



**The Holocaust Educational Trust**

# **NAZI GOLD**

**The British and Allied attempt to deal with loot  
from the Second World War and the  
implications for the Tripartite Gold Commission**

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**THE HOLOCAUST EDUCATIONAL TRUST  
NOVEMBER 1997**

**SECOND EDITION**

Publication of the Research Department of  
The Holocaust Educational Trust

Written and edited by  
Jonathan Boyd and Stephen Ward

Director: Janice Lopatkin  
Research Director: Dr Daniel Summerfield  
Chief Research Consultant: Stephen Ward  
Researchers: Barbara Wyllie, Paula Jacobs and Paula Kitching

With thanks to the following individuals and organisations  
for their advice, assistance and support

Dr. Carolsue Holland  
Lord Roper  
Thomas Rothbart  
Arthur Smith  
The Bank of England  
House of Commons Library  
The Imperial War Museum  
The Public Records Office  
The Harry S. Truman Library, Independence, Missouri  
Library and Records Department, United Kingdom Foreign and Commonwealth  
Office  
The United States National Archives, Washington D.C.  
The Weiner Library  
World Jewish Congress

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## Summary of report

### 1) Looting of property as elements of Nazi ideology and economics

The campaign to plunder the property of the victims of Nazism was intrinsically connected to both the National Socialist image of the Jew, and the economic needs of the SS and the German war effort. In order to ensure that the maximum amount of individual property was accumulated, the Nazis implemented a systematic campaign involving legislation, deception and violence. In the course of the war, they also forcibly removed much of the monetary gold belonging to the treasuries of the countries which they occupied. **At the end of the war, approximately \$260 million of looted monetary and non-monetary gold was discovered in Germany. Much had already left the country.**

### 2) Looted gold and property during the war

Looted possessions were sent to Berlin to be processed. Gold and precious metals were sent to the Reichsbank. Individual possessions including jewellery, religious artefacts, and gold teeth, were either melted down or pawned. Credit from the gold bars or cash which resulted from these processes was secretly deposited in a specific SS bank account in the Reichsbank. **An estimated 50 per cent of all looted gold was sold abroad, notably to banks in Switzerland, Portugal and Sweden. The rest appears to have remained in Germany.**

### 3) The end of the war

Following a bombing raid on Berlin in early 1945, the Reichsbank building was destroyed, and the bank's gold reserves and other looted possessions were moved to the Merkers salt mine near Eisenach in Thuringia. Two months later, the massive hoard was discovered by American troops, and valued at over \$238 million. It was subsequently taken to Frankfurt for safekeeping. **Other hoards of valuable property and both monetary and non-monetary gold discovered in Germany were similarly taken to Frankfurt. Some non-monetary gold still in its original form was stored separately from monetary gold in Berlin, Merkers and Frankfurt. At least as much again had already been processed.**

#### 4) Dividing up the gold: the theory

At the end of the war, the Allies were keen to ensure that gold was returned to its owners as quickly as possible. A conference held in Paris in late 1945 concluded that all monetary gold that had been discovered should be returned to nations occupied by the Nazis in proportion to their losses; all non-monetary gold, plus \$25 million taken from German assets in neutral countries, was to be given to the Inter-Governmental Committee on Refugees (later the International Refugee Organisation) and used to resettle refugees. The Tripartite Commission for the Restitution of Monetary Gold was established under the control of the British, American and French governments, to ensure that national claims were received and verified.

#### 5) Dividing up the gold: critical errors

**However, in the process of returning the gold, gold bars were only ever assayed for value, so their provenance was never established. All** of what appeared to be monetary gold was pooled, and the ten claimant nations ultimately received approximately 64 per cent of the claim, as the total amount claimed was considerably more than the total amount discovered.

The total amount of non-monetary gold looted by the SS was estimated to be worth \$14.5 million, but only \$3 million of this was ever used to help refugees. **Evidence exists which indicates that some non-monetary gold was included in the monetary gold pool.**

#### 6) Definitions

One of the main reasons for these errors was that different definitions of monetary and non-monetary gold were employed in the different zones of Germany. The simplistic definitions agreed under the terms of the Paris Treaty did not allow for the complexities surrounding the various types of gold discovered. **Definitions shifted, even to the extent that the British invented a third category of gold (identifiable non-monetary gold) without the agreement of the Americans or the French. Eventually this was abandoned, and the result was that more non-monetary gold went into the monetary gold pool.**

It was not until a second conference was convened in late 1949 that definitions finally became standardised, but even these implied that some non-monetary gold would have been included amongst the monetary gold pool. **According to the secret agreement at Brussels, privately-owned gold bars (which under the Paris Treaty should legally have been used to resettle refugees) were to be included in the monetary gold pool.**

## 7) Conclusion

**The fact that gold bars were not assayed to establish their provenance, and that the Allies failed to agree on joint and mutual definitions of monetary and non-monetary gold, non-monetary gold was included in the monetary gold pool. There was not necessarily an intention by governments to deprive refugees, but amid the chaos and competing priorities of post-war reconstruction, errors were made by officials when confronted with the realities of the gold that was discovered. As a result, some of the people who had lost most as a result of Nazi brutality, were denied a proportion of the restitution owed to them.**



## Nazi Gold

## Nazi Gold:

### The British and Allied attempt to deal with loot from the Second World War, and the implications for the Tripartite Gold Commission.

#### **1. Looting of property as elements of Nazi ideology and economics**

The Nazis scrupulous efforts to confiscate Jewish property should be viewed in the context of Nazi ideology - the belief that the Jews had accumulated their wealth as a result of centuries of devious, corrupt and evil activity. The image of the Jew as the usurer and financial parasite, has its roots in medieval Christian Jew-hatred, and was refined in nineteenth century leftist antisemitism. This emotive motif was adopted by the Nazis as an ideological back-drop to their activities.

Typically, Hitler is recorded as saying that “the Jew has established a juridicial basis for his rogueries. And thus it is that during the last two centuries, and with rare exceptions, our commerce has been dragged down to such a level that it has become absolutely necessary to apply a remedy. One first condition is necessary: to do away with the Jews.”

Large-scale looting also served an important pragmatic purpose: to assist the Germans in both their rearmament programme of the 1930s, and the broader war effort after 1939. Underlying this, is the more sinister accusation that the main agency for the collection of Jewish assets, the SS, used these sums for its own interests, which did not necessarily always coincide with those of the Reich.

The requisition of property began with a legislative campaign during the 1930s. For example, the 26 April 1938 Decree Concerning the Reporting of Jewish Property required that all Jews declare their property together with estimated values by the end of June 1938. Further decrees prevented Jews from trading with such property, and actively encouraged owners to turn their jewels and silverware to the Municipal Pawn Shops for conversion into currency.

Other attempts were more blatant. On 12 November 1938, following the *Kristallnacht* pogrom of 9 and 10 November, Hermann Goring issued the Decree concerning Reparations from Jews of German nationality, which ordered German Jewry to pay RMI billion to the German Reich under the pretext of reparation for the murder of vom Rath.<sup>2</sup> At the same time, the state

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<sup>1</sup> Adolf Hitler, *Hitler's Table Talk. Hitler's conversations recorded by Martin Bormann, (1988), p.374.*

<sup>2</sup> Ernst vom Rath, the third secretary of the German Embassy in Paris was assassinated by a seventeen-year-old Polish Jew, Herschel Grynszpan, in protest at the German treatment of

also confiscated insurance payments, and made Jewish shop owners liable for repair work. The money gained was used to top up the Reich's depleted finances.

Legislation was later extended to countries occupied by the Germans. As the ghettos of Eastern Europe were sealed, the property Jews had left behind after being forcibly resettled was also often stolen. Most of the few items they managed to take with them were also removed.

An order covering the Kovno (Kaunas) ghetto in Lithuania on 3 September 1941 illustrates the thoroughness of the confiscation. It states: "All Ghetto inmates must deliver immediately by 6pm on September 4, 1941, at the latest, the following articles to the Council for their transfer to the respective authorities:

1. Any money in Russian or German currency exceeding 100 (one hundred) roubles per family.
2. All valuables, including gold, silver, precious stones, and other precious metals, or items made from such metals.
3. Securities, receipts of deposits (if there are any).
4. Valuable paintings, valuable fur products, and furs (except for sheepskins or very worn furs), good carpets, and pianos.
5. Typewriters.
6. All electrical appliances, including those which can be used for medical or professional purposes.
7. Good materials for suits and coats.
8. Cows and poultry.
9. Horses with harness; carts.
10. Stamp collections.

. ..If this duty is not followed scrupulously and completely, it is not only the offenders who run the risk of the death penalty, but all other Ghetto inmates."<sup>3</sup>

Any remaining valuable possessions were stolen after arrival in concentration and death camps. The earliest known eye witness account of looting taking place in a death camp (written by Yacov Grojanowski, a young Jew from Izbica Kujawska in Poland) notes: "At about eleven o'clock, the first van loaded with victims arrived. Jewish victims were treated in this way: the Jewish men, women and children were in their underwear. After they had been tossed out of the van two Germans in plain clothes stepped up to them to make a thorough check if anything had been hidden. If they saw a necklace round a throat they tore it off. They wrenched rings from fingers, and pulled gold teeth

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the Jews. The carefully-orchestrated pogrom of *Kristallnacht* was officially explained as a spontaneous public outburst.

<sup>3</sup> Avraham Tory, *Surviving the Holocaust. The Kovno Ghetto Diary*, (1991), pp.34-35.

out of mouths. They even examined anuses (and, in the case of women, genitals). This entire examination was done most brutally.”<sup>4</sup>

Deceit was also used to extract property more subtly. A notice, written at the entrance to the notorious death camp of Treblinka read: “You are now entering a transit camp from which you will be transported to a labour camp. To prevent epidemics both clothing and luggage must be handed in for disinfecting. Gold, cash, foreign exchange, and jewellery are to be given up at the cash desk in return for a receipt. They will be later returned on presentation of the receipt.”<sup>5</sup> Of course, they were never returned, as the estimated 840,000 Jews murdered there were never able to reclaim them.<sup>6</sup>

In short, each prisoner was expected to make a profit for the SS. Each prisoner had a value, partly derived as a result of his or her ability to work, but, particularly in the case of Jewish victims, from their property. This didn’t simply include valuable possessions such as religious artefacts and jewellery. It equally included, gold teeth, artificial limbs, and hair.

## **2. Looted gold and property during the war**

Forcibly removing the valuables from victims throughout occupied Europe was the first stage of an operation which ultimately produced a number of tangible returns in the German interior: gold bars to add to the Reich’s reserves, official credit balances for the SS to expand its empire, and probably unofficial credit and gold hoards for senior members of the SS. By the time these items were discovered by the Allies at the end of the war, they were often in a form and a place which offered no clues as to their origins. However, enough records survive, and enough people were captured and interrogated for the overall looting process to be reconstructed in some detail.

Part of the answer can be found in SS-Obergruppenführer Odilo Globocznik’s 5th January 1943 report on Action Reinhardt, which he sent to the head of the SS, Heinrich Himmler. Globocznik had been given responsibility by Himmler for Action Reinhardt, the plan to exterminate Polish Jewry, and to this effect, had established three of the six most notorious death camps of Poland - Belzec, Sobibor, and Treblinka. In addition to the plan for mass extermination, Action Reinhardt involved other tasks: to exploit manpower, to realise the immovable property of liquidated Jews, and, most significantly, to seize hidden valuables and movable property.

His report specifies both the quantity of loot involved, and how it was delivered from the camps to the German interior. He notes: “Assets delivered from

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<sup>4</sup> Martin Gilbert, *The Holocaust. The Jewish Tragedy*, (1989), p.266.

<sup>5</sup> From: Noakes and Pridham, *Nazism 1919-1945. 3: Foreign Policy, War and Racial Extermination*. University of Exeter, p. 1154.

<sup>6</sup> See: Gilbert, *The Holocaust*, p.502.

Action Reinhardt. The following assets from the Action Reinhardt were delivered to the SS Economic and Administrative Main Office, Berlin, for further transmission to the Reichsbank or to the Reich Ministry of Economics: a) Reichsmark sums totalling 53,013,133.51 marks; b) currency in bank notes from all the principal countries in the world... to a value of 1,452,904.65 Reichsmark; c) foreign currency in gold coins to a total value of 843,802.75 Reichsmark; d) precious metals. . . to a total value of 5,353,943 Reichsmark; e) other valuables such as jewellery, watches, spectacles, *et cetara*... value 26,089,800 Reichsmark; f) about 1,000 wagons of textiles to a total value of 13,294,400 Reichsmark. Grand total 100,047,983.91 Reichsmark.”

Subsequent reports, written after the three camps had been wound up, show that the final amount looted under Action Reinhardt was close to 200 million Reichsmark. To this should be added all the loot from the camps which didn't fall under the auspices of Action Reinhardt, which notably included Auschwitz-Birkenau, Majdanek and Chelmno. An estimated 1.7 million Jews died in these three camps alone, and their possessions were utilised in much the same way. As Rudolf Höss, the commandant of Auschwitz, noted in his autobiography, “valuables worth many millions of pounds were seized... Thirty newly-built barracks were crammed with these goods while mountains of unsorted effects piled up around the barracks.”

Loot collected in the camps was sent to the *Wirtschaftsvenwaltungshauptamt* or WVHA (the Central Office of Economic Administration) in Berlin to be sorted. Everything had a value: repaired spectacle frames could be used by wounded individuals, articles of no monetary value were principally handed over to Armed Forces authorities to cover immediate and urgent needs, textiles and clothing helped to clothe foreign workers, and much was remanufactured. In the case of the most valued loot - gold, bank notes, coins, jewellery and other objects of financial value - the SS turned to an organisation used to handling vast quantities of such materials: the Reichsbank.

Albert Thoms, the manager of the Reichsbank's Precious Metals Department, was interrogated by the Americans after he was captured trying to escape from Merkers salt mine. He informed them that the “procedure, upon receiving the goods, was to sort them and distribute the goods to the appropriate departments in the Reichsbank for handling and disposition.”

The nature of these goods was described by Oswald Pohl during his trial at Nuremberg on 5 August 1946. Pohl headed the WVHA, and was in charge of the economic side of the Nazi extermination programme. One of his central tasks was to ensure that all valuables seized from Jewish victims were sent to Germany. During his trial, he stated: “I discussed with the Reichsbank

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<sup>7</sup> See: Document 4024-PS report from Globocnik to Himmler, 5 January 1943, p.12 (English version).

<sup>8</sup> Comité International d'Auschwitz (ed.), *KL Auschwitz*, Cracow, p.69.

<sup>9</sup> 3951-PS, 8 May 1946.

Director, Emil Puhl, the manner of delivery. In this conversation no doubt remained that the objects to be delivered were the jewellery and valuables of concentration camp inmates, especially of Jews, who had been killed in extermination camps. The objects in question were rings, watches, eyeglasses, ingots of gold, wedding rings, brooches, pins, frames of glasses, foreign currency, and other valuables. Further discussions concerning the delivery of these objects took place between my subordinates and Puhl and other officials of the Reichsbank. It was an enormous quantity of valuables, since there was a steady flow of deliveries for months and years.”<sup>10</sup>

Albert Thoms explained how such loot was received by the Reichsbank: “The deliveries would be made by truck and would be in charge of an SS man by the name of Melmer.... I was told merely to give Melmer a preliminary conditional receipt for the cases that constituted the deliveries.”

Thorns continued: “I was orally advised by Melmer that the proceeds should be credited to the account of ‘Max Heiliger’. I confirmed this on the telephone with Rechnungsdirektor Patzer of the Ministry of Finance.”” Max Heiliger was a code name for the specific SS bank account opened to receive the credit gained from the looted gold and valuable possessions extracted from the victims of Nazism.

In short, as the Financial Division of the Allied Expeditionary Force noted in a report published as the war ended: “The Reichsbank appears to have acted as the personal agent of Himmler in converting SS loot into orthodox financial assets. The Bank concealed these activities by the use of cover names: the loot was received for the account of an individual caller MELMER; its value after assessment was credited to the account of MAX HEILIGER. Only about a dozen persons knew these code names.”<sup>13</sup>

In order for jewellery and various personal items to have become credit within a bank account, they needed to be converted into other forms, either by way of melting or pawning. These processes were chiefly conducted by three organisations: the Prussian State Mint, the precious metals firm *Deutsche Gold- Und-Silber Scheideanstalt (Degussa)*, and the Reich Pawnshop on Elsässer Strasse in Berlin. A Supreme Headquarters Allied Expeditionary Force (SHAEF) report, summarising Thoms’ third statement, explains: “Of the precious metals for re-smelting, some, usually small items like gold rings, went to the mint and were smelted. Larger items for re-smelting went mostly to the Reich pawnshop; the biggest share of these items was probably smelted by Degussa which paid a higher price for precious metals for re-smelting than the Mint, and was the biggest firm in the precious metals business. Some of the

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<sup>10</sup> Pohl, 4045-PS, 5-8-46, p.316.

<sup>11</sup> 3951-PS 8 May 1946

<sup>12</sup> 3951-PS, 8 May 1946.

<sup>13</sup> Supreme Headquarters Allied Expeditionary Force (SHAEF) G-5 Division Special Finance Detachment, 8 May 1945, p. 1.

better jewellery was sold abroad instead of being melted.”<sup>14</sup> The gold that was smelted was turned into gold bars, and subsequently disguised, “often with a pre-war stamp”.<sup>15</sup>

Some of the gold from the concentration camps had already been processed long before it reached the Reichsbank. In Auschwitz, a laboratory for melting gold (Goldgiesserei) was built in Crematorium III, where gold teeth were turned into ingots.<sup>16</sup>

In addition to the loot taken from victims, most of the gold which the Nazis stole came from the reserves of the countries which they had occupied. The question of whether distinction could be made between bars from non-monetary sources and the gold bars belonging to national treasuries remains uncertain because by its very nature, “gold has the property of being easily changed in appearance.”<sup>17</sup> Equally, it is not clear whether non-monetary gold bars were stored entirely separately from monetary gold bars in the Reichsbank.

Emil Puhl (who was Thorns’ director, and Reichsbank President Dr. Walther Funk’s deputy) was responsible for the day-to-day running of the bank and the acquisition of loot from conquered nations and persecuted individuals. During his trial at Nuremberg, he noted that the Max Heiliger account was both completely official and top secret: “It is obvious that the desire for secrecy came from the SS;... And as we heard, they went so far as to invent an account - ‘Max Heiliger’ - which was obviously, as is also clear from the statement, an account for the Reich Ministry of Finance.”<sup>18</sup>\*

Thorns added: “. ..Puhl said it was very important not to discuss this [with] anybody, that it was to be highly secret, that it was a special transaction, and if anybody asked about it that I say I was forbidden to speak about it.”<sup>19</sup>

The secrecy surrounding looted gold and the Max Heiliger account prevents complete knowledge of exactly what happened to it once it had been turned into gold bars or cash between 1942 and 1945. However, what was discovered in the separate SS vaults appeared from SS account books to represent only half of the total which had arrived.\*<sup>20</sup> Implicitly, as much again had entered the German or world economy, whether as monetary gold or gold jewellery and artefacts. In spite of the fact that it would have been possible to identify the exact origin of the gold by scientific testing, this was never done. Fineness was

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<sup>14</sup> Ibid., p.3.

<sup>15</sup> UK Foreign and Commonwealth Office History Note, p.3.

<sup>16</sup> Jan Sehn, *Oswiecim-Brzezinka*, (1961), p.144.

<sup>17</sup> H.A. Siepman, Bank of England, 14 May 1947, quoted in: UK Foreign and Commonwealth Office History Note, p. 1.

<sup>18</sup> Emil Puhl, 3953-PS 15 May 1946.

<sup>19</sup> Albert Thoms, 3951-PS, 8 May 1946.

<sup>20</sup> See: Supreme Headquarters Allied Expeditionary Force G-5 Division secret report on SS loot, written by A.M. Kamarck, A/Chief, Financial Intelligence Branch to A/Director, Finance Division, US Group CC, 15 May 1946. FO1046/33.

ascertained in order that value could be established, but the origins of the gold were never explored.

Nevertheless, despite the Nazis' stringent efforts to conceal this operation, documentary evidence and testimonies shed significant light on the treatment of SS non-monetary gold. According to Karl Graupner, who was responsible for all gold transactions (which would have included both monetary and SS looted non-monetary gold) in the foreign exchange department of the Reichsbank in Berlin, one reason why only half remained was that vast quantities of gold were sold abroad by the Reich. This was done "in order to procure and establish free foreign exchange credit abroad."<sup>21</sup>

Graupner further claims that gold sales took place with several key banks during the war. These included the Swiss National Bank in Zurich, the Bank for International Settlements in Basle, the Bank of Portugal in Lisbon, the Swedish Reichsbank in Stockholm, the Turkish Central Bank in Ankara, the Bank of Tokyo in Japan, and the Office of the Economic Deputy in Greece, based in Athens.

### **3. The end of the war**

On Saturday 3 February 1945, with a German defeat imminent, the Reichsbank building in Berlin was bombed during a massive raid by American forces. In desperation, under Funk's orders, the Reichsbank personnel began to hastily move the bank's gold reserves, cash, art and sculpture to the salt mine at Merkers in Thuringia, about 200 miles south-west of Berlin. So vast were the state's reserves, that the entire process took over a week to complete. Two months later, on the morning of 4 April 1945, the American forces who had conquered the area, discovered the enormous hoard. Colonel Bernard Bernstein, the chief of SHAEF's G-5 (finance) branch, was placed in charge of the gold reserves, and following analysis of it, its value was put at \$238,490,000. This, explained Bernstein, represented 91 per cent of all the gold recovered in Germany.<sup>22</sup> The remaining nine per cent was subsequently discovered by Allied forces in a number of hoards throughout Germany.

On 14 and 15 April 1945, under American orders and rigid security conditions, the contents of the Merkers mine were taken to the Reichsbank building in Frankfurt (re-named the Frankfurt Exchange Depository or FED), which had fallen to the Americans on 26 March. The decision to remove the gold was taken because of difficulties encountered in guarding the hoard, and the Frankfurt Reichsbank was deemed far more secure. The process of bringing

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<sup>21</sup> National Archives Washington D.C., testimony of Reichsbankrat Karl Graupner, Frankfurt on Main, 1.5 and 16 August 1946.

<sup>\*\*</sup> National Archives Washington D.C., Record Group 165, records of War Department, General and Special Staffs CAD 386.3, Bernstein to General Lucius Clay, 19 August 1945.



the contents to ground level, which was overseen by Colonel Bernstein, took an entire American regiment twenty hours of non-stop work.

Amongst the loot discovered in Merkers and taken to the FED were over two hundred battered valises with an SS mark on each, containing valuables from concentration camp victims. These had been carefully stored separately from other gold reserves both in the Reichsbank and the salt mine. Colonel Bernstein was particularly meticulous in ensuring that these items continued to be separated from gold bars, as they were clearly and unmistakably the possessions of individuals. They were housed in a vault with strong wirework so that anyone outside it was able to see what was going on inside. According to Bernstein: "No one was allowed on the inside other than myself, and I could go into the vault only when other officers and American civilian visitors were present and were watching me."<sup>23</sup> He added that when American officials and visitors came to the depository, "I would go into this caged area alone and open up some of the valises to show the eyeglass frames, wedding rings and the melted down pieces of gold from the gold fillings and so on. Nothing was ever taken from the treasures while it was under my control."<sup>24</sup> Following examination of the records relating to the 76 SS deliveries from the camps to the Reichsbank, which were also discovered in Merkers, Bernstein estimated that the total amount of SS loot was worth \$14,500,000.<sup>25</sup>

However, the distinction that Bernstein made was not the only important one to make. Neither he, nor anyone else, ever seems to have considered whether some of what they discovered in gold bar form may have originated from personal gold possessions. They assumed that its origin was monetary, and that assumption appears never to have been questioned in spite of the fact that a US Intelligence document from July 1945 suggests that this should have occurred. It points out that 1,625 bars of "non-recognised" origin weighing 18,307,528 fine grams, were included amongst the bars shipped from the Reichsbank to Merkers.<sup>26</sup> These made up approximately 18% of the total gold held in the salt mine.

However, it was never assayed in this manner. The Allies decided that gold would be returned to claimant nations in equal proportion to their losses - i.e. that approximately 64 per cent of all claims would be met - and hence identifying whether a gold bar belonged to a specific treasury was unnecessary. As a result of this policy, any gold bars which had been created from non-monetary sources were never identified as such.

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<sup>23</sup> Richard D. McKinzie, *Oral History Interview with Bernard Bernstein, Harry S. Truman Library*, Independence, Missouri, December 1976, p. 128.

<sup>24</sup> *Ibid.*, pp.128-9.

<sup>25</sup> *Trial of the Major War Criminals before the International Military Tribunal, vol. 13, p.602.*

<sup>26</sup> See: US Finance Intelligence Report, 7 July 1945, Table 5, Gold in Bars and Miscellaneous Coins prepared for shipment to Merkers Mine.

The origins of the additional hoards which were discovered in Germany over the following months and years and added to the Merkers hoard in the Frankfurt depository were treated in the same way. These included several hoards listed in a June 1945 UK Foreign Office telegram. Included within this were the fifty-six bags of gold bars which had come from the Reichsbank, and were found at Zwickau and Regensburg in Germany.<sup>27</sup>

A further hoard of non-monetary gold and silver was discovered in a cave just outside Buchenwald labour camp, containing almost 21 tons of “currency, jewellery, gold fillings [and] silverware”.\*\* This was similarly taken to Frankfurt, and arrived on the afternoon of 6 May 1945.

#### **4. Dividing up the gold: the theory**

As the war ended, the fundamental discussion for the Allies concerned the return of the gold to its rightful owners. Gold reserves had been taken from many of the treasuries of nations which the Nazis had conquered. In a Europe which was largely bankrupt following the ruin of a world war, it was seen as essential that gold reserves were returned to those nations with the minimum amount of delay possible. Given the vast quantities of gold in question, an international conference was convened in Paris in late 1945 to discuss how to deal with it.

The Paris Conference, attended by eighteen powers who had either fought against or been invaded by Germany, was designed to divide up the spoils in detail in accordance with an agreement made in principle between Britain, the USA and the Soviet Union on 1st August 1945 at Potsdam. The Paris Treaty was called an “agreement on reparation” - making Germany pay financially for the cost of the war to other countries. The intention was simple and straightforward - to take everything which was Germany’s at home and abroad, and divide some of it - (the treaty did not say how much) among the eighteen countries. Gold was one of the commodities dealt out, and because of its high value, its portability, and its unique importance to economies, it was dealt with by a separate part of the treaty, and treated in a different way.

While Britain and the USA could play the role of honest brokers in the gold distribution, because they had lost none so were receiving none, they were not disinterested parties. Under the terms of the Paris Treaty, Britain took from Germany no less than 28 per cent of the total reparations other than gold, and the USA which had actually done well economically out of the war nevertheless helped itself to 28 per cent of German internal assets and nearly 12 per cent of German assets abroad. France took 16 per cent of the value inside Germany, and 23 per

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<sup>27</sup> For details of this example and the ones referring to Regensburg and Erlangen, see FO 1046/33, Secret Cypher Telegram, 21 June 1945.

