

U.S. Melted Down Gold Items From Nazis

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Published: December 1, 1997

Seven years after World War II ended, the United States melted down gold plates, buttons, coins and smoking-pipe ornaments that were apparently looted from Hitler's victims, and turned the gold over to European central banks.

According to long-secret documents that the Federal Reserve Bank of New York plans to release this week to a conference of historians tracking Nazi gold, the personal effects were smelted into gold bars in 1952 by the now-defunct United States Assay Office, then part of the Treasury.

It has long been presumed that the gold returned to European countries on orders of a commission set up by the United States, Britain and France after World War II was entirely composed of "monetary gold" ingots stolen by the Nazis from central banks. But there were lingering suspicions that personal gold was mixed in, and the Federal Reserve documents now establish that more than 40 bars of gold created by the United States came from the homes and pockets of individuals, presumably including Holocaust victims.

Jewish groups and the United States Government plan to use the documents to press their case that \$54 million in gold remaining in the possession of the Tripartite Commission for the Restitution of Monetary Gold -- the panel assembled to return looted assets to central banks -- should be given to Holocaust survivors and their heirs.

Other newly declassified documents from American archives, also expected to be presented at the conference, which begins Tuesday in London, reveal other bizarre details from recent investigations of the trail of wartime assets that have now spanned the globe.

For instance, it has long been known that the United States and Britain paid Switzerland -- a neutral country during the war -- millions of dollars for the care of prisoners of war held by the Japanese. But a newly released transcript of a coded message written by Swiss officials in 1945 shows that a secret deal was reached in August 1944 by Japanese and Swiss officials to divert 40 percent of those funds to pay off Japan's debts to Swiss businesses.

The message was intercepted by the United States and declassified last month by the National Security Agency.

At the time of the message, Switzerland was providing war materiel to Japan, as well as to the Germans and the Allies. The secret Swiss cable says that the rest of the British and American money intended to aid the prisoners was "at the free disposal of the Japanese Government."

In another cable discovered by researchers at the National Security Agency, the deputy director of Germany's central bank boasts to his superiors just days before his country's surrender that Swiss authorities were secretly cooperating with him to smuggle gold out of Germany. That was in direct violation of an agreement between Switzerland and the United States to block all financial transactions with Germany.

The German banker's cable to Berlin describes the movement of three tons of gold to Bern that day and says that Switzerland's secret cooperation with the Reichsbank, Germany's central bank, "creates a possibility for continuation of numerous German-Swiss contractual relationships of a public and private nature."

Other insights may come from a yet unreleased preliminary report of an independent historical team organized by Switzerland. It is expected to trace what happened to gold pulled from the teeth of victims of the Nazis, which American officials believe was later smelted into gold bars. But the documents found so far, historians familiar with a draft of the report say, do not trace a paper trail between the death camps and the mints that created the gold.

"It's not the kind of thing people kept exact records of," said one historian familiar with the report.

The Federal Reserve obtained the gold buttons, coins and pipe ornaments from the United States High Commissioner for Germany in February 1952, its records show. It is known that they came in 17 boxes, but a description of the documents sent by a Federal Reserve official, James R. Hennessy, to the World Jewish Congress earlier this month says, "Our records do not provide any further information as to the nature or origin of the deposit."

The Federal Reserve's role was limited to acting as a custodian of gold for the Tripartite Commission, though the records show that the Treasury helped to turn the assets into negotiable gold that could be distributed to European countries.

Last month, other documents were revealed showing that the Treasury melted down bars of gold -- stamped with the swastika of the Prussian mint -- that had previously belonged to Spain so the gold could be reissued as American-produced gold and used in a transaction in which Spain purchased American-made telephone equipment.

At the time the coins, buttons and pipe ornaments were smelted, sorting out the ownership of private gold was far from Washington's top objective. With the cold war well under way, all of the focus was on the economic stabilization of Europe -- thus the rush to melt down gold and send it back to Europe.

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While the origin of the personal gold items is not clear, other historical records show that immediately after the war, American occupation forces came across large stores of gold that were seized from Jews and other Nazi victims, often as they were driven out of their homes.

Other effects were taken from them in the concentration camps, including dental gold -- although no dental gold is listed on the Federal Reserve's inventory.

The Federal Reserve records prove, though, that at least some of the gold returned to Europe was not "monetary gold." The Tripartite Commission -- set up by the United States, France and England -- had insisted for decades that it was.

"It's a fair assumption that the monetary reserves of central banks in Europe did not include smoking pipes," said Elan Steinberg, the executive director of the World Jewish Congress, who plans to attend the meeting of historians in London.

Most of the nations that received gold from the Tripartite Commission have informally agreed, in principle, to let the \$54 million or so that remains in the Commission's account be used for some kind of humanitarian purpose. But final agreement has not been reached.

One of the biggest surprises in the new documents coming to light was the discovery that Switzerland had reached a secret agreement to use some of the money entrusted to it by the United States and Britain for its own purposes. In his memoirs, the American Ambassador to Japan when the war began, Joseph Grew, described in glowing terms how the Swiss minister looked after American interests in Japan during the war.

The document describing the agreement was found by a researcher in the Center for Cryptologic History at the National Security Agency, the intelligence service that conducts electronic eavesdropping. It is dated Nov. 3, 1945, after the war ended, and was sent from Bern to the Swiss Embassy in Washington in code using a version of the Enigma machine. The Swiss, like the Germans, did not know that the Enigma code was cracked during the war.

The Swiss memorandum began: "On 17 August 1944 we concluded with the Japanese Government a clearing agreement of an absolutely confidential nature, in accordance with which 40 percent of the franc payments by the British and American Governments for prisoners of war and internees in Japan are utilized for the transfer of Swiss claims in Japan, and 60 percent are at the free disposal of the Japanese Government."

It is not clear how much money the Americans and British entrusted to Switzerland for this purpose, but the memo says that at the end of the war the account showed "a balance of 14 million francs," or about \$3 million at the time.

With regard to the recently discovered cable from the deputy director of the German central bank, it has long been known that Switzerland violated its agreement with the United States to freeze financial transactions with Germany starting in early 1945. But the cable hints that this was part of a longer-term plan. Later, Switzerland also reneged on a 1946 agreement to turn over half of other German assets in its vaults so the proceeds could be used to help war refugees and other victims.

But recently the United States has said it would not press to enforce the 1946 agreement, which was superseded by another agreement several years later after it became clear that Switzerland had no intention of turning over most of the assets.

The Swiss Government is also taking part in the London conference and says that it is committed to further investigations to dig up the truth about its financial role during and after World War II. But the subject has become an enormously raw one in Switzerland, and a referendum to set up a large national humanitarian fund, a form of repentance, will not be held until next year at the earliest.

Although other funds have been set up by Switzerland's private banks, Swiss officials fear that under current circumstances, with the public feeling under attack for actions taken a half century ago, the referendum might fail.

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