The Paper Column
Peter Huntoon

The 1964 legalization of owning Gold Certificates



Figure 1. Confiscation of this note along with two $10s by the Secret Service in 1963 set off a chain of events that led to the lifting of the ban on owning gold certificates

Purpose

Owning gold certificates was legalized on April 24, 1964, by Secretary of the Treasury Douglas Dillon. This is the story behind his action.

Gold Confiscation Order

President Franklin D. Roosevelt issued executive order 6102 on April 5, 1933, the purpose of which was to require everyone to turn in their monetary gold to the local banks; that is, their gold coins not having recognize collector value, gold bullion and gold certificates. The banks would then forward these items to the Federal Reserve banks. The purpose of his order was to free up the gold that had been hoarded and to get it into the hands of the federal government where it could be used to inflate the currency supply and do some good.

The order was issued a month and two days after FDR took office. It represented the first concrete step taken by the government to take the United States off the gold standard.

The banking system in the country was imploding when FDR took office on March 3, 1933. At 1:00 am Monday March 6, thirty-six hours after being sworn in, FDR issued a proclamation ordering the suspension of all banking transactions. This launched a bank holiday that "would permit the country to calm down and allow time for the enactment of remedial legislation" (Burns 1974, p. 36-37).

Secretary of the Treasury Ogden Woods, a Hoover appointee, knew bold action was required and had Treasury officials draft remedial legislation in advance of Roosevelt's term. This bill, called the Emergency Banking Relief Act, was introduced to a joint session of Congress on March 9th and passed at 8:30 that evening without a single dissenting vote. Roosevelt's confiscation order was promulgated under the authority conferred upon him by Congress in that act.

Roosevelt's confiscation order was followed by an executive order on August 28th prohibiting anyone other than a Federal Reserve bank to acquire, hold or export gold except under license. The Gold Reserve Act of January 30, 1934, withdrew gold and gold certificates from circulation and ceded title to the gold in the Federal Reserve banks to the United States. The Secretary of the Treasury was given authority through the legislation to issue rules and regulations to carry out these objectives. Henry

Morgenthau Jr. assumed that post from Ogden Mills on January 1, 1934. Important to this discussion is that the authority to issue rules and regulations pertaining to gold remained vested in the Secretary of the Treasury thereafter.

Holding of Gold Certificates Legalized

C. Douglas Dillon was appointed Secretary of the Treasury by President John F. Kennedy on January 21, 1961. He remained in that office until April 1, 1965, under President Lyndon B. Johnson following the assassination of President Kennedy. Dillon amended the gold regulations on April 24, 1964, to allow the public to hold gold certificates. His rationale was laid out as follows in his final annual report to Congress as Secretary (Dillon, 1965, p. 95).

> An amendment to the Gold Regulations was issued on April 24, 1964. This amendment constitutes a general license for the holding of all gold certificates issued prior to January 30, 1934. It will ease the problems presented by collectors of paper money who wish to hold these historic pieces.

A Modest Banker in Virginia

Dillon's monumental ruling in favor of numismatists did not materialize out of thin air. The backstory was developed and published by Edward Walter in Coin World (Walter, 2005). Here is that story.

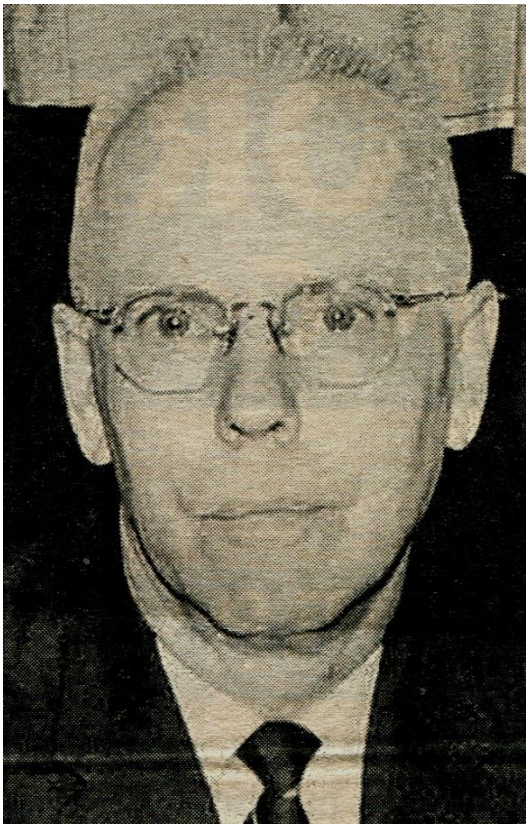


Figure 2. Chatham, Virginia, banker W. Earl Allen's pursuit of his confiscated notes initiated the lifting of the ban on owning gold certificates. Original photo appeared in the April 11, 2005, issue of Coin World, and is published with permission.

W. Earl Allen, a collector and president of the Bank of Chatham, Virginia, received a visit on October 29, 1963, a Tuesday, from Walter H. Young, a Secret Service agent based in Richmond. Agent Young advised Allen that he was in violation of the law by possessing three large-size gold certificates. Allen had some gold coins and the notes that he kept at the bank that he enjoyed showing to visitors. He was especially proud of the colorful gold notes, which had been given to him by close friends.

How the Secret Service learned of the notes was not disclosed.

Allen persuaded the agent to allow him to check on the matter with his friend William M. Tuck, a former governor of Virginia and current Congressional Representative from Allen's district. The agent acquiesced and left without confiscating the notes.

Upon being contacted by Allen, Representative Tuck immediately enlisted the help of senior Virginia Senator Harry Byrd. Within two weeks, Allen, Tuck and Byrd were well informed that indeed it was illegal for Allen to possess the notes.