<sup>28</sup> Carolsue Holland and Thomas Rothbart, ‘The Merkers and Buchenwald Treasure Troves’, contained in: *After the Battle, No.93*, Battle of Britain Prints, London. 1996.

cent outside. The treaty did not decide the amount of reparations which Germany would pay; it decided the proportions of whatever amount was decided which would go to each country.

The Paris Treaty was without question badly drafted, in a way which was bound to lead to difficulties when it was applied to the realities of the gold which had been found. It stated in Article 8 entitled “Allocation of a reparation share to non-repatriable victims of German action”, that all non-monetary gold “found by the Allied Armed Forces in Germany” should go to help resettle refugees. This measure was in “recognition of the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any Government receiving reparation from Germany”.<sup>29</sup>

An additional sum “not exceeding \$25 million” should be made available from “a portion of German assets in neutral countries which are available for reparation”. This sum was in recognition of “the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any Government receiving reparation from Germany.” Further, “governments of neutral countries shall be requested to make available for this purpose (in addition to the \$25 million) assets in such countries of victims of Nazi action who have since died and left no heirs.”

Under the section of the treaty dealing with monetary gold, it was decided everything found in Germany and abroad in German possession should be pooled, and distributed regardless of previous ownership. It should be divided pro-rata to countries who had lost gold to the Germans since 1938.

The organisations identified to oversee the two parts of this process were the Brussels-based Tripartite Commission for the Restitution of Monetary Gold (TGC) and the Inter-Governmental Committee on Refugees (IGCR), which later handed over responsibility for non-monetary gold to the International Refugee Organisation (IRO). The TGC, which was comprised of representatives of the British, American and French governments was responsible for the monetary gold (the Gold Pool). The IGCR was designed to ensure that non-monetary gold, and the other amounts earmarked in the Paris Treaty, would be returned to refugees.

## **5. Dividing up the gold: critical errors**

Colonel Bernstein was undoubtedly extremely scrupulous in his efforts to ensure that monetary and non-monetary gold were kept separately, both at

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<sup>29</sup> ‘Agreement on Reparation from Germany, on the Establishment of an Inter-Allied Reparation Agency and on the restitution of Monetary Gold’, Paris, 14 January 1946, Treaty Series No. 56 (1947), Cmd. 7173.

Merkers, and later at the FED. However, in spite of these attempts, gold bars and currency among the half of the SS loot remaining in Merkers may nonetheless have been allocated to the Gold Pool.

During the meticulous attempts to inventory and examine the gold, a considerable degree of confusion and doubt about the provenance of certain gold bars was voiced. One indication of this can be found in a confidential letter of 19 July 1946 from Livingston T. Merchant (US Minister-Counsellor for Economic Affairs) to the US Secretary of State in Washington DC, which notes that "...in Shipment 1 a question mark has been placed against the item of 4173 bags said to contain 8307 gold bars inasmuch as these gold bars may, after proper assay and expert consideration, be determined to represent melted down gold teeth fillings and therefore classifiable as non-monetary gold."<sup>30</sup>

After studying the SS books discovered at Merkers, Bernstein valued the SS treasure found there at \$14.5m.<sup>31</sup> However, when the allocation was finally made to the International Refugee Organisation, only \$3 million appears to have been handed over.<sup>32</sup>

In addition, the ex-SS gold which had been laundered, may have been among the hoards found by the Allies elsewhere in Germany, by this time "belonging" to branches of the Reichsbank or other owners unconnected to the SS. If it had been bought by the Reichsbank, it is probable that it would subsequently have been found amongst the Reichsbank's general monetary gold reserve discovered at Merkers.

However thorough and scrupulous the TGC's attempts were in ensuring that gold was given to the correct place, there is evidence that at least some was misplaced. For example, a number of bags labelled 'Mixed Coins' but containing medals, plaques and tokens arrived at the Bank of England in July 1948. In a letter to Colonel Wingate, Desmond Morton, the UK Commissioner, states that the Bank of England "has never seen the like before, and in the bank's private opinion they are not monetary gold in the sense that they ever could have been currency." However, he points out that "if they were carried on the books of the Reichsbank as monetary gold, they perhaps might so be considered." He subsequently proposes that the medals which are not of historic or numismatic value be "melted down and turned into good delivery bars."<sup>33</sup> If this occurred, this is evidence of individual possessions being ultimately returned to national treasuries.

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<sup>30</sup> Confidential Embassy of the United States of America correspondence (ref. no. 5692), entitled 'Non-Monetary Gold and Other Valuables', Paris, 19 July 1946. The reference to 'Shipment 1' refers to the SS loot that was discovered at Merkers.

<sup>31</sup> See footnote 24.

<sup>32</sup> See: Seymour J Rubin and Abba P Schwartz, 'Refugees and Reparations', in: *War Claims - Law and Contemporary Problems*, Vol. 16, No.3, p.386.

<sup>33</sup> Treasury correspondence from Morton to Wingate, ref. no. DM/L/7/86, 7 July 1948.

## 6. Definitions

The difficulties which inevitably followed from the Paris Treaty's vague definitions did not come to a head for several years because they were not confronted by the three Allied Governments in charge of the zones of Germany. The result was that no consistent treatment was applied to the gold discovered within these zones.

The treaty was marred by a huge practical hole: it did not define monetary or non-monetary gold. It made no mention of gold which formerly belonged neither to a country nor to individuals, but to private banks, jewellery-makers or dentists, for example.<sup>34</sup>

If identifiable goods other than gold were found, under the terms of the treaty they were to be restored to their owners, while gold went either to the refugee pot or the monetary gold pot. This meant platinum and silver with the same history of ownership up to 1945 were intended to be allocated to different post-war owners.

