

II. PRODUCTION, SOVIET SALES AND PRIVATE ABSORPTION OF GOLD, 1958-67

(Million Dollars at \$35 an Ounce)

Year or Quarter	Gold Production	Russian Sales	Increase in Monetary Stock*	Difference Attributed to Private Absorption†
1958	1,051	220	683	588
1959	1,127	250	746	631
1960	1,178	200	310	1,068
1961	1,215	300	617	898
1962	1,300	215	357	1,158
1963	1,356	550	825	1,081
1964	1,406	450	717	1,139
1965	1,440	550	208	1,782
1966, year	1,445	—	-51	1,496
Q-I	360	—	29	331
Q-II	365	—	28	337
Q-III	360	—	-56	416
Q-IV	360	—	-52	412
1967, year	1,416	—	-1,630	3,046
Q-I	355	—	-63	418
Q-II	360	—	-142	502
Q-III	357	—	-13	370
Q-IV	344	—	-1,412	1,756

* Includes gold holdings of IMF, BIS and European Fund, as well as gold reserves of countries not in the Communist group.

† Estimate of private absorption made from gold production plus reported gold sales of Soviet Union less increase in monetary gold stock. The estimate of private absorption includes some gold acquired by monetary authorities but not reported in official holdings compiled by the IMF. In 1966 and 1967, the estimate of private absorption should be revised upward for unreported sales of gold, if any, by the Soviet Union.

Source: *International Financial Statistics*, April 1968, p. 15.

Isolation of Private Gold Markets

Premium prices for gold in private markets would disrupt orderly exchange arrangements and deplete the gold reserves of the international monetary system if central banks were permitted to sell gold at premium prices. In the early postwar period, a number of countries did sell gold at premium prices in private markets. This was in violation of the IMF rule that monetary authorities should not engage in gold transactions that depart from the official price of \$35 an ounce by more than the prescribed margin. In June 1947, the IMF issued a formal statement deprecating premium transactions in gold in these terms:

"A primary purpose of the Fund is world exchange stability and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. From information at its disposal, the Fund believes that unless discouraged this

practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than central holdings. For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries."

After the 1949 devaluations and the remarkable improvement in the European payments position, the price of gold in private markets fell considerably, so that there was much less inducement to undertake sales at premium prices. In September 1951, the IMF terminated its supervision of the gold transactions of its members but reiterated the principle that sales of gold at premium prices are contrary to the obligations of members under the charter of the IMF. The new statement said: