7

The Gold Pool

The Gold Pool was a buying and selling syndicate created in 1961 to manage the price of gold in London.[1] It was intended to support the London gold price, reinforce the stability of the international monetary system and allow the United States to maintain its commitment to keep the price of gold at $35 an ounce. The Gold Pool started as a gentleman's agreement. It emerged during monthly meetings of central bankers at the Bank for International Settlements. The Gold Pool is one of the most ambitious examples of central bank cooperation ever. It involved the pooling of reserves, the sharing of profits and losses, and constant information-sharing among central banks.

Recall that after the opening of the gold market in 1954, the gold price was kept under control by the Bank of England.[2] Convertibility, however, changed everything. The London gold market was no longer immune to outside pressure as capital controls were lifted. A steady gold price was important to the Bank of England, but even more important to the Federal Reserve as the guarantor of the official gold price. The question of who would bear the cost of selling gold in London when excess demand arose. Initially, the Federal Reserve worked directly with the Bank of England. Later the Fed involved other European countries under the umbrella of the Gold Pool.

[1] This chapter is based on joint work with Michael Bordo and Eric Monnet. I offer new data and information not presented in the joint work. The text has also been substantially revisited. See Michael D. Bordo, Eric Monnet and Alain Naef, 'The Gold Pool (1961–1968) and the Fall of Bretton Woods: Lessons for Central Bank Cooperation', *National Bureau of Economic Research Working Paper*, no. 24016 (2017); Michael D. Bordo, Eric Monnet and Alain Naef, 'The Gold Pool (1961–1968) and the Fall of the Bretton Woods System: Lessons for Central Bank Cooperation', *Journal of Economic History*, 79, 4 (2019), 1–33, https://doi.org/10.1017/S0022050719000548.

[2] See Chapter 5.

The gold crisis of 1961 was the first test for the Bretton Woods system with freer capital flows. The rise of the gold price put the Bank under pressure. Policymakers understood that the cost of maintaining the price at around $35 an ounce could become extremely high. The Bank started to question the role of the United Kingdom in maintaining the gold price. Negotiations with the Federal Reserve opened. If Bretton Woods was about cooperation, as Toniolo and other scholars claim, this is where cooperation started to assume centre stage.[3] Practical questions now arose: What information was the Bank willing to share with the Fed? Who should one call at 4 am in New York if there was a run on gold? I show how the Bank was often reluctant to cooperate, even though it was pushed to do so by the Federal Reserve. If US–UK cooperation started slowly, cooperation with other European powers took even longer. France felt side-lined from the start and progressively followed its own path. The French suggested an alternative monetary system. Their ideal was closer to the gold standard and more rigorous, in line with French policy since the interwar years.[4]

Earlier literature mentions the creation of the Gold Pool, but mainly using secondary literature.[5] I draw on the archives of the Bank of England, New York Fed and BIS. The chapter also gives a detailed overview of cooperation between the Fed and the Bank. The literature simply takes for granted that Bretton Woods was a period of cooperation. Here I delve into the details of this cooperation and how it slowly evolved.

The Gold Pool was initially a covert scheme, but its existence soon leaked to the public. It made the link between the credibility of the US dollar and the London gold market apparent to all. This was an endorsement by the United States of the London gold price as a barometer of the health of the international monetary system. Once that was made public, there was no going back. Gold Pool members supporting the gold price would have to unite or abandon the Bretton Woods agreement altogether.

[3] Toniolo and Clement, *Central Bank Cooperation*.

[4] Monnet, 'French Monetary Policy and the Bretton Woods System'; Michael D. Bordo, Eugene N. White and Dominique Simard, 'France and the Breakdown of the Bretton Woods International Monetary System', in *International Monetary Systems in Historical Perspective*, ed. Jaime Reis (New York: St Martin's Press, 1995); Eichengreen, *Globalizing Capital*, 113–14.

[5] For a description based on secondary sources, see, for example, Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods* (Cambridge, MA: MIT Press, 2007). The creation of the Gold Pool is also described in Toniolo and Clement, *Central Bank Cooperation*.