Allen wrote to Agent Young on November 18th advising that he acknowledged that the agent's claim was valid and he would reluctantly turn the notes over to him. He received a reply dated December 11th from Special Agent in Charge Norwood G. Greene at Richmond requesting that he surrender the three notes directly to Greene. Allen sent them to Greene by registered mail on December 31st. No penalties were assessed because no criminal intent was involved. Included were two Series of 1922 Speelman-White $10s bearing serials K47390206 and K47390237, and one 1922 Speelman-White $100 N2033799.

Senator Byrd happened to be chair of the Senate Finance Committee. Of course, he was very well connected with Secretary of the Treasury Douglas Dillon so when he brought the situation to Dillon's attention, Dillon was amenable to considering it. Dillon agreed that the regulation against holding gold notes made little sense in 1963 and took swift action to remedy the situation. On April 23, 1964, Dillon had the Treasury Department prepare the following press release.

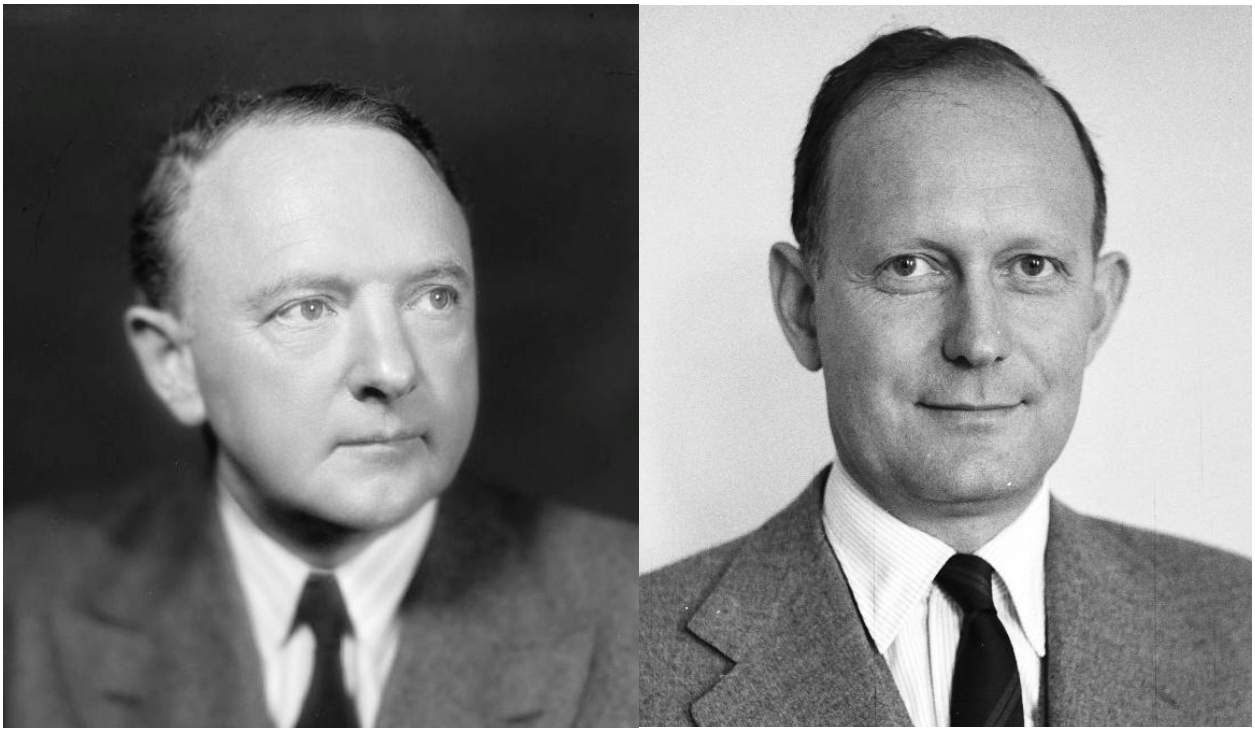


Figure 3. Senator Harry Byrd (left), chairman of the Senate Finance Committee, took the case of the ban on owning gold certificates to Secretary of the Treasury C. Douglas Dillon (right), who quickly lifted it in favor of collectors in 1964. Wikipedia photos.

Treasury Removes Restrictions
on Untied States
Gold Certificates Issued before
1934

The Secretary of the Treasury today issued Regulations removing all restrictions on the acquisition or holding of gold certificates which were issued by the United States Government prior to January 30, 1934. The main effect of this action will be to permit collectors to hold this type of currency.

The restrictions which are being eliminated are considered no longer necessary or desirable. Under the laws enacted in 1934, these pre-1934 gold certificates are not redeemable in gold. They will, of course, continues to be exchangeable at face value for other currency of the United States.

Upon receiving this good news, Allen wrote to Greene on May 1st asking if the notes could be returned. They were mailed back to him on June 1st.

The formal amendments made to the gold regulations appear in Dillon (1964, p. 366-368), which can be viewed using this link.
https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1964.pdf

Sources Cited

Act of March 9, 1933, An act to provide relief in the existing national emergency in banking, and for other purposes: Public Law 73-1, 73d Congress, H.R.1491

Burns, Helen M. 1974, The American banking community and New Deal banking reforms, 1933-1935: Greenwood Press, Westport, CT, 203 p.

Dillon, Douglas, 1965, Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1964: U. S. Government Printing Office, 711 p.

Walker, Edward, Apr 11, 2005, Banker's efforts strike gold: Coin World, p. 102-103.