All these practical difficulties came to the fore over the subsequent five years as the three Allies, who had been charged with collecting and allocating the gold from their respective zones of Germany, found conditions on the ground did not fit the template drawn up by the diplomats for the politicians to sign.

Officials reacted in many cases by putting decisions off, and by drawing up their own rules, without necessarily worrying how closely they corresponded to the Paris Treaty.

On 31st January 1947, the American Control Branch of the US Military Government of the occupied zone told the British Foreign Office property control branch that the Americans had established a central receiving agency at Frankfurt where "a number of teams of experts have been engaged for some months in classifying the property received."<sup>35</sup>

For this task the US had defined monetary gold as: "All coins excepting those of historic and numismatic value, and all Gold bars bearing a description of fineness usual on bullion or which from their appearance should have borne such a description". Non-monetary gold, they told the British, was "all articles of intrinsic value which are beyond reasonable doubt loot seized from victims of Nazi persecution."<sup>36</sup>

The British used a similar definition but confined it to loot seized from people in concentration camps. On 13th June 1947 E.B. Boothby wrote from the Foreign

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<sup>34</sup> Paris Treaty, 14th Jan 1946 Cmd 7173.

<sup>35</sup> 'Statement of action taken by Americans to give effect to Article 8 of the final act of the Paris Conference on Reparations', PRO FO944/252.

<sup>36</sup> 'Statement of action taken by Americans to give effect to Article 8 of the final act of the Paris Conference on Reparations', PRO FO944/252.

Office to the F.K. Salter at the US Embassy in London that the British were proposing that in their zone of Germany: “Non-monetary gold means all unidentifiable articles of intrinsic value looted from persons confined by the Nazis in concentration camps”.<sup>37</sup> There is evidence that this was interpreted on the ground by British forces even more narrowly, to include only possessions of camp victims found in the camps. According to an internal telegram sent by A.W.H. Wilkinson of the refugee department on 16th April 1947, “Property Control (branch in Germany) have started preparing inventories of non-monetary gold. They are working on a narrower definition than that used by Americans, under which non-monetary gold is confined to unidentifiable articles of intrinsic value looted from the bodies of persons killed in concentration camps and found there when the camps were entered by British and American forces.”<sup>38</sup>

In another variation of the working definitions, the Americans told the International Refugee Organisation in 1947 they were using a definition of non-monetary gold to include “all valuable personal property which represents loot seized or obtained under duress from political, racial or religious victims of Nazi Government or its satellite governments or nationals thereof.”<sup>39</sup>

The British non-monetary gold eventually inventoried and handed over to the International Refugee Organisation in late 1948 was, according to a letter from the Foreign Office in Berlin to London on 25th November 1948 ‘mostly consisting of the personal effects belonging to inmates of Belsen and Neunegamme concentration camps (both in the British zone of Germany)’. It is not clear what proportion of these effects were gold.

Wilkinson had written a note on 19th December 1947 that “final evaluation of non-monetary gold will take some time because of the physical difficulties of checking over items from false teeth to old alarm clocks”, but it is likely there would have been some non-monetary gold among them.<sup>40</sup>

According to the IRO, no British zone non-monetary gold was ever handed to the IRO.<sup>41</sup>

Britain and the USA spent some time comparing and discussing each other’s definitions. France’s modus operandi was more elusive: ‘The United States and United Kingdom authorities in Germany did agree upon a definition of non-monetary gold, but although aware of its existence, the French authorities can only be regarded as committed to it insofar as acquiescence in its use applies consent to its terms.’<sup>42</sup>

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<sup>37</sup> Foreign Office No. WR 2039/1 15/48, 13 June 1947, PRO FO944/252.

<sup>38</sup> Wilkinson to E.W. Play-fair, Treasury, PRO F0371/166716.

<sup>39</sup> Rubin and Schwartz, ‘Refugees and Reparations’.

<sup>40</sup> PRO F037 1/667 18.

<sup>41</sup> Rubin and Schwartz, *War Claims*.

<sup>42</sup> Draft Brief for the UK Representative to an Inter-Governmental Meeting on the Restitution of Monetary Gold Looted from Occupied Territory by the Germans, section 6, p.2. D.N Royce, Foreign Office German Economics department, 12 December 1949. PRO T236/2543.

The big practical hole in the Paris Treaty, the absence of a clear definition of monetary and non-monetary gold, led to probably the largest wrong allocations in favour of the national exchequers at the expense of refugees.

Britain had apparently been increasingly anxious to minimise the amount given to the refugees, particularly Jewish refugees, and to maximise the amount given either to the gold pool for invaded countries, or to Germany. Wilkinson wrote in an internal Foreign Office memorandum on 31st March 1947: ‘We do not like Article 8 in its present form as it discriminates openly in favour of Jewish refugees who form 20 per cent of the population at most but who get 95 per cent of the proceeds.’ The British, he wrote, were “not averse to the reopening of discussions on this point with a view to the amendment of the more objectionable features of Article 8.”<sup>43</sup>

It was in keeping with this attitude that Britain had unilaterally and arbitrarily invented a third category of gold not envisaged by the Paris Treaty. This was: “Identifiable non-monetary gold”. Military Government Law 53 ordering all privately-held gold to be handed in to the occupying power had produced a “substantial sum” by 1950 from the British zone. There were 39 bars which Britain wanted to restitute to Yugoslavia, and other gold which Britain wished to be made available to German industry.

