

A Gold Battle? De Gaulle and the Dollar Hegemony during the Bretton Woods era

Maylis Avaro

Howard S. Marks Postdoctoral Research Fellow & invited lecturer
Department of History - University of Pennsylvania

Preliminary version – Please do not circulate without permission

March 8th, 2022

Dear Penn Economic History Forum participants,

Thank you so much for reading this paper. This project is a continuation of the research I did during my PhD which investigated the history of international currencies during the Bretton Woods era.

This is my first complete draft for this research, and I hope to send it out for review as a standalone paper later this summer or fall. Any and all feedback is most welcome and appreciated.

All my gratitude in advance.

Maylis Avaro

The U.S. dollar was the central currency of the Bretton Woods international monetary system. During the sixties, French authorities took a strong stance against the continuation of the dollar's key currency role. The French President General de Gaulle publicly suggested a return to the gold standard in February 1965. Following these declarations, France stopped cooperating with major western powers to defend the gold-dollar parity. This French behaviour has been highly commented by its contemporaries and in the literature on the Bretton Woods system.

I revisit this episode thanks to new archival evidence. I collected high-frequency data of the gold and foreign exchange reserves of the Bank of France to analyse the timings of France's divergence away from the gold exchange standard. I complement this quantitative evidence with new qualitative materials, from the central bank, de Gaulle's papers, and archives from his main ministries to study the money doctors who influenced his policies.

I show that, contrary to previous accounts, it was not the difficulties among G10 countries on the reform of the international monetary system that pushed De Gaulle to famously call for the return of gold standard. It was the sterling crisis of the winter 1964 in which the British faced a strong market pressure that could have led to a devaluation of sterling. To avoid the risk of a reserve loss, like the one they had endured in 1931, they decided to convert the majority of their foreign exchange reserves into gold.

1. The Bretton Woods system and De Gaulle

The Bretton Woods System created by the 1944 Articles of Agreement gave a unique position to the dollar in the international monetary system by becoming the only currency directly convertible into gold at \$35 per ounce. The U.S. currency acted as the key currency of the international monetary system, serving as primary mean of exchange and reserve of value (Bordo, 1993). This system was asymmetric as the dollar outflows resulting from American imports and U.S. investment abroad would meet the international demand for dollar. The U.S. government would not have to worry that these dollars would then be presented for conversion into gold (Eichengreen, 2011). In Rueff's words, the USA could run a balance-of payments deficit "without tears".¹

¹ Rueff, Jacques. 'Le Gold Exchange Standard'. *Le Monde*, 28 June 1961.

Gold kept an important role as a reserve assets and some countries increased their gold holdings once they recovered from the monetary disturbance of the Second World War. The motives for gold holding is debated in the literature.² Four main hypothesis currently compete to explain this phenomenon. The first states that gold was used to cover the domestic money supply, the second argues that gold hoarding was a result from an old habit of countries attached to the gold standard. A third argues the fear of a dollar devaluation pushed central banks to accumulate gold. Finally, political coercion can be an important driver.³

The case of France crystallizes the debate as it was the only preeminent country, a member of G10, to publicly call for a return to a system based on gold. In a press conference in Paris, on the 4th of February 1965, President Charles de Gaulle advocated the return of the world's money system to the gold standard. Following this speech, France announced that it would convert some of its dollar reserves into gold. \$1,500 million in gold were added to their reserves between 1965 and 1966. The motives behind this move are widely debated.

According to several accounts, the French position was driven by “anti-American” political goals and desire of *grandeur* rather than sound economic objectives.⁴ De Gaulle had famously said “without financial independence, there is no such thing as independence”.⁵ This thesis can be traced to two academics who were young U.S. officials during the events. In the sixties, Robert Solomon and Stephen D. Cohen worked at the Federal Reserves for the former and the Treasury for the latter, both in charge of Foreign Affairs. Both wrote books on the International Monetary System once they left the policy worlds. They described the French policy as a ‘cultivation of France’s role as a leading world power’.⁶

These interpretations were opposed by Bordo et al. (1994) who described De Gaulle position as a tactical threat to induce the U.S. to reform the international monetary system into a more symmetrical one similar to the gold-exchange standard of the 1920s or the French Plan of

² See Monnet and Puy (2020) for a detailed account of the debate.

³ See Gavin (2004), Volcker and Gyoten (1992).

⁴ Dillon (1992), Paxton (1994), chap.9 Schaufelbuehl (2013).

⁵ “Sans independence économique, il n’y a plus d’indépendance tout court », conseil du 19 novembre 1964. Cited by Gavin (2004), p.121.

⁶ Quote from Cohen (1970), cited in Solomon (1982)

1943, in which France would have had a more central role.⁷ Gavin (2004) pictures a French resistance to American economic imperialism⁸ as De Gaulle was critic toward the advantages that the U.S. enjoyed, or in the words of his minister of finance Valérie Giscard d'Estaing the 'exorbitant privilege' of the dollar. This included a sustained monetary expansion, the deficit 'without tears' and especially the American investments in France. In the same line of arguments, Monnet (2013, 2017) emphasizes a French desire to impose new "rules of the game" and strict adjustment policies for the international monetary system. The 1964 failure of the negotiations on the reform of the system acted as a trigger for De Gaulle's public denunciation of the system and the subsequent dollar conversions. According to Frasher (2013), the French finance ministry had suspicions about dollar devaluation or unilateral suspension of convertibility as early as 1966.

According to many, De Gaulle's views were shaped by Jacques Rueff, a leading figure in economic expertise in France since the interwar period.⁹ Rueff was in personal contact with De Gaulle. Others claim that "de Gaulle delighted in the possibility of forcing the devaluation of the dollar and causing the United States to accept its fiscal irresponsibility of an overvalued dollar" and Rueff was lobbying in the press for such a move.¹⁰ According to Feiertag (2008), some French monetary leaders including Wilfrid Baumgartner, minister of finance in the early sixties, and Jacques Brunet, the Bank of France governor saw Rueff as an outsider a 'pure theorician', or even a 'dangerous dreamer'.¹¹ Gavin (2004) and Mahan (2002) relate that Giscard and his subordinates fought Rueff's influence on the General.

Bordo et al. (2019) describe that the French authorities had a reserved attitude toward the international efforts to defend the gold-dollar parity. In the sixties, the US had set up the Gold Pool, a syndicate coordinating central bank interventions in the gold market to ensure the stability of the gold-dollar parity. The French only accepted to join the Pool in 1961 when assured by the BIS that the initiative would reinforce the monetary discipline of the United Kingdom and United States that were running balance of payments deficits. The Bank of France suspended its participation in the summer of 1967, stating that they would "no longer support

⁷ See also Schaufelbuehl (2013), Frasher (2013)

⁸ Volcker and Gyohten (1992), Gavin (2004).

⁹ Eichengreen (1998, 2011), Calleo (1982), Chivvis (2006), Ferro (1973), Gavin (2004), Steil (2013), Vaisse (1998), Wormser (1973)

¹⁰ Mahan (2002), citing Bourricaud, et al. (1989)

¹¹ Feiertag (2008), p. 83.

without limit a monetary system that works in a way that we consider unsatisfactory.”¹² The French refused to participate in the increase of the resources of the Pool from 370 to 420 million USD on the 11 June 1967.

I provide a new narrative of the French motivations by showing, thanks to new archival materials retrieved from the French minister of finance and De Gaulle’s personal papers, that the main motive for the French dollar conversions was the fear of a dollar devaluation. They predicted a global crisis of confidence in the system of fixed parities, driven by a devaluation of sterling and a subsequent dollar devaluation.

2. The French gold and dollars reserves during De Gaulle’s presidency

The currency composition of foreign exchange portfolio allows to observe the growing distrust toward the dollar. However, detailed foreign exchange reserves data at country level for the Bretton Woods period is a statistical black hole. Central banks only published figures for total gold and foreign exchange reserves, which were compiled by the Bank for International Settlements (BIS) and the International Monetary Fund (IMF). Monetary authorities consider such decomposition at country level as too sensitive to make them available to the public. Most research on the Bretton Woods period relies on the IMF data on gold and total foreign exchanges reserves and thus cannot observe a potential distrust in the dollar as reserve currency.¹³ I reconstructed the detailed composition of gold and foreign exchange reserves for France using the archives of the Bank of France. I collected the data from handwritten ledgers for the period of de Gaulle’s presidency (1958-1970). The reserves were composed of sight deposits¹⁴, and holding of dollars and gold in Paris, distributed between the Bank of France and the Exchange Equalization Account (Fonds de stabilization des changes).¹⁵ Figure 1 describes the evolution of the volume of the French gold and dollars during the de Gaulle presidency.

¹² ABF 146720050173 “Convient-il pour la France de quitter le Pool de l’Or?”, cited in Bordo et al.(2019), p.26.

¹³ See Eichengreen et al. (2018)

¹⁴ Unfortunately, the source does not detail the geography of the deposit of the foreign exchange reserves, not the type of institutions in which it

¹⁵ The source is BoF archives, 1463200401/50-51 and BoF archives, 1463200401/131-133.

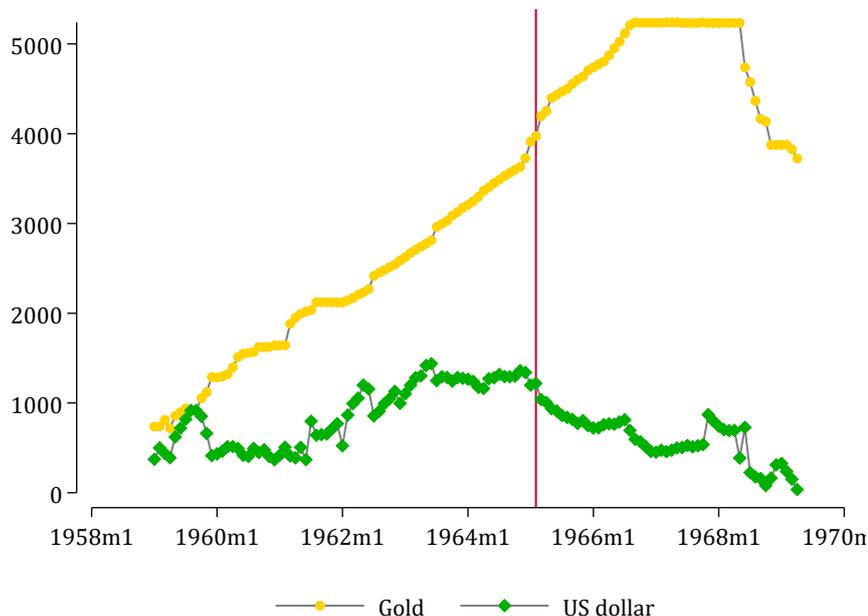


Figure 1: Volume of gold and dollars at the Bank of France.

Note: the red bar signals the exact day of De Gaulle's speech on the return to the gold standard. The reserves of the Exchange Equalization account are merged with the ones of the Bank of France.

Source: Bank of France archives, 1463200401/51-53

The gold and dollar reserves grew at a similar trend from 1960 to 1963. From the summer 1963 to the end of year 1964, the series diverge: the volume of dollar stagnated while gold kept increasing. From January 1965 to the end of De Gaulle presidency, the dollar reserves tended to decrease, except in November 1967, when the dollar was under pressure on foreign exchange markets (Bordo et al. 2019). During this episode, the Bank of France supported the parity of dollar by buying \$330 million on the foreign exchange market without selling neither sterling nor gold. Apart from that episode, the Bank of France actively divested from the dollar from 1965 onwards. The gold reserves stagnated from the fall 1966 to the events of May-68, which provoked a confidence crisis on the Franc and forced the Bank to use its gold reserve to defend its currency.

In the late 1950s, France was increasing its gold stock via purchases from a variety of sources. The first one was the New York Fed which acted as agent of the U.S. Treasury. The second one was the Bank of England, which acted as intermediary of the Bank of France on the London gold market, the international market where Russian and South African gold were being

sold. Other sources included other European central banks and the Paris gold market. Following a wave of speculations on the price of gold in the fall of 1960, the French monetary authorities joined the gold pool and committed not to buy gold in the London market when prices were at or above the shipping parity from New York.¹⁶ In November 1961, the European Central banks met at the Bank of International Settlements and committed not to buy gold in London, Russia, or South Africa above a fixed price determined by the Gold Pool members.¹⁷ For the Bank of France, the the New York Fed became the only source of gold. French officials agreed that the central bank would spread out they gold purchase, limiting the amount of individual operations to 30 tonnes.¹⁸ Following the second stabilisation plan of 1963, the French monetary authorities demanded to convert from follar into gold up to 80% of their yearly balance of payments surplus.¹⁹ Figure 2 details the sources of variations of the French gold stock and the share of gold among the reserves of the central bank following de Gaulle’s 1965 speech.