COOPERATION WITH THE FED

The 1961 US presidential election put a strain on the gold price. This forced the Bank of England to cooperate with the Fed. The Bank had been responsible for monitoring the London market since 1954. As I showed in Chapter 5, the cost of maintaining this market was around $2 million a month. The Bank sold that amount of gold to the market every month.[6] This was a reasonable cost, considering all the advantages the market gave both the City and sterling. After convertibility, pressure started to rise. So did the cost of intervening in the market. In late August 1960, in the run-up to the US presidential election, gold gained value in London. Speculators feared the dollar was going to be devalued.

The presidential candidate, John F. Kennedy, had delayed his commitment to keep the official $35 an ounce price of gold until the end of October 1960. Coombs noted that for that reason many central banks – the Bank of Italy especially – were buying large quantities of gold in London.[7] They were reluctant to speculate openly against the dollar by going to the US gold window. This would have been politically damaging. London gold was more expensive than gold at the US gold window. But it allowed central banks to remain anonymous buyers and avoid pressure from United States.

In the September 1960 IMF meeting, the Bank of England started to complain. It informed the Fed of the situation 'having assumed some responsibility for selling gold to maintain orderly market conditions', Coombs later wrote.[8] The Bank was essentially doing the Fed's job. The Bank was 'in the awkward position of being squeezed out of the market by other central bank buyers whenever gold became available'.[9] Because of heavy central bank buying, the Bank had to stay out of the market to keep the price from rising too much. On 13 September 1960, as the gold market started to heat up, the Bank of England contacted the Fed. It informed the Fed of a rise in the 'international price of gold', as the Bank worded it.[10] The word 'international' hinted that it was not the sole responsibility of the Bank of England. The Bank warned that the price

[6] This was not an actual cost the Bank was obliged to pay, but the price it decided to spend to avoid 'undue fluctuation' in the market. This mission was something the Bank thought was necessary.

[7] Coombs, *The Arena of International Finance*, 49–50. [8] Ibid., 50. [9] Ibid., 50.

[10] 'Letter from H. C. B. Mynors to Alfred Hayes', 13 September 1960, London, Archives of the Bank of England, C43/420.

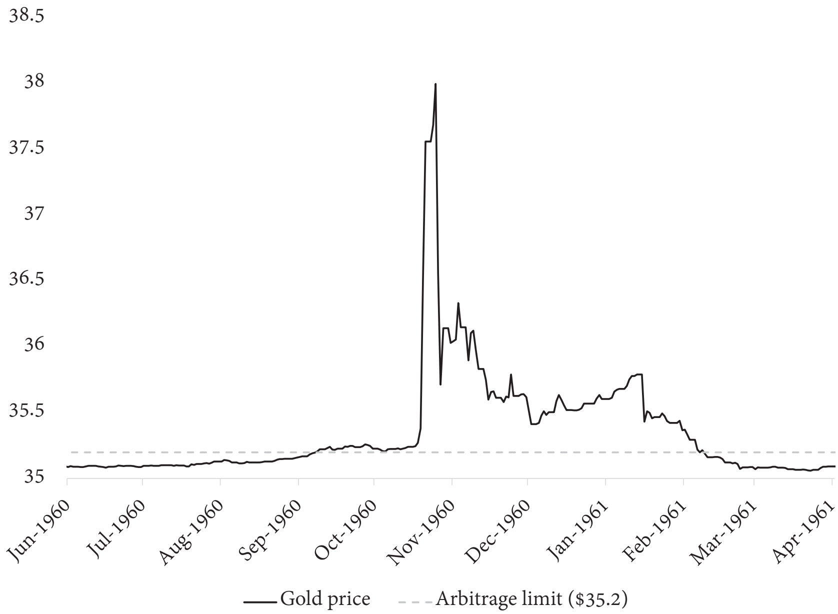

Figure 7.1. Daily London gold price (11 am fixing) and gold price arbitrage limit
Source: Dealers' reports (C8).

had reached '$35.15, the highest level since the London market was reopened in 1954'.[11]

Figure 7.1 illustrates the price reaching $35.20 in early September 1960.[12] The Bank identified four main causes: the Bank of Italy buying gold; few sales from other central banks; 'tension in the international situation, i.e. Cuba, Congo, Berlin'; and demand 'from the Middle East' growing after 'the assassination of the Jordanian Prime Minister'.[13]

In October 1960, the intra-day gold price reached $40/oz. The 11 am fixing was set as high as $38. Roy Bridge commented: '[T]this was the

[11] Ibid.