The US, meanwhile, put all its equivalent gold in bar form into the gold pool, having decided there was no such thing as “identifiable non-monetary gold”.<sup>44</sup> The French found little, and transferred it according to British intelligence to the Banque de France in Paris. Without saying as much, they appeared to agree with the Americans that the category did not exist.<sup>45</sup>

The gold was piled up in the Bank of England, but it could not be handed out until it was decided what sort of gold it was. Pressure was growing from the countries due to receive money from the gold pool. France, which was one of the countries waiting for gold, persuaded Britain and the United States (which were not) to attend a conference in Brussels in January 1950 to iron out the inconsistencies and decide what to do with the disputed categories.

Two days before Christmas 1949 at a pre-conference meeting between diplomats of the three powers it was pointed out to the British they had been wrong to invent “identifiable non-monetary gold”. The British Embassy in Washington Embassy sent a telegram to the Foreign Office in London. ‘We [are] now... inclined to take

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<sup>43</sup> Handwritten response (to telegram from UK delegation, Moscow, No.3.57, PRO F0371/66716.

<sup>44</sup> Draft Brief. op.cit., section 9, p.3, PRO T236/2543.

<sup>45</sup> Ibid., section 11, p.4, PRO T236/2543

literally the wording of the Paris Act and to dispose of all gold either to the International Refugee Organisation or to the gold pool.”<sup>46</sup>

The final decision of the Brussels conference remained secret until documents were published thirty years later at the Public Record Office. “It was agreed that the Conference should first discuss the definition of monetary gold, then questions relating to the recovery of gold, and, last, questions relating to the redistribution of gold. The Conference then agreed that a short press communique should be issued on Monday, 9th January, on which day the Conference was expected to end. The communique should give no detail of the matters under discussion and should make it appear that the Conference’s main concern was with the extraction of looted gold from neutral countries rather than with any questions which were within the province of the Gold Commission. The agreed communique is included as Conclusion 14 of the Conference in the official record.” The final decision on a definition was that ‘monetary gold should be held to include gold which under German law and regulations was monetary gold. In accordance with this agreement, gold which is in the form of fine gold bars, gold alloy bars, or gold coins including gold in those forms which was surrendered or should have been surrendered under Military Government Law 53 in the US, British and French zones of occupation, should be made available to the Gold Pool.’<sup>48</sup>

German law under Hitler forbade the holding of private gold except under licence from the Reich. So under this definition, all unlicensed private gold was to be added to the “monetary” gold pot.<sup>49</sup>

The Allies anticipated challenges to this ruling, and said this allocation according to German laws was consistent with the way domestic laws were being taken into account in claims from countries receiving TGC gold.

Yet despite the desire to appear consistent, there was an undeniable inconsistency. The meeting agreed “that for reasons of administrative convenience” authorities in Germany should be instructed to exclude from the Gold Pool gold other than bars and coins, including “scrap, dust, shavings etc”, even though under German law this too could only be held under licence.<sup>50</sup>

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<sup>46</sup> German Reparations Distribution from Foreign Office (German Section) to Washington, No. 11704,23 December 1949, p-2, PRO T236/2543.

<sup>47</sup> Tripartite Conference in Brussels on Looted Monetary Gold Matters, Section One ‘The Definitions of Monetary Gold and its Application to Law No. 53 Gold’, sections 5 and 6, 31 January 1950, PRO T236/2543.

<sup>48</sup> Tripartite Conference in Brussels on Looted Monetary Gold Matters, Section One ‘The Definitions of Monetary Gold and its Application to Law No. 53 Gold’, 31 January 1950, PRO T236/2543.

<sup>49</sup> Record of the conference between representatives of the United States, French and United Kingdom in Brussels on the matter relating to the restitution of monetary gold looted by the Germans. First session, 5 January 1950. PRO T236/2543.

<sup>50</sup> Tripartite Conference, Section Two ‘Related Instructions to High Commissioners in Germany’, 31 January 1950, PRO T236/2543.



Even British diplomats apparently recognised that there were inconsistencies between the definitions they had adopted and the Paris Agreement. A telegram from the British Embassy in Washington to the Foreign Office in London on 6th April 1950 stated that although the British felt it would be fairer for any gold belonging to companies and held under licence to go back to those companies, under the most obvious reading of the Paris Treaty, it would go to refugees. “On the face of it the Paris Agreement requires” it should be “given to the IRO.”<sup>51</sup>

## 7. Conclusion

In the final analysis, **definitions** were altered, and the inconsistencies resulted in the fact that nothing was done to ensure that questionable gold bars (e.g. the industrial gold which legally should have been given to refugees under the terms of the Paris Agreement) were kept away from the Gold Pool. Consequently, there remains so much doubt surrounding the gold bars discovered in Germany at the end of the war, that it becomes impossible to conclude that the gold was correctly distributed. What is, however, abundantly clear, is that conclusive details concerning the origin of individual gold bars are impossible to ascertain. Whilst the governments did not necessarily intend to deprive refugees, amid the chaos and competing priorities of post-war reconstruction, concerns were voiced and errors were made by officials when confronted with the realities of the gold that was discovered. There can be no doubt that some non-monetary gold found its way into the Gold Pool - the question is how much?

More detail of the non-monetary gold which was incorrectly allocated will lie in documents which are currently classified, and not available in the preparation of this report. However, given the nature of gold and the fact that it was not assayed in the 1940s, the exact distribution can now never be established. The residue which currently remains with the Tripartite Gold Commission is 1.5 per cent of all the pooled gold, and worth \$63 million at 1997 prices. Even if all this were to be reallocated to individual victims, it is likely that it would remain less than they should have received had the terms of the Paris Treaty been correctly implemented.

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<sup>51</sup> German Reparations Distribution from Washington to Foreign Office (German Section), No. 1106, 6 April 1950, p.2, PRO T236/2543.

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