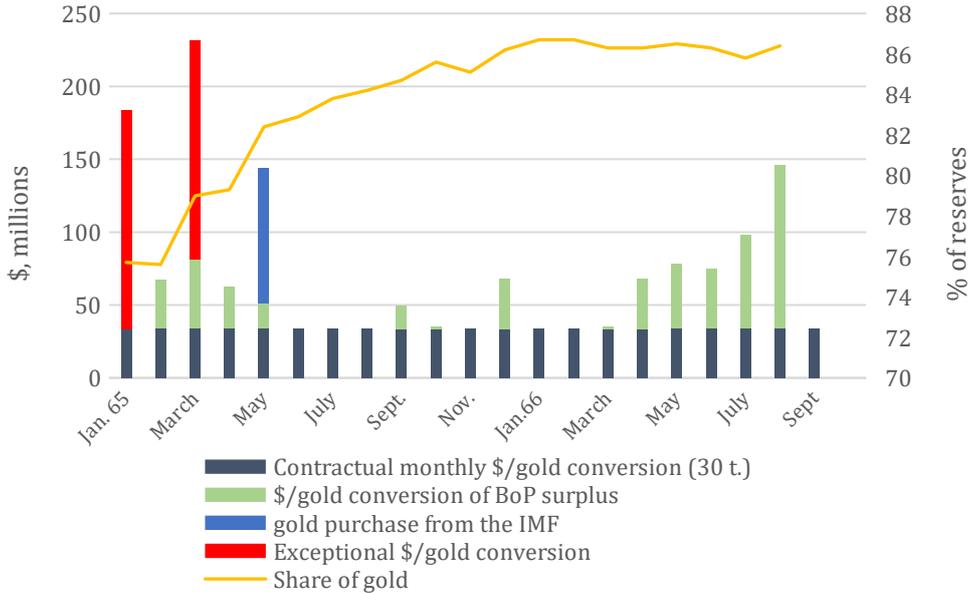


Figure 2: Variations of French gold reserves and share of gold.

Source: SAEF B-52468

¹⁶ Bordo et al. (2019), p.6.
¹⁷ In exchange, they had access to the surplus gold accumulated by the syndicate and the New York Fed stopped assessing commission fees on gold transactions with the members of the Pool. Bordo et al. (2019) p.7.
¹⁸ Note sur les avoirs en or et en devises de la France. Undated [estimated summer/fall 1962]. AN, AG/5(1)/2386.
¹⁹ De Gaulle (1970) p.1208.

The monthly 30 tones gold purchase and the conversion of the balance of payment surplus represented 80% of the variation of the French gold reserves between January 1965 and September 1966. Three additional operations account for the rest of the variations of the gold reserves, two exceptional \$150 million conversion of dollar into gold in the early months of 1965 and a special purchase of gold at the IMF in May 1965 organized to facilitate a British loan from the IMF.

3. The Money doctors around de Gaulle

There is a strong consensus in the literature that Jacques Rueff played a significant role in shaping De Gaulle's views.²⁰ Rueff was a prominent figure in economic expertise in France since the interwar period, and he had direct contact with de Gaulle. Starting from 1961, Rueff publicly campaigned against the use of the dollar as a reserve currency within the monetary system.²¹ He argued that this practice led to global inflation and allowed for the continuation of the US deficit, which would eventually harm the international economy and weaken the unity of the non-communist world. Chivvis (2006) writes that Rueff 'bombarded' de Gaulle with notes warning on the dangers of Bretton Woods and met him at several occasions between 1961 and 1965. Rueff was also a friend to de Gaulle close collaborators Couve de Murville, the Minister of Foreign Affairs and Burin des Roziers, the General's Secretary.

Within the French government, a close and homogenous group of experts worked with (and sometimes against) de Gaulle on the problems of the international monetary system. The Ministry of Finance was in charge of these questions and since the war, had dedicated an independent section to them, the directorate of International Financial Affairs.²² The Bank of France had been nationalized in 1945 and acted more as an operator of French finances but his governors maintained close connections with the Ministry of finances. Wilfrid Baumgartner transferred from the position of Governor of the Bank of France to become of Minister of Finance in 1960.

Most of the top officials working on monetary issues belonged to the Inspection générale des finances (IGF – General Inspectorate of Finance) which was a high level consulting

²⁰See e.g. Eichengreen (2011) and Chivvis (2006).

²¹ Jacques Rueff, published in 1961 a series of papers on « Un danger pour l'Occident : le Gold Exchange Standard » in *Le Monde* 27, 28 et 29 June 1961.

²²In French, 'Direction des finances extérieures.

and auditing service part of the French State, still in activity today. The General relied on a technical advisor for economics and financial issues, attached to his secretariat, who was in charge of keeping him informed about the current states of economic affairs with daily notes and advice. All his advisors were from the IGF, had worked at the Ministry of Finance, and most had some international experience, either in Washington or in Bruxelles. Each of them remained a few years in the position. André de Lattre stayed at the Elysée from 1959 to 1960, before moving back to the Ministry of Finance. Jean-Maxime Lévêque worked until March 1964 with the General, before being replaced by Jean Dromer, who passed the baton to Alain Prate in October 1967.

In the early 1960s, The Ministry of Finance lead the monetary policy and expected the General to limit himself to the topics ‘for which we had called him back’ starting with the Algerian problem and no more.²³ At the Minister, rue Rivoli, the head of the Treasury was Maurice Pérouse, another member of the IGF, who had spent four years in Washington and worked at the central bank. From 1962, André de Lattre was he head of the International Financial Affairs. The two directorates had some overlapping but their directors were both close collaborators of Baumgartner and close friends themselves, de Lattre was the godfather of Pérouse’s son.²⁴ At the Elysée, the President’s technical advisor was supposed to act as agent of the Ministry, making sure de Gaulle would follow the policy line decided rue Rivoli. Lévêque declared that he maintained ‘excellent personal relationships’ with Minister Baumgartner and with de Lattre.²⁵ Together, these *inspecteurs* designed the French stance in the international monetary forums. Both Lévêque and Pérouse had close connections with the Bank of France. During his tenure at the Elysée, Lévêque had a joint appointment at the central bank as secretary for the National Council of Credit where he was in contact with governor Jacques Brunet.²⁶ Pérouse had occupied that same position from 1957 to 1959 under the supervision of Brunet.²⁷ The January 1962 transition at the Minister of Finance from Baumgartner to Valéry Giscard d’Estaing, who also belonged to the IGF, did not change this organization.

²³ Lévêque’s memoirs explicit this stance, see Lévêque (1986), p. 80.

²⁴ André de Lattre was first in the cabinet of Baumgartner (1960-1962), before moving the directorate of International Financial Affairs. Quennouëlle-Corre (2013).

²⁵ Lévêque (1986), p. 80.

²⁶ Lévêque (1986), p. 77.

²⁷ Quennouëlle-Corre (2013).

However, by 1965, their influence over de Gaulle seemed to have waned. In February of that year, de Lattre's position was terminated, shortly after de Gaulle's gold standard speech. Following this, his directorate was merged with Pérouse's one, Pérouse assuming responsibility for the international monetary matters.²⁸ Giscard d'Estaing was replaced in January 1966 by Michel Debré, an early loyal follower of de Gaulle who was not affiliated with the IGF.

4. Monetary expertise and French monetary diplomacy before 1965

The combination of the records from the French Treasury, the Bank of France and De Gaulle's personal archives allows for a comprehensive understanding of the history of the monetary diplomacy from the French perspective. The notes from the Elysée's technical advisor to de Gaulle reveal the grid of analysis of international monetary problems of the French Treasury.

On July 1960, the direction of International Affairs (*Direction des services étrangers*) of the Bank of France investigated the dollar situation, exploring the hypothesis of a gold embargo through a comparison with the 1931 sterling crisis. The Bank of England was in a much worse situation in terms of the ratio of gold reserves on foreign liabilities: 21% for 1931 UK against 90% in for the U.S. at the end of 1959), noted the author. He concluded that the dollar could face a realignment of its parity with gold but the change would not be as spectacular as in the case of the pound sterling due to the presence of the Bretton Woods framework and the IMF.²⁹

In 1961, The French Treasury was also investigating the problem of the dollar, following the spike in the gold price in London in the fall 1960 caused by the anticipation of the election of Kennedy.³⁰ André Istel, a long-term financial advisor of the monetary authorities summarized the dollar problem for them, in the technical note dated February 1961.³¹ He argued that the U.S would not be able to defend its gold reserves in the medium term, given the combination of a

²⁸ Décret n°65-414 du 1 juin 1965 portant suppression d'une direction du ministère des finances et des affaires économiques. legifrance.gouv.fr/

²⁹ 'Situation du \$ U.S.: hypothèse de l'embargo sur l'or, Direction Générale des Services Etrangers', Paris, le 4 juillet 1960. Bank of France archives, 14892004402/30.

³⁰ On the October 1960 gold crisis, see James (1996), p.159.

³¹ Istel was a former advisor to the a former advisor to the Reynaud government and a negotiator of the Franco-British agreement of 1939. He drafted the French plan at the Bretton Woods conference with Hervé Alphand. Source: *New York Times*, May 9, 1943, cited in Bordo et al.(1994).

growing economy, high military expenses abroad and net capital exports.³² While the cooperation of European Central Banks, which held a large share of U.S. short-term liabilities, mitigated the risk of a short-term crisis, he suggested that the U.S. trade balance could run a deficit in the long run. This, he argued, was the fate of any rich dominant country, as evidenced by the case of 19th century England. Regarding potential solutions for the dollar problem, one suggestion he mentioned was to devalue the dollar, which would both alleviate pressure on the U.S. gold reserve and help boost exports. Another suggestion was to eliminate the gold cover for Federal Reserve notes, United States notes, and Treasury notes, which immobilized \$12 billion in gold. Johnson gradually implemented this solution by first limiting the gold cover only to Fed notes in 1965, before removing it completely in 1968.³³ Another important theme found in his note is the complain that the export of American capital allowed a ‘unilateral invasion of Europe by the American industry’, an argument that De Gaulle himself would repeat several times in the following years.³⁴ Similarly, the issue of the deficit of the U.S. balance of payment would be a recurring issue raised by the French in the international monetary debates.

Jacques Rueff met with the General a few weeks later and raised his concerns about the dollar again in a letter dated May 5, 1961, which he reproduced in his autobiography as a sign of his influence on the President.³⁵ Jean-Maxime Lévêque, the technical advisor for monetary questions at the Elysée argued to the General that Rueff’s points had some truth but were not entirely accurate because his analysis was too influenced by the interwar experience of the gold exchange standard.³⁶ Compared to that period, modern differences included the fact that most countries were not anticipating a return to a system based only on gold, particularly due to insufficient global gold reserves. Second, balance of payments difficulties could now be better managed through international cooperation between ‘clairvoyant and brave’ central banks, and through liquidity provision from the IMF. Lévêque also noted that some foreign dollars liabilities were also stable because held within the balance sheets of private banks and companies, as they needed dollars for their working capital. The emphasis in monetary debates should rather be the

³² André Istel ‘le Dollar et l’or’, February 1961, Service des archives économiques et financières (SAEF) B-0068212/1.

³³ Ramage (1968).

³⁴ In February and April 1963, Peyrefitte reported that De Gaulle made a similar argument, see Peyrefitte (1997) pp.74-75.

³⁵ Rueff (1977). Prate (1978), Ferro (1973) and Mahan (2002) use this letter to show Rueff’s close relationship with de Gaulle. No specific actions were taken by de Gaulle in reaction of the letter.

³⁶ Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 11 May 1961, AN, 5AG1-2386 .

higher share of dollars holdings in the reserves of the central banks that lost WWII, Germany, Italy and Japan. Lévêque was pondering the motives for such holdings, suggesting either trust in the dollar and willingness to cooperate with the winner of the war, or explicit coercion of the U.S. against conversion of these dollars into gold. A second concern for France should be the ‘very serious risks’ weighting on the pound sterling, and Rueff’s reasoning would be actually more relevant for the situation of the British currency which posed an immediate danger.³⁷

The Elysée monetary advisor had already chosen to put the focus on the monetary problems of Great Britain rather than the U.S. some weeks before Rueff’s letter. He noted that the British gold reserves were highly insufficient to meet foreign sterling liabilities and the British ran an important deficit of its balance of payment.³⁸

In April 1962, Lévêque communicated to the General concerns about the accumulation of dollar at the Bank of France, resulting from the surplus of the French balance of payments.³⁹ This accumulation was seen as a potential inflationary force in France and a higher exchange risk exposure for the Bank of France. He communicated a proposal from Valéry Giscard d’Estaing, then Minister of Finance, to make prepayments of the dollar debts, amounting to \$58.6 million. At the same period, French officials were threatening the U.S monetary authorities ‘de Gaulle might become aware of the situation and might very well feel that political reasons made it inadvisable to continue to have such large dollar holdings’.⁴⁰ It appeared that de Gaulle was well aware and agreed with his finance minister for the solutions of the prepayments.

As the political tensions between De Gaulle and the Kennedy administration intensified, the press began accusing France of uncooperative behavior in the economic domain.⁴¹ American journalist Alsop blamed de Gaulle for his stance against Britain’s entry in the

³⁷ In his oral history interview, Lévêque declared that Baumgartner managed to mute Rueff’s stridency. Jean-Maxime Lévêque Oral History, Institut Charles de Gaulle, Paris, France. Cited in Mahan (2002). p.113.