[12] $35.20 was the price at which it was profitable for central banks to buy gold at the Fed and sell it in the London gold market.

[13] In Cuba, Fidel Castro had just taken power, thereby increasing US concerns; in Congo (later renamed Zaire), Sese Seko Mobutu gained power; in Berlin, the idea of a wall was making its way after a five-day ban on West Germans entering the East on 1 September; and in Jordan, Prime Minister Hazza' Barakat al-Majali, who had taken power in 1959, was assassinated. The quotes are from a letter from H. C. B. Mynors to Alfred Hayes, 13 September 1960, London, Archives of the Bank of England, C43/420.

Table 7.1. *Gold sales by country*

Sales to. . . (in gold bars)	Week ending 22 October 1960	Week ending 29 October 1960
Switzerland	2,180	1,245
Canada	240	488
USA	145	269
France	68	
Germany	47	23
Middle East	40	20
Far East	37	77
Paraguay	20	
Italy	20	
Belgium	4	7
Argentina		9
TOTAL	2,801	2,138
Total turnover	$39	$31

Source: Letter from Preston to Roche, 1 November 1960, London, Archives of the Bank of England, C43/320.

really rough period during which turnover was very large and the price surpassed $40 on Thursday, 20th October.'[14] The run in October is best explained by an insider, E. E. Mocatta, a dealer and descendant of the Mocatta who founded the London gold market in 1671.[15] He was replying to questions from the New York Federal Reserve:

I feel that the week-end of the 14th October was the turning point in the gold market. During that week-end the Continent and, in particular, Switzerland, as well as Canada, seem to have decided that Senator Kennedy was going to be elected with a good majority. They considered that this would bring about more inflation in your Country [the United States] and, as a result, your balance of payments would suffer further. They considered, therefore, that a devaluation of the dollar in the first half of next year was a real possibility, and done soon, it could be blamed on the former Republican administration.[16]

Who bought gold during this run? Table 7.1 summarises the destination of gold purchases on the London market. It is likely that the majority of

[14] 'Roy Bridge to Charles Coombs', 24 November 1960, London, Archives of the Bank of England, C43/320.

[15] See Chapter 5.

[16] 'Draft letter from Mocatta (gold dealer) to Roche (FRBNY) held at the Bank of England for information', 22 November 1960, London, Archives of the Bank of England, C43/320.

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these went exclusively to private customers in the countries listed.[17] Most of the purchases in question went to Switzerland, Canada and the United States. Most of the Canadian sales and around 20 per cent of the Swiss sales went to private US speculators. Mocatta commented: 'We feel, however, that the majority of the Canadian sales were ultimately being purchased by citizens of the United States, and a proportion of the Swiss ones also.'[18] This would mean that a third to half of the sales during the run went to US private citizens. They speculated on Kennedy winning the election and a potential devaluation of the dollar.[19] The rest was probably speculators operating through Switzerland, or Swiss nationals. Central banks did not seem to be the main buyers. For the whole of 1961, estimates by the Bank of England show that of the $1,600 million of new gold placed on the London gold market, 37.5 per cent went to central banks and 62.5 per cent to 'hoarders, Industry and the Arts'.[20]

After circulating a copy of the estimates in Table 7.1, Preston from the Bank of England had second thoughts. He wrote to Parsons of the Bank of England to express his concern about sharing information with the New York Federal Reserve. He wrote: 'If we were to give new production as well as the other figures our own operations could be calculated.'[21] His concern sprang from the different activities of the Bank. As seen in Chapter 5, the Bank was at the same time seller for South Africa and buyer for the Exchange Equalisation Account (EEA). The Bank had privileged access to South African gold. It did not want the United States to know how it used this privilege as the Bank was not obliged to reveal the scale of its operations on behalf of South Africa. It was important to the Bank not to lose its South African business to Swiss competitors, something that eventually happened in 1968.

[17] Even if it were possible that some of the orders were passed by central banks through private banks in their respective countries, this is certainly not the case for US transactions and probably not for the Swiss and Canadian either. Bank secrecy meant that, in theory, the end buyer was unknown to the London dealers (and to the Bank of England) but in practice this information always leaked to the public.

