the whole of the gold stock of the nation available for defending the value of the dollar.

They noted that the U.S. Government will continue to buy and sell gold at the existing price of $35 an ounce in transactions with monetary authorities. The Governors support this policy, and believe it contributes to the maintenance of exchange stability.

The Governors noted the determination of the U.K. authorities to do all that is necessary to eliminate the deficit in the U.K. balance of payments as soon as possible and to move to a position of large and sustained surplus.

Finally, they noted that the Governments of most European countries intend to pursue monetary and fiscal policies that encourage domestic expansion consistent with economic stability, avoid as far as possible increases in interest rates or a tightening of money markets, and thus contribute to conditions that will help all countries move towards payments equilibrium.

The Governors agreed to cooperate fully to maintain the existing parities as well as orderly conditions in their exchange markets in accordance with their obligations under the Articles of Agreement of the International Monetary Fund. The Governors believe that henceforth officially held gold should be used only to effect transfers among monetary authorities and, therefore, they decided no longer to supply gold to the London gold market or any other gold market. Moreover, as the existing stock of monetary gold is sufficient in view of the prospective establishment of the facility for Special Drawing Rights, they no longer feel it necessary to buy gold from the market. Finally, they agreed that henceforth they will not sell gold to monetary authorities to replace gold sold in private markets.

The Governors agreed to cooperate even more closely than in the past to minimize flows of funds contributing to instability in the exchange markets, and to offset as necessary any such flows that may arise.

In view of the importance of the pound sterling in the international monetary system, the Governors have agreed to provide further facilities which will bring the total of credits immediately available to the U.K. authorities (including the IMF standby) to $4 billion.

The Governors invite the cooperation of other central banks in the policies set forth above.

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***Source*:** *Treasury Department. 1969. Annual Report of the Secretary of the Treasury on the State of the Finances*, (Washington: Government Printing Office), pp. 370-371.