³⁸Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 20 April 1961, AN, AG/5(1)/2386

³⁹Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 10 April 1962, AN, AG/5(1)/2386

⁴⁰ Douglas Dillon reports a conversation he had with Calvet to Kennedy on 25 May 1962, after returning from a meeting with European central bankers in Rome. JFKL, PPDD, 33. cited in Schaufelbuehl (2013).

⁴¹Among ongoing tensions was the French ban of American frozen poultry and a given preference to Soviet coal, while the U.S. refused to sell to France tanker aircraft as they might help future French attack-planes to transport French nuclear weapons. The Kennedy administration refused to help France develop their own nuclear forces. Source: Alsop, Joseph. “Systematic Unfriendliness in Paris Brings Sharp Reaction in Washington: De Gaulle Feuds With Kennedy.” *Boston Globe*. May 9, 1962.

Common Market. The French wanted Britain to either ‘give up the Commonwealth or give up Europe’.⁴² These accusations had met a large audience, said Lévêque.⁴³ A few weeks later, from the U.K., British journalist Einzig wrote that De Gaulle might be willing to pressure the White House by withdrawing France's gold reserves to strengthen his negotiating position. Einzig suggested that such behavior was credible given France's attitude in the 1920s. He also warned the Kennedy administration not to underestimate De Gaulle, a mistake that the governor of the Bank of England had made in the past.⁴⁴

From the summer 1962, the hypothesis of a dollar devaluation in a close future appeared credible to the French monetary authorities. In June 1962, he wrote “Given that the dollar has ceased to be a safe currency, one must ask whether it is appropriate to continue to hold some of these reserves in dollars.”⁴⁵ In the following month, he provided a detailed report on the dollar problem.⁴⁶ The slow growth of the US and the disequilibrium of its balance of payments were putting too much pressure on the dollar, he said, despite the determination of the Kennedy’s administration to defend its currency. A worst-case scenario would include a confidence crisis in the dollar and a suspension of the gold convertibility for foreign central banks, i.e a gold embargo. For France, a global devaluation of the European currencies, along the dollar would have several disadvantages. First, the French francs would most probably end up being reevaluated compared to the dollar, reflecting the current relative strength of the French balance of payments. Second, a major realignment of currencies would be a ‘major blow to the western world’ that may cause a ‘confidence crisis in the economic and monetary organisation of the Free World’.⁴⁷ This analysis of the situation should lead France, according to Lévêque, to cooperate with the U.S. and the IMF to help stabilize the dollar, while, at the same time, maintain a high proportion of gold in the reserves of the Bank of France.

⁴² Alsop, Joseph. “General de Gaulle’s Europe.” *New York Herald Tribune*. 07 May 1962.

⁴³Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 11 May 1962, AN, AG/5(1)/2386

⁴⁴Paul Einzig ‘De Gaulle and Dollar diplomacy’, 1st June 1962 p.643-635, *The Statist*, cited in Manas (2022).

⁴⁵ « Etant donné que le dollar a cessé d’être une monnaie sûre, on doit se demander s’il y a lieu de continuer à conserver une partie de ces réserves en dollars. » Note à l’attention du général De Gaulle, Questions monétaires internationales, by J.M.Leveque. 25 June 1962. AG/5(1)/2386

⁴⁶ Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 27 July 1962, AN, AG/5(1)/2386

⁴⁷ « atteinte très grave qui serait portée au prestige occidental, et à la confiance dans le mode de gestion économique et monétaire du monde libre... nous avons intérêt à faire en sorte, dans la limite de nos possibilités, que cet événement soit évité’. Note à l’attention du général De Gaulle, ‘problème du dollar’ J.M.Leveque. 27 July 1962. AG/5(1)/2386

Other European countries were increasing the gold proportion of their reserves.⁴⁸ But the Bank of France had a limited room of manoeuvre, he reminded de Gaulle, because France had agreed, when joining the gold pool in 1961, to limit the pressure on the price of gold in the market by buying gold only from the U.S. Treasury. Lévêque advised against the temptation to try convert all French dollars holdings in gold at the U.S. Treasury because this would cause a wave of conversion from other central banks and lead the suspension of the convertibility and a devaluation of the U.S. dollar. The solution to reduce the French exposure to dollar while respecting the gold pool agreement implemented in 1962 and 1963 was to draw from the French dollar reserves to make another prepayments of dollars debts, amounting this time to \$350 million, as advised by Giscard d'Estaing. The prepayments would be matched by gold purchase. By the end of 1962, the French had thus made \$592 million of debt prepayments.⁴⁹

At the same time, Giscard d'Estaing himself conveyed a very similar message to the U.S. secretary Ball in a meeting in Washington.⁵⁰ To the Americans, the French Ministry insisted that the primary goal of the French prepayments was to help stabilize the U.S. balance of payments. He insisted that it was undesirable to either to devalue or to change the dollar parity and recommended a multilateral approach to the problem, to which Ball agreed. In the following weeks, the U.S. treasury push for a gold standstill arrangement with European monetary authorities as Kennedy wanted that “they are all going to go easy on the taking of gold”.⁵¹ But the American government had to stay discrete as any evidence of such pressure could shake confidence of financial markets.

In 1963, the tensions rose between France and the U.S. De Gaulle had closed the Algerian case and was now turning its eyes to the international economic situation. He told Alain Peyrefitte, his minister of information and close confidant:

We proceeded to the first decolonization until last year. We will now proceed now to the second. After having given independence to our colonies, we will take our own. Western Europe has become, without even realizing it, a protectorate of the Americans. It is now a question of ridding ourselves of their

⁴⁸The discussion on the French reserves is developed in the June 1962 note, cited above.

⁴⁹ Source: BIS annual report, 1963.

⁵⁰ “258. Memorandum of Conversation,” July 20, 1962. Foreign Relations of the United States, 1961–1963, Volume XIII, Western Europe and Canada, <https://history.state.gov/>.

⁵¹ Presidential Recording, tape 14, 20. August 1962. Cited in Gavin (2004) p.86.

*domination. But the difficulty, in this case, is that the colonized do not really seek to emancipate themselves. Since the end of the war the end of the war, the Americans have subjugated us painlessly and without much resistance.*⁵²

He repeated his worries of an American imperialism helped the U.S. capital export couple times in 1963, to his advisers. Peyrefitte noted that this original and unexpected concern of the General was the result of Rueff's influence.⁵³ However, as de Gaulle considered the entrance of Britain in the Common Market as an accelerator of American invasion, he blocked the British. On the same speech in on January 14th 1963, he rejected the American proposal for a united commandment.⁵⁴ These two decisions infuriated both congressmen and the Kennedy administration. The French Treasury noted that both the Congress and the U.S. press feared that this defiant attitude of the General would soon result in conversions of their dollars reserves into gold.⁵⁵ The U.S. administration intervened in the Congress to provide reassuring words and Ball told the French ambassador in Washington that the Treasury were grateful to the French monetary authorities for their attitude in the past weeks and their unchanged stance vis-à-vis the dollar reserves.⁵⁶ At the same time, Pompidou was discretely tightening procedures required for American investment in France, creating impossible administrative delays, which resulted in a reduction of dollar investments.⁵⁷

In March 1963, Lévêque tied the difficulties of the dollar with those of sterling.⁵⁸ While he noted that the U.S. gold stock and the IMF support system provided a shield against a run on dollar and thus lowered the probability of a dollar devaluation, an important devaluation of sterling would damage the international monetary system and lead to a series of devaluations,

⁵² « *Nous avons procédé à la première décolonisation jusqu'à l'an dernier. Nous allons passer maintenant à la seconde. Après avoir donné l'indépendance à nos colonies, nous allons prendre la nôtre. L'Europe occidentale est devenue, sans même s'en apercevoir, un protectorat des Américains. Il s'agit maintenant de nous débarrasser de leur domination. Mais la difficulté, dans ce cas, c'est que les colonisés ne cherchent pas vraiment à s'émanciper. Depuis la fin de la guerre, les Américains nous ont assujettis sans douleur et sans guère de résistance* », '4 janvier 1963 salon doré', Peyrefitte (1997), p.15.

⁵³ « Curieux que le Général se lance ainsi dans une critique économique-financière qui ne lui est pas familière. [...] Rueff doit être passé par là, relayé par les conseils de Burin et les éclaircissements de Lévêque. Ce que ces deux derniers me confirment dans l'après-midi. » Peyrefitte (1997), p. 74.

⁵⁴ Gavin (2004).

⁵⁵ Lettre de René Larre, le conseiller financier près de l'ambassade de France aux E-U à M. André de Lattre, 5 February 1963, Archives Privées de Lattre, SAEF.

⁵⁶ Alphand à M. Couve de Murville, 16 February 1963, Documents Diplomatiques Français (DDF), vol. 23. Ministère des affaires étrangères (MAE).

⁵⁷ De Gaulle was infuriated by Chrysler's surprise take-over of Simca in mid-January 1963. See Kuisel (1994), p.199.

⁵⁸ Problèmes monétaires internationaux. 25 March 1963. by J.M.Leveque. AG/5(1)/2386

including the dollar. The major threat on sterling was the U.K. external debt, the 'sterling balances' held in the sterling area. In the same note, he reflected on current economic analysis of the problem. Rueff, he argued, was 'too simplistic' as he centered his critics on the inflationary risks of the gold-exchange standard. Countries with balance of payments surplus would face the same inflationary pressure, Lévêque explained, whether the surplus be paid in dollar or in gold. In both the gold exchange standard, or the gold standard, surpluses or deficits should solve themselves through flows of goods and money.⁵⁹ He also rebutted Triffin's thesis of an international liquidity shortage as central banks' reserves served to settle only imbalance of the international payments and not fund international flows of goods.⁶⁰ During the following Small Council of March 28th, de Lattre qualified the pound sterling as a 'sick currency' due to the imbalance between debts and reserves but added that they could still resist for some time. De Gaulle asked about the September 1949, which was the latest sterling devaluation. Back then, the devaluation caused a relative reevaluation of the dollar explained de Lattre. Giscard d'Estaing explained that is it would be, this time, a trigger for the dollar, the U.S. would try to draw on the IMF before devaluing as well.⁶¹

The French became increasingly concerned when the pound sterling faced a new wave of speculation shortly after the confidence crisis caused by the failure of the negotiations on the Common Market.⁶² Lévêque condemned the window dressing operations carried out at this occasion: the central banks of France, Germany, Italy and Switzerland made short-term deposits in dollars at the Bank of England, which published its total dollars reserves, including \$250 million of deposits that concealed the loss suffered during the crisis.

The accumulation of dollars at the Bank of France resulting from the French balance of payment surplus in June 1963 continued to put France in a difficult position. The Americans were using moral suasion on central banks to prevent conversion of dollars into gold, wrote

⁵⁹ Here, Lévêque's reasoning is close to Hume's 'price-specie flow mechanism'. See Flandreau (2002).

⁶⁰ In another note, dated 13 June 1963, Lévêque noted that the Common Market countries shared the beliefs that Triffin's theory of the 'inadequacy of international liquidity' lacked foundations.

⁶¹ This is a reconstruction of the discussion from the author, based on the bullet points of the minutes of the council. Procès Verbal de séance, Conseil Restreint du jeudi 28 mars 1963 à 11 heures sur les questions économiques, AN, AG/5(1)/2346.

⁶² Lévêque probably refers to the sterling speculation of mid-march 1963, which is described in Dale, Edwin L. Jr. "British Dollar Fund Halts New Attack on the Pound: Reserve Buying Forces Sterling Up to Slightly Above \$2.80 Parity After Setback Caused by Private Sales." March 13, 1963, *New York Times*. Problèmes monétaires internationaux, Jean-Maxime Lévêque, Paris, 13 Juin 1963, AN, AG/5(1)/2386

Lévêque.⁶³ France could not take the responsibility of creating a run on the U.S. gold reserves, he explained, repeating the argument he had made a year before, as France would not profit from a dollar devaluation. But if the Americans failed to solve the deficit of their balance of payments by the end of 1964, they would have to devalue the dollar. The Bank of France suggested that all conversion should be discrete and moderated.⁶⁴

The measures announced by the Kennedy administration during the summer failed to convince about their potential efficacy, especially because the U.S. government opposed a sustained rise of long-term interest rates.⁶⁵ By September 1963, de Gaulle started to openly resent this situation. ‘The global monetary system is not functioning properly. France and Germany are forced to keep dollars in the US, which is a source of inflation’ he said to Peyrefitte. But when asked if he would denounce the system, de Gaulle answered that ‘Pompidou, Giscard, and Couve urged me not to knock over the flowerpot. I recognize that it is not immediately necessary to tell the Americans their truth. But they’ll have something coming to them.’⁶⁶

The mention to the ‘inflationary’ effect is absent from earlier Lévêque’s notes but was a recurrent argument of Rueff. So the later was gaining some traction on the General. But Lévêque kept claiming that France would gain no political advantage by forcing the U.S. into monetary negotiations on the reform of the system nor making a public call for a return to a gold standard.⁶⁷ Within the French experts, Couve de Murville and Rueff advocated for the return to the gold standard and an increase of the price of gold but others, he insisted, consider these

⁶³ Ibid.

⁶⁴ The Bank of France suggested another debt prepayment and an exceptional purchase of \$120 million of gold from the U.S. Treasury. Ibid.