[18] 'Draft letter from Mocatta (gold dealer) to Roche (FRBNY) held at the Bank of England for information', 22 November 1960, London, Archives of the Bank of England, C43/320.

[19] Actually, 29–47 per cent. This is computed from Mocatta's estimate, who guessed that 20 per cent of Swiss sales went to the United States.

[20] 'L. T. G. P. to Bridge', 17 April 1962, London, Archives of the Bank of England, C43/320.

[21] 'Letter from Preston to Parsons', 3 November 1960, London, Archives of the Bank of England, C43/320. A typo in the original text has been amended (replacing 'are' with 'our').

Increased market pressure would soon force the Bank to be more cooperative and transparent. The United States was willing to help, but needed to know how much the Bank of England was spending on intervention. On 16 November 1960, Coombs and Roche gave their private telephone numbers to the Bank of England. They wanted to be available 'out of normal telephone contact' at the Federal Reserve.[22] This shows how seriously the New York Federal Reserve took the price of gold in London at that time, as Coombs asserted.

A few days later, in November 1960, Bridge wrote to Coombs to report on the crisis over the past weeks. From 26 October to 2 November, Bridge reported: 'Demand continued but we managed to introduce some stability into the market around 256s. [£12.16] and $36 at a cost which we did not regard as exorbitant.'[23] At this point the Bank of England was still bearing the cost of intervention alone. It was also lobbying for US support.[24]

The following week (3–9 November), Bridge had to intervene heavily. He wrote to Coombs: 'So on the Thursday we decided to get all our weapons out in an endeavour to get a grip on a market which we were afraid might otherwise again run out of control as it had done two weeks before.'[25] But the pressure was too strong. Bridge continued: 'As we expected, there was pretty heavy buying; we had to let the price up to around $36 3/8, and to give a good deal of gold to prevent it from going up much farther.'[26] This was the Bank's strategy – defending the price, but not at any cost. Once the pressure was too great, the Bank would let the price rise before attempting to push it down again.

Speculation was the main issue, not increased demand from industry, the arts or foreign central banks. As an illustration of this frenetic speculation, Bridge reported an anecdote. A 'fellow' flew overnight from Chicago to buy five bars of gold before travelling by 'car to the airport and flew straight home again!'[27] In reaction to increased speculation, on 14 January 1961 the United States introduced a ban on US citizens holding gold outside of the country. Holding gold within the United States was already illegal for most citizens under the Gold Reserve Act 1934. Private gold

[22] 'Note from Preston to Bridge and Parsons on information and emergency contacts', 16 November 1960, London, Archives of the Bank of England, reference C43/320.
[23] 'Roy Bridge to Charles Coombs', 24 November 1960, London, Archives of the Bank of England, C43/320.
[24] Coombs, *The Arena of International Finance*, 51–2.
[25] 'Roy Bridge to Charles Coombs', 24 November 1960, London, Archives of the Bank of England, C43/320.
[26] Ibid. [27] Ibid.

ownership was allowed under certain conditions – for example, for coins with 'sentimental or collectors' value' and uses for the industry.[28] The new interdiction against holding gold abroad was a consequence of the outflows during the October 1960 run.

In February 1961, the Bank was still not completely transparent with the Fed. Roche from the Fed queried whether the Bank of England knew of any central banks buying and selling on the market.[29] This was forbidden under the rules of the Gold Pool. Before the Pool was set up, the Federal Reserve had justified suspicions that the Italians were buying gold in London, thereby propping up the price.[30] In reply, the Bank official told Roche in a telephone conversation that they were 'not free to discuss the details of business transacted with the Bank's customers'.[31] Customers could buy and sell gold without having their identity revealed, as is the case of private banking today. Roche was 'obviously embarrassed' and 'then said that it was hoped in the Federal [Reserve] that in view of the closer relations now existing we would tell him when we sold gold to central banks'.[32]

The Fed was hoping that the Bank would breach customer confidentiality for them. The Fed was more liberal with such information. It was openly discussing the operation of the Bank of Canada on behalf of the Bank of England, as we have seen in Chapter 4. However, the Bank of England did not seem ready to cooperate fully with the Federal Reserve at this stage. This was despite trying to make a case for US support to maintain the price of gold. The Bank feared that revealing too much would lead the Americans to cut the British privileged access to South African gold, or worse, have South Africa move its business to Zurich. At the same time, the burden of supporting the gold price in London was rising and help was needed.