⁶⁵ Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 20 September 1963 AN, AG/5(1)/2386

⁶⁶ ‘GdG : « Le système monétaire mondial ne fonctionne pas correctement. Il oblige la France et l’Allemagne à garder des dollars aux États-Unis, qui sont source d’inflation.

AP. — Alors, vous allez dénoncer ce système ?

GdG. — Pas tout de suite. Nous ne ferons pas encore cette fois de propositions révolutionnaires. Pompidou, Giscard et Couve m’ont conjuré de ne pas bousculer le pot de fleurs. Je reconnais que ce n’est pas immédiatement nécessaire de dire leur fait aux Américains. Mais ils ne perdront rien pour attendre. »’ 8 Septembre 1963, salon doré, Peyrefitte (1997) p.78. De Gaulle had also voiced his concern about the inflationary pressure of the surplus of the balance of payments at the Small Council of August 30th 1963. ‘Exposé d’introduction du Général de Gaulle’, AN, AG/5(1)/2346.

⁶⁷ Note à l’attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 20 September 1963 AN, AG/5(1)/2386

solutions old-fashioned and inadequate for the international monetary system.⁶⁸ He advised de Gaulle to push G10 multilateral negotiations in the direction of a clear acknowledgment of the U.S. balance of payment problems and to further investigate the potential inflationary effect of the current system, adding that Giscard was agreeing with this stance.⁶⁹

The Small Council decided to seek an external expert's perspective on the situation and chose Guillaume Guindey, who was also a member of the IGF.⁷⁰ Guindey had recently returned from a four-year posting as General Manager of the BIS, and had previously worked at the directorate of International Financial Affairs. At the same time, the Treasury was also studying the analysis of Dr. Max Iklé, a member of the governing board of the Swiss National Bank.⁷¹ Iklé highlighted the originality of the problem of the U.S. balance of payments deficit, caused not by a trade imbalance but by the capital exports. The U.S. had rejected the Swiss suggestion of introducing capital controls. The Interest Equalization Tax had weakened the market confidence in the dollar, he claimed, by demonstrating that the development of the U.S. capital market was exacerbating the dollar problem. In his report, Guindey began by recalling the large loss that the Bank of France had suffered in 1931 due to the sterling devaluation. The French Treasury had to step in to cover it.⁷² He noted that central banks holding dollars today were doing so only based on the hope the U.S. deficit would eventually be resolved. According to Guindey, the current monetary system was dangerous because the provision of reserves relied on the arbitrary decisions of the small number of countries and the deficits of the currency issuer were a source of international inflation. He blamed the U.S. for having abused the international liquidity facilities, citing the swaps, the IMF support and the Roosa bonds.⁷³ Both Iklé and Guindey recognized that an increase of the price of gold could be desirable but emphasized the political risk of such a move, as it would advantage the Soviet Union, who did not hold dollars. Guindey also warned that the U.S. had no interest in respecting the discipline of the gold standard, being such a large country that no one could prevent them from suspending the gold convertibility of

⁶⁸ Lévêque does not provide any names here but in his memoirs he said to personally opposed the return to the gold standard and de Lattre from the directorate of International Financial Affairs opposed it as well. See: Lévêque (1986) and Quennouëlle-Corre (2013).

⁶⁹ Note dated 20 september 1963, cited above.

⁷⁰ The decision was taken at the Small Council of September 23rd 1963. See Prate (1978), p.207.

⁷¹ Iklé talked on October 2nd 1963 at the Société d'études de politique économique 'La balance des paiements américaine et le problème du dollar, rapport de M. le Dr. Iklé'. SAEF B-0068212

⁷² Note Guindey, 21 november 1963, Bank of France Archives, 1489200304-1.

⁷³ For greater details on Roosa bonds and the swap facilities, see Bordo et al. (2015).

the dollar and force the rest of the world into a dollar exchange standard. His final advice was the creation of a Collective Reserve Unit (CRU), an idea already defended by French governor Brunet at the BIS meeting in July 1963.⁷⁴

Rueff and Guindey held differing views on several key points of the note.⁷⁵ Rueff believed U.S. deficit could not be solved unless the U.S. adopted a stronger monetary policy and that a gold reevaluation would not be more difficult than the previous franc devaluations. He also claimed that international cooperation was not solving any structural problem of the system but only served to sustain the U.S. deficit and worsen the global situation. The following Small Council decided to follow Guindey's recommendations.⁷⁶ The French international position was defined with him, according to his advices. The French would resist the creation of new liquidity facility for the U.S. and fight any commitment by European central banks on the size of the dollar holdings. Instead, they advocated for the creation of the Collective Reserve Unit (CRU), even if de Gaulle was not fully convinced by the idea, as a call for a return to the gold standard was not deemed realistic at that time.⁷⁷ The CRU idea was later submitted to the G10 by de Lattre.⁷⁸

The French monetary experts were reassured by the reduction in the U.S. deficit during the early months of 1964.⁷⁹ Simultaneously, they collaborated with the G10 countries to work on the 'international monetary problems', with de Lattre leading the French delegation.⁸⁰ In the summer of 1964, Dromer shared the experts' satisfaction with de Gaulle. By that time, the G10 working group had published a text acknowledging the need to combat international imbalances and announced the establishment of a multilateral monitoring system for international credits, organized by the BIS.⁸¹ However, in September, Dillon, the U.S. Treasury Secretary and

⁷⁴ The original idea came from Edward Bernstein in 1962. See Monnet (2013), p.10.

⁷⁵ Letter from Guindey 'J'ai reçu de M. Jacques Rueff une lettre...' 26 November 1963. AN, AG/5(1)/2387. The original letter was probably to governor Brunet at the Bank of France. Bank of France Archives 1489200304/1

⁷⁶ 'Conseil restreint du 28 novembre 1963 sur les questions monétaires internationales, relevé de décisions.' 29 November 1963. AN, AG/5(1)/2346.

⁷⁷ André de Lattre (1998), p.14, cited in Monnet (2013), p.11.

⁷⁸ Monnet (2013), p.10.

⁷⁹ In March 1964, Lévêque accepted an offer to become head of the Credit Commercial de France and was replaced at the Elysée by Jean Dromer. Lévêque(1986). Note à l'attention du Général de Gaulle, Jean Dromer, 5 June 1964. AN, AG/5(1)/2386.

⁸⁰ Note à l'attention du Général de Gaulle, Jean Dromer, 25 July 1964. AN, AG/5(1)/2386.

⁸¹ Ibid. For the text of the G10 ministers' declaration, see 'Déclaration ministérielle du groupe des dix et annexe préparée par les suppléants', Bank of France Archives 1489200304/1.

Maudling, the British Chancellor of the Exchequer opposed the French CRU.⁸² Giscard repeated the Guindey's critics in his talk at the Tokyo meeting of IMF.⁸³ He added even though the gold should remain the center of the system - 'le centre c'est l'or.' -, the system needed complementary reserve instruments, including the IMF liquidities and the central banks swaps, that were more flexible in their production than gold. The negotiations on the creation of a new reserve instrument continued through different cycles until the creation of the DTS in 1970.⁸⁴ De Gaulle agreed with Giscard intervention and when Peyrefitte asked him if he planned further action, de Gaulle answered:

Giscard openly stated in Tokyo what many have been thinking quietly, namely that not everything is going well in the current system of international monetary regulations. This system, established by the circumstances of the moment, allows so-called "reserve currency" countries, namely the United States and Great Britain, to settle their chronic balance of payment deficits. It is largely responsible for the imbalance in international settlements, as well as the inflationary tendencies currently manifesting themselves all over the world.

Therefore, it is necessary to fully restore gold's essential role in the global payment system. Only gold, because it is unalterable and inspires confidence, is immune to fluctuations in so-called "gold exchange standards" and the selfishness of national policies.

[...] what is needed is a gradual and concerted evolution that should allow for a better adjustment of the global payment system to real needs. In the meantime, there should be a multilateral monitoring of national monetary policies."⁸⁵

⁸² See Bordo et al. (1994) p.12. According to Pérouse, France withdrew from the 'Ossola' G10 group in March 1965. The May 1965 report of the working group discussed extensively the CRU proposal and France participated in the following G10 working groups. See Solomon (1976), Monnet (2013). p.10. and The Deputies of the Group of Ten, and R. Ossola. 'Report of the Study Group of the Creation of Reserve Assets,' May 31, 1965. www.bis.org/publ/gten_b.pdf.

⁸³ Discours prononcé le 9 septembre 1964 par M. Valéry Giscard d'Estaing aux débats annuels du Fonds Monétaire International de Tokyo, SAEF B-0069900.

⁸⁴ See notes from André de Lattre, SAEF B-0069900, Solomon (1976), and Bordo (1993).

⁸⁵ "Giscard a dit tout haut à Tokyo ce que beaucoup pensent tout bas, à savoir que tout ne va pas pour le mieux dans le système actuel des règlements monétaires internationaux. Ce système, établi au gré des circonstances du moment, permet aux pays dits "à monnaie de réserve", c'est-à-dire les États-Unis et la Grande-Bretagne, de solder les déficits chroniques de leur balance des paiements. Il est en grande partie responsable du déséquilibre des règlements internationaux, ainsi que des tendances inflationnistes qui se manifestent actuellement un peu partout dans le monde.

« Il faut donc rendre pleinement à l'or son rôle de support essentiel du système mondial des paiements. Seul l'or, parce qu'il est inaltérable et qu'il inspire confiance, échappe aux fluctuations des soi-disant "étalons de change or" et à l'égoïsme des politiques nationales.

[...] ce qu'il faudrait, c'est une évolution progressive et concertée, qui devrait permettre un meilleur ajustement du système mondial des paiements aux besoins réels. En attendant, il faudrait mettre sur pied une surveillance multilatérale des politiques monétaires nationales. » 16 September 1964, Peyrefitte (1997) p.75.

5. The French reaction to the 1964 Sterling Crisis

In October 1964, the newly elected British labour government announced that the balance of payments deficit for that year was going to be £800 million, which put sterling under severe pressure.⁸⁶ In November, the G10 received a demand from Britain to use its \$1 billion stand-by credit from the IMF. Dromer argued against allowing Britain to draw freely on the IMF facility, citing the stricter limitations that had been imposed on France when it had needed assistance.⁸⁷ He suggested that France refuse to participate or impose some conditions on policy reforms on the UK. French officials from both the Ministry of Finance and the Ministry of Foreign Affairs estimated that without fiscal and monetary reforms, sterling would eventually have to devalue.⁸⁸ However, the U.S. led the organization of a new short-term liquidity line for the Bank of England and pressurize France to contribute \$200 million to the effort. The final program totaled \$3 billion, three times more than the 1963 standby agreement, with the U.S. contributing only to a third of it. De Gaulle advisor noted 'this crisis clearly highlights the fragility of the monetary system and the panic of US monetary authorities in the face of the prospect of a sterling crisis, which would drag down the dollar.'⁸⁹

The Small Council of November 26 approved the U.S. demand of a \$200 million credit to the Bank of England. But they decided as well to decrease the share of dollar in the French reserves, accelerate the repatriation of the French gold deposited in New York and in London and prepare a contingency plan for a devaluation of sterling potentially followed by a dollar one.⁹⁰ For the advisors of the Ministry of Finance, the scenario of a sterling crisis followed by a gold reevaluation was very probable so the Bank of France was facing an exchange risk as the dollar

⁸⁶ See Bordo et al. (2009) et Note pour le Ministre, cabinet du ministre des finances, 5 November 1964. AN, AG/5(1)/2386.

⁸⁷ Note à l'attention du Général de Gaulle, Jean Dromer. 5 November 1964. AN, AG/5(1)/2386.

⁸⁸ See telegram n°2, Direction des affaires économiques et financières. Olivier Wormser. Paris, 4 November 1964. AN, AG/5(1)/2386. Oliver Wormser was the director of economic affairs at the Minister of Foreign Affairs and 'Tirage de la Grande Bretagne sur le F.M.I.', note de la part de M. Lapautre. 5 November 1964. AN, AG/5(1)/2386. René Lapautre was another finance inspector and worked as technical advisor of Giscard d'Estaing.

⁸⁹ « Cette crise marque bien la fragilité du système monétaire et l'affolement des autorités monétaires américaines devant les perspectives d'une crise de la livre, entraînant le dollar. » 'Note à l'attention du Général De Gaulle', J. Dromer. 26 November 1964. AN, AG/5(1)/2386

⁹⁰ Conseil restreint du 26 Novembre 1964 sur les problèmes monétaires internationaux, projet de relevé de décisions. 26 Novembre 1964. Jean Dromer. AN, AG/5(1)/2391

reserves approximated nearly to \$1,400 millions.⁹¹ The risks from sterling and the dollar called for a readjustment of French reserves toward gold but large conversions were not compatible with the international monetary cooperation principles that France had adhered to and defended. As of the previous years, the solution suggested was a debt prepayment. Since the French debt totalled \$650 million, its repayment would increase the share of gold in French reserves from its current level of 65.3% to more than 90%.⁹² However, reimbursing all the French debt would weight on the liquidity of Treasury and would prevent the use of prepayments as adjustment of the French balance of payment. Treasury analyst found it too risky to maintain the debt level in the hope of a dollar devaluation that would make it cheaper for France to reimburse, as the gains would outweigh the losses only if France found a way to reduce its dollar reserves before the devaluation. The lessons from the 1930s also indicated that the franc would probably have to devalue as well so the priority of the French government should be to cooperate with Britain and the U.S. to avoid the devaluations.