[28] This information comes from an article in the *Wall Street Journal*: 'Back in "Circulation": The $20 Gold Piece, Now Selling for $70', *Wall Street Journal*, 18 March 1968, 6.

[29] Hand-signed note to Bridge and Parsons, 28 February 1961, London, Archives of the Bank of England, C43/320.

[30] In a memorandum, Assistant Secretary of State for Policy Planning Smith wrote that more international monetary coordination 'might have been instrumental in dissuading the Italians from converting their dollar reserves into gold'; Glenn W. LaFantasie, ed., *Foreign Relations of the United States, 1958–1960, Foreign Economic Policy, Volume IV. Office of the Historian* (Washington, DC: United States Government Printing Office, 1992).

[31] 'Hand-signed note to Bridge and Parsons', 28 February 1961, London, Archives of the Bank of England, C43/320.

[32] Ibid.

In August 1961, pressure on the gold market mounted again. Bridge reported that it was 'probably the biggest day since January' and that there had been 'some central bank buying' but also heavy demand from Berlin.[33] Bridge shared his concerns with the Federal Reserve. He wrote: '[U]nless there was a detente on the political front, demand was expected to continue and I personally saw little prospect of holding the price below $35.20 for long, short of selling very large amounts.'[34] This was a threat. Bridge would let the price of gold increase, knowing very well that this would have negative consequences for the credibility of the dollar. Sanford from the Fed offered to earmark $40 million of gold in New York for the Bank of England's account. This meant in effect that the Federal Reserve was paying for the Bank of England's intervention in the London gold market. At this point the Gold Pool became a solution. Instead of losing gold on the London gold market, the Fed and the Bank could pool reserves with other countries.

THE POLITICS OF THE GOLD POOL CREATION

The Gold Pool was a project between the United States and most of the European nations. All participated with different quotas. The proposal was first made by France at the end of 1960 but was rejected in Basel.[35] Later, the United States made a similar proposal. US policymakers realised that this would be necessary to keep their commitment to convert dollars into gold at $35/oz at the gold window. In autumn 1960, British officials approached the United States to ask whether the Fed would assist the Bank in monitoring the London gold market.[36] However, until the Gold Pool was formally settled it would take almost another year. During this year, the Bank of England continued to manage the gold market with some financial support from the Federal Reserve, as we just saw. The BIS took a leading role in facilitating talks on the creation of the Gold Pool and providing a venue for discussion.

Negotiations took place at plenum meetings at the BIS and in bilateral negotiations. Discussions started in October 1960 after the spike in the

33 'Telephone record', Bridge to Sanford, 30 August 1961, London, Archives of the Bank of England, C43/320.
34 Ibid.
35 Eric Monnet, 'French Monetary Policy and the Bretton Woods System'; Eric Monnet, 'Une Coopération à La Française. La France, Le Dollar et Le Système de Bretton Woods, 1960–1965', *Histoire@Politique. Politique, Culture, Société* 19 (2013).
36 Coombs, *The Arena of International Finance*, 51–2.

gold price. France suggested in a BIS meeting that they should 'coordinate central bank interventions on the gold market at the international level by means of a gentlemen's agreement, and to reactivate the 1936 Tripartite agreement'.[37] The Bank of England opposed this. It believed that coordinated intervention would threaten the role of sterling as a reserve currency. The Federal Reserve, for its part, opposed any return to a tripartite agreement, which would have 'opened the door to a potential devaluation of the dollar'.[38]

In a private meeting with BIS officials, Alfred Hayes, president of the New York Federal Reserve, explained the Fed's position. The Fed would sell gold only for reasons pertaining to monetary stability. Gold in the London market would eventually 'flow into hoarding channels'.[39] This would be unfair to US citizens, who were not allowed to buy gold. The United States did not want to take part in an official scheme that would potentially supply gold to hoarders. It was willing to operate anonymously on the gold market with the Bank of England. The French leveraged the fact that the United States and United Kingdom intervened alone in the market. They argued it was proof that 'the international monetary system was used by the United States and the United Kingdom for their own policy objectives'.[40]