De Lattre agreed that a conversion of dollar was needed and also favoured the solution of debt prepayment, which would not come as surprise as it had been done in the past years. He emphasized that France would save \$120 million in interest payments. In addition, a prepayment decided before the end of the year would artificially reduce the French surplus toward the U.S. and would thus be interpreted as a concrete gesture of international cooperation. Finally, it was not desirable for France to remain, for domestic cash flow considerations, a debtor of a significant portion of the sums made available in 1946 and 1947 for its reconstruction. By contrast, a direct conversion would be interpreted as an act of defiance towards the stability of the system and could have serious consequences.⁹³

On December 23 1964, de Gaulle, Giscard d'Estaing, Pompidou, the prime minister and Couve de Murville, the Minister of Foreign Affairs, reached a decision to protect the French foreign exchange reserves. They established the principle that the monthly increase in reserves should not lead to an increase in dollar holdings so the Bank should continue its monthly conversion representing 30t. of gold and all new dollars accruals from the balance of payment

⁹¹ Note pour le Ministre, unsigned. 27 November 1964. AN, AG/5(1)/2391

⁹² Note pour Monsieur Degun, unsigned. 27 November 1964. SAEF B-52468

⁹³ Note pour le ministre, André de Lattre, 5 December 1964. SAEF B-52468

surplus should be converted into gold.⁹⁴ Secondly, the French dollar reserves should be reduced to \$400-\$450 million, representing around 8% of the reserves.⁹⁵ This goal would be achieved via two exceptional gold purchases by the Bank of France, one of \$150 million in January and another of similar in March. On the same day, probably following this meeting, the General told Peyrefitte ‘The pound sterling is gasping for breath, as are the English. They may, like the weak, first attempt a disguised devaluation.’⁹⁶ However, he was also conscious of the risks of a dollar devaluation for France:

*If all foreign assets in dollars aimed at being converted into gold, it would dry up US gold reserves and demonstrate that the dollar is no longer the reserve currency it claims to be. However, if the dollar is devalued, our prices would immediately become too expensive compared to American prices. This would make it difficult for our exports.*⁹⁷

Following a suggestion from de Lattre, Giscard d’Estaing proposed to delay the application of the conversion of new dollar accruals to February to limit the size of the total conversion conducted in January and avoid putting too much stress on the Americans.⁹⁸ Dromer defended this schedule to de Gaulle, emphasizing that the decisions he had taken would still be respected.⁹⁹ He also explained that the target of the 8% dollar share of the French reserves should be kept secret to the U.S. monetary authorities. The communication plan should include first the announce of an exceptional conversion, then a French representative would repeat the French concerns on the international monetary problems and the difficulties of the pound sterling, and demand the American to reform the system, potentially mentioning as well an adjustment of the price of gold. When the General approved the final new policy, he reminded Pompidou that no future dollar commitment should be announced to U.S. authorities so as guarantee a full freedom of the action.¹⁰⁰

⁹⁴ Letter from G. Pompidou to de Gaulle, 1 January 1965. SAEF B-52468

⁹⁵ A special provision equal to the payment of the remaining dollar debt would also be created, amounting to \$660 million. This provision was probably held by the Treasury as it did not appear in the Bank of France balance sheet.

⁹⁶ ‘La livre est à bout de souffle, les Anglais aussi. Ils peuvent, comme les faibles, essayer d’abord une dévaluation masquée’ 23 décembre 1964, Peyrefitte (1997)

⁹⁷ ‘si tous les avoirs étrangers en dollars voulaient être convertis en or, ça mettrait à sec les réserves d’or américaines, ça démontrerait que le dollar n’est plus la monnaie de réserve qu’il prétend être. Seulement, si le dollar est dévalué, nos prix deviendraient tout de suite trop chers par rapport aux prix américains. Alors, pour nos exportations, ça deviendrait difficile.’ 23 décembre 1964, Peyrefitte (1997)

⁹⁸ Note pour le ministre, André de Lattre, 28 December 1964. AN, AG/5(1)/2393

⁹⁹ Note à l’attention du Général de Gaulle, Jeann Dromer, 30 December 1964. AN, AG/5(1)/2393

¹⁰⁰ Lettre du Général de Gaulle à George Pompidou, 6 January 1965. AN, AG/5(1)/2393

By January 4th, Giscard had communicated to Dillon that the French government intended to convert all surplus dollars into gold. According to Dillon notes, Giscard mentioned that France would continue to hold about \$1.1 billion in dollars, even if de Gaulle was against such statement.¹⁰¹ The New York Times reported that 'France is converting a growing share of her foreign-currency reserves into gold in a drive to make nation's finances independent of the United States dollar, financial sources said today'.¹⁰² The Guardian was publishing 'France lays in hoard of gold' and Newsday wrote 'France buying gold to weaken U.S. 'gold'.¹⁰³

On January 7th, The Bank of France published a statement announcing the exceptional purchase of \$150 million of gold and its new policy of converting all surplus dollars into gold.¹⁰⁴ The next day, its governor told the General Council of the Bank that he 'had never heard any discussion, especially at the government level, that would consider these gold acquisitions as anything other than reserve management operations, and to my knowledge, there has never been anyone's intention to use them to exert political pressure on any particular state.'¹⁰⁵ The next day, the French *Journal des Finances* reminded its readers that in 1931, the Bank of France had not converted sterling to support the Bank of England, even when the British did not provide them with exchange guarantee on the value of the French sterling reserves. The loss had to be covered by the French Treasury which had not been informed in advance of the devaluation.¹⁰⁶

On January. 11th Alphand, French ambassador in Washington, informed Paris that the press attacks against France had mostly stopped and that U.S. secretary Dillon was not worried, even though he would have preferred less publicity for the French operations. Alphand explained him that the British press, especially the Sunday Times had spread false rumours that

¹⁰¹ Douglas Dillon, 'Memorandum for the President', 4 January 1965, Foreign Relations of the United States (FRUS), vol. XIII, 1964–68, doc. 25. cited in Schaufelbuehl (2013) p.175.

¹⁰² 'France Increasing Purchases of Gold', *New York Times*, 04 Jan 1965: 43.

¹⁰³ *The Guardian*, London (UK) 04 Jan 1965: 9. *Newsday*, Nassau ed.; *Long Island*, N.Y.: 7.

¹⁰⁴ See Vaïsse footnote's, under doc. 9. 11 janvier 1965. Alphand à M. Couve de Murville, DDF, MAE, p.22.

¹⁰⁵ 'dans aucune discussion – notamment au niveau gouvernemental – il n'a entendu considérer ces acquisitions d'or autrement que comme des opérations de gestion, et qu'il n'a jamais été, à sa connaissance, dans l'intention de quiconque d'utiliser de celles-ci pour exercer des pressions d'ordre politique sur tel ou tel État' Bank of France Archives, PVCG, 8 janvier 1965, cited in Monnet (2013) p.15.

¹⁰⁶ *Journal des finances*, 8 January 1965, cited in Ragache (2017), p. 124.

France was ready to ask for the conversion of all its dollar reserve, representing more than a billion dollar.¹⁰⁷

The day before his conference, de Gaulle complained about the planned increase of IMF quotas to Peyrefitte. ‘We already have multiple international participations. All for a pound sterling that will not be saved at the end of the day, and for a dollar that starts to be shaken. Enough is enough [...] the Americans should just do what is required to correct their balance of payment.’¹⁰⁸

The infamous de Gaulle’s public ‘attacks’ on the dollar were voiced during a press conference at the Elysée on February 4th 1965.¹⁰⁹ The General started by reminding that sterling and the dollar had devalued in the thirties. He continued by stating that the current gold exchange standard was not adapted to the current situation and had many disadvantages, but there were presently no urgent or alarming issues.¹¹⁰ The asymmetry of the role of the dollar facilitated U.S. capital exports, which had benefited France in the past. However, the system now needed reforms to stop this fundamental disequilibrium, he argued, before continuing with his most famous argument: ‘We consider necessary that international trade be established, as it was the case, before the great misfortunes of the World, on an indisputable monetary base, and one that does not bear the mark of any particular country. [...] gold.’¹¹¹ In a lesser commented follow-up, he suggested that:

The smooth end of the Gold Exchange Standard, which entails the restoration of the gold standard, as well as the complementary and transitional measures that would be indispensable,

¹⁰⁷ Doc. 9. 11 janvier 1965. Alphanand à M. Couve de Murville, DDF, MAE, p.22.

¹⁰⁸ ‘Nous avons déjà énormément de participations internationales. Tout ça pour soutenir une livre qui, en définitive, ne sera pas sauvée, et un dollar qui commence à être ébranlé. Ça suffit comme ça ! [...] Les Américains n'ont qu'à faire ce qu'ils doivent faire pour redresser leur balance des paiements.’ 3 February 1965, Peyrefitte (1997), p.80.

¹⁰⁹ Charles De Gaulle, Paroles Publiques - Conférence de Presse Du 4 Février 1965 - Ina.Fr', Charles de gaulle - paroles publiques, accessed 18 June 2021, <http://fresques.ina.fr/de-gaulle/fiche-media/Gaule00105/conference-de-presse-du-4-fevrier-1965.html>.

¹¹⁰ These two points and as well as several other from the speech are very similar with Guindey’s analysis of Novembre 1963 that Dromer had summarized again for the General a few weeks before the conference.

¹¹¹ Nous estimons nécessaire que les échanges internationaux soient établis comme c'était le cas avant les grands malheurs du monde sur une base monétaire indiscutable et qui ne porte la marque d'aucun pays, en particulier. [...] l'or.’ Charles De Gaulle, Paroles Publiques – cited above.

*particularly the organization of international credit on this new basis, all of this must be calmly examined among the governments.*¹¹²

Rueff was ecstatic about de Gaulle's analysis.¹¹³ The next day, Alphand reported that from Washington, de Gaulle's speech was considered as the 'least anti-American of the past few years'.¹¹⁴ An American commentators even spoke of giving 'a gold star for de Gaulle' for 'talking sense about money'.¹¹⁵ However, U.S. officials declared that the gold standard would be incapable of financing the huge increase of world trade that characterized the postwar era. The Wall Street Journal (WSJ) reported that the French press conference caused 'hardly a ripple on bullion or foreign exchange markets' in the London market as 'there is nothing new in what de Gaulle said' one trader commented.¹¹⁶ Even though the General did not mention a change in the price of gold, the journal discussed this scenario, mentioning that it would 'reward those that have drawn heavily on the U.S. gold stock as well as reward leading gold producers, such as the Soviet Union and the Union of South Africa', a worry predicted more than a year before by the French money doctors.¹¹⁷ Finally, the WSJ floated the idea that de Gaulle was moved by a desire to give a more important international role for the France and French franc.¹¹⁸ This thesis has been repeated several time in the academic literature, see e.g. Dillon (1992).

Some days after the conference Peyrefitte asked de Gaulle what he predicted to the future.

de Gaulle: a the collapse of the pound and, sooner or later, of the dollar, which will cease to be convertible into gold. [...] For the Americans to be able to maintain the Gold Exchange Standard, as they are supposed to do, their balance of payments would have to be balanced. But they are incapable of doing so. So, the dollar will eventually detach from gold, despite all the pressures. Restoring the balance is a terrible

¹¹² 'la fin sans rude secousse du Gold Exchange Standard qui est la restauration de l'étalon or ainsi que la mesure complémentaire et transitoire qui serait indispensable en particulier, l'organisation du crédit international, sur cette base nouvelle, tout cela doit être examiné posément entre Etats.' Charles De Gaulle, Paroles Publiques – cited above.

¹¹³ Peyrefitte (1997). p. 81.

¹¹⁴ 'Les déclarations du 4 février sont « les moins anti-américaines » qui aient été prononcés du côté français au cours des dernières années.' Alphand à M. Couve de Murville, telegrams n°825-830. 5 February 1965. DDF, MAE.

¹¹⁵ "A Gold Star for de Gaulle." February 8, 1965. *The Wall Street Journal*.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ "Promoting the Franc: De Gaulle Asks World Gold Standard; Washington Scoffs at His Proposal." February 5, 1965. *The Wall Street Journal*.

operation. It would require a political force that they do not have. Father Johnson does not have it in him. Just as he cannot make peace with Asia.

Peyrefitte: Do you not believe that before returning to the pure and simple gold standard, we will be forced to go through a reserve currency other than the dollar, perhaps a basket of currencies?

*de Gaulle: We must not let ourselves be fooled! The Americans and their lackeys would still try to keep the dollar as the main reserve currency because it would be the strongest currency in the basket!*¹¹⁹

In February, André de Lattre was forced to leave his position at the Ministry of Finance. U.S. journalist Alsop regretted him, calling him ‘wise and able’, ‘the last man in the French Treasury to whom we could really talk about the monetary problem’ according to a high American official. Alsop added ‘this abrupt and intentionally humiliating dismissal of DeLattre is far more than it seems [de Lattre was dismissed while he was on a ski holidays]. It is in fact a world event, or a least a world symptom of great significance’, demonstrating de Gaulle’s isolation in his support of the gold standard.¹²⁰ *A posteriori*, de Lattre recognized that he opposed the new policy on dollar conversion and fought the mention of an increase of the price of the dollar, which would have been a gift to speculators.¹²¹ His directorate was dissolved and the monetary affairs attributed to the Treasury directorate lead by Pérouse, who successor acknowledged the difficulty of the French international monetary position ‘one had to be willing to die on the gold trench’.¹²² In his memoirs, Lévêque also lamented that, by January 1965, he was

¹¹⁹ ‘l’effondrement de la livre et, un jour ou l’autre, du dollar, qui cessera d’être convertible en or. [...] Les Américains et les Anglais ont pu maintenir artificiellement leur suprématie. Tant qu’ils étaient en mesure de changer leur monnaie contre de l’or, et tant qu’ils avaient des balances de paiement favorables, ça n’incommodait pas les gens. Aujourd’hui, cette situation s’est retournée, leurs balances de paiement sont défavorables, et ils perdent de l’or. « Pour que les Américains arrivent à maintenir le Gold Exchange Standard, comme ils sont censés le faire, il faudrait que leur balance des paiements soit équilibrée. Mais ils en sont incapables. Alors, le dollar décrochera un jour ou l’autre de l’or, malgré toutes les pressions. « Rétablir l’équilibre, c’est une opération terrible. Il faudrait une force politique qu’ils n’ont pas. Le père Johnson ne l’a pas. Il ne peut pas faire ça. De même qu’il ne peut pas faire la paix avec l’Asie.

AP. — Ne croyez-vous pas qu’avant de revenir à l’étalon-or pur et simple, on sera obligé de passer par une monnaie de réserve autre que le dollar, peut-être un panier de devises ?

GdG. — Il ne faut pas se laisser couillonner ! Les Américains et leurs séides tâcheraient de garder quand même le dollar comme principale monnaie de réserve, parce qu’elle serait la plus forte des devises du panier !” 17 février 1965, Salon doré, Peyrefitte (1997) p.82

¹²⁰ Alsop, Joseph. “Pink Slip on Ski Slope.” *Boston Globe*. April 4, 1965, sec. 1.

¹²¹ Entretien biographique avec O. Feiertag, entretien n° 5, cassette n° 8, Comité pour l’histoire économique et financière de la France, 1993. cited in Quennouëlle-Corre (2013), chap.10. On de Lattre’s departure, see also “M. André De Lattre Sous-Gouverneur De La Banque De France.” *Le Monde*, 16 June 1966.

¹²² « il fallait se faire tuer sur la tranchée de l’or » Entretien de R. Larre avec S. Coeuré, entretien n° 5, cassette n° 5, Comité pour l’histoire économique et financière de la France, 1990. cited in Quennouëlle-Corre (2013), chap.10.

not close to the General anymore or he would have tried to convince him to give up his call for a return to the gold standard.¹²³

Figure 3 shows that the end of the conversions in the second half of the year 1966 corresponds exactly with the moment when the dollar reserves reached the targeted level of 8% of the reserves. The French monetary authorities followed carefully the plan decided in December 1964.¹²⁴

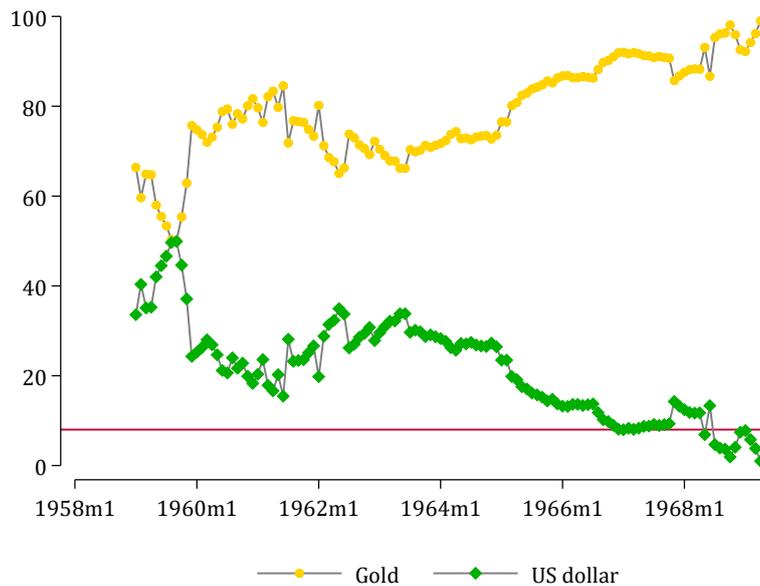


Figure 3: Share of gold and dollars at the Bank of France.

Source: Bank of France archives, 1463200401/51-53

6. The repatriation of the French gold to Paris

The geography of French gold depositories constitutes another dimension of the gold diplomacy between France and the U.S.. In the early sixties, the French gold was distributed among the central banks' vaults of three main financial centres: Paris, London and New York.¹²⁵ Figure 4 displays the evolutions of this distributions during De Gaulle's presidency.

¹²³ Lévêque (1986) p.103.

¹²⁴ This result contradicts Monnet (2013), who posit that the end of the conversion in 1966 was driven by the failure of the initiative an international reform of the monetary system that would have given France a stronger leadership position.

¹²⁵ Negligible volume were also held in Bern and Ottawa.

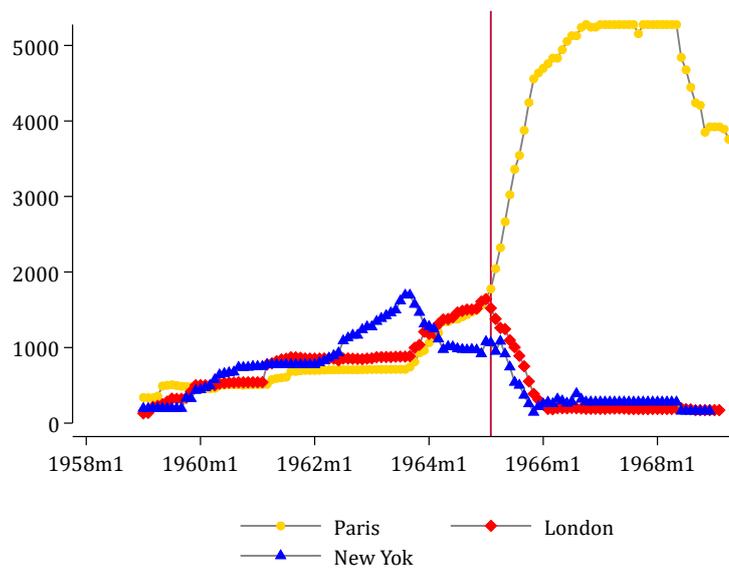


Figure 4: The geography of the official gold reserves of the Bank of France (gold volume in million of dollars valued at \$35/ounce).

Note: the red bar signals the day of de Gaulle's speech on the return to the gold standard.

Source: Bank of France archives, 1495200501/494.

At the beginning of the period, gold reserves were distributed evenly among the three centres. France started to withdraw its gold from New York in the fall 1963, repatriating them both in London and in Paris. Following de Gaulle's speech on the return to the Gold Standard, the majority of gold held abroad was repatriated to Paris in a few months. In 1966, 90% of the French gold was held in Paris. Figure 5 provides a more disaggregated view of the flows of French gold out of the Fed.

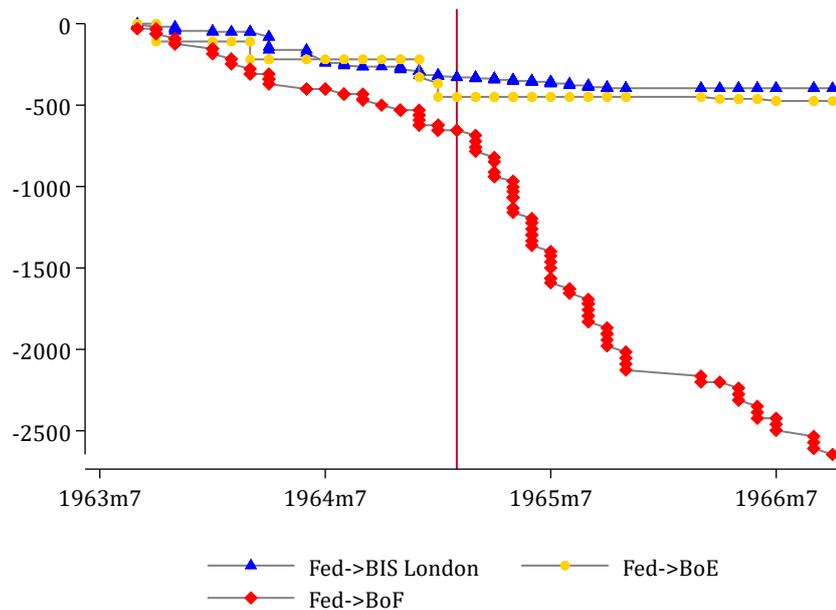


Figure 5: Destination of French gold outflows from the Fed. (gold volume in million of dollars valued at \$35/ounce).

Note: the red bar signals the exact day of De Gaulle's speech on the return to the gold standard.

Source: Bank of France archives, 1495200501/494.

From 1963 to 1965, the outflow was distributed within two destinations and three accounts in Paris and London: the Bank of France account at the Bank of England, the Bank of France account at the BIS, held at the Bank of England and the Bank of France. Direct gold repatriation to Paris became bolder after De Gaulle speech in 1965, with \$1,500 million withdrawn in 1965 only. By comparison the total deposits of all Federal Reserve banks in 1965 represented approximately \$19,000 m.

In March 1963, De Gaulle started to worry about the geography of the French gold deposit and demanded that the totality of the French gold stock be repatriated to Paris.¹²⁶ Jacques Labussière, technical advisor to the prime minister prepared a note, opposing the idea a repatriation from New York as it would be costly in terms of transports and a sign of defiance toward the U.S.¹²⁷ Moreover, since the occupation by the nazis, France was not longer considered as a safe gold deposit location, compared to London and New York, so European central banks did not deposit gold in Paris. It was more convenient, Labussière argued, to keep part of the

¹²⁶ Note pour M. Burin des Rozières, Georges Pompidou, 13 March 1963. AN, AG/5(1)/2393.

¹²⁷ Note pour le Premier Ministre, J. Labussière, 12 March 1963, AN, AG/5(1)/2393.

French gold abroad. The distribution of the French reserves across different financial center also increased security. Lévêque took the same side than Labussière.¹²⁸ He explained to de Gaulle that the French gold deposits were not affected by the balance of payments problems of either the U.S. or the U. K. He reminded the General that ‘civilized countries’ always respect deposits, as the France itself did after the war when it reimbursed the Bank of Belgium its total pre-war gold deposit, even if 45% had been lost during the occupation. Only a transfer of part of the New York gold stock would be acceptable, as a full transfer would be interpreted as a serious sign of political distrust for the Americans.

In May 1963, the Bank of France had to produce as well a note for the Minister about the geographic distribution of the French gold reserves and potential repatriation of gold.¹²⁹ The Bank also advised against repatriations of gold which were described as costly in terms of transportations and insurance. Holding a large share of gold in New York also facilitated monetary negotiations. Giscard d’Estaing informed Roosa about the French proposal and Julien Koszul, the director of foreign affairs at the Bank of France, mentioned it to Coombs, vice president of the New York Fed.¹³⁰ The later noted that American authorities had no objection to such transfers, especially as the British had recently done the same and as the vaults of the New York Fed were cluttered. The French government eventually ordered a partial repatriation of the gold held in New-York, which started in September 1963.¹³¹ The outflows were distributed across two accounts of the Bank of France in London, and the Bank of France, probably for greater discretion. Repatriations from New York were made by sea before January 1965 as it was difficult to insure gold transport by the air.

When the Small Council decided to reduce the French dollar reserves following the sterling crisis, they also decided to to accelerate the repatriation of the gold still held in New York and repatriate the gold held in London as well.¹³² Brunet, the Bank of France governor, prepared these transfers by contracting with Air France to bring the gold from London. The General

¹²⁸ Note à l’attention du Général de Gaulle, 25 March 1965, Jean-Maxime Lévêque. AN, AG/5(1)/2346.

¹²⁹ La répartition géographique des avoirs en or Français. 20 Mai 1963, Bank of France Archives 1495200501/265.

¹³⁰ Repartition Géographique de l’Encaisse-Or, J.K, Bâle, 7 July 1963. Bank of France archives. 1495200501/265.

¹³¹ See Bank of France archives 1495200501/265.