In January 1960, the BIS issued a memorandum evaluating what at the time was called the gold club. At this early stage, members of the club would not have to pay 1 per cent tax for buying gold at the Federal Reserve. The memorandum mentioned the possibility of the Federal Reserve intervening in London. It read: 'If the Federal [Reserve] should decide to supply gold loco [located in] New York at $35 for shipment to London to feed the London Market, it should be easily possible to reduce the price of gold in the latter centre.'[41] The BIS was still sceptical of putting such a club together. McDonald of the BIS banking department wrote that he was unsure whether the club was 'a good thing or equally favourable to all participants' and even that 'direct interests of the B.I.S. [could] suffer'.[42]

[37] Monnet, 'French Monetary Policy and the Bretton Woods System'. [38] Ibid.
[39] Extract of minutes from visit to New York, meeting between Hayes, Holtrop, Roosa, Sanford, Guindey and Mandel, H. H. Mandel, 3 October 1960, Basel, BIS Archives, BISA 2/1, vol. 4.
[40] Monnet, 'French Monetary Policy and the Bretton Woods System'.
[41] 'The Gold Club', internal note signed Donald H. McDonald, 11 January 1962, Basel, Archives of the Bank for International Settlements, BISA 7.18 (15), HAL2, 1.
[42] Ibid.

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HOW THE GOLD POOL WORKED

The Gold Pool started operating informally. It was piloted by the international expert commission on gold and foreign exchange at the BIS. This was a meeting of the heads of the foreign exchanges of the member central banks every two months. Operations of the Pool started before final quotas were set in a spirit of cooperation and informality characteristic of the Basel meetings of the BIS. The scheme started as an experiment that could be disbanded at any point. It was expected to be temporary in nature. Eventually, it ran from 1961 to 1968. This was impressive for such a scheme. The Gold Pool had no formal enforcement mechanism. It relied on the good faith of its members to commit not to buy gold on the London market. But in any case, the Bank of England was generally informed of the origin of the transactions. And no central bank would have risked being noticed buying gold in London.

The Gold Pool comprised two syndicates. One was a gold-buying syndicate, the other a gold-selling syndicate. Initially, the Pool started as a gold-selling syndicate to prevent the price of gold from rising. The buying syndicate was set up later to allow central banks to buy gold in London at a competitive price and without adding pressure to the London market price. The Bank of England had discretion on how to manage the market. Bridge and his team of dealers were in charge of operations to avoid any purchases upsetting the price.

Member central banks elected to keep the existence and operations of the gold syndicate secret. But secrecy could only last so long. On 8 March 1962, the scheme was leaked to the press.[43] Publicity probably worked in favour of the Pool. No single speculator was willing to gamble against all the Western central banks combined. Single intervention operations were not communicated to the public.

Members had different quotas, representing their initial contribution to the scheme. The quota was also important at the end of each month when the Pool settled its accounts, to decide how much each country was entitled to purchase from the Pool surpluses. The United States was the main contributor, followed by Germany, which was sympathetic to US efforts after the war. Thus, if the syndicate purchased $100 million in a month when the gold price was low, Belgium, for example, could choose to take up to 4 per cent or $4 million (see Table 7.2).

43 'Clip of an article published in the *Journal de Genève*', sent to Roy Bridge, 8 March 1962, London, Archive of the Bank of England, C20/3.

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Table 7.2. *Respective quota by member and initial share*

Gold Pool initial quotas	Percentage	Million US$
United States	50%	135
Germany	11%	30
United Kingdom	9%	25
Italy	9%	25
France	9%	25
Switzerland	4%	10
The Netherlands	4%	10
Belgium	4%	10
Total		**270**