¹³² Conseil restreint du 26 Novembre 1964 sur les problèmes monétaires internationaux, projet de relevé de décisions. 26 Novembre 1964. Jean Dromer. AN, AG/5(1)/2391

reminded Pompidou in January 1965 that all gold should be repatriated to Paris at the exception of a strict minimum of working capital.¹³³ After his February press conference, de Gaulle, unsatisfied by the rhythm of gold transport, suggested to send *Colbert*, a 180 meter missile cruiser of the French Navy. Giscard convinced him to give up this idea as it would have had a terrible impact on the U.S. public opinion.¹³⁴ So the Bank of France reserved at first Boeings-passengers then Boing-cargos from Air France to bring the gold from JFK to Orly. Overall, 2,934 tons of gold were brought back to Paris for an overall cost of \$4.2 million.¹³⁵

It remains unclear why de Gaulle started to be worried about the French gold foreign deposits in March 1963. Ragache (1965) suggested that de Gaulle still painfully remembered the events of WWII, when he could not use the gold of the Bank of France to arm his forces, partly because the Allied did not recognize de Gaulle's France Libre. Wormser, who served as director of economic affairs at the Minister of Foreign Affairs during the sixties, wrote in a 1973 article that de Gaulle wanted to repatriate the gold because U.S. congressmen had suggested to forbid the outflows of French gold from the Fed vaults, in order to discourage the French to convert their dollars into gold. I could not trace this exact proposal either in the U.S. congress archives nor in the American press. But some of the U.S. Congressmen were indeed quite upset at de Gaulle in the first month of 1963. The General had refused Britain entry in the Common Market, a move which was seen as a protectionist move against the Americans. Senator Javits declared on January 22nd that the U.S. 'must, stand ready to strengthen Great Britain's bargaining power with the EEC', if moral suasion was not successful, then pressure should be put on 'money, trade, and economics with Britain and her industrialized Commonwealth and European partners in a broad scale way.'¹³⁶ Alphanand also shared with Paris that, in February 1963, rumours had spread in Washington claiming that de Gaulle was ready to make a direct agreement with Russia on the neutralization of Germany and to bring soviet satellites in Europe.¹³⁷ But Secretary Ball assured him that no one within the administration gave credit to this theory. Dillon also went

¹³³ Lettre du Général de Gaulle à George Pompidou. 8 January 1965. AN, AG/5(1)/2393

¹³⁴ See Manas (2022), p. 103.

¹³⁵ See 1963-1966, notes sur les mouvements du stock d'or. Bank of France archives 1495200501/265.

¹³⁶ 22 janvier 1963 Congressional record – Senate January 22, 1963 Vol. 109, Part 1 p.771.

¹³⁷ This rumor was notably published in the *Enquirer and News*. "Report De Gaulle Seeks Deal with K." January 28, 1963. See also Alphanand à M. Couve de Murville, 16 Février 1963 DDF, MAE.

to the Congress and shared the reassuring message that France was cooperating fully with the U.S. in the financial field.¹³⁸

A final hypothesis links the repatriation of gold to the non-alignment of de Gaulle. Indeed, de Gaulle had a more opened attitude toward the Eastern block than most of Western political leaders. In early 1963, he gave an audience to Vladimir Vinogradov, the Soviet ambassador in Japan. He also sent a French delegation in Moscow to negotiate a franco-soviet trade agreement to import oil products and anthracite against manufactured goods.¹³⁹ Commercial transactions with the Soviet blocks were prohibited for U.S. companies. The U.S. Treasury tried to block the delivery of products from a the French company affiliated to a U.S. group under the pretext that some of these goods would then help the production of tractors sold to the Soviet.¹⁴⁰ France would not have been able to use the gold held at the New York Fed to settle transactions with the Eastern economies. The limited size of the commercial transactions with the Eastern block are difficult to link to the repatriation of more than \$2,500 million worth of gold, but with the gold in Paris, de Gaulle had the freedom to use to pay whomever he wished to.

7. The Wise French ?

The cross-analysis of the balance sheet of Britain, the U.S. and France provides some answers to the question: were the French justified in fearing devaluations of both sterling and the U.S.? Table 2 in appendix shows the main elements of the balance of payments, in % of annual GDP of these three countries over the period 1960-1967. From 1960 to 1964, the U.S. had the largest balance of payment deficit of the three but the American trade balance also exhibited the largest surplus, consistently over the decade. The U.K. and the U.S. had a large private capital outflows because they were the dominant financial centers of the period. By contrast, the French capital market was strongly regulated¹⁴¹ At the moment of the 1931 sterling devaluation, the U.K. was facing large deficits of both its visible trade balance and its current account. For the majority of the period, the U.S. balance of payment would have been at the equilibrium military spending

¹³⁸ 25 janvier 1963 169. Summary Record of NSC Executive Committee Meeting No. 38 (Part II) Foreign Relations of the United States, 1961-1963, Volume XIII, Western Europe and Canada.

¹³⁹ Alphand à M. Couve de Murville, 16 Février 1963, DDF, MAE.

¹⁴⁰ M. Couve de Murville à Alphand, 13 Mars 1965, telegram 4557 4559. DDF, MAE

¹⁴¹ Loriaux (1991)

would have been null. As the Kennedy and Johnson administration repeated to European officials, the U.S. balance of payments problem was directly linked with European security.¹⁴²

The French administration feared that the U.S. would not be able to face a large wave of speculation against the dollar as the ultimate problem of the deficit U.S. deficit was that it led to the accumulation of dollar outside the U.S.. The dollar external liabilities indeed increased significantly throughout this period, see figure 6, and were more important than the U.S. gold stock since 1960. But these accumulations of dollar abroad met a demand of the international financial system for an international means of payment. Within the eurodollar market, banks – in London at first – used their dollar deposits for loans to third parties in the U.K. and abroad.¹⁴³ The dollars were thus ‘recycled’ and were not returning to the U.S. But French officials did not study closely the emergence of the eurodollar market. Gold was considered by the French as the key international means of payment.¹⁴⁴

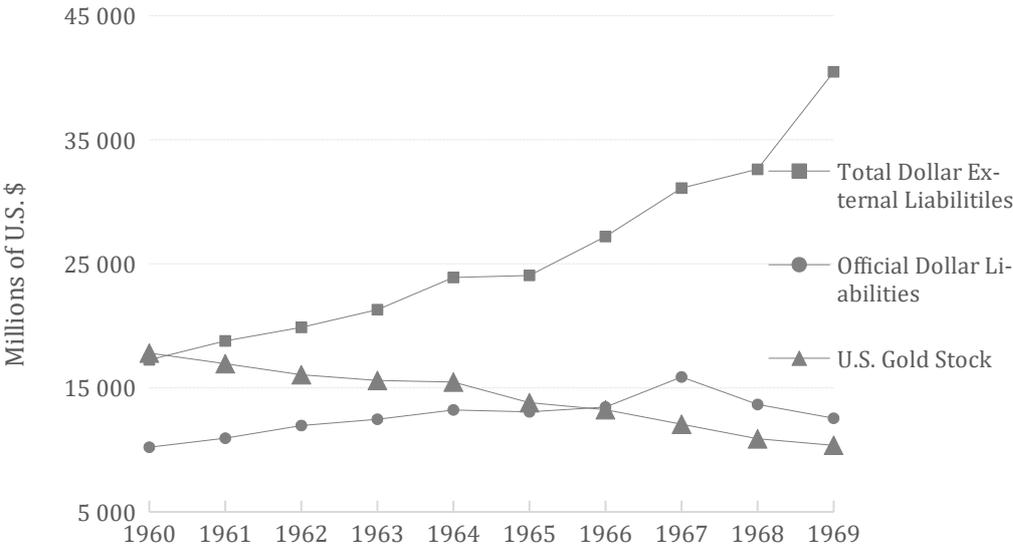


Figure 6: U.S. external liabilities and U.S. gold stock.
Source: Federal Reserve Bulletin.

The French *inspecteurs* who had lived the 1931 devaluations, Itsel, Guindey, feared that history would repeat itself.¹⁴⁵ France had been highly exposed to sterling risk: at the close of 1931,

¹⁴² Gavin (2004)

¹⁴³ Schenk (1998).

¹⁴⁴ Lévêque related that he had to fight to get the CCF to enter the Eurodollar in the mid-1960s, while the U.S. banks in London had been active in this market for more than a decade. Lévêque (1986)

¹⁴⁵ Couve de Murville had just passed the exam of the Inspection when sterling devalued. In his memoirs, he says little about the dollar conversion but reminds that it was the pressing demand of the Bank of England that

the Bank of France sterling portfolio was still worth 50 per cent of the Bank of England's gold reserves writes Accominotti (2009). By contrast, the French dollar portfolio represented less than 10% of the U.S. gold reserves at the end of 1964.¹⁴⁶ All scenarios of the French Treasury implied that if the U.S. were to devalue the dollar for more than 5 to 10%, France would also devalue. A 10% devaluation of the dollar would cause a foreign exchange loss \$134 million for the Bank of France. This represented around 20% of the average annual surplus of the French balance of payment, meaning that, unless French exports collapsed after the dollar devaluation, the foreign exchange loss would have been more than recuperated in a year. In 1931, the loss resulting from the 24% devaluation of the British currency amounted to fr.2.35 billion loss, which represented twice the Bank of France available capital and reserves.¹⁴⁷

Potential causes of a dollar devaluation during the period 1960-1967 are difficult to identify. The U.S. could easily have drawn \$3 billion on the IMF, as Britain did to stop wave of speculators. This amount represented more than the total dollar portfolio of Germany, one of the largest dollar holder at end of 1964.¹⁴⁸ One of the important issue of the French analysis was to confuse sterling external liabilities with dollar ones. Sterling external liabilities were the result of the WWII financing. They were held mostly in the sterling area, a capture market for sterling. It is true that both the U.S. and the U.K. used moral suasion to prevent some of their foreign liabilities holders to prevent gold conversion and both ended up applying tax on foreign capital export to try restore their balance of payment.¹⁴⁹ But the British economy was weaker than the American one and faced a worsening of the trade balance, leading to its 1967 devaluation. Moreover, the British monetary authorities enforced heavy capital controls on the sterling area to limit sterling divestment while the U.S. administration refused to impose controls on the dollar in 1968, for fear that it would affect too much its international strength.

8. International troublemakers ?

the Bank of France accepted to hold, sterling without guarantee not limits. Couve de Murville (1971) p. 147.

¹⁴⁶ The U.S. owned \$15,471 million worth of gold while the Bank of France dollar portfolio totalled \$1340 million. Source: Fed bulletin, Bank of France archives (see text).

¹⁴⁷ Archives BdF, 1060200103/17, 'Reserves de la Banque' cited in Accominotti (2009), p. 356.

¹⁴⁸ Germany's dollar data comes from Avaro (2020).

¹⁴⁹ For British sterling diplomacy, see Avaro (2021), for the U.S. one, see Gavin (2004).

The French gold policy was criticized by the international press as a leading cause of the dollar problem, with the General being dubbed ‘Gaullefinger’, in reference to the villainous gold smuggler in the 1964 Bond movie Goldfinger. This argument is present in the academic literature with Coombs (1976) citing mentions the Gaullist attack on the dollar and sterling as one of the factors behind the fall of the Gold Pool.¹⁵⁰ However, Bordo et al. (2019) found no direct effect of the evolutions of the French gold reserves on the interventions of the Gold Pool, which aimed at stabilize the price of gold.

Figure 7 compares the variations of the French gold reserves with the U.S. net gold sales to France recorded by the Federal Reserve.

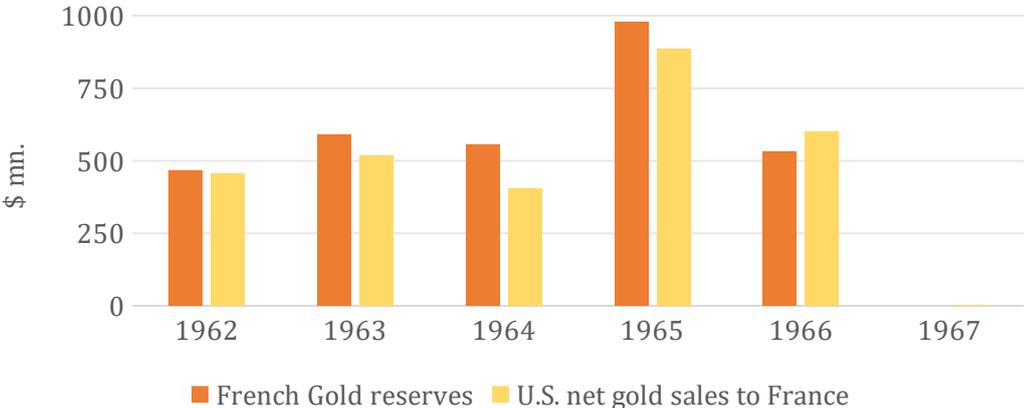


Figure 7: Yearly variations of French gold and U.S. net gold sales to France.
 Source: Bank of France archives 1495200401/51-52 and U.S. federal reserve Bulletin

Most of France's increase in gold reserves between 1962 and 1966 resulted from transactions with the Federal Reserve and the IMF. The Bank of France bought most of its gold from the U.S. central bank at the official price of gold, \$35 an ounce, thus honouring its commitment to the gold pool even after de Gaulle’s 1965 speech and France’s withdrawal from the gold pool in the spring 1965. The IMF was selling gold to France against dollar and francs in order to compensate the francs and the dollars bought by the Bank of England during the sterling crisis.¹⁵¹

Meltzer (1991, p. 63) claimed that France was the main gold buyer between 1960 and 1967, acquiring 66% of the total gold purchased by G-10 countries. He also argued that 1967 as

¹⁵⁰ See also Bordo et al. (1994); Gavin (2004).

¹⁵¹ See SAEF B-52468.

the peak year for France's accumulation of gold. However, the data from the Bank of France, the French Treasury and the Fed show that 1965 was actually the year with the highest French gold purchase. Table 1 enables a comparison of the gross sales of gold from the U.S. across destination.

3. U.S. NET MONETARY GOLD TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS

(Net sales (-) or net acquisitions; in millions of dollars at \$35 per fine troy ounce)

Area and country	1959	1960	1961	1962	1963	1964	1965	1966	1967	1967				
										I	II	III	IV	
Western Europe:														
Austria.....	-83	-1		-143	-82	-55	-100	-25						
Belgium.....	-39	-141	-144	-63		-40	-83							
France.....	-266	-173		-456	-518	-405	-884	-601						
Germany, Fed. Rep. of.....		-34	-23			-225								
Ireland.....						-1	-2	-2						
Italy.....			100			200	-80	-60	-85					-85
Netherlands.....	-30	-249	-25			-60	-35							
Spain.....		-114	-156	-146	-130	-32	-180							
Switzerland.....	20	-324	-125	102		-81	-50	-2	-30					
United Kingdom.....	-350	-550	-306	-387	329	618	150	80	-879	3	-34	-77	-771	
Bank for Intl. Settlements.....	-32	-36	-23											
Other.....	-48	-96	-53	-12	1	-6	-35	-49	16	-18	20	19	-6	
Total.....	-827	-1,718	-754	-1,105	-399	-88	-1,299	-659	-980	-15	-44	-58	-863	

Table 1: U.S. net monetary gold transactions with foreign countries and international organizations.

Source: Federal Reserve Bulletin, July 1968.

Before 1962, French gold purchase accounted for less than 20% of total gold sales to Western Europe, but this proportion increased to 38% in 1962 and fluctuated between 57% and 81% between 1963 and 1966. For the period 1960 to 1967, gold sales to France represented 40% of the gross sales to Western European countries.

9. Conclusion

The French archives allow to revisit the gold battles which opposed the U.S. and France during the sixties. Previous accounts of this episode compared the French conversion of their dollar reserve into gold with tactical threats to induce the U.S. to reform the international monetary system and give France would a more central role. I show that the main motive for the 1965 dollar conversions was the fear of a dollar devaluation. De Gaulle's advisors predicted a global crisis of confidence in the system of fixed parities, driven by a devaluation of sterling and a subsequent dollar devaluation. To avoid the losses incurred by a devaluation, the share of dollar in the French reserves was reduced, at first progressively and then at a more rapid pace. De Gaulle distrust of the U.S. authorities also led France to conduct costly operations to repatriate the gold held in New York to Paris. These findings also challenge the result from Monnet and

Puy (2020) who associated gold hoarding during the Bretton Woods system to an institutional memory of a gold standard culture or “old habits of the central bankers”.

While Garner Ackley, economic advisor to Johnson compared De Gaulle with the Greek legend of King Midas whose gold obsession led to his own destruction, one may prefer to compare De Gaulle to Cassandra, cursed to utter true prophecies, but never to be believed. Indeed, British and U.S. deficits persisted after 1965. The French predictions were in line with the analysis from Bordo et al. (2019) who showed that the 1967 sterling crisis was detrimental in the speculation against the dollar that eventually led to the demise of the Bretton Wood system. But, from the spring 1968 onwards, De Gaulle was forced to turn his attention away from the dollar problem and into another battle...

References:

Accominotti, Olivier. “The Sterling Trap: Foreign Reserves Management at the Bank of France, 1928–1936.” *European Review of Economic History* 13, no. 3 (2009): 349–76.

Avaro, Maylis. “Essays in Monetary History.” The Graduate Institute of International Studies., 2020.

Avaro, Maylis. “Zombie International Currency: the pound sterling 1945-1973.” Working paper, the Graduate Institute of International Studies., 2021.

Bordo, Michael D, Owen F Humpage, and Anna J Schwartz. “The Evolution of the Federal Reserve Swap Lines since 1962.” *IMF Economic Review* 63, no. 2 (September 1, 2015): 353–72.

Bordo, Michael D., Ronald Macdonald, and Michael J. Oliver. “Sterling in Crisis, 1964–1967.” *European Review of Economic History* 13, no. 3 (2009): 437–59. .

Bordo, Michael, Eric Monnet, and Alain Naef. “The Gold Pool (1961–1968) and the Fall of the Bretton Woods System: Lessons for Central Bank Cooperation.” *The Journal of Economic History* 79, no. 4 (2019): 1027–59.

Bordo, Michael, Dominique Simard, and Eugène White. “La France et le système monétaire de Bretton Woods.” *Revue d'économie financière* 26, no. 3 (1993): 249–86.

Bourricaud, François, Pascal Salin, and Jacques Rueff. *Présence de Jacques Rueff*. Paris: Plon, 1989.

Calleo, David P. *The Imperious Economy*. Cambridge Mass.; London: Harvard University Press, 1982.

- Chivvis, Christopher S. "Charles de Gaulle, Jacques Rueff and French International Monetary Policy under Bretton Woods." *Journal of Contemporary History* 41, no. 4 (2006): 701–20.
- Cohen, Stephen D. *International Monetary Reform*. New York: Praeger, 1970.
- Coombs, Charles A. *The Arena of International Finance*. New York: Wiley, 1976.
- Couve de Murville, Maurice. *Une Politique Étrangère, 1958-1969*. Plon Paris, 1971.
- Dillon, Patricia. "La Stratégie Monétaire Internationale de Charles de Gaulle." In *De Gaulle En Son Siècle t.3: Moderniser La France*, Institut Charles de Gaulle / La Documentation française., 3:130–42. Actes Des Journées Internationales Tenues à l'UNESCO, Paris, 19-24 Novembre 1990. Plon, 1992.
- Eichengreen, Barry. *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*. Oxford University Press, 2011.
- Eichengreen, Barry J. *Globalizing Capital: A History of the International Monetary System*. Princeton University Press, 1998.
- Eichengreen, Barry, Arnaud Mehl, and Livia Chitu. *How Global Currencies Work: Past, Present, and Future*. Princeton University Press, 2018.
- Feiertag, Olivier. "Central Banks versus International Money Markets?: A History of French-American Monetary Cooperation (1960 - 1971)." In *International Monetary Cooperation across the Atlantic*, edited by Harold James and Juan Carlos Martinez Oliva, European Assoc. for Banking and Financial History e.V., 79–90. Frankfurt am Main, 2008.
- Ferro, Maurice. *De Gaulle et l'Amérique, Une Amitié Tumultueuse*. Plon, 1973.
- Flandreau, Marc R. "'Water Seeks a Level': Modeling Bimetallic Exchange Rates and the Bimetallic Band." *Journal of Money, Credit and Banking* 34, no. 2 (2002): 491–519.
- Frasher, Michelle. *Transatlantic Politics and the Transformation of the International Monetary System*. Routledge, 2013.
- Gaulle, Charles de. *Mémoires d'espoir*. Plon, 1970.
- Gavin, Francis J. *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958-1971*. UNC Press Books, 2004.
- Lévêque, Jean-Maxime. *En Première Ligne*. FeniXX., 1986.
- Loriaux, Michael Maurice. *France After Hegemony: International Change and Financial Reform*. Cornell University Press, 1991.
- Mahan, Erin R. "Strain on the Dollar: Franco-American Monetary Disputes." In *Kennedy, de Gaulle, and Western Europe*, 107–27. Springer, 2002.
- Manas, Monsieur Arnaud. *L'Or de la guerre froide*. Paris: Les éditions du Cerf, 2022.
- Meltzer, Allan H. "U.S. Policy in the Bretton Woods Era." *Review* 73, no. 3 (1991).

Monnet, Eric. “French Monetary Policy and the Bretton Woods System: Criticisms, Proposals and Conflicts.” In *Global Perspectives on the Bretton Woods Conference and the Post-War World Order*, 73–87. Springer, 2017.

Monnet, Éric. “Une Coopération à La Française. La France, Le Dollar et Le Système de Bretton Woods, 1960-1965.” *Histoire@ Politique*, no. 1 (2013): 83–100.

Monnet, Eric, and Damien Puy. “Do Old Habits Die Hard? Central Banks and the Bretton Woods Gold Puzzle.” *Journal of International Economics* 127 (2020): 103394.

Paxton, Robert O., and Nicholas Wahl. *De Gaulle and the United States: A Centennial Reappraisal*. Oxford; Providence, R.I: Berg Publishers, 1994.

Peyrefitte, Alain. *C'était de Gaulle - Tome II*. Editions de Fallois Fayard. Paris: FAYARD, 1997.

Prate, Alain. *Les batailles économiques du général de Gaulle*. Collection Espoir. Paris: Plon, 1978.

Quennouëlle-Corre, Laure. “Chapitre X. 1965-1967 : La Marche Forcée Vers La Modernisation.” In *La Direction Du Trésor 1947-1967: L'État-Banquier et La Croissance*, 497–556. Histoire Économique et Financière - XIXe-XXe. Vincennes: Institut de la gestion publique et du développement économique, 2013.

Ragache, Gilles. *De Gaulle: l'or, le dollar et la France, 1940-1970*. Antony: CPHF éditions, 2017.

Ramage, Joseph C. “The Gold Cover,” *Economic Quarterly*. Federal Reserve Bank of Richmond, July 1968.

Rueff, Jacques. *De l'aube au crépuscule: Autobiographie de l'auteur*. Vol. 1. Paris: Plon, 1977.

Schaufelbuehl, Janick Marina. “Gold as a Diplomatic Tool: How the Threat of Gold Purchases Worked as Leverage in International Monetary Relations, 1960–68.” In *The Global Gold Market and the International Monetary System from the Late 19th Century to the Present*, edited by Sandra Bott, 159–80. Springer, 2013.

Schenk, Catherine R. “The Origins of the Eurodollar Market in London: 1955–1963.” *Explorations in Economic History* 35, no. 2 (1998): 221–38.

Solomon, Robert. *The International Monetary System, 1945-1981*. New York: Harper & Row, 1976.

Steil, Benn. *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton University Press, 2013.

Vaïsse, Maurice. *La grandeur: politique étrangère du général de Gaulle, 1958-1969*. Pour une histoire du XXè siècle. Fayard, 1998.

Volcker, Paul A, and Toyoo Gyohten. *Changing Fortunes: The World's Money and the Threat to American Leadership*. New York: Times Books, 1992.

Wormser, Olivier. "Le Général de Gaulle et la monnaie." *Le Général de Gaulle et une certaine idée de la France*, Etudes Gaulliennes, Actes du Colloque des Cercles Universitaires d'Etudes et de Recherches Gaulliennes, no. 3 & 4 (1973): 124–51.

Annex:

	Country	1960	1961	1962	1963	1964	1965	1966	1967	1968
Trade Balance	<i>USA</i>	0.9	0.6	0.3	0.4	0.5	0.6	0.5	0.4	0.0
	<i>UK</i>	-1.5	-0.5	-0.2	-0.3	-1.6	-0.7	-0.4	-1.2	-1.5
	<i>France</i>	0.1	0.6	0.6	0.2	-0.1	0.3	0.0	0.1	-0.5
Balance of Trade and Services	<i>USA</i>	1.1	0.9	0.7	0.6	0.9	0.8	0.9	0.4	0.1
	<i>UK</i>	-1.2	-0.3	0.2	0.3	-1.2	-0.3	-0.2	-0.9	-0.9
	<i>France</i>	1.0	1.4	1.1	0.6	0.0	0.4	0.0	-0.1	-1.1
Private Capital Movements (Net Outflow -)	<i>USA</i>	-0.5	-0.6	-0.5	-0.6	-0.9	-0.5	-0.2	-0.3	0.4
	<i>UK</i>	-0.3	0.3	0.0	-0.6	-0.7	-0.4	-0.1	-0.1	-0.1
	<i>France</i>	0.4	0.4	0.4	0.5	0.6	0.7	0.4	0.0	-1.3
Total Government Transactions	<i>USA</i>	-0.9	-0.6	-0.4	-0.4	-0.3	-0.4	-0.4	-0.5	-0.4
	<i>UK</i>	-0.4	-0.1	-0.4	-0.3	-0.3	-0.2	-0.2	-0.1	0.0
	<i>France</i>	-0.4	-0.7	-0.2	-0.2	-0.2	0.0	0.0	-0.1	0.0
Military Expenditures	<i>USA</i>	-0.6	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.4	-0.3
Official Debt Prepayments	<i>France</i>			-0.8	-0.3		-0.2	-0.1		
Total Balance	<i>USA</i>	-0.7	-0.4	-0.4	-0.5	-0.4	-0.2	-0.2	-0.4	0.0
	<i>UK</i>	-0.7	0.1	0.4	-0.2	-2.2	-0.7	-0.5	-0.6	-1.2
	<i>France</i>	0.9	1.4	0.8	0.8	0.8	0.9	0.3	0.0	-2.5

Table 2: Balance of payments, in % of annual GDP. Selected items.

Source: BIS annual reports, various year. World Bank national accounts data, and OECD National Accounts data files, author's calculation.