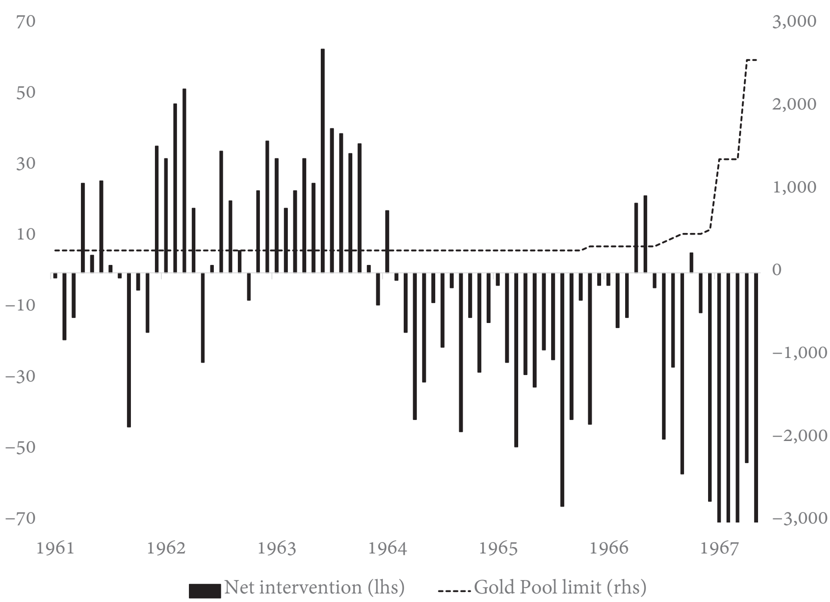

Figure 7.2. Bank of England net monthly operations on the London gold market and upper limit of the Gold Pool, November 1961–March 1968
Source: Dealer's reports for gold intervention (C8).
Note: Most of these operations would have been done on behalf of the Gold Pool.

The original limit for the gold-selling syndicate was set at $270 million. That was the maximum the Bank of England could spend to support gold. Periodically, from 1965 onward, the limit was increased (see Figure 7.2). When the Gold Pool closed in March 1968, the limit had reached $2,570 million, close to ten times the initial amount. Figure 7.2 shows the Bank of

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England's net monthly interventions during the Gold Pool period. After its creation in 1961 the syndicate was mostly involved in accumulating gold. It started losing gold to the market from 1964 onwards. Losses intensified at the end of the scheme.

THE CREATION OF THE GOLD POOL AND THE GLOBAL PRICE OF GOLD

How successful was the Gold Pool? Did it immediately impact the price of gold? Here I study two events which could have impacted the gold price. The first is the date the selling syndicate was created: 6 November 1961.[44] On that day, central banks brought reserves together to maintain the price of gold. More importantly, they committed not to buy gold on the London gold market, easing the pressure. Without central banks buying gold, the demand side of the market would fall and the price would likely decrease. It is impossible to know the exact amounts the central banks were purchasing directly in London, so this is not quantifiable. Once created, the syndicate was still secret. The market did not know it existed. So, it had no signalling value to private market participants. On this date, the expectation would be to see the price fall if many central banks withdrew from the market. Or the price could remain steady if central banks were not buying heavily before their commitment to stay out of the market.

The second key date is the day the existence of the Gold Pool was leaked: 8 March 1962. This signalled to the market that most Western countries were now united behind a gold price of $35.20. Operationally, gold operations were still the same, with the Bank of England dealers trying to avoid sharp rises in price. The only difference was that they now operated on behalf of the Gold Pool and no longer on behalf of the Bank of England with some support from the United States.

It would be reasonable to expect the gold price to fall after the creation of the Pool and after the leak. The Gold Pool would have a positive effect. Looking at the gold price only on these two dates provides little evidence of the Pool having a significant effect. The creation of the Gold Pool was followed by a fall in the gold price (see Figure 7.3). It is unclear whether this was a direct consequence of intervention. Equally, the leak might have caused a slight downward trend in the price, but the effect is not obvious.

What is more difficult to demonstrate is the counterfactual. If the Gold Pool had not been created and central banks had bought gold on the

[44] At this point, France and Belgium had not officially joined, but it is unlikely that they bought gold on the London market at this stage.

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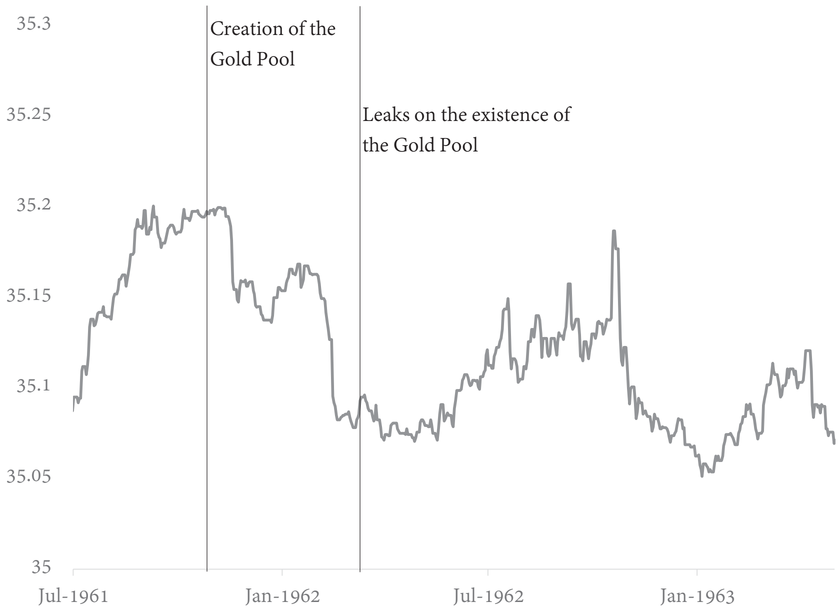

Figure 7.3. London gold price around two key dates
Source: Dealers' reports (C8).

London market in a disorderly fashion, what effect would this have had on the price of gold? This is, of course, impossible to answer. It would have been unlikely for central banks to purchase large quantities of gold in London without any coordination or without triggering political intervention by the United States.

It might not be surprising that the Gold Pool had a limited effect on the gold price once put in place in November 1961. The Bank of England continued to intervene as before. The gold reserves of the Bank at that time were $1.3 billion. They had a backing of $17 billion from the United States.[45] These amounts dwarf the $270 million in the initial Gold Pool. Before November 1961, the Bank was defending the price of gold on its own account with support from the Federal Reserve. After the creation of the Gold Pool the same dealers were operating. The only difference being that the funds now also came from European countries and central banks did not operate in the London gold market directly.

[45] UK reserve figure from the 'EEA ledgers', 6 November 1961, London, Archives of the Bank of England, 2A141/13. US reserve figures from FRED, M1476CUSM144NNBR for November 1961.

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Bank of England dealers, 1942. Credit: The Bank of England Archive, reference 15A13/1/1/42/1.

Bank of England dealers, 1965. Credit: The Bank of England Archive, reference 15A13/1/1/42/2.

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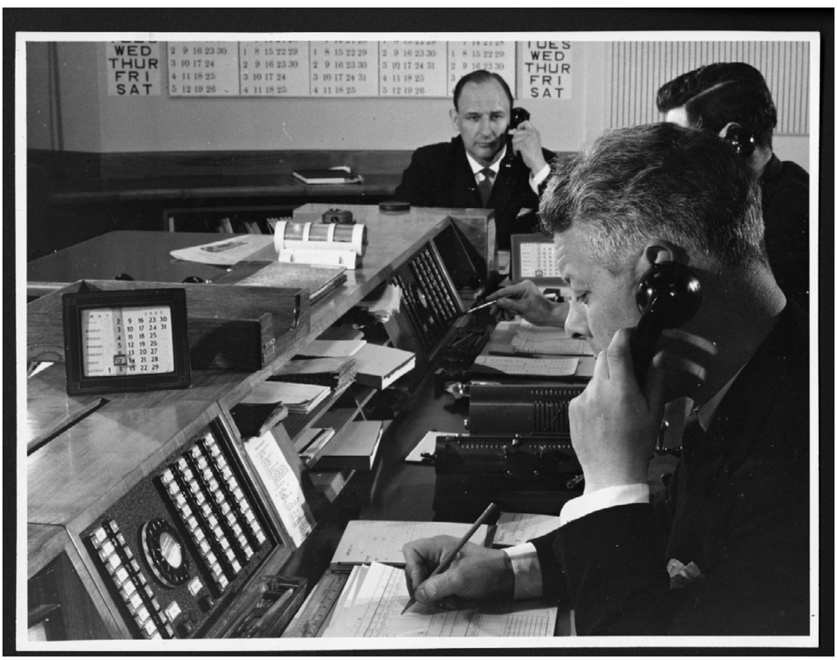
Bank of England dealers, 1965. Credit: The Bank of England Archive, reference 15A13/1/1/42/2 (3).



Bank of England dealers, 1974. Credit: The Bank of England Archive, reference 15A13/1/1/42/3.

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